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

Smarter for Better

Smarter *for* Better

In a year of transformation, Kenya Power has steadfastly embraced the principle of "Smarter for Better," revolutionising Kenya's power grid through technological advancements and data analytics.

Our ongoing investments to modernise the grid , including automating the network and the adoption of smart metering technologies, is expected to significantly enhance quality, reliability and efficiency of our services.

The power of big data will be instrumental in shaping our decision-making processes, offering valuable insights that align with our mission and vision as we endeavour to provide excellent customer experience.

Furthermore, we recognise the importance of continuous learning and development for our teams. Our robust training programmes and knowledge-sharing platforms continue to empower our employees, and foster a culture of innovation and excellence towards transforming the Company into the leading utility in the region.

And thus, the "Smarter for Better" mantra encapsulates our commitment to positive change through intelligence and innovation. We are proud of our accomplishments over the last 100 years, and remain confident in our commitment to light up every corner of Kenya, power the economy and create a brighter future for all.

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DIRECTORS

Joy Brenda Masinde	- Chairman. Appointed on 16 December 2022
Vivienne Yeda	- Ceased to be Chairman on 16 December 2022
Dr. (Eng.) Joseph Siror	- Appointed on 2 May 2023 as Managing Director & CEO
Eng. Geoffrey Muli	- Ceased to be Ag. Managing Director on 2 May 2023
Prof. Njuguna Ndung'u, CBS	- Cabinet Secretary, National Treasury & Economic Planning- Appointed to the Cabinet on 27 September 2022
Hon. Amb.Ukur Yattani	- Cabinet Secretary, National Treasury & Economic Planning. Ceased to be a Director on 27 September 2022
Mr. Alex Wachira	- Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy Appointed to the Cabinet on 2 December 2022
Maj. Gen. (Rtd.) Dr. Gordon Kihalangwa	- Ceased to be a Director on 2 December 2022
Mr. Kairo Thuo	- Board Member
Dr. Duncan Ojwang	- Elected on 16 December 2022
Eng. Albert Mugo	- Elected on 16 December 2022
Logan Hambrick	- Elected on 16 December 2022
Veska Kangogo	- Elected on 16 December 2022
Sarah Mbwaya	- Appointed on 26 July 2022. Ceased to be a Director on 16 December 2022
Brig (Rtd) James M Gitiba	- Appointed on 26 July 2022. Ceased to be a Director on 16 December 2022
Justice (Rtd) Gitonga Ringera	- Appointed on 24 August 2022. Ceased to be a Director on 16 December 2022
Mr. Humphrey Muhu	- Alternate Director to Cabinet Secretary, National Treasury
Eng. Benson Mwakina	- Alternate to Principal Secretary, State Department of Energy

COMPANY SECRETARY

Imelda Bore
Certified Secretary (Kenya)
P.O. Box 30099 – 00100, Nairobi

REGISTERED OFFICE

Stima Plaza
Kolobot Road, Parklands
P.O. Box 30099 – 00100, Nairobi

BANKERS

Standard Chartered Bank Kenya Plc
Harambee Avenue
P.O. Box 20063- 00200, Nairobi

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

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

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

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

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

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

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

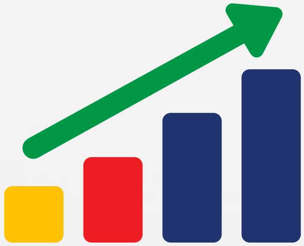
PRINCIPAL AUDITOR

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

PRINCIPAL LEGAL ADVISOR

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

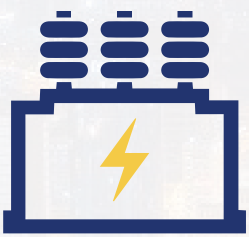
BUSINESS HIGHLIGHTS



GROWTH IN SALES
Electricity sales grew to
9,567 GWh from 9,163 GWh

INCREASED REVENUE
Basic electricity revenue grew from
157.35 Billion to 190.98 Billion

NEW CUSTOMERS CONNECTED
Number of customers grew to
9,212,754 (318,217 New Connections)



NEW TRANSFORMERS
13,161 new transfomers Installed

CUSTOMER SATISFACTION
Customer satisfaction Index grew to 73% from 72% the previous year

NETWORK EXPANSION
160,661 kilometres
Network growth in the last 10 years

ABBREVIATIONS AND ACRONYMS

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

Smarter for Better

Championing the e-cooking agenda

MISSION

Powering people for better lives by innovatively securing business sustainability.

VISION

Energy solutions provider of choice.

CORE VALUES

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

ABOUT THIS REPORT

This Kenya Power and Lighting Company Plc Annual Report and Financial Statements covers the period 1 July 2022 to 30 June 2023. The report will be considered for adoption by shareholders at the 102 Annual General Meeting to be held on 8 December 2023. The report was prepared under the guidance of the Board of Directors who are accountable for the accuracy and completeness of its contents.

Report guidelines

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

The development process of the contents was guided by applicable legal and regulatory requirements including the Companies Act 2015, International Financial Reporting Standards (IFRS), the Public Audit Act 2015, the Code of Corporate Governance for State Corporations (Mwongozo Code), the Capital Markets Act Cap.485A Laws of Kenya, and applicable regulations. These include the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, as well as global best practices.

Scope of the report

This report gives an overview of the Company's financial, operational, business sustainability, and governance performance for the year ended 30 June 2023. In addition, it articulates our corporate governance framework.

Material issues

Material issues are those that are likely to impact on our ability to achieve our goals and objectives and the sustainability of our business. This report contains potential key matters that were identified through a broad range of processes, ranging from engagement with our stakeholders to our own internal processes such as risk management and consideration of international trends. Material events up to the date of publishing this report have been incorporated.

Feedback

We appreciate your feedback on this report for improvement of our future reporting. Please forward your suggestions to integratedreport@kplc.co.ke.

"This report gives an overview of the Company's financial, operational, business sustainability, and governance performance for the year ended 30 June 2023"

BOARD OF DIRECTORS

Ms. Joy Brenda Masinde

Chairman of the Board of Directors

Ms. Joy Brenda Masinde (46 years) is an Advocate of the High Court of Kenya with 19 years standing. She is the Executive Director of the East Africa Centre for Law and Justice, EACLJ, a position she has held for the last ten years. Previously, Ms. Masinde was an Executive Director of The Christian Legal Education Aid and Research, CLEAR Kenya, which is the Legal Aid branch of the Kenya Christian Lawyers Fellowship.

Prior to joining the civil society, Ms. Masinde worked with the Kenyan Judiciary for six years starting as a District Magistrate, rising to the rank of Senior Resident Magistrate before her resignation from public service. She currently serves on several boards including the Evangelical Alliance of Kenya, the Kenya Students Christian Fellowship, and the Deliverance Church International Council.

Ms. Masinde is a member of the Law Society of Kenya, where she previously served as a Council Member of the Law Society of Kenya, Nairobi Branch. She is also a member of the Kenya Christian Professional Forum and the Kenya Christian Lawyers Fellowship. She holds a Bachelor of Laws degree from the University of Nairobi and is currently undertaking a Master of Arts degree in Leadership from the International Leadership University.

Dr. (Eng.) Joseph Siror

Managing Director & Chief Executive Officer

Dr. (Eng.) Joseph Siror (58 years) was appointed as the Managing Director & CEO of the Company on 2 May 2023. He holds a Doctor of Philosophy (PhD) degree in Engineering from Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), and a Master of Business Administration (MBA) degree and a Bachelor of Science in Electrical Engineering degree from the University of Nairobi. He also holds a Bachelor's degree in Law from the University of London, a pre-Kenya School of Law certificate from Riara University, and a Postgraduate Certificate in Applied Radiation Protection from the University of Nairobi.

Prior to his appointment, Dr. Siror was the General Manager in charge of Technical Services (System Operations and Power Management) at the Kenya Electricity Transmission Company (KETRACO). He has experience spanning over 30 years in diverse business portfolios ranging from telecommunications, income tax and customs, manufacturing, information communication and technology, and energy transmission.

He previously worked as a Director of Science, Technology Innovation and Communication at the National Economic and Social Council (NESC). He has also served as a Senior Assistant Commissioner at the Kenya Revenue Authority (KRA) and as an Executive Engineer and a Senior Systems Analyst at the Kenya Posts and Telecommunications Corporation and Firestone East Africa Limited respectively.

Dr. Siror is a member of the Institute of Electrical and Electronics Engineers (IEEE) and a licensed Professional Electrical Engineer with the Engineers Board of Kenya (EBK). He is also a Corporate Member of the Institute of Engineers in Kenya (IEK). Dr. Siror brings a wealth of experience, expertise, integrity, and energy to the Company.

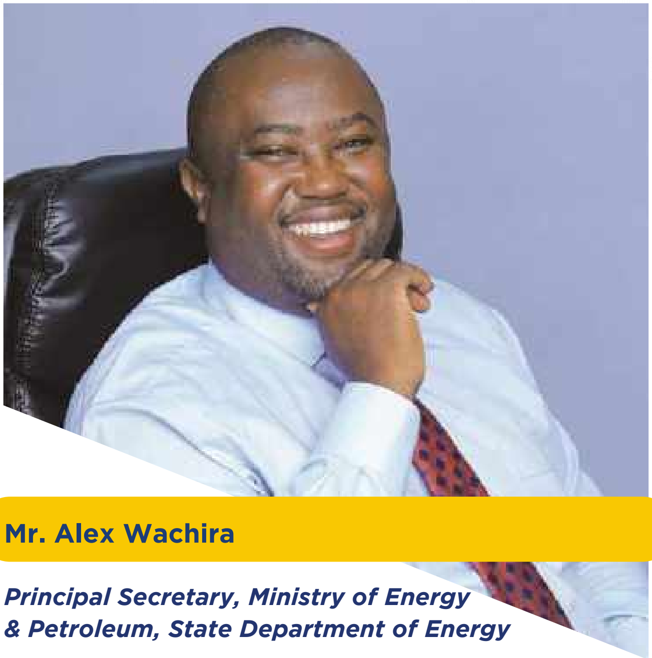
Prof. Njuguna Ndung'u

Cabinet Secretary, National Treasury & Economic Planning

Prof. Njuguna Ndung'u (63 years) is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed to the Cabinet in 27 September 2022. Prior to his appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC).

Prof. Ndung'u is an associate professor of economics at the University of Nairobi, and the immediate former Governor, Central Bank of Kenya. He has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Programme Specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis.

He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, and a senior advisor for the UNCDF-based Better Than Cash Alliance.



Mr. Alex Wachira

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

Mr. Alex Wachira (41 years) was appointed the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy in 2 December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University.

He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital Limited.

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

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BOARD OF DIRECTORS

Mr. Kairo Thuo

Board Member

Mr. Kairo Thuo (48 years) was elected to the Board on 13 November 2020. He is a lawyer and accountant by profession and holds a Bachelor of Laws (LLB Hons.) from the University of Nairobi and is a CPA-K and CPA-T. He is a consultant and founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited and was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte, and was the Director of the unit.

He has extensive experience in legal, finance, corporate structuring and strategy, and taxation. He is a Director of NCBA Bank, ICEA-Lion Life, ICEA-Lion General, and a member of The Capital Markets Authority Law Reform Panel and KEPSA Tax Reform Panel.

Dr. Duncan Ojwang

Board Member

Dr. Duncan Ojwang (44 years) is the Dean, Africa Nazarene University School of Law, a position he has held for the last 6 years. He has had over 10 years' experience teaching law at the University of Nairobi and Africa Nazarene University (Environmental Law, Law and Development, Human Rights and Constitution Law).

He served for two years as the legal adviser to the UN Special Rapporteur for Indigenous People and taught Indigenous Law and Policy in the University of Arizona (James Roger's College of Law). He is currently a member of the Africa Nazarene University Management Board and the American Bar Association as well as serving as the Chief Editor, Law Journal.

Dr. Ojwang holds a Bachelor of Arts degree in Psychology from the Indiana University, a Juris Doctor degree from Southern Illinois University School of Law, a Master of Laws (LL.M) in International Human Rights Law from Indiana University School of Law, and a Doctor of Philosophy (SJD) in Law and Policy, Human Rights with emphasis on Indigenous People Law from the University of Arizona James Rogers College of Law.

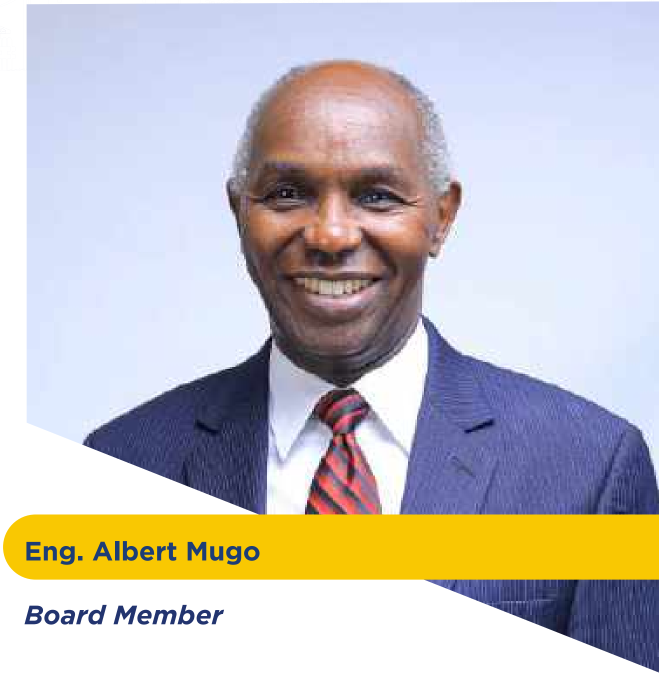
Ms. Logan Hambrick

Board Member

Logan Hambrick (43 years) is a graduate of the George Washington University Law School in Washington DC (JD with honors) and a graduate of Furman University in South Carolina (BA in Political Science, magna cum laude).

She has over 15 years' experience in written advocacy, field work, and investigations at international and regional tribunals; criminal justice and arbitrations; international humanitarian law, conflicts and elections in West and East Africa; gender policy; and start up and management of NGOs and business ventures in multi-cultural and fast-paced environments.

She has undergone training in corporate governance and labor law in Kenya and is knowledgeable about organizational change management programmes. She is also a proven entrepreneur in the healthcare industry and a skilled trainer in medico-legal ethics and service excellence.



Eng. Albert Mugo

Board Member

Eng. Mugo (66 years) has over 39 years of experience in the energy sector, including 10 years in operations and maintenance of power systems and over 20 years in planning and development of the generation and transmission of electricity supply. Eng. Mugo has worked in the energy sector for various entities including Kenya Pipeline Company, Kenya Power, and KenGen.

He served as Managing Director of KenGen from January 2014 until his retirement in August 2017 and previously held senior positions in KenGen from 2008. As the Director, Business Development and Strategy, he spearheaded several major projects including the 120 MW Kipevu III power plant in Mombasa and over 370 MW of geothermal capacity development in Olkaria between 2008 and 2013. Previously, he worked at the Kenya Pipeline Company and for 28 years in Kenya Power and Lighting Company, where he rose to the position of Chief Engineer in Corporate Planning and later became the Manager, Power System Development. Eng. Mugo was a Board member of Rusumo Power Company, Rwanda from 2018 to 2022. He currently serves on the Boards of Stima Sacco and Africa 50.

Eng. Mugo holds a Bachelor of Science degree in Electrical Engineering and a Masters of Business Administration degree in Strategic Management from the University of Nairobi. He undertook an Advanced Management Programme in Strathmore and has trained in various management and leadership courses including The Effective Director, Corporate Governance, and Mwongozo Code of Conduct. He is a registered Engineer, member of Institution of Engineers of Kenya and Institute of Directors, Kenya.Eng. Mugo is a certified professional mediator and qualified Executive Coach. He has passion for leadership and governance as well as energy development.

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BOARD OF DIRECTORS

Ms. Veska Kangogo

Board Member

Veska Kangogo (48 Years) has over 20 years' working experience in various senior managerial positions with large organisations. She has served the County Government of Nairobi as a County Executive Committee Member, Vice Chairperson, and Board Member of the Nairobi City County Public Service Board and in senior management at the Local Authorities Provident Fund (LAPFUND). She has also worked with the Kenya Broadcasting Corporation (KBC).

She has a Bachelor of Education from Kenyatta University, Master of Business Administration (Strategic Management) from Kenya Methodist University, and is currently undertaking a PhD in Leadership and Governance at JKUAT. Veska is a Certified Public Secretary (CPS) K and the holder of a higher diploma in Human Resource Management. She has served as a board member at NSSF and Export Promotion Council.

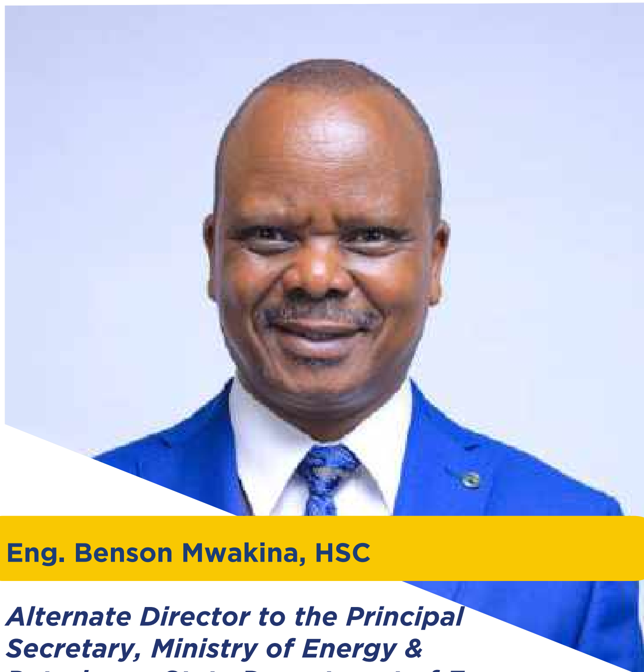
Mr. Humphrey Muhu

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

Humphrey Muhu (59 years) is the Alternate Director to the Cabinet Secretary, National Treasury and the Deputy Director, Investments. Mr. Muhu joined the Board on 25 June 2021 as Alternate Director to the Cabinet Secretary, the National Treasury.

He holds a Master of Arts in Economics from the University of Nairobi, a Bachelor of Science (Mathematics & Statistics) from Kenyatta University, and a Bachelor of Philosophy (Economics) and a Diploma in Financial Management from KCA University.

Mr. Muhu is an Economist with over 30 years' experience in various Government ministries and departments.



Eng. Benson Mwakina, HSC

Alternate Director to the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy

Eng. Benson Mwakina (56 years) joined the Board on 19 October 2021 as an Alternate Director to the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy.

He is the Director of Renewable Energy at the Ministry of Energy and heads the Alternative Energy Technologies Department. He holds a Master of Energy & Technologies degree from Habin Bin Khalifa University in Qatar, an MBA (E) from JKUAT, and a BSc in Electrical & Electronics Engineering from the University of Nairobi.

He has worked with the Nairobi City Council as Chief Electrical Engineer, the Ministry of Nairobi Metropolitan Development as Principal Superintending Engineer, and the Ministry of Energy as Senior Principal Superintending Engineer. Eng. Mwakina is a registered Professional Engineer with the Engineer's Board of Kenya, a member of the Institution of Engineers of Kenya, and a corporate member of the Association of Energy Professionals of East Africa.

Ms. Imelda Bore

General Manager, Legal Services, Regulatory Affairs & Company Secretary

Imelda Bore is the Secretary to the Board of Directors. Imelda was appointed in July 2018 in an acting capacity and was confirmed in December 2019.

She holds a Master of Laws (Public Finance) from the University of Nairobi, a Bachelor of Laws from Moi University, a Diploma in Law from the Kenya School of Law, and a Higher Diploma in Human Resource Management. She is an Advocate of the High Court of Kenya with over 15 years' post-admission experience and is a Commissioner for Oaths and a Notary Public.

Imelda joined Kenya Power in November 2008 having previously worked at the State Law Office as a Litigation Counsel. She is an active member of the Law Society of Kenya, a Certified Secretary CPS (K), and an associate member of the Chartered Institute of Arbitrators.

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EXECUTIVE MANAGEMENT

Dr. (Eng.) Joseph Siror

B.Sc (Elec. Eng.), LL.B, MBA, PhD, R. Eng., MIEK, MIEEE
Managing Director & CEO

Eng. Aggrey Machasio

B.Sc (Elec. Tech.), R. Eng., MIEK, MIEEE
General Manager, Business Strategy

Eng. Geoffrey Muli

B.Sc (Elec. Eng.), MBA, R. Eng., MIEK
General Manager, Regional Coordination

Eng. Charles Mwaura

B.Sc (Elec. Eng.), MBA, Reg. Eng., MIEK
General Manager, Network Management

Imelda Bore

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

General Manager, Legal, Regulatory Affairs & Company Secretary

Eng. Rosemary Oduor

BTech. (Elec & Comms.) MBA, R.Eng. MIEK

General Manager, Commercial Services & Sales

Eng. Kennedy Owino

B.Sc (Elec. Eng.), M.Sc (Info.Syst), R. Eng., MIEK

Ag. General Manager, Infrastructure Development

Robert Mugo

B.Sc (Elec. Eng), MBA, AMP

General Manager, ICT

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EXECUTIVE MANAGEMENT

Dr. Jeremiah Kiplagat

B.Sc (Appropriate Tech.), MSc. (Tech.), PhD (Engineering), MET
Director, Institute of Energy Studies & Research

Dr. John Ngeno

B.Com, M.Sc Procurement, PhD Business Management
General Manager, Supply Chain & Logistics

John Ihuthia

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

Charles Cheruiyot

B.Com (Accounting), MBA, CIA (US), CPA (K)
General Manager, Internal Audit

Cecilia Kalungu-Uvyu

B.Sc, MBA, MCIPD
General Manager, Human Resource & Administration

CPA Stephen Vikiru

B.Com (Finance), MBA, CPA (K)
General Manager, Finance

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STATEMENT FROM THE CHAIRMAN

21%

Growth in revenue from electricity sales

From KSh. 157.35 billion to KSh. 190.98 billion

> I am convinced that Kenya Power's future is bright and our business will remain profitable and sustainable.

Esteemed Shareholders,

It is my distinct honour and privilege to present the Company's financial report for the year ended 30th June 2023, the first since my appointment as Chairman of the Board.

During the year under review, the Board was reconstituted, with five of the current Directors appointed to the Board 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 1,373 employees, from short-term contracts to five-year contracts, with improvement on their terms of employment. The Board also facilitated employment of 389 technicians and craftsmen to reinforce the Company's field operations.

The Board built on the work done by previous Boards and the Management towards review of the electricity retail tariff to make it more cost-reflective for sustainability of the business. In this regard, a new retail tariff was implemented during the last quarter of the financial year under review.

The Board undertook a review of the Company's operations, developing strategic interventions to address prevailing business constraints and define a roadmap to drive sustainable growth. The Board has provided oversight, to ensure prudent management of resources, enhance efficiency, and improve employee productivity for better service delivery, improved customer experience, and business performance.

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

One persistent challenge was the acute unavailability of critical materials necessary to undertake connectivity and system expansion projects. Despite this, we connected 318,217 new customers to the grid during the period. This raised the total number of customers to 9.2 Million as at the end of June 2023. Our accelerated procurement and connectivity drive will see the backlog of 320,000 customers awaiting connection furnished with new meters and connected by the end of this calendar year.

Due to prudent cost management measures and improved efficiency, operating costs reduced by KSh.2.08 billion from KSh.36.99 billion to KSh.34.91 billion.

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 KSh.157.35 Billion to KSh.190.98 Billion.

This growth had a corresponding 5.2% increase in energy purchased, from 11,815GWh units purchased to 12,425GWh. Power purchase costs therefore rose from KSh.117.35 Billion to KSh.143.58 Billion, mainly due to unrealised foreign exchange losses.

The unrealised foreign exchange losses on power purchase increased from KSh.1.12 Billion in the previous financial year to KSh.5.32 Billion, as a 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 KSh.17.15 Billion posted the previous year to KSh.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 KSh.12.76 Billion to KSh.24.15 Billion, mainly driven by the depreciation of the Kenyan Shilling against major international currencies.

During the period, the Kenyan Shilling depreciated by 19% from KSh. 118 per USD in June 2022 to KSh.140 per USD in June 2023.

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

Dividend

Given the Company's financial performance for the year, the Board does not recommend payment of dividends for ordinary shares for the year ended 30 June 2023.

Five - Year Corporate Strategy

The Company has developed a new Strategic Plan for the period 2023/24 – 2027/28, aimed at transforming Kenya Power to one of the best performing utilities in Africa. Our strategy focuses on six key business priority areas: reducing system losses by identifying and fixing the areas where we are losing energy; investing in the network to ensure it remains resilient, reliable, and poised to meet the evolving needs of our customers; growing electricity sales, financial management; and enhancing operational efficiency in our business processes.

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. Recognising that financial management is pivotal to our business, we are sustaining financial prudence as we scale up our revenue collection initiatives to improve our financial position. Further, we are re-engineering our business processes and ensuring that every employee is optimally engaged to enhance operational efficiency and provide excellent service to our customers.

Improving Our Financial Position

The new Strategic Plan under implementation outlines clear strategic initiatives to restore the business to sustainable profitability, and to ensure that it remains financially stable. The strategy prioritises areas of focus that will yield immediate gains, as well as future-proof the Company. These include intensified sales growth, loss reduction, and revenue collection initiatives in the short term.

> **Revenue growth had 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 KSh.117.35 Billion to KSh.143.58 Billion**

The long-term plan is to stay ahead of the business curve in electric mobility, fiber business, and more affordable renewable energy consumption.

To jump-start these gains, the Board is restructuring the Company's balance sheet. This entails 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.

Changes in the Board and Governance Structures

During the last AGM held on 16 December 2022, I was elected to serve in the Board of Directors alongside Eng. Albert Mugo, Ms. Logan Hambrick, Ms. Veska Kangogo and Dr. Duncan Ojwang'.

On behalf of the Board, I wish to thank the previous Directors who served in the Board during the year under review, namely: Ms. Vivienne Yeda, Eng. Sarah Mbwaya, Justice (Rtd) Aaron Ringera, Mr. Yida Kemoli, and Brig (Rtd) James Gitiba. They left a strong foundation which we have been able to build on and keep the Company' on a trajectory towards sustainable profitability.

In May 2023, the Board appointed a substantive Managing Director & CEO, Dr. (Eng.) Joseph Siror, following a competitive recruitment process. The Board appreciates Eng. Geoffrey Muli, who served the Company as the Acting Managing Director during the year under review.

In line with good governance practice, we are reconstituting the Board to fairly reflect the Company's shareholding structure. Esteemed Shareholders, I wish to thank you for your participation during the recent Extraordinary General Meeting where you approved amendments to the Memorandum and Articles of Association, to change how Directors are brought in to serve on the Board. This will enhance representation in the Board to accommodate the interests of all shareholders.

During this Annual General Meeting, Shareholders are requested to approve the amendment of the Company's Memorandum and Articles of Association, to align with the new Board structure, and also to make it current with the Companies Act and other relevant laws.

Business Sustainability

Kenya Power recognises the need to responsibly conduct business in a manner that does not deplete or exploit resources untenably, whether human or natural. This allows for sustainable economic activity in the future. The Company has over the years embedded sustainability practices, by developing a sustainability policy which espouses a consistent approach that promotes environmental stewardship, social responsibility, good governance and economic resilience while undertaking the Company's operations.

Conclusion

The Board is committed to transforming Kenya Power into a 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.

May I take this opportunity to thank our shareholders, customers, the Government and development partners for your continued support and patronage. To our employees, the Company's Management and my fellow Directors: thank you for your hard work and resilience in this challenging business environment. I wish you all a blessed Christmas and a Prosperous 2024.

Ms. Joy Brenda Masinde
Chairman, Board of Directors

Smarter for Better

TAARIFA YA MWENYEKITI

Mapato kutokana na mauzo ya umeme yalipanda kwa

21%

Kutoka KSh. 157.35 bilioni hadi KSh.190.98 bilioni

> "Kenya Power inatambua umuhimu wa kuendesha biashara kwa uwajibikaji kwa njia isiyosababisha uhaba au utumiaji mbaya wa rasilimali, iwe ni za kibinadamu au za asili."

Wenyehisa wetu wapendwa,

Ni heshima kubwa na fahari ya kipekee kuwasilisha ripoti ya kifedha ya Kampuni kwa mwaka wa fedha uliomalizika Juni 30, 2023. Wanachama watano wa sasa wa Bodi ya Wakurugenzi waliteuliwa katika nusu ya pili ya mwaka wa fedha.

Baada ya kuchukua usukani, Bodi ilianzisha juhudi za kushughulikia masuala yaliyohitaji kipaumbele cha haraka.

Jambo la kwanza lilikuwa ni uteuzi wa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, ambao tulifanya mnamo Mei 2023. Kwa lengo la kuboresha usawa na uzalishaji wa wafanyakazi, Bodi iliidhinisha kuhamisha mikataba ya wafanyakazi 1,373 kutoka mikataba ya muda mfupi kuwa mikataba ya miaka mitano na kuboresha masharti yao ya ajira. Bodi pia iliwezesha ajira ya mafundi 389 ili kuimarisha operesheni za kampuni nyanjani.

Bodi ilijenga kwenye ufanisi wa Bodi za awali pamoja na Usimamizi na hatimaye kupokea idhini ya viwango vipya vya manunuzi ya umeme, na hivyo kufanya gharama kuhimilika. Viwango vipya vya manunuzi ya umeme, ambavyo vilitekelezwa katika robo ya mwisho ya mwaka wa fedha unaofanyiwa tathmini, ni muhimu kwa kudumisha biashara.

Bodi ilifanya mageuzi ya operesheni za Kampuni, ikaunda mikakati ya kuingilia kati ili kushughulikia vikwazo vya biashara vinavyojitokeza na kufafanua mpango wa kuelekea ukuaji endelevu. Bodi ilitoa uangalizi, ili kuhakikisha tunatumia rasilimali kwa busara, kuboresha ufanisi, na kuongeza uzalishaji wa wafanyakazi kwa lengo la kutoa huduma bora, kuboresha huduma kwa wateja, na utendaji wa biashara.

Kutokana na hatua za kudhibiti gharama kwa busara na kuboresha ufanisi, gharama za uendeshaji zilipungua kwa KSh.2.08 bilioni kutoka KSh.36.99 bilioni hadi KSh.34.91 bilioni. Kwa upande mwingine, akiba kwa deni la umeme na madeni mengine ya kupokea iliongezeka kwa KSh.3.2 bilioni hasa kutokana na ongezeko la madeni ya wateja ambayo hayakulipwa wakati wa mwaka tunaotathmini.

Mojawapo ya changamoto kubwa ilikuwa ukosefu wa vifaa muhimu vinavyohitajika kutekeleza miradi ya kuongeza uunganishaji na upanuzi wa mtandao. Licha ya changamoto zote, tuliuunganisha umeme kwa wateja wapya 318,217 katika kipindi hicho. Hii iliongeza jumla ya wateja kufikia 9.2 milioni mwishoni mwa Juni 2023.

Kutokana na hatua za kudhibiti gharama kwa busara na kuboresha ufanisi, gharama za uendeshaji zilipungua kwa KSh.2.08 bilioni kutoka KSh.36.99 bilioni hadi KSh.34.91 bilioni.

Tulikuwa na idadi kubwa ya wateja waliokuwa wanasubiri kuunganishwa, na ununuzi wetu wa haraka utawezesha wateja 320,000 zaidi kupata mita mpya na kuunganishwa ifikapo mwisho wa mwaka wa kalenda hii. Kuongezeka kwa idadi ya wateja kulimaanisha ongezeko la asilimia 4.4 katika mauzo ya umeme kutoka GWh 9,163 mwaka uliopita hadi GWh 9,567. Kwa hivyo, mapato kutokana na mauzo ya umeme yalipanda kwa asilimia 21 kutoka KSh.157.35 bilioni hadi KSh.190.98 bilioni.

Ukuaji huu ukiandamana na ununuzi wa umeme, ulipanda kutoka vipimo 11,815GWh kununuliwa hadi vipimo 12,425GWh, ongezeko la asilimia 5.2 Gharama za ununuzi wa umeme ziliongezeka kutoka KSh.117.35 bilioni hadi KSh.143.58 bilioni, hasa kutokana na hasara za ubadilishanaji wa sarafu za kigeni zisizotekelezwa.

Hasara za ubadilishanaji wa sarafu za kigeni zisizotekelezwa kwenye ununuzi wa umeme ziliongezeka kutoka KSh.1.12 bilioni mwaka wa kifedha uliopita hadi KSh.5.32 bilioni, matokeo ya kupungua kwa thamani ya shilingi ya Kenya dhidi ya Dola ya Marekani na Euro, sarafu ambazo mikataba mingi ya ununuzi wa umeme imejikita.

Licha ya ongezeko la gharama za ununuzi wa umeme, Kampuni ilirekodi ukuaji wa faida ya uendeshaji ya asilimia 12, kutoka KSh.17.15 bilioni iliyochapishwa mwaka uliopita hadi KSh.19.21 bilioni, ikiongozwa na mauzo na mapato yaliyoboreshwa.

Ufanisi mzuri ulioelezwa hapo juu ulighubikwa na gharama kubwa zaidi za kifedha ambazo ziliongezeka kwa kiasi kikubwa cha asilimia 89, kutoka KSh.12.76 bilioni hadi KSh.24.15 bilioni, hasa kutokana na kupungua kwa thamani ya shilingi ya Kenya dhidi ya sarafu kuu za kimataifa.

Katika kipindi hicho, shilingi ya Kenya ilipungua thamani kwa asilimia 19, kutoka KSh. 118 kwa USD mnamo Juni 2022 hadi KSh.140 kwa USD mnamo Juni 2023.

Athari ya mabadiliko ya thamani ya sarafu kama ilivyoonekana katika gharama za fedha na gharama za ununuzi wa umeme, ilisababisha hasara ya mtaji ya KSh.3.2 bilioni.

Mgao wa faida

Kutokana na hali ya biashara na matokeo ya kifedha ya Kampuni mwaka uliomalizika, Bodi haipendekezi malipo ya mgao wa faida kwa hisa za kawaida kwa mwaka uliomazika Juni 30, 2023.

Mkakati wa miaka mitano wa Kampuni

Kampuni imeandaa Mpango Mkakati Mpya kwa 2023/24 - 2027/28, ukiwa na lengo la kubadilisha Kenya Power kuwa moja ya makampuni bora zaidi katika utendaji barani Afrika.

Mpango Mkakati wetu unazingatia vipaumbele muhimu vya biashara kama vile: kupunguza upotevu wa nishati kwa kutambua na kurekebisha maeneo ambayo tunapoteza nishati, kuwekeza kwenye mtandao ili kuhakikisha unabaki imara, wa kuaminika, na tayari kukidhi mahitaji yanayobadilika ya wateja wetu.

Ili kuongeza mauzo, lengo letu ni kuendeleza sehemu za biashara zinazotoa mapato makubwa zaidi kwa kuharakisha uunganishaji wa wateja tunapojenga matumizi kutoka kwa wale waliopo.

Tukiwa tunatambua kwamba usimamizi wa kifedha ni muhimu kwa biashara yetu, tunazidi kudumisha utimilifu wa kifedha hata tunapojenga jitihada za kukusanya mapato ili kuboresha hali yetu ya kifedha.

Licha ya ongezeko la gharama za ununuzi wa umeme, Kampuni ilirekodi ukuaji wa faida ya uendeshaji ya asilimia 12, kutoka KSh.17.15 bilioni iliyochapishwa mwaka uliopita hadi KSh.19.21 bilioni, ikiongozwa na mauzo na mapato yaliyoboreshwa.

Zaidi ya hayo, tunarekebisha tena michakato ya biashara na kuhakikisha kila mfanyakazi anashirikishwa kikamilifu ili kuboresha ufanisi wa uendeshaji na kutoa huduma bora kwa wateja wetu.

Kuimarisha hali yetu ya kifedha

Kampuni imezindua Mpango Mkakati Mpya, 2023 - 2028, ambao kwa sasa unatekelezwa. Mpango huo unaainisha jitihada maalumu za kurudisha biashara kwenye faida endelevu, na kuhakikisha inabaki imara kifedha. Mkakati unaweka kipaumbele katika maeneo ya kuzingatia ambayo yataleta faida za haraka, na pia kuifanya kampuni kuwa thabiti kwa siku zijazo. Haya ni pamoja na kuongeza ukuaji wa mauzo, kupunguza upotevu, na jitihada za kukusanya mapato kwa muda mfupi. Kwa siku zijazo, ni kubaki mbele katika biashara ya umeme, biashara yafaiba na uzalishaji na matumizi nafuu zaidi wa nishati mbadala.

Kwa kuanza kuchuma faida hizi, Bodi inarekebisha taarifa ya mapato ya kampuni. Hii inahusisha uhamisho wa kibiashara wa sehemu ya vifaa vya usafirishaji umeme kwa Kampuni ya KETRACO kwa thamani sawa na soko, ambayo itasafishwa kutoka kwa jumla ya mikopo ya kigeni ya Kampuni.

Mara itakapotekelezwa, urekebishaji wa taarifa utapunguza kwa kiasi kikubwa hatari ya kampuni kwenye ubadilishanaji wa sarafu za kigeni na kupunguza shinikizo la mtiririko wa fedha kwa muda mfupi.

Mabadiliko katika muundo wa uongozi na wa usimamizi wa Bodi

Katika Mkutano Mkuu wa Mwaka uliofanyika Desemba 16, 2022, nilichaguliwa kuwa mwanachama wa Bodi ya Wakurugenzi pamoja na Mhandisi Albert Mugo, Bi. Logan Hambrick, Bi. Veska Kangogo, na Dkt. Duncan Ojwang'.

Kwa niaba ya Bodi, nataka kuwashukuru Wakurugenzi wa awali waliohudumu katika Bodi wakati wa mwaka tunaoangazia, yaani: Bi. Vivienne Yeda, Mhandisi Sarah Mbwaya, Jaji (Mstaafu) Aaron Ringera, Bw. Yida Kemoli, na Kanali Mstaafu James Gitiba. Walijenga msingi imara ambao tumeweza kujenga juu yake ili kuendelea na mkondo wa Kampuni kuelekea kwenye faida endelevu.

Mnamo Mei 2023, Bodi ilimteua Dkt. (Mhandisi) Joseph Siror kuwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, baada ya mchakato wa ushindani wa uajiri. Bodi inamuenzi Mhandisi Geoffrey Muli, ambaye alihudumu katika Kampuni kama Mkurugenzi Mkuu wa muda wakati wa mwaka tunaoangazia.

Kwa kuzingatia mazoea mazuri ya usimamizi bora, tunarekebisha upya Bodi ili kuakisi kwa haki muundo wa umiliki wa Kampuni. Wanahisa Wapendwa, asanteni kwa ushiriki wenu wakati wa Mkutano Mkuu Maalum uliopita ambapo mliafikiana na marekebisho kwenye Hati na Katiba ya Kampuni, ili kubadilisha jinsi Wakurugenzi wanavyoletwa kutumikia katika Bodi. Hii itaboresha uwakilishi katika Bodi ili kujumuisha maslahi ya wanahisa wote.

Katika Mkutano Mkuu wa Mwaka huu, Wanahisa wanatakiwa kupitisha marekebisho ya Hati ya Kampuni na Katiba, ili kufungamana na muundo mpya wa Bodi, pamoja na kuwa na maelezo ya kisheria yanayozingatia Sheria ya Makampuni na sheria nyingine zinazohusiana.

Uendelevu wa Biashara

Kenya Power inatambua umuhimu wa kuendesha biashara kwa uwajibikaji kwa njia isiyosababisha uhaba au utumiaji mbaya wa rasilimali, iwe ni za kibinadamu au za asili. Hii inainua shughuli za kiuchumi endelevu katika siku zijazo.

Kampuni imekumbatia mazoea ya uendelevu kwa miaka mingi, kwa kukuza sera ya uendelevu inayopendelea njia thabiti inayopigania utunzaji wa mazingira, uwajibikaji kijamii, utawala bora na uthabiti wa kiuchumi wakati wa kutekeleza shughuli za Kampuni.

Hitimisho

Bodi inajitolea kubadilisha Kenya Power kuwa kampuni ya umma ya siku zijazo, kwa lengo la kufuatilia ustawi wa kiendeshaji, kuboresha matokeo ya kifedha, na kuboresha uzoefu wa wateja kama ilivyoelezwa katika Mpango Mkakati wetu. Nina hakika kwamba, mustakabali wa Kenya Power ni mzuri na biashara yetu itaendelea kuwa yenye faida na endelevu.

Nitumie fursa hii kuwashukuru wanahisa wetu, wateja, Serikali, washirika wa maendeleo kwa msaada na uungaji mkono wenu wa siku zote. Kwa wafanyakazi wetu, uongozi wa Kampuni, na wenzangu katika Bodi, asanteni kwa kazi ngumu na uvumilivu wenu katika mazingira haya yenye mabadiliko makubwa. Nawatakia wote heri ya Sikukuu ya Krismasi na mwaka mpya wa 2024 wenye mafanikio.

Joy Brenda Masinde
Mwenyekiti, Bodi ya Wakurugenzi

Smarter for Better

STATEMENT FROM THE MANAGING DIRECTOR & CEO

Rise in unit sales

To 9,567 GWh from 9,163 GWh

4.4% rise

Cashflow improved

To KSh. 32,652 Million from KSh. 28,553 Million

> "I am confident that our Company will continue to thrive and our goal to build a world-class power supply business is attainable."

Dear Shareholders,

Kenya Power's growth journey mirrors our nation's unyielding determination and enduring progress. With over 300,000 kilometers of grid circuit powering 9.2 Million customers, and lighting up the lives of 75% of our fellow citizens, the Company has been a beacon of development since the pre-independence period. From Garissa to Malaba, Mandera to Lamu, Lodwar to Lunga Lunga, our footprint spans the entire nation, illuminating Kenya's path to greatness.

In this journey, the Company has evolved from a vertically integrated entity to a more focused electricity distribution and retail utility. Today, Kenya Power operates in an increasingly dynamic business landscape across the value chain, characterised by changing market conditions, emerging technologies, and evolving customer preferences and competitive forces.

I am therefore acutely aware of our need to introspect, self-evaluate, and re-engineer the business towards transforming it into a strong and efficient utility that will continue to serve our customers and the country for generations to come.

As we reflect on our performance as highlighted in this report, it is an opportunity to build on our successes and turn our challenges into prospects. Among the key challenges that the Company is addressing today are: system losses arising from grid constraints and electricity theft; power supply reliability due to under-investments; and unmet customer expectations.

In addition, our business operations have been hampered by protracted shortages of critical materials due to disruptions affecting the supply chain processes as well as high volatility in the global markets.

Despite these challenges, the Company sustained growth in electricity sales which rose to 9,567 GWh in the period under review from 9,163 GWh the previous year. This rise in unit sales was mainly driven by a 5.9% expansion in consumption within the commercial and industrial customer segments, attributable to improved business activities. The improved sales trajectory together with the tariff adjustment resulted in a 21% growth in electricity revenue during the year.

During the period under review, the Company sustained growth in electricity sales which rose to 9,567 GWh from 9,163 GWh. This rise in unit sales was mainly driven by a 5.9% expansion in consumption within the commercial and industrial customer segments, attributable to improved business activities.

Financial Highlights

Despite the growth in sales, the Company reported a loss before tax amounting to KSh. 4,434 Million, compared to a profit before tax of KSh. 4,784 Million, achieved the previous year. The loss was mainly attributed to a substantial 89% increase in finance costs, which rose from KSh. 12,760 Million the previous year to KSh. 24,154 Million. Notably, the unrealised foreign exchange losses rose steeply from KSh. 6,577 Million to KSh. 16,868 Million due to the depreciation of the Kenyan shilling against major global currencies during the period.

In addition, the expected credit losses rose by KSh. 3,203 Million due to increased customer debt levels attributable to the tough economic conditions. This negatively affected the gains realised through increased sales and cost management.

The Company's working capital position improved from negative KSh. 56,535 Million the previous year to negative KSh. 51,234 Million in the year under review. At the same time, cash flows generated from operations increased to KSh. 32,652 Million from KSh. 28,553 Million the previous year.

Addressing Business Constraints

The Company is scaling up grid investments covering network refurbishments, preventive maintenance, and system automation and expansion to increase capacity and improve power supply reliability.

In the year under review, we completed network improvement projects valued at KSh. 11 Billion. This year, the Company has scaled up the budget for network improvement to KSh. 19.7 Billion.

In the year under review, we completed network improvement projects valued at Ksh. 11 Billion. This year, the Company has scaled up the budget for network improvement to Ksh. 19.7 Billion.

Additionally, the Company is pursuing speedy resolution of disputes arising from procurement of materials to ensure that all critical materials including meters and transformers are available. At the same time, we are deploying other effective strategies such as adoption of framework contracts for steady flow of materials, and increased outsourcing of works through Engineer Procure and Construct (EPC) contracts to expedite implementation of projects.

Emerging Growth Opportunities

Shareholders, as we move forward, we are confident that our Company will continue to thrive and our goal to build a world-class power supply business is attainable. We see immense opportunities to grow electricity sales through widespread adoption of electric mobility and electric cooking.

This aligns with the global trends on energy transition and counters the high impacts from escalating prices of crude oil products. The recently approved e-mobility electricity retail tariff, which was initiated by the Company, is expected to spur the adoption of electric vehicles in Kenya. Moreover, the anticipated lowering of taxes on imported electric vehicles will further catalyse the uptake of the electric vehicles and increase utilisation of our largely green energy.

As we hone our strategies to seize the emerging opportunities, I call upon my team to give their all; to make a difference everyday by serving our valued customers with distinction. It is time to break away from the past and channel our resources towards improving services, selling more energy, and enhancing customer satisfaction.

Appreciation

I am encouraged by the remarkable support from our staff and other stakeholders, and the great leadership provided by Board as we improve our services and business performance. Thank you all for this; together, we are writing the next chapter of our legacy.

In the pages that follow, you will find a comprehensive overview of our achievements, challenges, and strategic initiatives. As we present these insights, we do so with transparency and an unwavering commitment to excellence.

Dr. (Eng.) Joseph Siror
Managing Director and CEO

UJUMBE KUTOKA KWA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI

Ukuaji katika mauzo ya umeme

Kutoka 9,567 GWh hadi 9,163 GWh

4.4%

Mapato ya pesa

Ilifikia KSh. 32,652 Millioni kutoka KSh. 28,553 Millioni

> "Nina imani kwamba Kampuni yetu itaendelea kufanikiwa na lengo letu la kujenga biashara ya usambazaji wa umeme wa kiwango cha kimataifa linaweza kufikiwa"

Wenyehisa Wapendwa,

Safari ya ufanisi wa Kenya Power inalingana na azimio lisiloyumba na maendeleo katika taifa letu. Ikiwa na zaidi ya kilomita 300,000 za mzunguko wa gridi, imeweza kuwasambazia umeme wateja milioni 9.3, na kuwapa mwangaza maisha ya asilimia 75 ya wananchi. Kampuni imekuwa ni chanzo cha maendeleo tangu enzi kabla ya uhuru. Kutoka Garissa hadi Malaba, Mandera hadi Lamu, Lodwar hadi LungaLunga, nyayo zetu zinaenea katika taifa lote, tukiangaza njia ya Kenya kuelekea ukuu.

Katika safari hii ya ukuaji, Kampuni imejibadilisha kutoka kuwa kampuni iliyoshikamanisha kila hatua ya uzalishaji hadi kuwa kampuni inayojikita zaidi katika usambazaji wa umeme na huduma za rejareja. Kwa sasa, Kampuni inafanya kazi katika mazingira ya biashara yanayozidi kuwa na changamoto katika mlolongo wa thamani, kama vile mabadiliko ya hali ya soko, teknolojia mpya, mabadiliko ya matakwa ya wateja, na nguvu za ushindani zinazoendelea kubadilika.

Ninatambua kwa kina, haja yetu ya kujitafakari, kujitathmini na kurekebisha biashara ili kuibadilisha kuwa kampuni imara na yenye ufanisi inayoendelea kuwahudumia wateja wetu nchi, na vizazi vijavyo.

Tunapotathmini utendaji wetu kama ulivyoelezwa kwenye ripoti hii, hii ni fursa ya kujenga juu ya mafanikio yetu na kugeuza changamoto zetu kuwa fursa. Miongoni mwa changamoto kuu ambazo Kampuni inashughulikia ni: upotevu wa nishati unaotokana na vikwazo kwenye gridi na wizi wa umeme; uaminifu wa usambazaji wa umeme kutokana na uwekezaji mdogo; na kutokidhi matarajio ya wateja.

Aidha, operesheni zetu za biashara zimekumbwa na uhaba wa muda mrefu wa vifaa muhimu kutokana na kuvurugika kwa mchakato wa ugavi pamoja na msukosuko mkubwa kwenye masoko ya kimataifa.

Hata hivyo, mwaka uliopita, Kampuni iliendelea kushuhudia ukuaji katika mauzo ya umeme ambayo yalipanda hadi GWh 9,567 kutoka GWh 9,163. Ongezeko hili katika vipimo vya mauzo lilichangiwa kwa kiasi kikubwa na ongezeko la asilimia 5.9 katika matumizi ndani ya sehemu za wateja wa biashara na viwanda, ambalo linaweza kutokana na shughuli bora za biashara.

Mkondo bora wa mauzo pamoja na marekebisho ya bei ya malipo ya umeme vilisababisha ukuaji wa asilimia 21 katika mapato ya umeme mwaka uliomalizika.

Kampuni iliendelea kushuhudia ukuaji katika mauzo ya umeme ambayo yalipanda hadi GWh 9,567 kutoka GWh 9,163. Ongezeko hili katika vipimo vya mauzo lilichangiwa kwa kiasi kikubwa na ongezeko la asilimia 5.9 katika matumizi ndani ya sehemu za wateja wa biashara na viwanda.

Katika mwaka tunaofanyia tathmini, tulikamilisha miradi ya kuboresha mtandao yenye thamani ya Ksh. 11 Bilioni. Mwaka huu, Kampuni imeongeza bajeti ya kuboresha mtandao hadi Ksh. 19.7 Bilioni.

Mukhtasari wa Maswala ya Fedha

Licha ya ukuaji katika mauzo, Kampuni iliripoti hasara kabla ya kodi ya KSh. 4,434 Milioni, ikilinganishwa na faida kabla ya kodi ya KSh. 4,784 Milioni, iliyofikiwa mwaka uliopita. Hasara hii ilitokana kwa kiasi kikubwa na ongezeko kubwa la gharama za fedha, ambazo zilipanda kutoka KSh. 12,760 Milioni mwaka uliopita hadi KSh. 24,154 Milioni. Haswa, hasara za ubadilishanaji wa sarafu za kigeni zisizotekelezwa ziliongezeka kutoka KSh. 6,577 Milioni hadi KSh. 16,868 Milioni kutokana na kupungua kwa thamani ya shilingi ya Kenya dhidi ya sarafu kuu za kimataifa katika kipindi hicho.

Aidha, hasara za mikopo zilizotarajiwa ziliongezeka kwa KSh. 3,203 Milioni kutokana na deni la wateja kuongezeka kutokana na hali ngumu ya kiuchumi. Hii ilikwamisha faida zilizopatikana kupitia ongezeko la mauzo na udhibiti wa gharama.

Nafasi ya mtaji wa kazi ya Kampuni iliboreshwa kutoka KSh. 56,535 Milioni hasi mwaka uliopita hadi KSh. 51,234 Milioni hasi mwaka uliomalizika. Wakati huo huo, mapato ya pesa kutokana na operesheni yaliongezeka hadi KSh. 32,652 Milioni kutoka KSh. 28,553 Milioni mwaka uliopita.

Kushughulikia Changamoto za Kibiashara

Kampuni inaongeza uwekezaji kwenye gridi kushirikisha ukarabati wa mtandao, matengenezo ya kuzuia, na mfumo wa kujiendesha na upanuzi ili kuongeza uwezo na kuboresha usambazaji wa umeme wa kutegemewa.

Katika mwaka tunaofanyia tathmini, tulikamilisha miradi ya kuboresha mtandao yenye thamani ya Ksh. 11 Bilioni. Mwaka huu, Kampuni imeongeza bajeti ya kuboresha mtandao hadi Ksh. 19.7 Bilioni.

Kwa kuongezea, Kampuni inafuatilia utatuzi wa haraka wa migogoro inayotokana na ununuzi wa vifaa ili kuhakikisha kwamba vifaa vyote muhimu ikiwa ni pamoja na mita na transfoma zinapatikana. Wakati huo huo, tunatumia mikakati mingine yenye ufanisi kama vile kuongeza matumizi ya mikataba ya mfumo ili kuhakikisha mtiririko wa mara kwa mara wa vifaa, na kuongeza uwekaji wa kazi kwa njia ya mikataba ya Kufanya kazi ya Uhandisi, Kununua, na Kujenga (EPC) ili kuendesha haraka utekelezaji wa miradi.

Fursa za Ukuaji Zinazoibuka

Wanahisa, tunaposonga mbele, tuna imani kwamba Kampuni yetu itaendelea kufanikiwa na lengo letu la kujenga biashara ya usambazaji wa umeme wa kiwango cha kimataifa linaweza kufikiwa. Tunaona fursa kubwa za kuongeza mauzo ya umeme kupitia matumizi makubwa ya usafiri kwa kutumia magari ya umeme na upikaji kwa umeme. Hii inalingana na mwelekeo wa kimataifa kuhusu mpito wa nishati na kupunguza athari kubwa kutokana na ongezeko la bei za bidhaa za mafuta ya petroli.

Kiwango cha malipo ya rejareja ya umeme kwa usafiri kilichoidhinishwa hivi majuzi, ambacho kilianzishwa na Kampuni, kinatarajiwa kuchochea matumizi ya magari ya umeme Kenya. Zaidi ya hayo, kupungua kwa kodi kwa magari ya umeme yanayoagizwa kutatarajiwa kuchochea zaidi upokeaji wa magari ya umeme na kuongeza matumizi ya nishati yetu kwa kiasi kikubwa.

Tunapoboresha mikakati yetu kunyakua fursa zinazoibuka, nahimiza kikosi changu kujitolea kazini; kufanya kila wawezalo kila siku kwa kuwahudumia wateja wetu wapendwa kwa ustadi. Ni wakati wa kujitenga na siku za nyuma na kutumia rasilimali zetu kuboresha huduma, kuuza nishati zaidi, na kuhakikisha wateja wanaridhika.

Shukrani

Nimependezwa na msaada mkubwa kutoka kwa Bodi yetu, wafanyakazi, na wadau wengine. Asanteni kwa uungaji mkono wenu wa daima; pamoja, tunaiandika sura inayofuata ya urithi wetu.

Kwenye kurasa zinazofuata, utapata maelezo kamili ya mafanikio yetu, changamoto, na hatua za kimkakati. Tunapowasilisha ufahamu huu, tunafanya hivyo kwa uwazi na kujitolea bila kusita kwa ubora.

Dkt. (Eng.) Joseph Siror
Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

KPLC, in its vision to be the '*Energy solution provider of choice'* has continued to be an effective partner in the National economic development agenda while at the same time strengthening its competitive edge for business sustainability.

Towards delivering on our strategic intent, there were eight (8) strategic objectives for the FY2022/23 namely: **Ensure Financial Sustainability**, **Improve Customer Experience**, **Enhance Stakeholder Engagement, Enhance Network Reliability and Efficiency, Improve Business Efficiency, Improve Performance Culture, Increase Business Innovation** and **Leverage on Technology.**

The extent to which the objectives were attained as at June 2023 is as tabulated in Table 1 below.

STRATEGIC OBJECTIVE	KPI	UNIT OF MEASURE	TARGET 2022/23	ACTUAL 2022/23	Variance	Strategic Initiative	Activities
Improve Financial Sustainability	Profit Before Tax	Kshs.(M)	**8,435**	**-4,434**	**12,869**	Implement cost management measures	Rationalization of capital expenditure to business critical areas
							Obtained an Extension of GoK Moratorium to June 2024.
							Engagement with GoK on receivables & RES reimbursements
	Return on Investment	Ratio	**0.02**	**-1.25**	**1.27**		Reduction of financing & operating costs as well as effective cash flow management
	Debt to EBITDA	Ratio	**10.00**	**7.23**	**2.77**	Implement measures towards compliance to financial covenants	Debt Restructure: Engagements with Financiers towards Paying-off most expensive debt in portfolio
							Enhanced Revenue Collection
							Timely Payment to Creditors
	Sales Growth	%	**8.00**	**4.40**	**3.60**	Grow sales and identified diversified revenues	Promotion of productive use of electricity by use of electric pressure cooker (EPC)

STRATEGIC OBJECTIVE	KPI	UNIT OF MEASURE	TARGET 2022/23	ACTUAL 2022/23	Variance	Strategic Initiative	Activities
Improve Customer Experience	Customer Charter Compliance	%	**70**	**58.3**	**-11.7**	Implement a 360 CRM Solution in all touch points to track customer delivery timelines	- Monthly tracking of RCCS (Requests, Complaints, Compliments, Suggestions) - Implementation of a 360 CRM tool to track customer interaction and communications - Implement Social media monitoring tools
	Customer Satisfaction Index	%	**75**	**73**	**-2**	Evaluate & Improve the 360 degrees Complaints Tracking System	- Quarterly tracking of the Customer Satisfaction Levels through: (a) Net Promoters score (b) Customer Effort Score - Implement Strategic Customer Engagement programmes
Enhance Stakeholder Engagement	Corporate Reputation Index	%	**60**	**61.3**	**1.3**	Implement Strategic Stakeholder Engagement program	-Tracking Corporate Reputation Index quarterly. -Held the Grid Conference (June 2023) - Supported the E-Mobility engagements with various stakeholders. -Clean Cooking engagements across the Country especially E-cooking. -Engaged in Tree Planting Programs
Improve Network Reliability & Efficiency	SAIFI	No.	**32**	**44.901**	**-12.901**	Enhance grid maintenance for improved reliability	Addressing Root causes of Transient Faults on Sub-transmission and Medium Voltage Lines; Establishment of Sub-transmission & Medium Voltage Links; System refurbishment programs across the Country.
	CAIDI	Hrs.	**2.7**	**2.238**	**0.462**		Optimization of human, financial and transport Resources.

STRATEGIC OBJECTIVE	KPI	UNIT OF MEASURE	TARGET 2022/23	ACTUAL 2022/23	Variance	Strategic Initiative	Activities
	System Losses	%	**20.93**	**23**	**-2.07**	Know and Reduce losses	Monthly analysis of feeder efficiency and consequent prioritizing of highest loss areas- technical and commercial losses
							Distribution Transformer Reinforcement for Overloaded Transformers; Transformer maintenance via "Okoa Transformer' initiative.
							Continual human resource provision by Recruitment/ Deployment of staff to fill vacancies.
Improve Business Efficiency	Collection Efficiency	%	**85**	**78.2**	**-6.8**	Maximize on Data analytics and Digitalization	Strengthened Debt Data Analytics and Commercial Services Quality Control Unit
							Intensification of Energy Purchase-consumption data analytics to the County level carried out.
							Digitalization of field revenue collection activities: In- house workforce management tools were developed, piloted and rolled out.
							Up scaled the use of current data diagnostics
							Perform reengineering of two key customer facing processes

STRATEGIC OBJECTIVE	KPI	UNIT OF MEASURE	TARGET 2022/23	ACTUAL 2022/23	Variance	Strategic Initiative	Activities
Improve Performance Culture	Board Contract Performance Score	Score	**300**	**339.96**	**-39.96**	Enhance performance monitoring & reporting.	Board Performance Contract Monitoring & Reporting – Quarterly to the Board.
							Embed the Balance Scorecard methodology for Executive Management Performance Contract and Targets for other Management Staff.
	Employee Satisfaction	%	**70**	**60**	**10**	Implement Measures to enhance & monitor Staff Satisfaction.	Implement recommendations of the previous Employee Satisfaction survey
							Employee Engagement survey carried out with an index of 60%.
Increase Business Innovations	Innovations Successfully Implemented	No.	**4**	**2**	**-2**	Implement Identified and viable innovations	Expression of Interests for the UAV Development and Commercial Cycle Optimization.
Leverage on Technology	Business Processes Digitized from End to End	No.	**3**	**0**	**-3**	Business Process automation for customer and vendor payments and procurement process.	End to end automation of the Customer Payments, Vendor Payments and Procurement Processes. This was placed on hold to pave way for entire IT System Architecture Review (entire ICT System Upgrade Project that is continuing to 2023/24.

318,217
New customers connected

9,212,754
Total customers database

13,161
Additional transformers

232%
Customer growth in the last 10 years

160,661 kilometres
Network growth in the last 10 years

HIGHLIGHTS OF BUSINESSS OPERATIONS

The following are the key highlights of the Company's operational performance touching on sales growth, power supply and reliability, and the medium-term strategic focus areas.

Sales Growth Strategy

Our plan for sales growth is anchored on increased consumption from existing and new customers, and improved network reliability and system efficiency.

Increased Sales from New Customers

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 realised through Company-driven electrification programmes complemented by contributions from the Last Mile Connectivity Project (LMCP), connectivity programmes spearheaded by the Rural Electrification and Renewable Energy Corporation (REREC), and Government-funded schemes.

A total of 245,638 customers were connected to the grid under the Company's programme with an additional 27,558 onboarded through REREC and Government-funded schemes. Further, the Company connected 9,726 customers under the Phase II LMCP and 35,295 customers in Phase III of the project. These raised the total customers connected under the LMCP Phases I, II, and III to 746,484 at a combined cost of KSh. 53.01 Billion. In addition, a total of 13,161 distribution transformers have been maximised under these phases over the project period.

To build on these gains, we have commenced implementation of Phase IV of the project targeting to connect 280,000 customers at a cost of KSh. 28 Billion. The project is financed by European Union, European Investment Bank, and French Development Agency.

The Company has also begun implementation of Phase V to connect approximately 11,000 customers in Nakuru, Nyandarua, Kilifi, and Kwale counties at a cost of KSh. 1.9 Billion financed by Japan International Corporation Agency.

New Metering Strategy

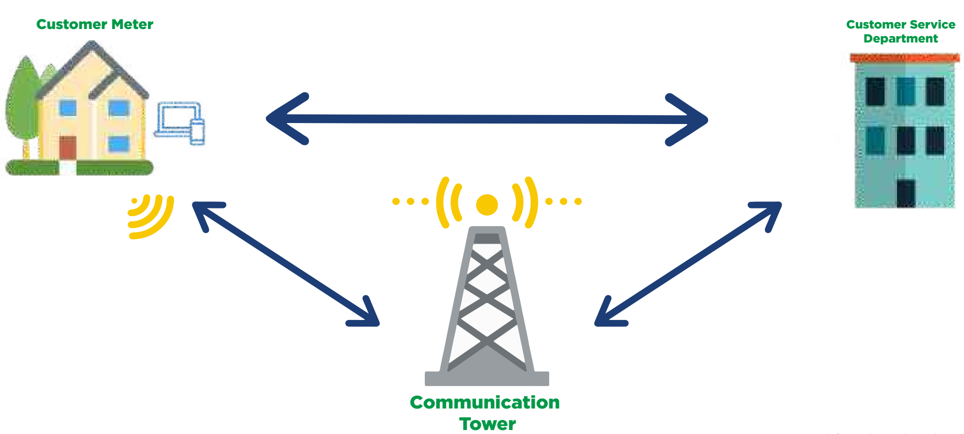
The electricity meter is the cash register and thus a critical component to the success of our business. As such, the integrity of our meters is crucial as it assures customers that they only pay for what they consume and enables the Company to account for sales. For this reason, the Company has developed a metering road map that lays out strategic initiatives and processes that will be followed to collectively address gaps identified in the metering value chain and support improvements needed in line with the changing operating, technological, and regulatory environments. The road map provides a holistic long-term view of the Company's metering landscape with a focus on revenue protection and assurance, and customer satisfaction.

To operationalise the metering roadmap, the Company recently commissioned an advanced Meter Data Management System which has improved the monitoring and analytic capabilities. The system has helped enforce restriction of unauthorised movement of meters and address the inability to track these movements using traditional manual methods.

The road map will be implemented in a phased manner beginning with the highest gain segments of the business. Salient points of the plan include smart metering of all large-power customers by December 2024, metering domestic and SME customers consuming above 200 units on Advanced Metering Infrastructure (AMI) within the next 3 years, and having all new connections under these categories on smart meters. In addition, customers in the informal settlements will be on bulk metering for onward retail by third parties, and all rural customers will be on the prepaid metering system and will be transitioned to smart metering in the long term. Further, existing postpaid meters in the rural areas will be retrofitted to prepaid meters over the next three years.

On the distribution side, transformers and feeders shall all be metered to support energy balancing under the ongoing alignment of customers to feeders. The implementation will be gradually staggered with a view to managing operational costs and meeting regulatory requirements.

Advanced Metering Infrastructure illustration and how it works



Loss Reduction Initiatives

System losses remain a challenge to the Company and are therefore among our strategic focus areas for improved business performance in the short term and beyond. Over the last 10 years, the customer base has grown by 232% to 9.21 Million. The network has also extended by 160,661 kilometres over the period. Despite the gains from the expansion, we experience electricity pilferage, and resource and network constraints that have contributed to the reduced system efficiency.

During the year, the Company focused several initiatives towards tackling commercial and technical losses: replacement of faulty meters; inspection and retrofitting in high-risk areas; reconfiguration and rehabilitation of the medium-voltage network to relieve heavily-loaded power lines; uprating of the 66kV Juja Road-Komarock line; and restoration of the vandalised 220kV high-transmission power line serving the Nairobi Central Business District.

Despite these loss reduction initiatives, system efficiency declined by 0.56% to 77.0% during the year. This is mainly attributed to increased electricity pilferage, transmission and distribution capacity limitations, and shortage of meters due to ongoing procurement related litigations which resulted in delays in procurement of meters.

In the current financial year, the Company is broadening the interventions to improve performance which include de-loading of transmission, sub-transmission, and distribution lines through commissioning of additional substations and alternative feeders. Projects earmarked for completion this year include 33/11kV substations at Kabianga, Moi's Bridge, and Kiamokama, and KETRACO's 220kV Isinya-Athi River power line.

Restoration works on the 220kV Kiambere–Embakasi line and KETRACO's 220kV Suswa-Loiyangalani line are expected to contribute to reduction of technical losses. In addition, the newly commissioned 132kV Olkaria-Narok line and the Narok substation by KETRACO will further support reduction of losses in the transmission system. It is estimated that these works will yield an annual loss reduction of approximately 0.5 percent.

Reliability of the Network

The Company has over the past five years experienced an increase in electricity demand in tandem with the country's economic growth, with the demand growing at an annual average of 5.06% in the last three years to 13,290GWh in the year under review.

The increase in demand without commensurate investment in the infrastructure has led to network constraints such as overloading, thus affecting reliability and quality of supply.

In this regard, the Company is implementing initiatives aimed at improving system flexibility and robustness, and enhancing capacity of the network to accommodate growing demand. These include network refurbishments, preventive maintenance, system automation, and network expansion.

During the year, the Company commissioned seven new substations enhancing the distribution network capacity by 260MVA.

These include 66/11kV substations in Umoja, City Centre, Highridge, Kisaju, and Kenyatta University in Nairobi region and 33/11kV substations in Sabaki and Wundanyi in the Coast region.

In addition, we extended the distribution network by 386.4 kilometres to reach more customers and enhance system reliability and flexibility across the country.

Further, the Company upgraded four substations to reinforce the existing distribution network, namely, Hola in the Coast region, Migori in West Kenya region, Mtito Andei in Nairobi region, and Gilgil in Central Rift region.

To leverage on technology for remote and prompt network operations, the Company commisioned 930 automated load break distribution switches installed under the Automated Distribution Management System (ADMS) project. This technology enables speedy fault identification and isolation of affected parts in the Nairobi metropolis, thereby enhancing restoration of supply. Further, we completed the SCADA project which includes automation of 69 substations for faster network operations and restoration.

These system reliability initiatives resulted in an improved Customer Average Interruption Duration Index (CAIDI) to 2.24 hours from 2.74 hours the previous year. However, the System Average Interruption Frequency Index (SAIFI) reliability indicator increased to 44.9 from 38.18 in the previous year due to the adverse effects of under-frequency operations, unavoidable load management measures, and system-wide interruptions.

In the current year, the Company has allocated additional resources for network rehabilitation with priority on reinforcement works on the most vulnerable parts of the system and balancing loads on the overloaded medium and low voltage networks. These works are expected to improve Customer Average Interruption Duration Index to 2.6 hours and System Average Interruption Frequency Index to 36.

Generation Capacity

Three additional renewable generation sources were integrated to the grid during the year to improve power supply security and to further green the grid.

These were Sosian Geothermal – 35MW; Alten Solar – 40MW; and 200MW Ethiopia import through the 50kV HVDC interconnector which is at the final commissioning stage.

KenGen's 75MW Kipevu Diesel 1 was retired upon expiry of the Power Purchase Agreement. The current installed capacity stands at 3,246MW of which 3,127MW is the effective interconnected capacity on the grid. The interconnected capacity includes solar and wind power, which constitute 635MW or 20.3% of the effective capacity.

With the current demand of 2,170MW, the grid requires additional peaking capacity to support the system especially when the wind capacity is unavailable considering that the level of variable renewable capacity in the system has risen significantly.

The power sector Least Cost Power Development Plan (LCPDP) has pointed out these and other key system projects that are required to address generation and transmission constraints. The Company is coordinating updating of the LCPDP and implementation of the identified projects. The long-term plan covering 20 years is reviewed biennially while the medium-term plan is updated in the alternate years. During the financial year, a medium-term plan covering the period 2023-2027 was prepared.

Some of the capital investment required to address capacity and operation challenges include additional large hydro projects, pumped hydro storage plants and battery energy storage systems (BESS) or gas turbines to for peaking duty and ancillary services. A number of transmission projects also scheduled in the plan to enhance system flexibility and enable optimal usage of the available generation resources.

Revenue Diversification

The Company aims to mitigate business risks associated with the core business and also ensure the sustainability of its business in the medium to long term. Underpinning this drive is the pursuit of the revenue diversification agenda. Revenue diversification has not only emerged as an effective mitigation against sustainability uncertainties but also as a promising driver for growth.

Our medium-term diversification portfolio traverses several sectors including property leasing, consultancy, energy storage and the telecommunication through our fiber optic business , which is in operation and the most mature.

The fiber business has a strong presence in Kenya and the neighboring countries that have linkage to the undersea cables through the transmission network. Currently our total installed dark fiber circuit length is above 7,500 kilometres covering 44 counties. As of June 2023, Kenya Power had more than 25 dark fiber customers with a combined annual revenue of KSh. 812 Million, a growth of 16% from the previous year.

To further grow the fiber business, the Company is exploring a fiber capacity-leasing project that will provide internet and bandwidth capacity connectivity to Internet Service Providers (ISPs) and our existing large-power customers among others. Aside from that, a KSh. 300 Million project is underway to connect bandwidth to the Company's fiber network in a project dubbed Fiber-To-The-Premise (FTTX). The project is scheduled for completion in December 2023 and is expected to increase diversification revenues by approximately KSh. 100 Million annually.

So far, the Company has over 10,000 homes in Thindigua, Nairobi North, Ruaka, and Muthaiga estates under the FTTX project. In addition, over 80 % of our offices and premises in Nairobi are connected to the Company's lit fiber internet service. This has helped cut down on telecommunication costs. We also offered bulk internet connectivity to two manufacturing entities headquartered in Nairobi, with branch offices in several counties.

Further, we established four major nodes for bulk internet supply within Westlands, Thika Road, Mombasa Road, and the Nairobi Central Business District.

The Company plans to expand the FTTX project beyond Nairobi and set up points of presence in Kisumu, Mombasa, Eldoret, and Nakuru. In addition, we will enable high-capacity links from all 47 counties connecting them to the Government Data Center at Konza and further to the undersea cables in Mombasa. Through the expanded fiber infrastructure, Kenya Power will enlist more customers and support the Government's data connectivity agenda for Digital Literacy Programme and the Kenya Digital Superhighway Project.

The Company has also secured technical assistance from the African Development Bank towards the development of a utility-run Super Energy Service Company (Super ESCO). The Super ESCO concept is a key recommendation from the Kenya Energy Efficiency and Conservation Strategy, intended to enhance the utility sector's component of Kenya's Nationally Defined Contributions (NDCs) towards reduction of greenhouse gas emissions, as laid out in the Paris Agreement.

Once fully setup, the Super ESCO unit will drive investment grade energy audits in the public and industrial sectors, and attract funding towards implementation of the proposed energy efficiency projects. The Super ESCO will not only enable energy savings, but also help reduce technical losses and contribute to lower energy purchase costs.

Customer and stakeholder engagements

Enhancement of customer experience at every touchpoint is imperative in today's business landscape, serving as a key differentiator in an increasingly competitive market.

Each customer contact point presents an opportunity to foster positive interactions, build trust and strengthen brand loyalty.

Our customer touchpoints include self-service mobile applications such as MyPower App and the USSD code *977#, customer care hotline number 97771, website, social platforms, banking halls, and outdoor customer engagement forums.

The Company utilises the Interactive Voice Response (IVR) in our contact centres and other communication systems to automate interactions with customers. The IVR system allows callers to interact with a computerised system through voice and keypad inputs, without the need to speak to a live agent. During the year, customers using this facility increased to 1.7 Million from one Million the previous year. In addition, there was increased uptake of the self-service USSD *977# and MyPower App with cumulative interactions in the year standing at 19.2 Million and 12.3 Million respectively.

The increased customer uptake of technological solutions has reduced the number of customers seeking services from our banking halls and offices by 60% leading to the closure of 14 of our commercial offices across the country.

The Company has maintained a vibrant social media presence with a cumulative following of 2.8 Million customer through our corporate social media handles including LinkedIn, Twitter (X), and Facebook, as channels of engaging customers. Social media platforms have been impactful in getting closer to the customer for receiving supply interruption reports as well as outbound communication on planned shutdowns and customer education. In addition, the Company continues with customer education outreach through barazas, exhibitions, and door-to-door campaigns to amplify customer awareness on key products and services.

Stakeholder management remains a focus area for the Company, cognisant of the role collaborations play towards the success of the business. In the year under review, Kenya Power engaged in several stakeholder events in a bid to deepen relationships and co-create mutually beneficial collaborations.

We also participated in strategic engagements with the Kenya Association of Manufacturers (KAM) and the Kenya National Chamber of Commerce and Industry (KNCCI). The forums facilitated rich discussions which enabled the Company gain more insight on power issues affecting manufacturers and provide solutions. The forums were held in Coast, Nairobi, West Kenya, and Lower Eastern regions among other areas.

These events brought together manufacturers and SMEs where participants discussed challenges facing manufacturers and resolutions going forward. Proposed solutions included discussions on how to apply the Time of Use (TOU) Tariff, addressing issues on quality of power, and educating customers on smart meters and billing.

We continually monitor feedback from our customers on our service delivery standards and to gauge their satisfaction levels through various surveys which include the Net Promoter Score and Customer Satisfaction surveys. The most recent survey established a Customer Satisfaction Index of 73%, being a slight improvement from the previous score of 72%.

73%
Customer Satisfaction Index increase from previous Year by 1%

The Company aims to increase revenues to above
KSh. 240 Billion
by the end of the five-year plan period

The Company aims to improve the Employee Productivity Index to
80%
&
Employee Engagement Index to
85%
by the end of the five-year plan period.

Electricity Tariff Review

During the year, the Company started implementing the approved tariffs for the 4th control period covering FY 2022/23 to 2025/26. The new tariff will enable the Company to respond to customer needs, stimulate demand, and enhance demand response initiatives.

The review aimed at achieving cost-reflective tariffs for sustainability and responding to the changing business environment with regard to varying customer segments and needs. The tariff has three new customer categories: method SC-Bulk supply applicable to non-domestic small commercial customers for supply metered at 240V or 415V, and whose consumption is greater than 1,000kWh but does not exceed 15000 kWh per month; Method EM applicable to e-mobility consumers for supply metered at 240V or 415V and whose consumption does not exceed 15,000 kWh per month; and Method CI7 applicable to Special Economic Zones (SEZ) consumers. The SC2 and CI customers are required to meet their respective monthly energy consumption threshold, while any units over and above that threshold are billed at a discounted TOU tariff applicable during off-peak periods only. The threshold is the existing average monthly consumption for the last six consecutive months and adjusted for a growth factor of 6% annually.

Future Prospects

The Company continues to align with the evolving business environment. As such, we have adopted a new Corporate Strategic Plan for the period 2023/24-2027/28 that is focused on driving value creation levers while redefining our operational business model. The plan identifies four perspectives outlined in the following sub-sections:

Financial perspective

Kenya Power aims to transform to a stable and commercially viable Company with a double-digit gross profit and predictable return to shareholders. In the medium term, the focus will be improving cash flows, enhancing cost management across all business operations, and ensuring the Company's financial sustainability. Key initiatives will centre on enhancing sales growth programs and revamping the revenue collection process; refinancing and balance sheet restructuring; developing new financing partnerships while exploring new funding options; revenue diversification; and reviewing and renegotiating existing PPAs. These initiatives are expected to increase revenues to above KSh. 240 Billion by the end of the five-year plan period.

Human capital perspective

The Company will focus on creating a productive and engaged workforce that is built upon our shared values of performance, accountability, and collaboration. This will entail a review of the organisational design to align it to the new strategy while engaging staff through talent management mechanisms, change management programmes, and diversity and inclusion initiatives. The Company aims to improve the Employee Productivity Index to 80% and the Employee Engagement Index to 85% by the end of the five-year plan period.

Business process perspective

Kenya Power is committed to transformation into a 21st-century Smart Company. The Company continues to harness the power of technology and innovation to enhance efficiency and elevate its service standards. Our primary goal is to offer stable, dependable and affordable high quality power supply to all our customers.

In the medium term, the Company has embarked on a comprehensive strategy aimed at bolstering operational efficiency, thereby elevating the quality and reliability of our power supply. This strategy entails implementation of targeted maintenance, critical infrastructure projects, proactive measures to mitigate demand-related risks, and incorporation strategic cutting-edge technologies, automation, and innovative solutions.

It is anticipated that these concerted efforts will result in an improved Customer Average Interruption Duration Index of 25 hours and a System Average Interruption Frequency Index of 1.10 within the medium-term horizon.

Furthermore, as part of our commitment to improving network efficiency and our financial performance, we have set a target of reducing system losses to 16.5% by the end of the tariff control period. This multifaceted approach reflects our commitment to delivering quality service, enhancing reliability, and achieving sustainable growth for the benefit of all our stakeholders.

Customer perspective

The Company is redefining its customer experience through investment in customer relationship management and expanding our customer outreach and engagement service points through implementation of mobile and containerised service kiosks . Furthermore, the Company will continue to cultivate an inclusive stakeholders' ecosystem that will improve its brand while enhancing sustainability commitments. Over the medium term, the Company targets to improve the Customer Satisfaction Index and the Corporate Reputation Index to levels above 75% from the current 65%.

Dr. (Eng.) Joseph Siror
Managing Director and CEO


Kenya Power
100 Years
of Powering Kenya
Powering
E-Mobility
OPEN

SUSTAINABILITY REPORT

Kenya Power recognises its responsibility to conduct its business practices in a manner that does not deplete or exploit resources untenably - both human and natural - and allows for sustainable economic activity in the future. The concept of sustainability has evolved to encompass efforts aimed at ensuring current business practices do not compromise the well-being of future generations from the Environmental, Social and Governance (ESG) perspectives. Therefore, the Company is aligning its sustainability strategies and operations with the United Nations Sustainable Development Goals (SDGs) launched in 2015, Kenya's commitments on sustainability, and the Paris Agreement with a goal of limiting global warming to well below 2° Celsius above pre-industrial temperatures by the turn of this century.

Climate change is undeniably one of the dominant challenges of our time. It is one of the main threats impending the delicate balance between the Earth's ecosystems and the well-being of our future generations. Whereas remarkable strides have been made towards addressing climate change on the global front through commitments and on the ground through policies and required actions, much more needs to be done collectively and as individual countries. These global efforts, once adopted, can have significant impact and may affect how the Company carries out its business operations to remain competitive in the long term.

The following are some of the key initiatives that the Company is driving in the sustainability agenda:

1. Promoting a productive, safe and inclusive work environment (SDG 8)

a) Improving Employee Productivity

Fostering employee well-being, engagement, and productivity is a cornerstone in our corporate strategy. The Company aims to ensure that every staff member is optimally engaged for increased productivity and sustained business growth by nurturing a positive work environment.

To bolster both employee equity and productivity, our Board of Directors endorsed the translation of terms of 1,373 employees from short-term contracts to renewable 5-year contracts in two phases. The terms of these new contracts are tailored to align closely with those of our permanent and pensionable staff members. We onboarded an additional 389 technicians and craftsmen to reinforce our field operations.

During the year we introduced practical and affordable training initiatives, concentrating on technical, professional, and leadership skills as a commitment to employee development. This is to equip our staff with tools and knowledge to adjust to the changing business needs and meet the Company's goals.

As a result, 62% of employees participated in these training sessions, translating to an average of 3.5 training days per employee. This effort highlights our continuous drive to support employees' professional growth.

Through the various initiatives undertaken on employee engagement, productivity, and satisfaction levels, there was an improvement in the employee satisfaction survey which yielded a mean score of 60.3%, a marked improvement from the prior year's 50%.

b) Promoting gender equity

Kenya Power is keen on achieving gender equity, and indeed overall diversity and inclusion. Guided by our Gender Mainstreaming Policy, the Company is working towards enhancing our structure to further promote equitable recruitment, career development, placement, and deployment of qualified personnel. Currently, the female to male ratio of the Company's 10,018 employees is 3:6.

The Company is establishing more gender-responsive office facilities and equipment for staff use including lactating facilities. Other initiatives include training and sensitising all staff on gender equity; promoting enrolment of females and males in science, technology, engineering and mathematics (STEM) in private and public universities; and retaining and establishing new partnerships and services of a gender experts in order to support and maintain the gender mainstreaming momentum and processes. In the period under review, we undertook mentorship programmes at Starehe Girls Centre, Masinde Muliro University of Science and Technology as well as the University of Nairobi in partnership with the Women in Engineering Association.

In addition, the Company continued to support students from disadvantaged backgrounds in both Starehe Girls and Boys Centres under its Endowment Fund mainly through offering mentorship.

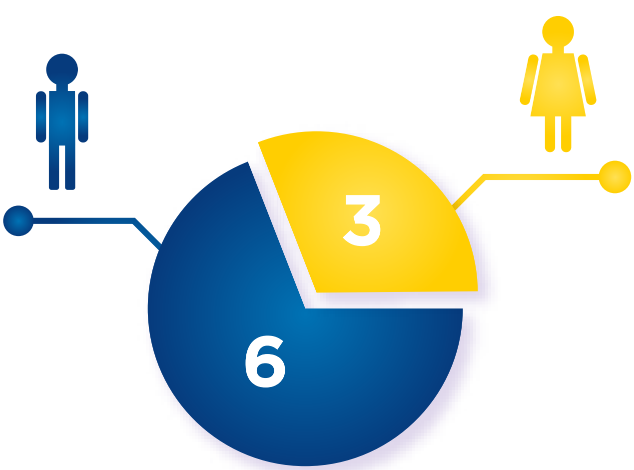
c) Promoting a safety culture

Electricity has inherent dangers and risks if not handled properly. As such, the Company fosters a culture of safety among employees, contractors, and members of the public to protect life and property.

We strive to uphold high standards of compliance with relevant safety and health-related legal and regulatory requirements.

During the year, we amplified our safety awareness campaigns through 187 public engagements leveraging on platforms such as local administration meetings (barazas), the Agricultural Society of Kenya (ASK) trade fairs, schools' sensitisation forums, media campaigns, and sustained collaborations with the National Government Administration Officers (NGAO). We undertook comprehensive competence assessments for 465 employees and contractors, particularly those involved in grid operations. We also carried out Occupational Safety and Health (OSH) training sessions encompassing fire safety and first aid procedures.

"Female to male ratio of the Company's 10,018 employees is 3:6"



2. Decarbonising the Grid (SDG7/SDG13)

Recognising the urgent need to reduce global greenhouse gas emissions, it is imperative for every sector in Kenya to urgently mainstream climate change in both planning and operation, with clear and robust mitigation and adaptation strategies.

Kenya is committed to abate greenhouse gas emissions by 32% by the year 2030 compared to the current scenario, according to the updated Nationally Determined Contribution (NDC). To make this a reality, Kenya's energy sector will continue to lead in advocating for clean energy use and accelerating investments in renewable energy to facilitate a sustainable energy transition.

Kenya Power, being a major player in the energy sector, is committed to driving the greening agenda through maintaining a climate-positive generation mix. In the past five years, the Company has increased renewable capacity by an additional 1,140MW composed of 410MW wind, 300MW geothermal, 211MW solar, 20MW hydro, and 200MW hydro import from Ethiopia. Over the same period, we have retired 205MW of fossil thermal capacity. This has increased the share of renewable energy in the annual generation mix up to 92% in the period.

During the year, the Company initiated a hybridisation project of four existing off-grid thermal stations in the Northern Eastern region with renewable energy sources, specifically solar photovoltaic (PV) systems. This endeavor is driven by the dual objectives of reducing fuel costs and minimising carbon emissions. The four sites to be retrofitted with PV systems are Eldas, Elwak, Merti, and Habaswein. These off-grid stations have been relying on fossil fuel with a combined average consumption of two Million litres annually. Upon completion of this project, it is anticipated that fuel consumption at these sites shall decrease by 60%, lowering the carbon footprint. The project is financed by the French Development Agency (AFD) at a total cost of KSh. 1.7 Billion.

This project is a significant step towards our commitment to providing sustainable energy solutions.

The Company is further engaged in the implementation of the World Bank-funded Kenya Off-grid Solar Access Project (KOSAP) targeting underserved counties as part of our green initiatives. The primary goal of this project is to establish 89 Solar PV Mini-Grids targeting community facilities, enterprises, and households, effectively advancing electrification in areas currently lacking grid connectivity. Notably, this initiative marks a significant departure from past investments reliant on diesel generators, aligning squarely with the Company's sustainability vision.

3. Enabling the Electric-Mobility Agenda (SDG 13)

The global electric mobility (e-mobility) conversation is shaping policies in developing and transitional countries towards the shift from fossil fuel-based to electric mobility. The world's leading automotive markets including the Unites States of America, Europe, and China have committed to fully transition to electric vehicles (EVs) by the year 2035.

In Kenya, the dialogue on EVs is being accelerated through diverse initiatives and by investments in the required infrastructure including charging and battery-swapping stations. It is envisaged that the rapid adoption of e-mobility in the country's transport sector will be a major boost to the Company's quest to grow electricity sales. The transition to e-mobility will also support the climate change agenda on reduction of air pollution and mitigating against global warming.

Adoption of EVs is gaining momentum in Kenya as demonstrated by a remarkable 108% increase in EV sales in the year 2022-2023, according to data from the National Transport and Safety Authority, which translates to 8.3% market share in new vehicle sales. In spite of the growth, adoption of EVs in Kenya still remains underexplored with available data indicating that there are only slightly over 2,000 EVs in the country.

The electricity sub-sector is a critical enabler in the e-mobility transition. With an expanding grid capacity and a favourable energy mix which is 90% green, the country has a vantage position to take the lead in the adoption of e-mobility. More supportive policies and frameworks are required to nurture growth and enable widespread expansion of the EV infrastructure including charging points, across the country.


ROAM
Made in Kenya
13
Climate
Action

As a key player in the electricity sub-sector, the Company constituted an e-mobility management steering committee which spearheaded the development of the e-mobility electricity tariff and a framework for fast-tracking e-mobility electricity connection applications among other initiatives. The e-mobility tariff is applicable to customers consuming up to a maximum of 15,000 kWh with an off-peak rate introduced to encourage the utilillisation of renewable energy during times of low power demand. The Company is in the process of transitioning all customers with a charging infrastructure account to the e-mobility tariff.

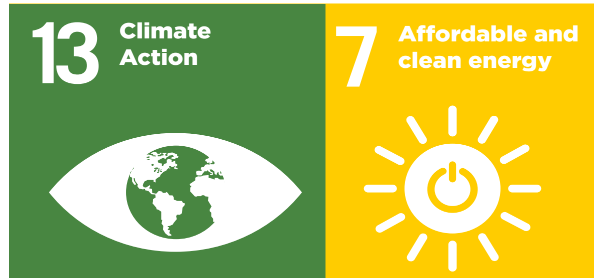
Currently, there are two public transport companies operating 21 electric buses within Nairobi with four charging depots having a combined capacity of 1 MVA. Additionally, there are seven other firms offering four-wheelers and another 17 offering two and three wheeler electric-propelled vehicles supported by both in-house and public charging infrastructure.

The Company currently has 13 electric motorcycles, three electric forklifts, and 10 electric pallet stackers in its transport fleet. The Company is purchasing an additional four EVs and seven chargers expected in the first half of the current year. In addition, the Company has commenced procurement of seven EVs, 25 electric motorcycles and seven chargers. We are also building capacity for repairs and maintenance of EVs through training of fleet maintenance staff.

Kenya Power will continue to take a leading role in driving engagement among stakeholders in the e-mobility value chain, with the aim to develop deep understanding of the nascent industry and lay the foundation for its sustainable development.

Towards this, with support from the German Agency for International Cooperation GIZ, the Company organised the country's inaugural E-Mobility Stakeholders Conference in February 2023. The conference provided a platform for stakeholders to share knowledge and experience on e-mobility and to develop a roadmap for its implementation in Kenya.

4. Advancing the Electric-Cooking Agenda (SDG 7 and 13)



Universal clean cooking is a key target under Sustainable Development Goal (SDG) 7 and 13 with cross-cutting impact on other SDGs such as good health, gender equity, and climate. According to the World Health Organisation, 2.4 Billion people globally lack access to clean cooking with the majority being from Sub-Saharan Africa. Recognising that only 17% of Kenyans have access to clean cooking, the Government has set a goal for universal clean cooking access by 2028.

Grid electricity is one of the clean sources of energy. However, only 3% of the 7.5 Million grid-connected domestic customers in the country own an electric cooking appliance and less than 1% use electricity as their primary cooking fuel (KNBS 2022). This implies that there is an enormous untapped potential for electric cooking. E-cooking has the potential to stimulate demand for electricity and increase sales, whilst simultaneously offering an innovative new solution to the clean cooking challenge.

The Company is championing the clean cooking agenda through our *Pika na Power* programme. Through the programme, we raise awareness through our demonstration centre based in Electricity House, Nairobi showing our customers are shown how to use energy-efficient electric appliances and the benefits of these through live sessions. As part of the programme, we will commission three other demonstration centres in Kisumu, Nakuru, and Mombasa and later on in other major towns to promote the e-cooking agenda across the country.

Our immediate goal is to increase the uptake of electric cooking from 1% (90,000 customers) currently to 5% (about 500,000) in the short term and to 10% in the medium term. This will be achieved through strategic partnerships to drive the uptake of e-cooking across the country. Current partners include the Modern Energy Cooking Services (MECS), the African Centre for Technology Studies (ACTS), and the Clean Cooking Association of Kenya (CCAK) who we are working with to champion e-cooking in Makueni, Kitui, Nakuru, Kakamega, and Kisumu counties.

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Regional partnerships for power trading

5. Regional Partnerships for Power Trading (SDG 17)

Engaging in collaborative partnerships with international organisations, governments, and private sector to achieve the country's energy-related goals is a priority. To this end, the country has been pursuing regional power integration with neighbouring countries to facilitate bilateral power trade and establishment of regional power market in Eastern Africa and further trade with the Southern Africa Power Pool. Interconnections will enhance power grid stability and penetration of variable renewable energy technologies. Kenya can attest to the benefits of regional integration having been interconnected with Uganda for the last 68 years.

As the national power off-taker, Kenya Power is well positioned to trade surplus energy through the regional interconnection corridors. The recently constructed Ethiopia-Kenya 500kV High Voltage Direct Current (HVDC) is enabling power trade between the two countries with agreement between the Company and the Ethiopian Electric Power (EEP). Kenya has thereby enhanced its power supply capacity through an initial 200MW import and reduced reliance on fossil fuels for power generation, thus mitigating greenhouse gas emissions.

The regional interconnector line will eventually facilitate the linking of the Eastern Africa Power Pool and the Southern Africa Power Pool through Tanzania via the Kenya-Tanzania 400kV interconnector line under implementation, opening up the two regions for more business. In addition, the country is enhancing the interconnection capacity between Kenya and Uganda through the Lessos-Tororo 400kV line that is under implementation by KETRACO.

6. Embedding an Innovation Culture (SDG 9)

Embracing an innovation culture is not optional but crucial for sustainability of utilities operating in a dynamic business environment, such as Kenya Power. As the global energy landscape evolves, commitment to innovation has a bearing on the ability of utilities to address emerging challenges, meet customer needs, and ensure a resilient national grid.

in this regard, the Company has detailed out an elaborate plan in its corporate strategy to nurture and promote an innovation culture among employees, geared towards providing solutions to improve service delivery. Against this backdrop, the Company organised a grid conference during the year, intended to provide a platform through which employees can share ideas on how to innovatively secure business sustainability.

The conference, themed 'Innovating for Sustainable and Quality Grid Service', attracted a diverse group of participants from the energy sector, Engineers Board of Kenya, the Institution of Engineers of Kenya, and the Kenya Bureau of Standards.

Innovative ideas presented during the conference include ways of improving supply quality and reliability, ensuring efficient management of new customer connections, and harnessing data analytics to improve network operations. Additionally, proposals for sustainable energy transition, increase in power imports, a Kenya Power sim card technology for our equipment, integration of a secure multi-platform communication system, and technical loss reduction solutions were presented.

9

Embedding an innovation culture

7. Environmental Conservation (SDG 13 and 15)

Recognising the significant interplay between our operations and the environment, the Company is dedicated to actively embracing sustainable and environmentally friendly practices. We therefore continually promote programmes that foster environmental stewardship, aiming to mitigate any adverse environmental impacts including global warming.

In the year under review, we conducted rigorous environmental audits across the Company's installations, and carried out environmental monitoring in 40 active projects. We also undertook Environmental Impact Assessments for 10 upcoming projects.

During the period, the Government launched the National Tree Growing and Restoration Campaign with a target of planting 15 Billion trees by 2032. The campaign aims to reduce greenhouse emissions, stop deforestation, and restore degraded landscapes. In support of the campaign, the Company donated Shs.5 Million and participated in various tree-planting exercises across the country including Roysambu and Umoja in Nairobi County; Kitengela and Ngong in Kajiado County; and in Nakuru and Kakamega Counties. In total, over 400,000 tree saplings were planted by the Company during the year under review. We also participated in the World Environment Day where we contributed to the cleaning-up of Nakuru City.

8. Promoting social wellness and health (SDG 3)

A thriving society is built on good health and all-round wellness. As such, we attach enormous value to good health and overall well-being. We are acknowledge the enormous benefits that access to high-quality healthcare has on individuals and the society.

The Company strives to be a driving force for positive change in this area by collaborating with healthcare providers, community organisations, and public health advocates. This is to ensure that all individuals have the opportunity to live healthier and more satisfying lives.

In support of this, the Company participated and sponsored the Heart-to-Heart Foundation to raise funds for children's open-heart surgeries and other associated heart disease treatment.

Further, the Company in partnership with health providers organised mental health awareness campaigns for its staff.

Promoting social wellness

Sports provide an impeccable opportunity to discover and promote healthy living, talent, and mentorship amongst young people. In addition, sports serve as a source of income for the abled-differently groups, strengthening team spirit and as a source of livelihoods and pride for our country in general. Thus, empowering the disadvantaged groups is one of the priority support areas under the Company's Social Investment programmes.

During the year under review, the Company sponsored the Embu Sevens 2023 Edition, a national three day tournament that brought together rugby clubs from across the country. The tournament sought to nurture rugby talent across the country. We also supported the Para-volley Inter-county Championship - a tournament featuring teams of persons abled-differently who play volleyball while seated. The Paravolley Organisation seeks to nurture volleyball amongst persons living with disability and create an enabling environment for training.

Corporate Governance


Kenya Power
Smarter for Better

Corporate Governance

The Company's core mandate is distribution and retail of electricity. To undertake this mandate, the Company's Board of Directors embrace principles of good corporate governance in steering the business towards sustainable growth. The Company continues to inculcate a culture of high ethical and corporate governance standards by strengthening its internal controls, enhancing transparency and disclosure, accountability and enterprise risk management to achieve strategic and financial objectives. The Board remains resolute in securing business growth and improving shareholder value.

This Corporate Governance Report provides the information necessary for shareholders and other stakeholders to evaluate the Company's level of application of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code). In addition to complying with provisions of the Code, the Company has embedded various internal procedures that support implementation of good corporate governance practices.

1. Board Composition and Diversity

The Board comprises nine directors, eight being non-executive directors and one executive director who is the Managing Director and CEO. Out of the eight non-executive directors, six are independent, in line with the CMA Code which stipulates that at least one third of the total number of Board members shall be independent. The two non-independent directors represent the National Treasury and the Ministry of Energy and Petroleum.

The CMA Code stipulates that the Board shall be effective based on its size, diversity and demographics. The current Board has complied with this provision. The Board is composed of diverse and seasoned professionals in the fields of finance and economics, business management, engineering, accounting, legal, policy and banking with extensive knowledge and understanding in various sectors. Their combined experience is leveraged to help inform Kenya Power's strategic direction for improved business performance. In addition, the Board has complied with the gender diversity requirement, with a third of the directors being from one gender.

2. Changes in the Board

During the Annual General Meeting held on 16 December 2022, the following five Directors were elected to the Board: Ms. Joy Brenda Masinde, Dr. Duncan Ojwang, Eng. Albert Mugo, Ms. Logan Hambrick and Ms. Veska Kangogo.

On the same date, the following ceased being Directors of the Company: Ms. Vivienne Yeda, Brig. (Rtd) James Gitiba, Eng. Sarah Mbwaya, Justice (Rtd) Aaron Ringera and Mr. Yida Kemoli.

Dr. (Eng.) Joseph Siror was appointed the Managing Director and CEO of the Company with effect from 2 May 2023 after Eng. Geoffrey Muli who held the position in acting capacity.

3. Compliance with Corporate Governance Practices

The Board of Directors upholds principles of good corporate governance in steering the Company to effectively achieve its mandate for sustainable growth in shareholder value and to meet stakeholder expectations. The Board is committed to providing leadership that promotes transparency, accountability, ethics and integrity as pillars of good corporate governance.

We endeavor to comply with provisions of the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and the Mwongozo Code of Governance for State Corporations, among other best governance practices. Board operations are defined in the Board Charter which outlines the roles, responsibilities and functions of the Board and the various committees.

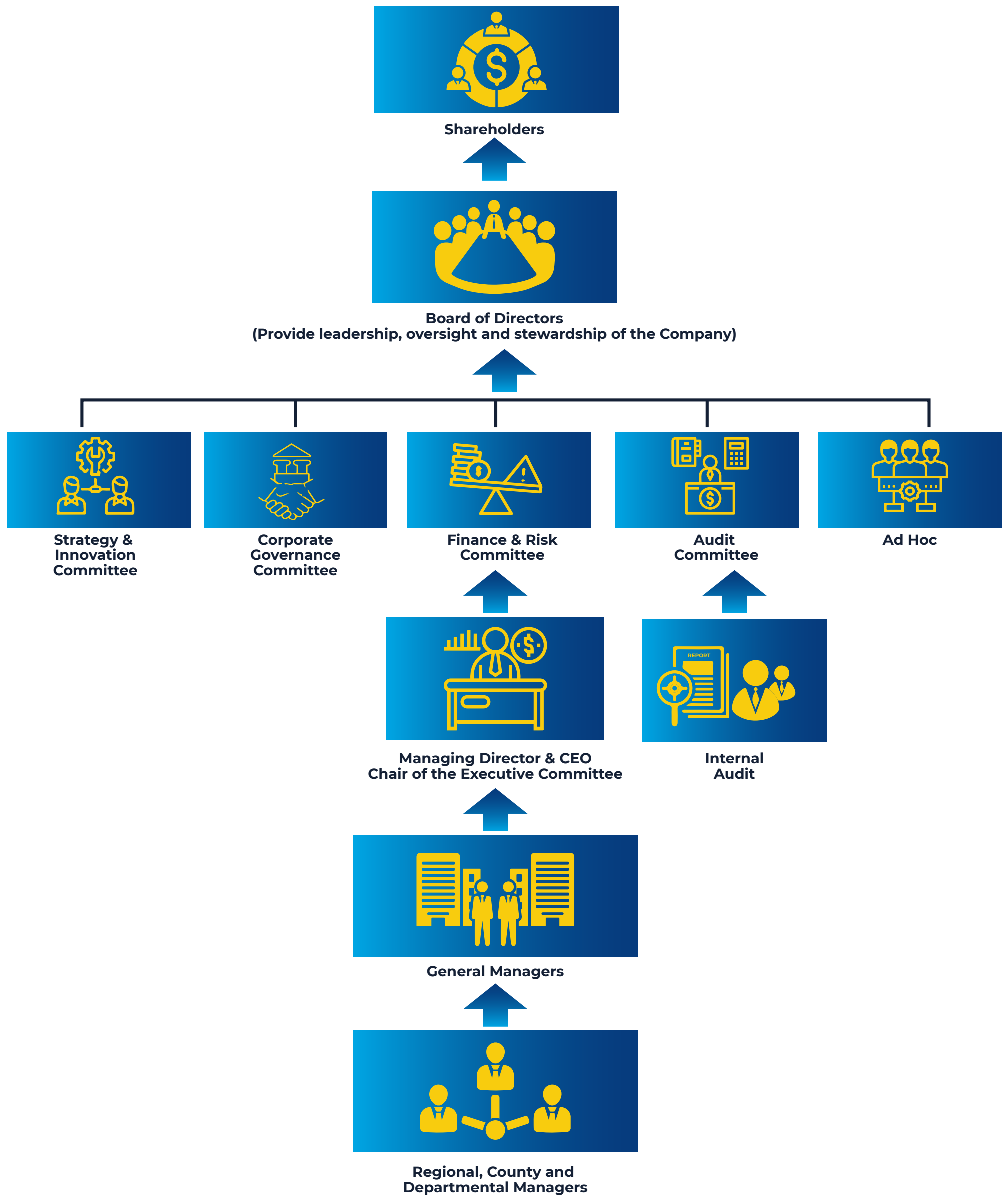
The Capital Markets Authority conducted a corporate governance assessment of the Company and made recommendations on areas of improvement, which the Company continues to implement.

4. Responsibilities of the Board

The main responsibility of the Board is to provide leadership, oversight and stewardship of the Company while acting in utmost good faith in discharging its duties. In undertaking its mandate, the Board draws its powers and authority from the Companies' Act 2015, applicable laws and the Company's Memorandum and Articles of Association.

The Board sets and oversees the overall policy, broad strategy and framework for the Company and monitors the execution progress. It continually strives to strengthen the Company's internal controls and enterprise risk management; maintain the highest ethical business standards; and promote a culture of integrity to support the Company in achieving its strategic and financial objectives.

5. Governance structure



6. The Board Work Plan

The Board prepares a Workplan for each financial year which is aligned to the Company's strategic goals outlining key activities for consideration during Board and Committees' meetings. The agenda for the meetings is prepared by the Company Secretary in consultation with the Chairman and the Managing Director & CEO. The agenda and papers for the meetings are circulated in time to allow for adequate preparations and for effective participation during meetings.

Board and Committees meetings attendance for the year ended 30th June 2023

NAME OF DIRECTOR	POSITION IN THE BOARD	Board	Strategy & Innovation Committee	Finance & Risk Committee	Corporate Governance Committee	Audit Committee	Ad Hoc Committee on HR Instruments	Technical Committee (Ad Hoc)
		MEETINGS ATTENDED						
		Fourteen (14)	Seven (7)	Fourteen (14)	Fourteen (14)	Six (6)	Five (5)	Five (5)
Joy Brenda Masinde	Chairman Joined 16.12.2022)	6/6	1/1*	-	2/2*	-	3/3*	-
Dr. (Eng.) Joseph Siror	Managing Director & CEO (Joined 2.5.2023)	1/1	2/2	3/3	6/6	1/1*	3/3	-
Prof. Njuguna Ndung'u	CS, National Treasury (Joined 27.9.2022)	-	-	-	-	-	-	-
Alex Wachira	PS, Energy (Joined 2.12.2022)	-	-	-	-	-	-	-
Kairo Thuo	Member (Since 13.11.2020)	10/14	1/1*	2/2*	1/1*	Chair 6/6	-	-
Dr. Duncan Ojwang	Member (Joined 16.12.2023)	5/6	6/6	8/9	1/1*	-	4/5	-
Eng. Albert Mugo	Member (Joined 16.12.2023)	6/6	Chair 6/6	2/2*	1/1*	2/2	-	-
Logan Hambrick	Member (Joined 16.12.2023)	6/6	1/1*	2/2*	Chair 11/11	2/2	5/5	-
Veska Kangogo	Member (Joined 16.12.2023)	6/6	1/1*	Chair 8/9	11/11	-	5/5 Chair	-
Humphrey Muhu	Alternate to CS, National Treasury (Since 25.6.2021)	13/14	-	13/14	2/2*	6/6	5/5	-
Eng. Benson Mwakina	Alternate to PS, Energy (Since 19.10.2021)	13/14	7/7	5/5	12/13	1/1*	4/5	2/2*
Vivienne Yeda	Left 16.12.2022	8/8	-	-	-	-	-	-
Eng. Geoffrey Muli	Ceased as MD on 2.5.2023	13/13	5/5	11/11	8/8	5/5*	2/2	5/5
Yida Kemoli	Left 16.12.2022	8/8	-	5/5	-	3/3*	-	5/5
Eng. Sarah Mbwaya	Joined 26.7.2022 Left 16.12.2022	6/6	-	3/5	3/3	2/2*	-	4/5
Brig (Rtd) James Gitiba	Joined 26.7.2022 Left 16.12.2022	4/6	1/1	1/1*		3/4	-	3/5
Justice (Rtd) Aaron Ringera	Joined 24.8.2022 Left 16.12.2022	6/6	-	-	3/3	3/4	-	-
Maj. Gen (Rtd) Dr. Gordon Kihalangwa	Left 27.9.2022	-	-	-	-	-	-	-

**Attendance by invitation*

7. Board committees

During the year, the Board had four standing and two Ad Hoc Committees established to enhance efficiency and effectiveness in execution of its mandate. Constitution of the Committees takes into consideration diversity of members, skills, expertise, and experience required to execute their responsibilities. The committees operate in accordance with specified terms of reference. The Company Secretary is the secretary to the Board and its committees, except the Audit Committee where the General Manager, Internal Audit performs this function. Committee reports are presented to the Board by respective chairpersons.

The current membership and responsibilities of Board committees is summarised below:-

Board Committee	Terms of Reference
Strategy &Innovation Members 1. Albert Mugo (Chair) 2. Benson Mwakina 3. Duncan Ojwang 4. Humphrey Muhu 5. MD & CEO **By Invitation** 1. Various GMs- Business Strategy, Finance, Supply Chain and ICT 2. Rep. Inspectorate of State Corporations	1. Develop and review the Company's strategic direction and ensure business sustainability; 2. Oversee strategy implementation and monitor performance of the Board and the Company; 3. Review and monitor key projects for implementation in line with the corporate strategy; 4. To safeguard the interests of shareholders and customers and achieve cost-effective power purchase costs; 5. To review the Information Communication and Technology (ICT) policy and evaluate ICT security issues and internal controls; 6. The Committee assist the Board and Management to stay abreast of new developments, technologies and anticipate emerging concepts and trends in the industry while supporting innovation and research within the Company; 7. To oversee engagements with key strategic partners and recommend the entering into strategic partnerships including public private partnerships to the Board for approval.
Finance and Risk **Members** 1. Veska Kangogo (Chair) 2. Humphrey Muhu 3. Duncan Ojwang 4. Benson Mwakina 5. MD & CEO **By Invitation** 1. GM, Finance 2. GM, Business Strategy 3. Rep. Inspectorate of State Corporations	1. To review, with Management, quarterly, half yearly and annual financial statements; 2. To monitor on a quarterly basis the Company's key financial ratios; 3. To set long-range financial goals along with funding strategies to achieve them; 4. To consider current and emerging risks and risk exposures relating to the Company's business and strategies in order to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; 5. To review multi-year operating budgets that integrate with the Strategic Plan's objectives and initiatives; 6. To review and recommend the annual procurement plan to the Board for approval; 7. To oversee the financial restructuring of the Company; 8. To oversee the financial performance of the Kenya Power Pension Fund (both Defined Benefits and Defined Contributions).

Board Committee	Terms of Reference
Corporate Governance **Members** 1. Logan Christi (Chair) 2. Veska Kangogo 3. Benson Mwakina 4. MD & CEO **By Invitation** 1. GM, Human Resource and Administration 2. Rep. Inspectorate of State Corporations	1. Develop, review and recommend the remuneration structure for staff to the Board for approval; 2. Oversee the appointment, promotion and disciplinary issues of senior staff for recommendation to the Board for approval; 3. Develop and recommend for approval Human Resource policies and corporate organizational structure to support business; 4. Develop and recommend policies and procedures to ensure sound governance policies and practices are in place and revisions; 5. Review the leadership and training needs of the Company and training and development of the Directors; 6. Oversee all matters relating to corporate governance; 7. Develop the procedures for evaluating the performance of the Board and Committees; 8. Formulate the Board's nomination policy; 9. Develop and conduct an orientation process for newly appointed Board Directors and provide on-boarding training and development; 10. Review the Board's composition, diversity, mix at least once annually and make recommendations on any proposed changes to the Board; 11. To review the skills mix required in respect of Board Committees and make recommendations to the Board; 12. To assess the independence of Non-Executive Directors and review their annual confirmations on their independence.
Audit Committee **Members** 1. Kairo Thuo (Chair) 2. Humphrey Muhu 3. Logan Christi 4. Albert Mugo **By Invitation** 1. MD & CEO 2. GM, Internal Audit 3. Rep. Inspectorate of State Corporations	1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; 2. To review half-yearly and annual financial statements before submission to the Board for approval; 3. To recommend to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fees; 4. To monitor and review the effectiveness of the Company's internal audit function and internal audit programme; 5. To review the Company's internal control and risk management systems; 6. Evaluate effectiveness of controls aimed at preventing or detecting frauds; 7. To consider the major findings on internal investigations and management response.

8. Board induction and capacity development

The five newly elected members of the Board underwent a comprehensive induction programme during the year. The programme was tailored to acquaint them with their roles and responsibilities as well as the Company's strategy and operations. The new members visited key Company facilities to familiarize themselves with the Company's operations.

Board members are regularly trained and updated on legal and regulatory changes, best governance practices, the dynamic business environment, business and commercial risks and other matters that may be of interest in the execution of their role. In the period, various capacity building programmes focusing on leadership, corporate governance, finance, risk and other relevant areas were conducted for the Board.

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

9. Board evaluation

Assisted by the State Corporations Advisory Committee (SCAC), the Board undertook an annual self-evaluation exercise. The evaluation focused on the Board, the Committees, Chairpersons of the Committees, the Managing Director & CEO and the Company Secretary. Areas of improvement were identified and an implementation matrix developed for continuous growth and development to enhance collective performance.

10. Legal and Governance audit

The Company continues to conduct both legal and governance audits as stipulated under the Capital Markets Authority Code of Corporate Governance for Issuers of Securities to the Public, 2015 and the Mwongozo Code of Corporate Governance for State Corporations. The Company also continually implements the findings and recommendations from the legal and governance audits.

11. Insider trading policy

As a Company whose shares are listed at the Nairobi Securities Exchange and in line with the continuing listing obligations, insider trading through disclosures of material or market sensitive information affecting the business which has not been made available to the public is expressly prohibited. In this regard, the Company has established an insider-trading policy which is available to Board members and all employees for information and compliance.

12. Internal control

The Company has in place internal control systems designed to provide assurance on effectiveness and efficiency of our business operations, financial reporting, and compliance with applicable laws and regulations. The internal control systems put in place by the Board include establishment of Enterprise Risk Management, Internal Audit and Ethics and Integrity functions.

These functions periodically apprise the Board on the corporate risk profile, compliance with statutory and regulatory requirements as well as governance and internal controls. As part of the Company's internal controls, the Internal Audit Division is independent and functionally reports to the Board Audit Committee.

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

13. Board Independence

The Board has policies and procedures in place to ensure independence of its members. The Board assesses the independence of its members on an annual basis to mitigate risks arising from conflict of interest or undue influence from interested parties. To ensure independence, none of the independent directors has recently been employed by the Company in an executive capacity or served in the Board for more than nine years cumulatively.

In addition, none of the board members owns more than five percent of the Company's total issued shares in their individual capacity, pursuant to the provisions of the Capital Markets Authority Code of Corporate Governance for Issuers of Securities to the Public, 2015.

14. Ethics and code of conduct

The Company demonstrates a positive ethical culture of doing the right thing in the conduct of its business and a commitment to fairness, accountability and transparency and holds itself and its employees to the highest standards of ethical conduct.

Our employees are guided by the Code of Conduct and ethics which is a reference point for value-based decision making and expected behaviour. The Code is the main tool that enables us to consolidate and strengthen a culture of integrity and openness so as to achieve our vision and facilitate a sustainable business.

In the period under review, the Code of Conduct and Ethics was reviewed in accordance with the Leadership and Integrity Regulations, 2015 and the Mwongozo Code for State Corporations. An updated version of the Code has been shared with all employees.

The Company has fully complied in the requirements under the 19th Cycle EACC guidelines on Corruption eradication and the Board performance Contract 2022/2023. The performance indicator aims to combat and prevent bribery, corruption and unethical practices and promote standards and best practice in good governance. The Company fully complied with the requirements to implement various preventative strategies and submit quarterly reports to the Ethics and Anti-Corruption Commission.

In addition, the Company carried out a robust training and sensitization programme to embed the right ethical culture among staff and other stakeholders. The key focus was on technical and non-technical staff in all Regions who form the first point of interface with customers and mostly involved in revenue collection. The purpose was to align this category of staff to the Company's values and enhance integrity and accountability in the conduct of Company business.

The Company responded to a total of 151 reported case of various allegations of misconduct. Complaints on attempted extortion by persons impersonating KPLC staff accounted for 35% of the reported cases. The Company has implemented measures to address these issues including restricted access and masking of customer data. This has so far been quite successful.

The Company encourages whistleblowing through mechanisms such as Hotline number 0718999000 or through the online platform on the website www.kplc.co.ke.

15. Accountability and audit

The Statement of Directors Responsibility is set out on page 93, the Independent Auditors report is on page 97 and the Company's business review is outlined on page 86.

16. Directors' emoluments

Each non-executive Director is entitled to a fee payment KShs.600,000 per annum which is paid on pro rata basis for period served. In addition the Chairman is paid a monthly honorarium of Ksh. 80,000 per month. The fees are approved by shareholders during Annual General Meetings and paid annually in accordance with Government's guidelines for all state corporations. Directors are entitled to a sitting allowance and, where applicable, lunch allowance (to compensate for lunch being provided), accommodation allowance and mileage reimbursement as per the Government approved rates.

Details of Directors' emoluments amounting to Ksh. 33,391 million paid during the year is shown on page 92 of the Report.

17. Directors' Shareholding

During the year, none of the Directors owned more than 1 % of the shareholding as shown in the table below.

Director	Shares
Eng. Albert Mugo	1,966,862

18. Enterprise risk management

In the pursuit of our core mandate, the Company faces various risks that may impede the achievement of set business goals. Good corporate governance dictates that the Company's leadership considers and mitigates all risks that may affect its performance, to ensure that the business remains a going concern. This top-level accountability is intended to improve the risk management culture across the Company, ensure optimal utilisation of resources and increase productivity.

During the year, the Key Risk Indicators that capture the main areas of exposure and require interventions to secure the going concern of the Company were as follows:

Category	Corporate KRI	Measure	Risk Tolerance Range			Status	Out-Look
Financial Risk	Working Capital Ratio/ Current Ratio	Range	1.2-2.0	0.74 -1.1	<0.74		
	Receivable Days Ratio	Days	30	30-60	> 60		
	Debt to Equity Ratio	Ratio	1.1-1.4	1.4-1.5	>1.5		
	Interest Coverage ratio	Ratio	≥2	1-1.9	<1		
	Inventory Ratios	%	0	0-10%	>10%		
	Expected Credit Loss		0	0- 6.5B	> 13B		
	Aggregated System Losses	%	14%	15-19%	> 19%		
Strategic Risk	Diversification Ratio	%	> 1	-	< 1		
	Supply Average Interruption Duration Index (SAIDI)	Hours	63	91	> 91		

Category	Corporate KRI	Measure	Risk Tolerance Range			Status	Out-Look
Operational Risk	Number of Employee Safety Incidences	No.	0	1-5	> 10		
	Fleet availability index	%	>85%	60-85%	< 60%		
	Critical materials availability	%	100%	70-100%	< 70%		
	Employee turnover rate	%	8.8%	8.9-15%	> 15%		
	Overdue High Risk System Audit Recommendations	% Imple-mentation	100%	90%-100%	< 90%		
	IT Service Availability	%	99.99%	99.5-100%	< 99.5%		
Technological Risk	Mean Time to Resolve (MTTR)	Hours	< 1hr	1-2hrs	> 2hrs		
	Number of Public Safety Incidences	Number	0	1-10	> 10		
Reputational Risk	Customer Net Promoter Score(cNPS)	Scale of (+/-100)	> 10	0-9	< 0		

Legend

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

19. Executive committee

The Executive Committee is composed of General Managers, with the Managing Director and CEO serving as the committee's Chairman. This committee meets on a weekly basis to assess business performance, deliberate on policy matters, address strategic initiatives, and review documents before presentation to the Board or its Committees for their evaluation and endorsement.

20. Shareholder engagement and communication

The Company is committed to fostering strong and positive relationships with its shareholders through proactive and effective stakeholder management. The Board also protects the rights of all shareholders, regardless of whether they are majority or minority, institutional, individual, local, or foreign investors. Equitable treatment of all shareholders is a guiding principle upheld by the Board, ensuring fairness and equal consideration for every investor.

In alignment with this commitment, the Board provides shareholders with relevant information regarding the Company's strategy, operations and performance in a timely manner. We broadcast our half-year and full-year trading results through the media, publish annual reports and financial statements as well as hold regular investor briefings.

During the year under review, the Company held a virtual Annual General Meeting on 16th December 2022. Shareholders were given a chance to send their questions, which were subsequently responded to, and answers posted on the website www.kplc.co.ke.

21. Shareholding structure

Below is a list of the major shareholders and analysis as at 30th June 2023.

Top 20 shareholders as at 30th June 2023

No.	Name of the Shareholder	Ordinary Shares (KSh.2.50 each)	4% Cum. Pref. (Ksh. 20/= each)	7% Cum. Pref. (Ksh.20/= each)	Total Shares	Percentage
1	The National Treasury	977,641,695	656,808	193,531	978,492,034	50.09
2	Standard Chartered Nominees Resd A/C KE11450	32,518,589	-	-	32,518,589	1.66
3	Nyoro, Samson Ndindi	32,500,000	-	-	32,500,000	1.66
4	Standard Chartered Nominees Non-Resd A/C KE11794	24,076,800	-	-	24,076,800	1.23
5	Hirani, Naran Khimji & Hirani, Virji Khimji	23,845,364	-	-	23,845,364	1.22
6	Kenya Commercial Bank Nominees Limited A/C 915B	22,887,288	-	-	22,887,288	1.17
7	Varsani, Suresh Naran Ratna	17,221,325	-	-	17,221,325	0.88
8	Stanbic Nominees Ltd A/C NR79701	15,881,200	-	-	15,881,200	0.81
9	Hydery (P) Limited	15,068,500	-	-	15,068,500	0.77
10	Kaleb Investments Limited	11,003,200	-	-	11,003,200	0.56

No.	Name of the Shareholder	Ordinary Shares (KSh.2.50 each)	4% Cum. Pref. (Ksh. 20/= each)	7% Cum. Pref. (Ksh.20/= each)	Total Shares	Percentage
11	SBM Bank Nominees Ltd Ac 0037	10,908,200	-	-	10,908,200	0.56
12	Standard Chartered Kenya Nominees Ltd A/C 131550500013	10,129,800	-	-	10,129,800	0.52
13	SIB A/C Nominee	9,985,300	-		9,985,300	0.51
14	Ruhari, Nehemia Ikuah	9,006,255	-	-	9,006,255	0.46
15	Maiyo, Wilson Kimeli	9,000,000	-	-	9,000,000	0.46
16	Stanbic Nominees Limited Ac R7551918	8,551,279	-	-	8,551,279	0.44
17	Ngugi, John Njuguna	8,396,700	-	-	8,396,700	0.43
18	Tapioca Limited	7,112,500	-	-	7,112,500	0.36
19	Kale, Kipkales Chetalam	7,001,155	-	-	7,001,155	0.36
20	Standard Chartered Nominees A/C 1256B	5,728,709	-	-	5,728,709	0.29
Sub - Totals		**1,258,463,859**	**656,808**	**193,531**	**1,259,314,198**	**64.46**
Other Shareholders		**693,003,186**	**1,143,192**	**156,469**	**694,302,847**	**35.54**
Total Issued Shares		**1,951,467,045**	**1,800,000**	**350,000**	**1,953,617,045**	**100.00**

Distribution of Ordinary Shares as at 30th June 2023

Range	No. of Shareholders	Shares
<1,000	15,902	5,057,495
1001–10,000	11,869	39,493,030
10,001–50,000	3,312	72,337,608
50,001–100,000	761	54,566,976
100,001-1000,000	899	259,649,691
Over 1,000,000	146	1,520,362,245
Total	**32,889**	**1,951,467,045**

Distribution of 4 % Cumulative Preference Shares as at 30th June 2023

Range	No. of Shareholders	Shares
1,000>	359	62,959
10,000–1001	57	152,227
50,000–10,001	13	328,399
100,000–50,001	2	134,164
Over 100,000	3	1,122,251
Total	**434**	**1,800,000**

Distribution of 7 % Cumulative Preference Shares as at 30th June 2023

Range	No. of Shareholders	Shares
<1,000	81	21,702
1001–10,000	15	44,301
10,001–50,000	3	86,432
50,001–100,000	1	57,617
Over 100,000	1	139,948
Total	**101**	**350,000**

Shareholders Analysis as at 30th June 2023

Category	Ordinary Shares	%	4% Pref. Shares	%	7% Pref. Shares	%	Total Shares	%
East African Individual Shareholders	604,671,426	30.99%	608,420	33.80%	99,319	28.38%	605,379,165	30.99%
East African Institutional Shareholders	1,261,522,141	64.64%	1,086,810	60.38%	235,153	67.19%	1,262,844,104	64.64%
Foreign Shareholder	85,273,478	4.37%	104,770	5.82%	15,528	4.44%	85,393,776	4.37%
Total	**1,951,467,045**	**100%**	**1,800,000**	**100%**	**350,000**	**100%**	**1,953,617,045**	**100%**

Joy Brenda Masinde
Chairman, Board of Directors

Directors' Report

Kenya Power

Smarter for Better

DIRECTORS' REPORT

The core business of the Company continues to be transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Plc (KenGen), Independent Power Producers (IPPs), as well as imports from Uganda Electricity Transmission Company (UETCL), Ethiopia Electric Utility (EEU) and Tanzania Electric Supply Company Limited (TANESCO).

BUSINESS REVIEW

The year under review saw the Company maintain robust fundamentals, characterized by a sustained growth in electricity demand. Notably, unit sales increased by 404 GWh. This growth in unit sales was underscored by a 6% expansion in consumption within the commercial and industrial sectors. This heightened consumption pattern can be attributed to the increased vibrancy in manufacturing activities. The trajectory of improved unit sales translated into a substantial 21% surge in electricity revenue. This growth in revenue attests to the Company's adaptation to the evolving market dynamics and its successful alignment with the prevailing economic trends. The combination of heightened unit sales and increased revenue underscores the Company's proactive strategies and its ability to seize emerging opportunities within the economic landscape.

During the year, the Company reported a loss before tax amounting to KShs 4,434 Million. This was in contrast to the profit before tax of KShs 4,784 Million achieved in the preceding year, indicating a decline of KShs 9,217 Million. The primary driver behind this loss can be attributed to a substantial 89% surge in finance costs, escalating from Kshs 12,760 Million to Kshs 24,154 Million. Notably, within this category, unrealized foreign exchange losses experienced a significant surge from Kshs 6,577 Million to Kshs 16,868 Million. This upswing effectively negated the gains realized through heightened sales and the implementation of cost-reduction measures.

The Company's financial performance bore the adverse effects of forex fluctuations, primarily stemming from the discrepancy between its revenue being denominated in the local currency while its key financial obligations in foreign currencies. The depreciation of the Kenyan shilling against global currencies throughout the year had a substantial impact. Consequently, the Company was confronted with a notable vulnerability to exchange losses, underscoring the challenge posed by this exposure.

The Company has established a solid groundwork for business transformation, focusing on the following key pillars:

i) Refinancing and balance sheet restructuring: GoK has granted approval for the commercial transfer of the transmission network assets to KETRACO. The corresponding value of these transferred assets will be deducted from the GoK's on-lent debt portfolio. This strategic move holds the potential to notably diminish the Company's exposure to foreign currency risks.

ii) Operational excellence and revenue diversification: Enhancing electricity supply reliability as well as reducing system losses and expanding non-electricity revenue streams through diverse avenues.

iii) Exploration of new funding options and financing partnerships: Actively seeking innovative funding sources such as result-based financing and forging strategic partnerships for sustained growth.

iv) Reduction of power purchase costs: This entails the renegotiation of power purchase agreements geared toward reduction in the end-user cost of electricity.

During the year under review, leadership transitions took place within the organization. Dr. (Eng.) Joseph Siror was appointed as the Managing Director & Chief Executive Officer (MD & CEO) in May 2023.

In addition, five new members were elected to the Board of Directors during the Annual General Meeting (AGM) held on December 6, 2022. Subsequently, Joy Brenda Masinde was appointed as the new Chairman of the Board.

These leadership changes collectively signify the organization's dedication to growth, adaptability, and innovation in the face of evolving challenges and opportunities.

RESULTS FOR THE YEAR

	2023 Shs'000	2022 Shs'000
(Loss)/Profit before income tax	(4,433,856)	4,783,601
Income tax credit/ (expense)	1,240,677	(1,520,742)
(Loss)/Profit for the year	(3,193,179)	3,262,859

DIVIDEND

A dividend of Shs 1.93 Million (2022: Shs 1.93 Million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and other comprehensive income under finance costs.

No interim dividend was paid in 2023 (2022: Nil). The Directors do not recommend the payment of final dividend for the year ended 30 June 2023 (2022: Nil).

DIRECTORS

The current Directors are as shown on page 4.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Company's financial statements in accordance with article 229 of the constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015.

BY ORDER OF THE BOARD

Imelda Bore
Company Secretary

26th October 2023

Directors' Remuneration

Kenya Power

Smarter for Better

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Remuneration of the Company's Board is set within the Government limits for state corporations.

Statement of Company's policy on Directors' remuneration

During the year, there was no change to the Board remuneration. The current policy as guided by the Government through the State Corporations Advisory Committee (SCAC) will apply in subsequent years until the same is revised. The Company does not have any share options or long-term incentives plans. There was no compensation for past Directors, or any sum paid to third parties in respect of a Director's services.

The only executive Director is the Managing Director and Chief Executive Officer. He/She has performance targets for the year which apply to the Board. Non-Executive Directors' remuneration is fixed by SCAC.

Contract of service

The Non-Executive Directors are not under contract but are subject to retirement by rotation at the Annual General Meeting (AGM). Dr. (Eng.) Joseph Siror was appointed as Managing Director & Chief Executive Officer (CEO) on 02 May 2023 to replace Eng. Geoffrey Muli who had been appointed as the Ag. Managing Director on 17 May 2022.

Statement of voting at general meeting

During the last AGM held on 16 December 2022 the shareholders unanimously approved the Directors' fee of Shs 600,000 per year per Director on a pro-rata basis.

Summary of the remuneration policy

The following are highlights of the Board remuneration policy for the Company:

1. During every Board or Committee meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement at Automobile Association of Kenya rates.
2. The Chairman receives a monthly honorarium.
3. Directors' fees are paid annually upon approval by shareholders during the AGM in accordance with Government's guidelines for all state corporations.
4. Non-Executive Directors are paid a total of Shs 600,000 per annum or on pro rata basis for period served.
5. The remuneration for executive Directors is as per the negotiated employment contracts.
6. The Company will not propose to make any changes in the remuneration level during the current financial year.
7. There are no Directors' loans in the Company's loans.
8. There are no Directors' shares schemes.
9. A sitting allowance is paid to each Non-Executive Director for attending a duly convened and constituted meeting of the Board or of any of the committees.
10. An allowance is paid to Non-Executive Directors for any day of travel away from his regular station in order to attend to duties of the Company.
11. Medical insurance cover is provided to all Non-Executive Directors for their individual medical requirements covering both outpatient and in-patient services.

Directors' remuneration

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Honoraria (per month)	Shs 80,000	N/A
Sitting allowance (per sitting)	Shs 20,000	Shs 20,000
Telephone – airtime for mobile phone (per month)	Shs 20,000	N/A
Transport allowance/mileage	N/A*	Automobile Association of Kenya (AAK) rates
Lunch allowance	Shs 2,000	Shs 2,000
Director's fees per annum on prorata basis	Shs 600,000	Shs 600,000
Director's bonus	N/A	N/A
Accommodation allowance outside Nairobi	Shs 18,200	Shs 18,200

* The Chairman is provided with a Company car.

INFORMATION SUBJECT TO AUDIT

For the financial years ended 30 June 2023 and 30 June 2022, the Directors' fees and remuneration are as below:

	Salary/ hono-raria	Fees	Expense allow-ances	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2023				
Executive Director				
Dr. (Eng.) Joseph Siror- MD & CEO	1,831	-	647	2,479
Eng. Geoffrey Muli- Ag. Managing Director	6,018	-	3,782	9,800
Non-Executive Directors				
Joy Brenda Masinde - Chairman	560	324	2,201	3,085
Ms Vivienne Yeda – Former Chairman	400	276	245	921
PS, National Treasury	-	600	-	600
PS, Energy	-	600	-	600
Kairo Thuo	-	600	689	1,289
Dr. Duncan Ojwang	-	324	1,272	1,596
Eng. Albert Mugo	-	324	1,027	1,351
Logan Christi Hambrick	-	324	2,100	2,424
Veska Kangogo	-	324	2,378	2,702
Sarah Mbwaya	-	234	440	674
Justice (RTD) Aaron Gitonga Ringera	-	187	376	563
Brig (Rtd) James M Gitiba (Ebs)	-	234	900	1,134
Yida Kemoli	-	276	480	756
Eng. Benson Mwakina	-	-	1,811	1,811
Mr. Humphrey Muhu	-	-	1,606	1,606
	8,809	**4,627**	**19,954**	**33,391**
Year ended 30 June 2022				
Executive Director				
Eng. Geoffrey Muli- Ag. MD	1,204	-	713	1,917
Eng. Rosemary Oduor- Ag. MD & CEO	6,391	-	4,072	10,463
Bernard Ngugi- MD & CEO	760	-	180	940
Non-Executive Directors				
Ms Vivienne Yeda - Chairman	960	600	1,340	2,900
PS, National Treasury	-	600	-	600
Maj.Gen (Rtd) Gordon Kihalangwa	-	600	-	600
Abulrazaq Ali	-	544	700	1,244
Kairo Thuo	-	600	640	1,240
Elizabeth Rogo	-	544	1,416	1,960
Caroline Kittony	-	544	1,442	1,986
Sachen Gudka	-	253	520	773
Humphrey Muhu Njoroge	-	-	1,440	1,440
Benson Mwakina	-	-	795	795
Yida Kemoli	-	347	740	1,087
Isaac Kiva	-	-	220	220
	9,315	**4,632**	**14,218**	**28,165**

BY ORDER OF THE BOARD

Imelda Bore

Company Secretary

26th October 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii) Selecting suitable accounting policies and then applying them consistently; and
iii) Making judgements and accounting estimates that are reasonable in the circumstances.

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

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 26th October 2023 and signed on its behalf by:

Joy Brenda Masinde Chairman, Board	Mr. Kairo Thuo Chairman, Audit Committee	Dr. (Eng.) Joseph Siror Managing Director & CEO

Report of the Auditor-General

Kenya Power

Smarter for Better


AUDIT

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette 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 the intended purposes.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 113 to 213, 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my 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.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Kenya Power and Lighting Company PLC Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Material Uncertainty Relating to Going Concern

I draw attention to Note 2 (a) to the financial statements which discloses that the Company recorded a loss of Kshs.4,433,856,000 during the year under review. In addition, the Company's current liabilities of Kshs.132,275,488,000 exceeded its current assets of Kshs.81,041,557,000 by Kshs.51,044,683,000 (2022 - Kshs.56,534,952,000). The Company has remained in a negative working capital position for the seventh consecutive year. The Board of Directors and Management have in the past and in the year under review, indicated strategic initiatives being undertaken to improve the financial results of the Company. However, these initiatives appear not to have yielded the intended results as at 30 June, 2023. As further stated in Note 2(a), this condition, along with other matters as set forth in the Note indicates existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

2. Long Outstanding Receivables from Other Government Entities

The statements of financial position and as disclosed in Note 21(b) to the financial statements reflects net current trade and other receivables balance of Kshs.56,737,372,000 and a gross balance of Kshs.83,175,866,000. Included in the current trade and other receivables gross balance is an amount of Kshs.27,795,493,000 in respect of receivables from other Government entities. Review of these balances revealed the following anomalies and inconsistencies:

i. Receivables amounting to Kshs.26,928,111,000 relate to a debt due from Rural Electrification Scheme (RES) which the Company administers on behalf of the Government of Kenya. Management indicated that Rural Electrification Scheme

(RES) are funded by the National Government and implemented by the Company on behalf of Ministry of Energy and Petroleum (MOEP). The Schemes under RES are considered sub-economic, given that their operational and maintenance costs exceed their revenues, and it was agreed that the Government will reimburse the Company any deficit arising from the Scheme. The resultant accumulated deficit is recoverable from the Government of Kenya (GOK) as stipulated in the 1973 Mercado Agreement signed between KPLC and the Government through the MOEP. As at the 30 June, 2023, no reimbursement had been made to cover the deficits despite a cabinet resolution to disburse Kshs.19,400,000,000 to settle the RES losses.

ii. Included in the receivable amount is Kshs.154,766,000 due from the Ministry of Energy and Petroleum, Kenya Electricity Generating Company PLC (KenGen), Geothermal Development Company (GDC), Rural Electrification and Renewable Energy Corporation (REREC), Energy and Petroleum Regulatory Authority (EPRA) and Nuclear Power and Energy Agency (NuPEA) which has been outstanding since 2015. The amount relates to media campaigns executed in November 2014 through electronic, print, and online media to gauge demand for 5000+ MW from existing and potential investors as had been directed by the then Cabinet Secretary for Ministry of Energy and Petroleum. Records at the Company indicates that the Ministry of Energy and Petroleum and its parastatals had agreed to share the costs of the integrated media advertising for investors power plan data gathering campaign. However, no evidence was provided to show how the Company ended up paying all the costs on behalf of the other entities.

iii. An amount of Kshs.248,564,297 was due from Rural Electrification and Renewable Energy Corporation (REREC) for electrification of schools in rural areas. REREC contracted Kenya Power and Lighting Company to connect the schools in preparation of the laptop project in 2015. Although the Company completed the projects, this has not been acknowledged by REREC and remains unsettled.

iv. The receivables balance includes an amount of Kshs.71,337,550 in respect of street lighting maintenance costs due from several counties for works done between 2016 and 2017. Management has not demonstrated how the amount will be recovered.

The Management has taken care of the probable loss that may result out of doubtful recoverability through and an Expected Credit Loss (ECL) in line with IFRS 9.

3. Foreign Currency Exposure and Uncompensated Forex Losses

The Company is heavily affected by the forex fluctuation owing to its payments of power purchase and the forex denominated loans. With a combined outstanding foreign currency obligation of approximately USD1 Billion comprising of 70% forex denominated debt and 30% power purchase obligations, the foreign exchange rate fluctuation impact in the financial year 2022/2023 was Kshs.23 Billion. The Company currently bears the difference between the actual forex rate used for payments and the Central Bank of Kenya (CBK) mean rate used by the regulator for the passthrough costs. There is no forex compensation mechanism to ensure that the market rate applied at the time of making payments is mitigated against the impact of the forex rate fluctuation.

The Company should also review its approach to power purchase contracting to mitigate against the significant foreign exchange exposure given its entire revenue is in local currency. This should include engaging existing power generators for sustainable currency related solutions that will resolve the accumulation of overdue obligations.

My opinion is not qualified with respect to these matters.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risk of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my opinion on the accompanying financial statements.

Key Audit Matter	How My Audit Addressed the Key Audit Matter
Comparative Cost of Power Purchase between KenGen and Independent Power Producers Over the years, there has been a disparity in the cost of power procured from the Kenya Electricity Generating Company PLC (KenGen) and Independent Power Producers (IPPs). Similarly, during the year under review, KenGen supplied a total of 8,027 gigawatt hours (GWh) being 60% of the total power purchased while the IPPs supplied the remaining 5,263 GWh (40%). However, the cost of the total power purchased from KENGEN was Kshs 54,215,880,000 equivalent to 35% compared to power purchase cost of Kshs.98,411,067,000 from IPPs, equivalent to 65%. Focus was given to the cost of power purchased due to its impact on the Company's earnings, and electricity tariffs charged to consumers. Areas identified for review included:	The following Procedures were performed: - i. Obtained an understanding of power purchasing arrangements and Company policy on order of dispatch policy from different sources; ii. Tested the key controls and procedure guidelines over power purchase and invoice verification process and cost recognition; ii. Reviewed invoicing and payments processes including re-computation of paid invoices; iv. Selected a sample of Power Purchasing Agreements (PPAs) and performed procedures to determine consistency of invoiced amount with the PPA provisions;

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2023

4

Key Audit Matter	How My Audit Addressed the Key Audit Matter
i. Procurement processes for Power Purchase Agreements (PPAs) from Independent Power Producers (IPPs); ii. Provisions in the PPAs and their impact on purchasing arrangements including priority dispatch and tariff setting. iii. Capacity charge on power plants and its impact on the cost of power purchased. iv. Bulk energy invoice verification and approval process v. Application of passthrough costs and recovery of the same through approved tariff Relevant disclosures were included in Notes 8 to the financial statements which give an analysis of cost of sales from different power producers and passthrough costs which comprise foreign exchange and fuel costs.	v. Performed a comparative analysis of passthrough costs against amounts recovered from consumers; and, vi. Assessed the disclosures included in the financial statements, including their compliance with the requirements of International Financial Reporting Standards (IFRS).

Other Information

The other information comprises the Chairman's Statement and the Managing Director and Chief Executive Officer's Statement, which I obtained prior to the date of this report, and the rest of the other information in the Annual Report which is expected to be made available to me after that date, but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

When I read the rest of the other information in the annual report and I conclude that there is a material misstatement therein, I am required to communicate the matter to the Board of Directors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unmatched Passthrough Costs to Revenue

The statement of profit or loss and other comprehensive income for the year under review reflects revenue from contracts with customers and cost of sales amounting to Kshs.190,974,954,000 and Kshs.143,575,838,530 respectively. As disclosed in Note 7(a) to the financial statements, the revenue includes an amount of Kshs.34,155,050,000 in respect of fuel cost charge. However, fuel cost collections from revenue as per the approved Energy and Petroleum Regulatory Authority (EPRA) rates amounted to Kshs.57,335,015,682 resulting in a variance of Kshs.23,179,965,682.

In addition, given that the fuel costs are passed to the customers, they are expected to match the recoveries. However, fuel cost recoveries from customers of Kshs.34,155,000 exceeded the corresponding fuel costs of Kshs.28,093,512,000 reported under cost of sales.

According to Management, the mismatch was occasioned by power purchase costs recovery mechanism for future temporary power plants; geothermal steam charge and costs of other power plants; power purchase costs that had not been factored in the approved base or non-fuel tariffs issued in 2018; and variances between costs and revenues resulting from computed and the applied Fuel Cost Charge (FCC) in the previous year 2021/2022.

In the circumstances, the legality of inclusion of these non-related charges in the fuel cost charge in fuel cost recoveries could not be confirmed.

2. Penalties on Overdue Invoices

The statement of profit or loss and other comprehensive income and as disclosed in Note 11(b) to the financial statements, reflects an expenditure of Kshs.24,153,922,000 on finance cost. Included in this amount is Kshs.1,120,143,000 relating to interest on late payment of invoices. This expenditure which resulted in the increase of the cost of sales, and negatively affected the Company's cash flows as well as profitability, could have been avoided with proper credit management.

In the circumstances, value for money on the expenditure could not be confirmed.

3. Procurement of Goods and Services

3.1 Un-Procedural Purchase of Land

The Management procured a 10-acre land in Machakos County at a cost of Kshs.75,000,000 for the construction of a substation to improve reliability and quality of electricity supply in Athi River and its environs. Management engaged a valuer to undertake valuation of the market price of the 10 acres. The valuer's report dated 13 April, 2011 gave the value of the land as Kshs.40,000,000. This was communicated to the seller which also undertook its independent valuation and gave a valuation of Kshs.70,000,000 in a report dated 7 September, 2011. However, Management failed to negotiate with the seller as required under the Company's policy on acquisition of the Company properties and acquired the property at a price that was higher than the market value returned by the valuer it had earlier engaged of Kshs.40,000,000.

In addition, purchase of the land had no approval from The National Treasury, Ministry of Energy and the Management Committee of the Company as required under Paragraph 1.2.3 (1) of the Guidelines for Management of Specific Categories of Assets and Liabilities and Clause 6.1 of the Company's Operating Procedures on Acquisition/ purchase of Company Property. Further, the land had been encroached by a third party who claimed to hold a court order in his favour. The Management indicated in a minute between the buyer and seller dated 31 May, 2022 of its reservation that the land had been encroached and requested the seller to give the land in vacant possession in accordance with the sale agreement. As a result, the Company could not proceed with fencing of the land and subsequent construction of the station.

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

3.2 Irregular Procurement of Spare Parts for Distribution Automation Systems

A tender for Purchase of spare parts for the Distribution Automation Systems (DAS) was awarded to a supplier at a cost of USD 432,925.21 (approximately Kshs.52,816,876). Review of procurement process revealed that, Management used Request for Quotation documents instead of standard tender documents for goods under direct procurement as provided under Section 104(a) of Public Procurement and Asset Disposal Act, 2015. The quotation documents used had not provided for the technical specifications for the goods, and therefore, the basis upon which the tender was evaluated could not be confirmed.

In addition, the tender documents required the bidder to quote for nine (9) items. However, during evaluation and negotiations by the evaluation Committee, the bidder was awarded six (6) items after indicating that the Remote Terminal Unit (RTU) inner box for Load break switch with upgraded module of Gemini 3 will be supplied instead of the current Gemini 2.5. The initial quote had provided for fifty (50) pieces of the RTU at Kshs.21,166,512 (USD 173,496.48). However, the price was increased to Kshs.25,578,642 (USD 209,661) for the same items resulting in an increase in the costs of the spares by Kshs.4,412,130 (USD 36,165).

Consequently, the evaluation Committee materially altered the original tender against the provisions of Section 75(1) of the Public Procurement and Asset Disposal Act, 2015, which should have been revised before the deadline of tender submitting period.

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

4. Failure to Prepare Financial Statements for a Donor Funded Project

Note 43(b) the financial statements reflects that the Company received funding from the World Bank through Credit No.5587-KE to support electricity modernization projects. As at 30 June, 2023, a balance of USD 68,266,159 equivalent to Kshs.9,592,999,656 was outstanding in respect of the Loan. However, since inception of the project in 2015, Management of the Company have not prepared and submitted financial statements for the project as required in Clause 90.3 (1) of the subsidiary loan agreement between the Government of Kenya and The Kenya Power and Lighting Company PLC dated 29 July, 2015.

5. Irregular Payment of Long Outstanding Payables

During the year under review, the Company paid one hundred and fifty-seven (157) invoices for services rendered in 2014 and 2017 for eight (8) suppliers at a total cost of Kshs.488,714,883 which had not been paid earlier due to inadequate documentation. A committee appointed to vet and verify the invoices and deliveries in December, 2022 indicated that the failure to settle the invoices in a timely manner was as a result of breakdown of the payment process, non-submission or late submission of invoices by the suppliers, provision of goods without a valid framework agreement, lack of various requisite documents required for payment such as professional opinion, a valid contract, performance bond physical Local Purchase Orders (LPOs), physical goods received notes and inspection and acceptance reports.

However, the committee recommended payment to the suppliers without the above cited supporting documentation being provided, and a payment of Kshs.488,714,883 was subsequently made.

Further, included in the committee recommendation for payment was an amount of Kshs.11,625,919 in respect of a supplier who was not among the seven (7) the committee was mandated to verify and validate its invoices and delivery notes. The inclusion of this supplier in the committee report and the subsequent payment is therefore irregular and its validity could not be confirmed. Similarly, an invoice for one of the seven (7) suppliers amounting to Kshs.835,200 was paid despite the invoice having not been validated by the verification Committee.

In addition, a prior verification of all pending payments done in 2019 and approved by the then Managing Director on 3 May, 2019 for payment included four (4) of the seven (7) suppliers for which outstanding invoices had been settled. However, earlier report did not indicate any outstanding invoices in respect of these suppliers for the stated period between 2014 to 2018. Further, review of vendor accounts for these suppliers in the accounting system did not have evidence that the invoices were posted prior to settlement in the current financial year which makes their existence doubtful.

In the circumstances, the value for money for the payables of Kshs.488,714,883 could not be confirmed.

6. Employee Costs

6.1 Irregular Payment of Exit Pay

A former Managing Director of the Company requested to disengage with the Company to pursue other engagements through a letter dated 3 August, 2021. The Board considered and approved the request on 11 August, 2021 and later approved payment of Kshs.26,820,648 as final exit payment comprising of full compensation of the remaining contract period of fifteen (15) months. The payment was subject to approval by the Ministry of Energy, and The National Treasury who both granted approvals on 25 May, 2022 and 11 April, 2022. While not objecting to the payment, The National Treasury advised that the same be subjected to approval of State Corporation Advisory Committee (SCAC). However, SCAC approval was not obtained prior to payment of the gratuity of Kshs.26,820,648 as advised.

In addition, the payment contravened the Staff Regulations and Procedures which provides that if an employee resigns before the completion of his contract, he/she will have no entitlement to gratuity, or any terminal leave pay. Further, included in the exit pay was an amount of Kshs.2,520,000 paid as payment in lieu of notice. However, the payment was irregular since it is only payable to an employee whose employment contract is terminated by the Company without giving notice. In this case, the former Managing Director resigned without giving a notice and ought to have paid the Company a notice of Kshs.2,280,000.

In the circumstances, the regularity of Kshs.26,820,648 exit pay could not be confirmed.

6.2 Acting Allowances Beyond the Limit

Review of the Company's employee records on appointments to acting positions and allowances paid thereof revealed that ninety (90) employees were appointed on acting capacity for long periods and continued to draw acting allowances beyond the stipulated six months' period. In some instances, some employees had been holding positions in an acting capacity for more than five (5) years, without obtaining special approval from Chief Manager, Human Resources and Administration as provided for in the Company policy. This is contrary to the provisions of the Company's staff regulations and procedures.

Additionally, some of the employees were appointed to act in positions that were two job groups higher than their substantive positions contrary to provisions of the Staff Rules and Regulations. Further, acting allowances to employees was paid from the first month of acting contrary to part IV (b) of the Company's Staff Regulations and Procedures which provides that no acting allowance will be paid in respect of the first two months during which an employee is acting.

In the circumstances, Management was in breach of Company policies and procedures on Human Resources.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Power Losses

The financial statements in Note 7(a) reflects electricity sales of Kshs.120,186,026,000 and Kshs.24,172,173,000 in respect of postpaid and prepaid electricity sales, respectively. Review of units of electricity purchased against units sold revealed a total of 13,290 in gigawatt-hours (GWh) purchased from power producers out of which 10,234 GWh were sold to customers resulting in an efficiency loss of 3,056 GWh or 23%.

The industry regulator, Energy and Petroleum Regulatory Authority (EPRA) approved the Company to recover from consumers system losses of up to 19.5% that is deemed to be normal loss. The excess of 3.5% power loss above the allowed loss constitutes inefficiency power loss which is borne by the Company thus increasing operating costs.

In addition, review of the power transmission data revealed that the losses occurred in the generation, distribution, transmission networks. However, KPLC does not breakdown losses arising from those networks which, if accurately determined, can be attributed, and be borne by respective power producers, distribution schemes under Rural Electrification and Renewable Energy Corporation (REREC) and Kenya Transmission Company Limited (KETRACO).

In the circumstances, effectiveness and efficiency in the pricing of the power supply could not be ascertained.

2. Delays in Completion of Customer Electricity Connection Projects

The statement of financial position and as disclosed in Note 16 to the financial statements, reflects work in progress balance of Kshs.16,687,971,000. Included in the balance are projects for which customers had paid a total of Kshs.12,079,656,000 in respect of electricity connections. However, twenty-one thousand two hundred and thirty-one (21,231) projects with a total capital contribution paid for by the customers of Kshs.966,901,128 were yet to start with some of the projects in respect of two (2) customers having been created and paid for eleven (11) years ago. This is contrary to the Company's Customer Charter on connection of electricity which provides for timelines within which electricity connection for customers are to be carried out depending on the type of connection ranging from seven (7) days to twenty-eight (28) days.

Management therefore, continues to hold customer electricity connection fees in form of capital contributions amounting to Kshs.12,079,656,000, as disclose in Note 28 (a) to the financial statements. Delayed connection of these customers denies them electricity and at the same time denies the Company revenues. Management attributes the delays in completion of projects to wayleaves acquisition challenges leading to re-designs of some projects and sometimes abandonment of the same, non-availability of critical materials needed for construction such as cables, conductors, meters and transformers and suspension of the construction contracts with hired labor and transport contractors and on-going court cases.

In addition, review of customer electricity connection projects listed in work in progress revealed that twenty-one thousand, seven hundred and thirty-four (21,734) projects with capital contributions payment of Kshs.3,048,656,972 which had no costs attributed to them as evidence that the projects have been undertaken but have been closed in the system and indicated as complete. Management did not provide explanations on how projects paid for by the customers can be completed and closed in the system without the Company using any materials to connect electricity for the customers.

Further, three hundred and forty-nine (349) customers' projects initiated with a total expenditure of Kshs.321,639,101 had no corresponding capital contribution by the customers, an indication of connecting customers without payment of the required connection fees.

In the circumstances, the effectiveness of controls in place to monitor customer connections could not be confirmed.

3. Weaknesses in Project Management

Review of the project management practices and work in progress records at the Company revealed that as at 30 June, 2023, more than twenty-one thousand (21,000) projects with a total cost of Kshs.16,629,134,000 were listed as ongoing in the Company's records. However, eight thousand five hundred and six (8,506) projects with a cost of Kshs.14,257,200,696 were behind their respective execution schedules having been outstanding for between three (3) to thirteen (13) years. In addition, review of the Company's project management system revealed absence of a robust, documented risk assessment and project monitoring during project life cycles. Project delay risks were not identified and mitigated in time. Similarly, no monitoring through a matrix designed to assess project management controls and feed the information into a project risk register for action to take place.

Further, the Board and Management established a project management office in 2020 responsible for the coordination and guiding implementation of capital projects to ensure achievement of the expected business benefits. The projects management office was expected to maintain database and information of all capital projects under implementation. However, as at the time of audit, the database containing information of all capital projects under implementation maintained by the project management office had not been established. This led to lack of proper coordination and standardization of projects implementation activities resulting in duplicated, delayed or abandoned projects thus making the Company to incur extra costs either directly or indirectly due to lost opportunities. Additionally, there was no project management framework and project management policy in place to guide and outline the essential elements in the management of projects to assist in conceptualization, stakeholder management, managing risks and maximizing business value derived from projects. Management indicated that they were in the process of developing project management framework and project management policy.

In the circumstances, existence of controls to monitor implementation of projects could not be confirmed.

4. Trade Receivables

4.1 Unpaid Electricity Bills

Analysis of post-paid billing data and payments for the financial year under review revealed that seven hundred and twenty-nine thousand, seven hundred and thirty-two (729,732) accounts were billed for electricity consumption costing Kshs.1,803,302,369 but had not made payments towards settling the bills. In addition, the accounts remained active despite disconnection work orders having been raised against them.

In the circumstances, the recoverability of the outstanding bills of Kshs.1,803,302,369 is in doubt and Management has not indicated measures being taken to recover the same.

4.2 Pre-loaded Units Debt

An evaluation of pre-paid debtors revealed preloaded units receivable amount of Kshs.81,652,643 that accrued since financial year 2012. Out of the amount, only Kshs.6,700,123 has been settled representing only 8%. Despite the prepay records showing that the meters are installed, it is likely that the customers do not vend after the preloaded units ran out. Thus, the Company is unlikely to recover debt attributed to preloaded units of Kshs.74,952,520.

In the circumstances, the effectiveness of controls in place to monitor meter activities could not be confirmed.

5. Power Outages as a Result of Unstable Renewable Energy Generation

The Company is heavily impacted by the variable renewable energy sources (solar and wind) due to their high level of instability or intermittency during the dispatch operations. These generation sources are continuously supported by other plants which are dispatched to meet the difference of generation dropped at any one time which in the final analysis means that the actual cost of generation is the cost of the intermittent source plus the cost of generation dispatched to stabilize the ensuing intermittency by meeting the generation shortfall. When there is a sudden rise in generation due to the intermittency, the power system also becomes unstable and leads to the excess generation above the demand and this also leads to poor power quality to customers. During these instabilities, parts of the power system goes off as part of the self-protective mechanisms of the power system and this leads to outages and therefore loss of revenue. There is need to have a cost effective stabilization mechanism for these variable generation sources that are currently on the grid and regulations put in place to ensure that all renewable energy generation sources are installed with their stabilization mechanisms as part of the power generation contracting requirements.

In the circumstances, the effectiveness of measures implemented to mitigate against power outages could not be confirmed.

6. Unmetered Connections

An analysis of work requests from the data generated from Integrated Customer Management System (INCMS) revealed, that ten thousand, seven hundred and forty-five (10,745) new connections were awaiting metering for more than one year. Further, scrutiny of metering report revealed that meters booked against the work requests for new connections were picked from the regional stores but as at the time of the audit, they were yet to be installed. Notably, some meters booked and issued in 2018 were yet to be installed.

In the circumstances, the optimal utilization of the Company's resources could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) In my opinion, the information given in the report of the Directors on pages 47 to 48 is consistent with the financial statements.

(ii) In my opinion, the auditable part of the Directors' remuneration report on pages 49 to 51 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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

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

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

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 October, 2023

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

	Notes	2023	2022
			Restated
		Shs'000	Shs'000
Revenue from contracts with customers	7(a)	190,974,954	157,353,254
Cost of sales	8	(143,575,530)	(117,346,667)
Gross profit		**47,399,424**	**40,006,587**
Net operating expenses			
Network management	9(a)	(20,664,395)	(20,261,152)
Commercial services	9(b)	(2,976,823)	(4,784,165)
Administration	9(c)	(11,269,511)	(11,942,109)
Expected credit losses on financial assets	9(d)	(2,371,088)	831,917
		(37,281,817)	**(36,155,509)**
Operating income		10,117,607	3,851,078
Other income	7(c)	9,095,819	13,295,842
Operating profit		**19,213,426**	**17,146,920**
Finance income	11(a)	506,640	396,940
Finance costs	11(b)	(24,153,922)	(12,760,259)
(Loss)/Profit before income tax		**(4,433,856)**	**4,783,601**
Income tax credit/(expense)	13(a)	1,240,677	(1,520,742)
(Loss)/Profit for the year		**(3,193,179)**	**3,262,859**
Basic and diluted earnings per share (Shs)	**14**	**(1.64)**	**1.67**
(Loss)/Profit for the year		**(3,193,179)**	**3,262,859**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of the retirement benefit asset	32	538,392	(723,261)
Remeasurement of the gratuity arrangement	33(c)	36,683	10,639
Deferred income tax relating to remeasurement of the retirement benefit asset and gratuity arrangement	27	(172,523)	213,786
Other comprehensive income, net of taxes		402,552	(498,836)
Total comprehensive income for the year		**(2,790,627)**	**2,764,023**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

ASSETS	Notes	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
Non-current assets				
Property and equipment	16	267,974,466	272,360,574	277,333,014
Leasehold land	17	685,694	644,822	659,686
Intangible assets	18	1,664,133	613,312	1,480,429
Retirement benefit asset	32	1,116,558	511,652	1,290,133
Right of use asset	19	862,762	939,793	1,092,834
Trade and other receivables	21(a)	380,102	566,509	794,985
		272,683,715	**275,636,662**	**282,651,081**
Current assets				
Inventories	20	6,072,995	6,316,243	5,895,766
Trade and other receivables	21(b)	56,737,372	40,436,575	37,595,665
Current income tax	13(c)	-	143,885	50,630
Short-term deposits	22(a)	501,050	474,815	460,060
Bank and cash balances	22(b)	17,730,140	7,461,005	5,546,861
		81,041,557	**54,832,523**	**49,548,982**
TOTAL ASSETS		**353,725,272**	**330,469,185**	**332,200,063**
EQUITY AND LIABILITIES				
Equity attributable to owners				
Ordinary share capital	23	4,878,667	4,878,667	4,878,667
Share premium	24	22,021,219	22,021,219	22,021,219
Retained earnings	25	29,942,955	32,733,582	29,969,559
TOTAL EQUITY		**56,842,841**	**59,633,468**	**56,869,445**
Non-current liabilities				
Deferred income tax	27	27,217,478	28,579,124	27,415,359
Deferred income	26	12,775,248	11,131,733	11,187,465
Trade and other payables	28(a)	29,562,693	31,823,137	28,317,338
Lease liabilities	29	551,582	660,344	837,742
Borrowings	30	94,456,942	87,230,904	91,042,791
Preference shares	31	43,000	43,000	43,000
		164,606,943	**159,468,242**	**158,843,695**
Current liabilities				
Trade and other payables	28(b)	105,064,922	88,216,417	91,894,846
Deferred income	26	4,227,426	3,693,124	3,155,068
Current income tax	13(c)	12,136	-	-
Provisions	33	958,542	983,367	821,443
Lease liabilities	29	309,655	304,413	279,472
Borrowings	30	20,951,195	17,411,984	15,947,497
Dividends payable	34	751,612	758,170	793,383
Overdraft	22(b)	-	-	3,595,214
		132,275,488	**111,367,475**	**116,486,923**
TOTAL EQUITY AND LIABILITIES		**353,725,272**	**330,469,185**	**332,200,063**

The financial statements on pages 113 to were approved and authorised for issue by the Board of Directors on 26th October 2023 and were signed on its behalf by:

Joy Brenda Masinde
Chairman, Board

Mr. Kairo Thuo
Chairman, Audit Committee

Dr. (Eng.) Joseph Siror
Managing Director & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary share capital (Note 23)	Share premium (Note 24)	Retained earnings (Note 25)	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 30 June 2021 - as previously reported	4,878,667	22,021,219	30,274,055	57,173,941
Restatement (note 42(g)	-	-	(304,496)	(304,496)
At 30 June 2021 - restated	**4,878,667**	**22,021,219**	**29,969,559**	**56,869,445**
Year ended 30 June 2022				
Balance at 1 July 2021-restated	4,878,667	22,021,219	29,969,559	56,869,445
Profit for the year	-	-	3,262,859	3,262,859
Other comprehensive income	-	-	(498,836)	(498,836)
Total comprehensive income for the year	-	-	2,764,023	2,764,023
At 30 June 2022-restated	**4,878,667**	**22,021,219**	**32,733,582**	**59,633,468**
Year ended 30 June 2023				
Balance at 1 July 2022	4,878,667	22,021,219	32,733,582	59,633,468
Profit for the year	-	-	(3,193,179)	(3,193,179)
Other comprehensive income	-	-	402,552	402,552
Total comprehensive income for the year	-	-	(2,790,627)	(2,790,627)
At 30 June 2023	**4,878,667**	**22,021,219**	**29,942,955**	**56,842,841**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

		2023	2022
			(Restated)
	Notes	Shs '000	Shs '000
Cash flows from operating activities			
Cash generated from operations	36(a)	37,544,511	32,996,681
Income tax paid	13(c)	(137,470)	(236,447)
Interest received	36(g)	469,238	398,708
Gratuity paid	33(c)	(248,043)	(178,148)
Repayment of interest portion of lease liabilities	29	(102,983)	(124,022)
Interest paid	36(d)	(4,873,487)	(4,303,420)
Net cash flows generated from operating activities		**32,651,766**	**28,553,352**
Cash flows from investing activities			
Purchase of property and equipment	36(h)	(12,300,538)	(12,275,327)
Purchase of intangible assets	18	(1,616,868)	-
Prepayment of lease relating to leasehold land	17	(75,670)	(11,000)
Proceeds from disposal of property and equipment	36(e)	233,130	34,681
Net cash flows used in investing activities		**(13,759,946)**	**(12,251,646)**
Cash flows from financing activities			
Repayment of borrowings	36(b)	(10,620,802)	(15,050,964)
Proceeds from borrowings	36(b)	2,354,989	1,009,123
Repayment of principal portion of lease liabilities	29	(318,748)	(297,506)
Dividends paid to owners of the Company	36(f)	(8,488)	(37,143)
Net cash flows used in financing activities		**(8,593,049)**	**(14,376,490)**
Net increase in cash and cash equivalents		10,298,771	1,925,216
Cash and cash equivalents at the beginning of year		8,081,268	6,053,333
Effect of foreign exchange rate changes on cash and cash equivalents		50,577	102,719
Cash and cash equivalents at end of year	**36(c)**	**18,430,616**	**8,081,268**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Power and Lighting Company Plc, a public Company domiciled in the Republic of Kenya, was incorporated on 6 January 1922, as East Africa Power & Lighting Limited. The Company changed its name on 11 October 1983. The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Plc (KenGen), Independent Power Producers (IPPs), Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electric Supply Company Limited (TANESCO). The shares of the Company are listed on the Nairobi Securities Exchange. The Government of Kenya is the principal shareholder in the Company holding a 50.1% equity interest.

The address of the Company's registered office is as follows:

Stima Plaza
Kolobot Road, Parklands
P.O. Box 30099 – 00100, Nairobi.

2. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015. They are presented in Kenya Shillings, which is also the functional currency (see Note 3(i) below), rounded to the nearest thousand (Shs'000), except where otherwise indicated.

The financial statements comprise a profit and loss account (statement of profit or loss and other comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss section of the statement of profit or loss and other comprehensive income. Other comprehensive income is recognised in the other comprehensive income section of the statement of profit or loss and other comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

(a) Going concern assessment

The Company recorded a loss before tax of KShs 4,434 Million for the year ended 30 June 2023 compared to a restated profit before tax of KShs 4,784 Million the previous year, a decrease of KShs 9,217 Million. Cash flows generated from operations increased from Kshs 28,553 Million in June 2022 to Kshs 32,652 Million in the year under review.

(a) Going concern assessment (Continued)

The loss before tax is attributed to an 89% increase in finance costs from Kshs 12,760 Million to Kshs 24,154 Million, specifically, unrealized foreign exchange losses increased from Kshs 6,577 Million to Kshs 16,868 Million, thereby eroding all the gains made on increased sales and cost reductions. In addition, the expected credit losses increased from a write back of Ksh 832 Million to a provision of Kshs 2,371 Million due to higher monthly billing and the tough economic conditions leading to a decline in customer payment rates.

The Company's working capital position continued to improve during the period under review despite the challenging operating environment characterized by reduced tariffs and increasing power purchase costs. The negative working capital improved from a low of **Ksh 74,849 Million** to **Ksh 51, 234 Million** as shown is the improvement path of the over the past 5 years in the table below;

	2019	2020	2021	2022	2023
			Restated	Restated	
	KSH M	KSH M	KSH M	KSH M	KSH M
Net Working Capital	(70,970)	(74,849)	(66,851)	(56,535)	(51, 234)

During the year, the growth trajectory of electricity demand continued with an increase in unit sales by 404 GWh, peak demand also registered a new high of 2,149 MW clearly indicating the increasing demand for electricity. Electricity revenue increased by 21% due to higher unit sales as well as elevated fuel and foreign exchange recoveries which also increase the corresponding power purchase costs by a similar margin of 21%.

Decline in financial performance for the year ended 30 June 2023

The key factors driving the decline in performance are as outlined below

(i) Foreign Exchange Losses arising from the depreciation of local currency

The Company continues to face foreign exchange challenges especially considering that its revenues are entirely in Local Currency, while key obligations mainly power purchase and loans are in foreign currency.

This situation presents a significant foreign currency exposure in terms of the exchange losses, financing costs as well as availability of the currency. The foreign exchange rate increased from Kshs 118/USD and Kshs 123/Euro in June 2022 to Kshs 140/USD and Kshs 154/ Euro in June 2023.

With a combined outstanding foreign currency obligation of approximately USD 1 Billion comprising of 70% forex debt and 30% power purchase obligations, the rate fluctuation impact in the year under review was Kshs 22 Billion of which Ksh 16,867 Million was revaluation of loans and Kshs 5,318 Million was revaluation of power purchase obligations.

This forex fluctuation impact on the financial statements outweighed the gains derived from the increased sales, new revised tariff and other initiatives.

(a) Going concern assessment (Continued)

(ii) Electricity Tariff Changes

The 2022 tariff reduction by 15% that was expected to end in December 2022 was extended to March 2023 resulting in an estimated revenue deficit of Ksh 6.5 Billion, unlike the preceding 12 months period of reduction for which interventions to cover the deficit had been provided, there was no intervention for the extended period. This amount has now been confirmed by EPRA and is scheduled to be recovered through pass through mechanisms.

(iii) Increase in expected credit losses

Electricity debt increased from Ksh 27,302 Million to Kshs 35,699 Million mainly due to increase in the level of monthly billing from an average of Ksh 13,597 Million in the first quarter of the financial year to Ksh 18,606 Million in the fourth quarter. The increase was due to the combined effect of the depreciation of the local currency, high fuel processes and the revised tariffs. In addition, the customer payment rate declined mainly due to the prevailing economic conditions. This resulted in the increase of provisions by Kshs 2,291 Million.

Financial turnaround measures

The Company has undergone a prolonged period of instability due to leadership changes at the board and management level, during the year under review, the new government affirmed its intent to ensure that KPLC operates on a commercial basis. This commenced with the appointment of a new Board of Directors in December 2022 followed by appointment of a substantive Managing Director & Chief Executive Officer (MD & CEO) in May 2023, the delayed retail tariff approval was also concluded in April 2023 reversing the ruinous 15% reduction implemented in January 2022.

The new leadership has laid out a foundation for business transformation that is now anchored in the draft strategic plan that is at the Board approval stage. The key focus areas in the strategy are;

i) Refinancing and balance sheet restructure

This entails the refinancing of foreign currency loans to local currency, the GoK approved commercial transfer of part of the transmission network assets to KETRACO, the equivalent value of the transferred assets to be reduced from the GoK – On-lent debt portfolio. This will significantly reduce the Company's foreign currency exposure. KPLC has also initiated a proposal for the consolidation and conversion of the outstanding on-lent debt book to local currency as the moratorium comes to an end.

ii) Operational excellence

Enhancing internal processes across the business, main focus areas being; supply chain -through framework contracting to ensure steady availability of materials and equipment, network maintenance – through resourcing and retooling as well as enhanced productivity. This is aimed at enhancing electricity supply reliability as well as reducing system losses.

iii) Revenue diversification

The objective is to increase non-electricity revenue to contribute at least 2% of the total revenue and position the Company as a utility of the future with value addition.

(a) Going concern assessment (Continued)

Funding has already been secured for the development of a utility Super ESCO (Energy Service Company) as one of the revenue diversification strategies.

iv) New funding options and financing partnerships

Leveraging on result-based financing (performance based funding) to optimize borrowed funds by ensuring that the targeted outcomes are achieved, the World Bank GREEN Resilient financing is one such performance based financing already at signing stage. The Company is also exploring joint venture and Public Private partnerships approached to project financing.

v) Power purchase Cost reduction

This entails the renegotiation of power purchase agreements which has already commenced with initial gains from the smaller generation plants and is expected to derive cost savings that will also support the overall reduction in the end-user cost. The Least Cost Power Development plan (LCPDP) is also under review to realign new plants towards least cost generation.

Preparation of financial statements on a going concern basis

Despite the challenging operating environment, the Company has made significant strides in improving its financial performance as evidenced by the increased sales revenue and the improving working capital position, these coupled with the new approved tariff and the initiatives highlighted above will strengthen the Company's financial position and improve its performance.

The Board of Directors and management are confident that the foregoing initiatives will drive financial turnaround and enhance business sustainability, and wish to assure all stakeholders of their commitment to the stated initiatives that will ensure business continuity and excellence in the delivery of services to our customers.

Based on the above, the directors consider it appropriate to prepare the financial statements on going concern basis.

(b) Changes in accounting policy and disclosures

(i) New standards, amendments, interpretations and improvements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The following amendments became effective for annual period beginning on or after 1 January 2022:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(b) Changes in accounting policy and disclosures (Continued)

New standards or amendments	Explanation
Amendments to IFRS 3- Reference to the Conceptual Framework	Reference to 2018 Conceptual Framework instead of the 1989 Framework. Priority application of IAS 37or IFRIC 21 by the acquirer to identify acquired liabilities. No recognition of contingent assets acquired allowed.
Amendments to IAS 16- Proceeds before intended use	The amendments prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognize such sales proceeds and related cost in profit or loss.
Amendments to IAS 37- Onerous contracts cost of fulfilling a contract	Clarification that all costs directly attributable to a contract must be considered when determining the cost of fulfilling a contract.
IASB Annual improvement project- IFRS 1 First-time adoption of International Financial Reporting Standards	The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.
IASB Annual improvement project- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	The amendment clarifies that in applying the "10 per cent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
IASB Annual improvement project- IAS 41 Agriculture – Taxation in fair value measurements	The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Effective for annual periods beginning on or after 1 January 2023

New standards or amendments	Explanation
IFRS 17 Insurance contracts	The new IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. Insurance Contracts.
Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2	The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". The main characteristic of these items is that, together with other information included in the financial statements, they can influence the decisions of the primary users of the financial; statements.
Amendments to IAS 8- Definition of accounting estimates	Clarification with regard to the distinction between changes in accounting policies (retrospective application) and changes in accounting estimates (prospective application).
Amendments to IAS 12- Deferred tax related to assets and liabilities arising from a single transaction	Clarification that the initial recognition exemption of IAS 12 does not apply to leases and decommissioning obligations. Deferred tax is recognized on the initial recognition of assets and liabilities arising from such transactions.

Effective for annual periods beginning on or after 1 January 2024

New standards or amendments	Explanation
Amendments to IAS - 1Classification of Liabilities as Current or Non-current	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of"settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
Amendment to IFRS 16- Lease liability in a sale and leaseback	Clarification that the seller-lessee is required to determine the (revised) lease payments in the subsequent measurement of the lease liability in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

None of the standards and interpretations listed above are expected to have a significant impact on the Company's financial statements when they become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Electricity sales

The Company's contracts with domestic business and other electricity consumers covers the sale of electricity, with a performance obligation on the Company to supply electricity to the customer. The transaction price depends on the customer tariff category as determined by the Energy and Petroleum Regulatory Authority (EPRA). The revenue is recognised based on the fees chargeable from the customer. If automated meter reading is not available, the electricity consumption between the last meter reading and end of the month is estimated.

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

(ii) Fuel cost charge

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

Fuel costs recoveries comprise the actual amounts billed to the customers.

(iii) Foreign exchange adjustment

Exchange variations on payments for foreign currency denominated obligations, arising from exchange rate differences beyond the approved rate as factored in the retail tariffs, are recognised and charged or refunded to the consumers of electricity to recover/credit the losses/gains in the foreign exchange rates. The net foreign currency losses/gains are passed on to the customers as a charge per KWh, which is approved each month by the EPRA.

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the Regulator's target loss factor in transmission and distribution. For the year ended 30 June 2023, the target loss factor was 19.5% (2022: 19.9%).

(iv) Deferred revenue

The Company has used a weighted average approach to determine the amount of revenue to defer and recognise in the subsequent period(s).

Historical value of transactions and the current month's value of transactions is obtained over each day of the current month.

The historical data is then used to obtain the average number of tokens purchased in a month that is to be applied to the current month's (June 2023) data to obtain the revenue to be deferred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Other income

(i) Finance revenue

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

(ii) Rental income

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

(iii) Capital contribution

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

(iv) Fibre optic income

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

(c) Power purchase costs

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

(i) Non-fuel costs

These include capacity charges, energy cost and steam charges.

(ii) Foreign exchange costs

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

(iii) Fuel costs

These comprise the cost of fuel incurred in the generation of electricity as invoiced by electricity generators.

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

(d) Inventories

Inventories are stated at the lower of cost and net realisable value after due regard for obsolete and slow-moving stocks. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on a weighted average price. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation.

(e) Property and equipment

All property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

(e) Property and equipment (continued)

No depreciation is charged on freehold land. Depreciation on other assets is calculated to write down their cost to their residual values, on a straight-line basis, over their expected useful lives. The depreciation rates used are as follows:

Buildings	The greater of 2% and 1/the unexpired period of the lease
Transmission and distribution lines	2.5 – 20%
Machinery	2.85 – 6.66%
Motor vehicles & aircrafts	25%
Furniture, equipment and fittings	6.66 – 20%
Computers and photocopiers	30%

The assets' residual values estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for prospectively.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the recognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss for the year. This does not apply to assets acquired by the Company on sale and leaseback transactions.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

At the end of each accounting period, the Company conducts impairment tests where there are indications of impairment of an asset.

Capital work in progress

Capital work-in-progress is included under property and equipment and comprises costs incurred on ongoing capital works relating to both customer and internal works. These costs include material, transport and labour cost incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for the Company's intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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

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

(g) Income tax expense

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

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

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences.

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income tax expense (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(h) Leases

A contract is or contains a lease if it conveys the right to control the use of an identifiable asset for a period of time in exchange for a consideration.

Company as a lessee

For a contract that contains a lease component and additional lease and non-lease components such as the lease of an asset and provision of a maintenance services, the Company shall allocate the consideration payable on the basis of the relative stand-alone prices, which shall be estimated if observable prices are not readily available.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. These two items will be separately disclosed on the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs and adjusted for any lease incentives, payments at or prior to commencement of the lease and restoration obligations.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The Lease liability is initially measured at the present value of the lease payments payable over the lease term discounted using the incremental borrowing rate. The incremental borrowing rate is the rate the Company would have to borrow funds necessary (over similar term, with similar security), to obtain similar value asset, in similar economic environment.

The lease liability is subsequently remeasured to reflect changes in the lease term, the assessment of a purchase option, the amounts expected to be payable under residual value guarantees or future lease payments resulting from a change in an index or a rate used to determine those payments.

Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The Company recognises operating lease payments as income on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Functional currency

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

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

(j) Financial instruments

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

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

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

This is demonstrated in the following table.

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

Financial assets

Classification and measurement

The Company recognises financial assets when it becomes a party to the contractual rights and obligations in the contract.

The classification requirements for debt instruments are described below; Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the entity considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Subsequent measurement

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established using an ECL model in line with the requirements of IFRS 9 as outlined in the next section below.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss

This include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

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

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without considering any collateral held by the Company).

Except for amounts where the counterparty is the Government or related public sector entities or Government Business Entities, the Company considers that default has occurred when a financial asset is more than 90 days past due

The Company writes off debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss or other comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(m) Impairment of non-financial assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment.

If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of transmission and distribution lines

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

(i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.

(ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

(iii) Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.

(iv) Evidence is available of the obsolescence or physical damage of an asset.

(v) Significant changes with an adverse effect on the Company have taken place during the period or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of non-financial assets (Continued)

(vi) The operation to which an asset belongs to or an asset is disposed before the previously expected date.

In management's judgment, the impaired carrying values of the lines and substations are reinforced, replaced or upgraded under network strengthening, reinforcement and modernisation programs, after considering the above key indicators of impairment.

(n) Employees' benefits

(i) Company's defined contribution scheme

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

(ii) Company's defined benefit scheme

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

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

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

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

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

(iii) Statutory defined contribution pension scheme

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

(o) Operating segments

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

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

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

(p) Earnings per share

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

(q) Dividends

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

(r) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Recharge of costs to Rural Electrification Scheme

The Rural Electrification Scheme (RES) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company (now The Kenya Power and Lighting Company Plc (KPLC). The Scheme was established with the specific objective of extending electricity to the rural areas

Recharge of costs to the RES is based on a formula determined by the Government of Kenya following an agreement between it and East African Power & Lighting Company Limited, the predecessor to The Kenya Power & Lighting Company Plc.

The power purchase costs recharge is calculated as a proportion of RES electricity unit sales to gross electricity unit sales. The distribution costs recharge is calculated based on 2% and 4% of the total high voltage and low voltage assets respectively in the books of RES at the close of the financial year.

Customer service costs recharge is calculated as a proportion of RES metered customers to total number of metered customers. Administration costs recharge are calculated based on the proportion of RES electricity unit sales to gross electricity unit sales.

(t) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

Deferred prepaid revenue

Revenue from prepaid customers is recognised when the customer purchases the tokens, before the customer actually consumes the electricity.

The amount of unused tokens to be adjusted at year end is estimated based on historical customer trends.

Further details on deferred prepaid revenue are disclosed in Note 28(b).

Impairment losses on trade and other receivables

When measuring expected credit losses (ECL), the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

(b) Key sources of estimation uncertainty (Continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Further details on impairment losses on trade receivables are disclosed in Note 21(c).

Provisions

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

Further details on provisions are disclosed in Note 28.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the carrying value of recognised tax losses at 30 June 2023 are provided in Note 27.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of the defined benefit asset at 30 June 2023 are provided in Note 32.

Useful lives of property and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete items of property and equipment that have been abandoned or sold.

Further details on useful lives of property and equipment are provided in Note 16.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates).

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

(b) Key sources of estimation uncertainty (Continued)

Further details on the IBR are disclosed in Notes 3 (h) and 29.

Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Further details on determination of lease term are disclosed in Note 3(h).

Property lease classification – Company as lessor

The Company has entered into fibre optic leases on its property portfolio.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property portfolio and the present value of the minimum lease payments not amounting to substantially all of the fair value of the fibre optic, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Amortisation of capital contribution

Capital contribution is the amount contributed by new customers and relates to assets such as cables used in connecting the customer. Management assumes a useful life of five years for capital contribution assets and therefore amortizing them over 5 years. An amortisation period of 5 years is used after considering, inter alia, assumptions about the life cycle of the distribution network used to supply electricity to customers.

Further details on amortisation of capital contribution are disclosed in Note 26.

Provision for slow moving inventories

Provision for inventories is based on the aged report obtained from the system. This is also determined through physical verification of the inventories during stock counts and also based on experience and the usage of the products.

Further details on provisions for slow moving inventories are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENTS

For management purposes, the Company is currently organised into four administrative regions (reporting segments). These regions are the basis on which the Company reports its primary information. The four regions comprise Nairobi, Coast, West Kenya and Mount Kenya. The Regional Managers monitor the operating results of their business units separately for the purpose of making decisions about resource allocation and performance assessment.

The table below shows the Company's revenue, expenses, assets and liabilities per region. The table also shows capital expenditure and depreciation by region for the year. There are no inter-segment sales and all revenue is from external customers. Energy purchase and head office expenses are apportioned to various regions based on percentage unit sales.

2023	Nairobi Region	West Kenya Region	Coast Region	Mount Kenya Region	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	87,272,894	36,994,831	34,583,651	32,123,578	190,974,954
Energy purchases	(78,996,275)	(25,831,702)	(25,831,702)	(12,915,851)	(143,575,530)
Operating expenses	(13,452,182)	(11,988,377)	(4,564,436)	(7,276,822)	(37,281,817)
Other income	4,252,138	2,062,711	1,418,496	1,362,474	9,095,819
Operating profit	**(923,425)**	**1,237,463**	**5,606,009**	**13,293,379**	**19,213,426**
Finance income					506,640
Finance costs					(24,153,922)
Income tax expense					1,240,677
Loss for the year					**(3,193,179)**
Assets	117,250,433	129,687,522	43,895,302	62,892,015	353,725,272
Liabilities	142,034,939	66,742,879	50,675,660	37,428,953	296,882,431
Capital expenditure (including intangible assets)	7,564,271	2,643,910	2,358,478	1,250,597	13,817,256
Depreciation/amortisation	6,849,401	4,852,742	1,983,976	2,705,203	16,391,322

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENTS (Continued)

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

2022	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	72,606,230	30,316,716	27,952,103	26,478,205	157,353,254
Energy purchases	(64,540,666)	(21,122,400)	(21,122,400)	(10,561,201)	(117,346,667)
Operating expenses	(13,221,211)	(11,094,542)	(4,509,665)	(7,330,091)	(36,155,509)
Other income	6,441,794	2,798,108	2,261,733	1,794,207	13,295,842
Operating profit	**1,286,147**	**897,882**	**4,581,771**	**10,381,120**	**17,146,920**
Interest income					396,940
Finance costs					(12,760,259)
Income tax credit					**(1,520,742)**
Profit for the year					**3,262,859**
Assets	101,909,111	121,758,465	42,677,454	64,124,155	330,469,185
Liabilities	130,951,185	59,556,543	46,727,691	33,600,298	270,835,717
Capital expenditure (including intangible assets)	6,716,210	2,366,363	2,080,931	1,111,823	12,275,327
Depreciation/amortisation	7,520,417	5,021,912	2,296,399	2,803,260	17,641,988

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OPERATING SEGMENTS (Continued)

The Company's core business in the four regions (reporting segments) continues to be the transmission, distribution and retail of electricity. There is no distinguishable component of the Company that is engaged in providing an individual service that is subject to risks and returns that are different from those of other business segments.

The information on property and equipment details at net book values is shown below:

2023	Land and buildings*	Lines	Machinery	Motor vehicles	Furniture equipment and other	Intangible assets	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Transmission	378,814	18,284,745	4,375	10,979	231,513	-	18,910,426
Distribution	11,355,696	204,104,980	887,334	1,528,116	15,070,178	1,704,093	234,650,397
Total	**11,734,510**	**222,389,725**	**891,709**	**1,539,095**	**15,301,691**	**1,704,093**	**253,560,823**
2022							
Transmission	417,654	19,752,418	1,540	14,167	282,260	4,079	20,472,118
Distribution	11,100,603	201,786,801	901,332	1,766,783	13,923,389	609,233	230,088,141
Total	**11,518,257**	**221,539,219**	**902,872**	**1,780,950**	**14,205,649**	**613,312**	**250,560,259**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. FINANCIAL RISK AND CAPITAL MANAGEMENT

Information about the Company's exposure to risks, its objectives, policies and processes for measuring and managing such risks, as well as quantitative disclosure, is discussed in this Note. The management of capital is also discussed.

The Company has an integrated risk management framework. The Company's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks.

For the Company, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the Company's performance.

Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Company.

One of the key risks for the Kenya Power and Lighting Company Plc, identified both under the operational and strategic risk categories, is financial sustainability of the Company. The financial risks, as defined by IFRS 7, and the management thereof, form part of this key risk area.

The Board of Directors has delegated the management of the Companywide risk to the Finance and Risk Committee. One of the committee's responsibilities is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial instruments are managed in the centralised finance function of the Company.

The Company's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated.

The Company has exposure to the following risks as a result of its financial instruments:

(a) Credit risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from electricity and other receivables, short-term deposits and bank balances.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

Credit risk arising from short-term deposits and bank balances is low because the counter parties are financial institutions with high credit ratings. Bank balances and bank deposits are thus low credit risk assets.

Management assesses the credit quality of each counterparty, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(a) Credit risk (Continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grade:

	Notes	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
30 June 2023				
Electricity receivables	21(a)	35,698,986	(17,286,233)	18,412,753
Prepaid fixed charge receivable	21(a)	2,523,558	(2,523,558)	-
Other receivables		35,438,380	(5,460,964)	29,977,416
Short-term deposits	22(a)	508,141	(7,091)	501,050
Bank balances	22(b)	17,922,476	(192,336)	17,730,140
		92,091,541	**(25,470,182)**	**66,621,359**
30 June 2022				
Electricity receivables	21(a)	27,301,840	(14,995,708)	12,306,132
Prepaid fixed charge receivable	21(a)	2,586,159	(2,586,159)	-
Other receivables		27,876,809	(5,367,135)	22,509,674
Short-term deposits	22(a)	487,394	(12,579)	474,815
Bank balances	22(b)	7,592,758	(132,869)	7,459,889
		65,844,960	**(23,094,450)**	**42,750,510**

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

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

Trade receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

Total exposure at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2023 Shs'000
Electricity receivables	16,137,543	3,661,865	15,899,579	35,698,986
Prepaid fixed charge receivable	-	-	2,523,558	2,523,558
Other receivables	9,407,408	574,541	25,456,431	35,438,380
Short term deposits	508,141	-	-	508,141
Bank balances	17,922,476	-	-	17,922,476
Total	**43,975,568**	**4,236,406**	**43,879,568**	**92,091,541**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(a) Credit risk (Continued)

Total impairment at 30 June

	0-30 Shs'000	31-90 Shs'000	90< Shs'000	2023 Shs'000
Electricity receivables	777,266	1,539,301	14,969,666	17,286,233
Prepaid fixed charge receivables	-	-	2,523,558	2,523,558
Other receivables	1,837,257	545,620	3,078,087	5,460,964
Short term deposits	7,091	-	-	7,091
Bank balances	192,336	-	-	192,336
Total	**2,813,950**	**2,084,921**	**20,571,311**	**25,470,182**

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

Expected credit loss rate at:	0-30 days	31-90 days	>90 days
30 June 2023	5%	42%	94%
30 June 2022	5%	43%	94%

Management of credit risk

Financial instruments are managed by the Finance and Commercial Services functions.

Management of electricity receivables

The Company supplies electricity to customers in its licensed areas of supply. A large proportion comprises small commercial and domestic customers who settle their accounts within twenty-one days after receipt of the bill. The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are large, small or domestic electricity users, profile, security (deposits and guarantees) held and payment history.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(a) Credit risk (Continued)

The main classes of electricity receivables are industrial, government ministries, local authorities, parastatals, commercial and domestic customers. Electricity supply agreements are entered into with all customers.

All customers are required to deposit an amount equivalent to two times their monthly consumption being security in the form of a cash deposit depending on the load supplied, subject to a minimum of two thousand five hundred shillings. Industrial and large commercial customers have the option of providing a bank guarantee in lieu of a cash deposit. Payment is enforced by way of disconnection of the supply if bills are not paid within twenty-one days after billing. No interest is charged on balances in arrears.

The Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice for disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand.

Non-payment will result in disconnection of supply and the account's closure if the disconnection is done and there is no payment within three months. The legal collection process is pursued thereafter. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Company's policy. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The Company evaluates the concentration of risk with respect to electricity receivables as low, as its customers are located in all regions in Kenya and electricity is supplied to different classes of customers including individual households, private industries, companies and Government institutions. The total cumulative provision for impairment of electricity receivables at 30 June 2023 was Shs 17,286 Million (2022: Shs 14,996 Million).

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

- Disconnections
- Increased internal debt management capacity
- Use of third party debt collectors
- Focus on early identification and requirement for higher security deposits for defaulting customers

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(b) Liquidity risk

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

The objective of the Company's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The Company has adopted an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations.

The Company's liquidity management process includes:

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

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

	On demand Shs'000	<3 months Shs'000	3 -12 months Shs'000	1-5 Years Shs'000	>5 years Shs'000	Total Shs'000
At 30 June 2023						
Borrowings	-	-	20,951,195	43,376,158	78,741,303	143,068,656
Trade and other payables	429,681	71,811,382	24,114,826	971,283	13,290,082	110,617,254
Lease liabilities	-	-	309,655	560,812	396,423	1,266,890
Dividends payable	751,612	-	-	-	-	751,612
	1,181,293	**71,811,382**	**45,375,676**	**44,908,253**	**92,427,808**	**255,704,412**
At 30 June 2022						
Borrowings	-	-	17,138,208	44,813,531	61,969,254	123,920,993
Trade and other payables	-	52,262,287	26,026,902	1,406,547	14,647,420	94,343,156
Lease liabilities	-	-	392,392	673,860	444,578	1,510,830
Dividends payable	758,170	-	-	-	-	758,170
	758,170	**52,262,287**	**43,557,502**	**46,893,938**	**77,061,252**	**220,533,149**

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The Company has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities. All significant guarantees issued by the Company are approved by the Board of Directors and are administratively managed by the treasury department. Updated guarantee schedules are compiled every month.

(c) Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the statement of financial position and statement of comprehensive income by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion. The Company is exposed to the following risks:

(i) Currency risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers and foreign borrowings. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the Functional Currency of the Company.

The following table demonstrates the sensitivity to a reasonably possible change in the respective foreign currency/Shs exchange rate, with all other variables held constant, on the Company's loss/profit before income tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Appreciation/(depreciation) of exchange rate	Effect on profit/(loss) before tax Shs Million	Effect on equity Shs Million
Year 2023			
US$	+/-7%	+/- 7,740	+/- 5,418
Euro	+/-6%	+/- 1,542	+/- 1,079
Year 2022			
US$	+/-3%	+/- 2,859	+/- 2,001
Euro	+/-1%	+/- 103	+/- 72

Management of currency risk

Exposure due to foreign currency risk is managed by recovering from customers the realised fluctuations in the exchange rates not factored in the retail tariffs.

(c) Market risk (Continued)

(ii) Commodity or price risk

Commodity or price risk arises from the fuel that is used for the generation of electricity.

Exposure due to commodity risk is managed by passing the cost of fuel used in generation to customers. In addition, the Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

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

(iii) Interest rate risk

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

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

Management of interest rate risk

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

Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Company's accounting policy. The analysis has been performed on the same basis as the prior year.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(c) Market risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Change in interest rate	Effect on profit/ (loss) before tax Shs' 000	Effect on equity Shs' 000
2023			
	1%	1,057,078	739,954
	5%	5,285,388	3,699,771
2022			
	1%	962,603	673,822
	5%	4,813,017	3,369,112

The assumed movement in interest rate is based on the currently observable market environment.

(d) Capital management

Capital managed by the Company is the equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 30 June 2022.

The Company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total of interest-bearing loans and borrowings, less cash and cash equivalents.

	2023 Shs' Million	2022 Shs' Million
Interest-bearing loans and borrowings (Note 36 (b))	115,408	104,643
Cash and cash equivalents (Note 36 (b))	(18,231)	(7,936)
Net debt	97,177	96,707
Equity	56,842	59,633
Gearing ratio	**171%**	**162%**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(d) Capital management (Continued)

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Further information on compliance of debt covenants is disclosed in Note 30 (d).

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2023 and 30 June 2022.

(e) Fair values of financial assets and liabilities

The management assessed that the fair values of the Company's financial instruments approximate their carrying amounts.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

None of the financial instruments is carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
7. REVENUE

IFRS 15 Revenue from contracts with customers requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. The Company has determined that the disaggregation using the below segments and the nature of revenues is appropriate for its circumstances.

(a) Revenue from contracts with customers

	2023 Shs'000	2022 Shs'000
Electricity sales*		
• Post-paid	120,186,026	107,206,265
• Prepaid	24,172,173	19,666,579
Foreign exchange adjustment	14,021,413	7,322,584
Fuel cost charge	34,155,050	24,446,580
	192,534,662	**158,642,008**
Revenue apportioned to RES**	(1,559,708)	(1,288,754)
	190,974,954	**157,353,254**

*All electricity sales are recognised at a point in time.
**Revenue apportioned to RES based on electricity retail tariff approved by EPRA.

(b) Unit sales

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

	2023 GWh	2022 GWh
Type of customers		
Domestic	3,054	3,166
Small Commercial	1,898	1,670
Commercial and Industrial	5,153	4,864
Street Lighting	101	97
Exports	28	16
	10,234	**9,813**
Less:		
RES unit sales	(667)	(650)
KPLC unit sales	**9,567**	**9,163**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE (Continued)

(c) Other income

	2023 Shs'000	2022 Shs'000
GOK support for 15% tariff reduction	2,358,333	7,050,000
Amortisation of capital contribution (Note 26)	3,576,513	3,807,714
Fibre optic leases	812,357	700,767
Miscellaneous sales	1,081,051	637,950
Transmission line maintenance revenue	-	18,834
Capital contribution- KPLC last mile	180,233	193,889
Reconnection charges	961,734	779,663
Rent	125,598	107,025
	9,095,819	**13,295,842**

8. COST OF SALES

	2023 Shs'000	2022 Restated Shs'000
Non-fuel costs (8 (a))	93,430,912	80,655,152
Foreign exchange costs	15,982,432	9,072,591
Unrealised foreign exchange costs (c)	5,318,075	1,123,501
Fuel costs (8 (b))	28,093,512	26,494,109
Other power purchase costs*	750,599	1,314
	143,575,530	**117,346,667**

*The other purchase costs include import declaration fees, railway development levies and forex costs on VAT paid.

*Unrealised foreign exchange differences on power purchase was previously classified as part of administration costs (Note 42 (a))

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. COST OF SALES (Continued)

(a) Non-fuel costs

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

	2023 Shs'000	2022 Restated Shs'000
KenGen*	45,549,354	38,696,805
Lake Turkana Wind Power	20,523,716	17,472,186
OrPower 4 Inc.	14,399,546	11,958,036
Kipeto Energy Plc	7,345,768	5,897,927
Uganda Electricity Transmission Company Limited	3,723,280	3,874,081
Rabai Power Limited	3,571,691	3,221,298
Triumph Power Generating Company Limited	3,444,654	3,083,219
Thika Power Limited	2,821,950	2,585,933
Gulf Power Limited	2,759,940	2,323,668
Iberafrica Power (E.A.) Company Limited	2,348,949	1,990,484
Cedate	1,585,786	1,307,978
Selenkei Solar Farm	1,458,990	1,281,976
Malindi	1,609,038	705,880
Garissa Solar Power Plant	616,189	568,143
Alten Kenya Solarfarm	1,290,964	-
Sosian Menengai Geothermal	44,929	-
Tsavo Power Company Limited	-	453,343
Gura	115,228	181,028
Regen-Terem	257,036	169,115
Metumi Power Plant	175,191	105,804
Ethiopia Electric Utility	3,350,379	95,412
Hydro Project Services Peters	21,568	24,227
Power Technology Solutions Limited	13,264	10,212
Chania Power Limited	3,305	7,978
Biojoule Kenya Limited	2,927	4,448
Imenti Tea Factory	2,098	1,072
Strathmore University	1,347	656
	117,037,087	**96,020,909**
Less:		
Foreign exchange surcharge	(15,982,432)	(9,072,591)
Recharged to RES	(7,623,743)	(6,293,166)
	93,430,912	**80,655,152**

KenGen*- included in Non-fuel costs for KenGen are Capacity charges totalling to Shs 27,858 Million (2022: Shs 25,064 Million), Steam charges totalling 6,391 Million (2022: 5,017 Million), Energy charges totalling Shs 9,469 Million (2022: Shs 8,021 Million) and foreign exchange costs totalling Shs 1,831 Million (2022: Shs 802 Million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
8. COST OF SALES (Continued)

(b) Fuel costs

	2023 Shs'000	2022 Restated Shs'000
KenGen	8,168,302	9,654,447
Rabai Power Limited	7,958,324	7,516,809
Thika Power Limited	3,320,158	3,302,122
Iberafrica Power (E.A.) Company Limited	2,044,120	1,397,715
Tsavo Power Company Limited	-	598,773
Off grid power stations	4,313,218	3,506,582
Gulf Power Limited	3,455,132	1,311,722
Triumph Power Generating Company Limited	810,816	1,084,781
	30,070,070	**28,372,951**
Less:		
Recharged to RES	(1,976,558)	(1,878,842)
	28,093,512	**26,494,109**

The fuel cost is a pass though cost. During the year a recovery of Shs 28,084 Million (2022: Shs 24,447 Million) was made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
8. COST OF SALES (Continued)

(c) Unrealised foreign exchange costs

The unrealized foreign exchange costs according to source/ power producer were as follows:

	2023 Shs'000	2022 Shs'000
KenGen	645,557	377,475
Lake Turkana Wind Power	1,263,830	(108,359)
OrPower 4 Inc.	977,105	374,450
Kipeto Energy Plc	436,262	88,874
Uganda Electricity Transmission Company Limited	179,193	65,639
Rabai Power Limited	495,679	62,624
Triumph Power Generating Company Limited	138,210	49,728
Thika Power Limited	323,896	21,781
Gulf Power Limited	241,024	(1,052)
Iberafrica Power (E.A.) Company Limited	253,267	65,284
Cedate	120,193	42,044
Selenkei Solar Farm	124,144	51,960
Malindi	86,637	14,557
Garissa Solar Power Plant	56,265	46,140
Tsavo Power Company Limited	15,999	24,085
Gura	1,729	1,664
Regen-Terem	2,986	1,449
Metumi Power Plant	72,733	16,929
Ethiopia Electric Utility	163,024	2,417
Hydro Project Services Peters	798	991
Power Technology Solutions Limited	274	101
Chania Power Limited	8,118	2,919
Biojoule Kenya Limited	39	42
Alten Kenya Solarfarm	81,511	-
Imenti Tea Factory	33	11
Tanzania Electric Supply Company Limited	50	22
Strathmore University	74	11
	5,688,630	**1,201,785**
Less:		
Recharged to RES	(370,555)	(78,284)
	5,318,075	**1,123,501**

8. COST OF SALES (Continued)

(d) Units purchased

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

	2023 GWh	2022 GWh
KenGen	8,027	7,911
Lake Turkana Wind Power	1,678	1,573
OrPower 4 Inc	940	976
Rabai Power Limited	446	502
Kipeto Energy Plc	466	426
Ethiopia Electric Utility	370	5
Uganda Electricity Transmission Company Limited	275	332
Thika Power Limited	194	211
Cedate	94	88
Selenkei Solar Farm	86	88
Iberafrica Power (E.A.) Company Limited	116	86
Garissa Solar Power Plant	86	82
Gulf Power Limited	170	81
Off grid power stations	75	71
Triumph Power Generating Company Limited	35	69
Malindi	99	54
Tsavo Power Company Limited	-	48
Gura	11	20
Regen-Terem	20	15
Metumi Power Plant	14	10
Alten Kenya Solarfarm	79	-
Sosian Menengai Geothermal	6	-
Kianthumbi Small Hydro	1	-
Hydro Project Services Peters	-	2
Power Technology Solutions Limited	1	1
Others	1	1
Imenti Tea Factory	-	1
Chania Power Limited	-	-
	13,290	**12,653**
Less:		
Recharged to RES	(865)	(838)
	12,425	**11,815**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. COST OF SALES (Continued)

Types of interconnected power sources;

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

	2023	**2022**
	GWh	**GWh**
Geothermal	6,035	4,953
Hydro	2,569	3,349
Wind	2,202	2,052
Thermal	1,396	1,577
Net imports	644	338
Others	444	384
	13,290	**12,653**
Less:		
Recharged to RES	(865)	(838)
	12,425	**11,815**

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electricity Supply Company Limited (TANESCO), whereas UETCL and TANESCO transmit back their excess power to the Company at the same charge rate as that billed to them. The two transactions have been effected in the accounts to give the net quantity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. NET OPERATING EXPENSES

(a) Network management

	2023 Shs'000	2022 Shs'000
Salaries and wages	7,213,517	7,219,190
Depreciation of property and equipment	12,138,209	11,976,281
Impairment loss on WIP	26,536	45,761
Reversal of impairment loss on WIP	(3,866)	-
Wheeling charges – KETRACO*	2,720,102	2,668,667
Loss on disposal of fixed assets	932,628	716,408
Losses on transformer repairs	373,421	311,304
Fuel costs	867,468	681,194
Consumable goods	666,156	326,352
Staff welfare	199,439	227,394
Repairs & maintenance- vehicles	242,967	242,191
Transport and travelling	(121,442)	50,067
Office expenses	517	534
Net recharge of distribution and transmission costs to RES	(4,591,257)	(4,204,191)
	20,664,395	**20,261,152**

* These are fees levied by KETRACO for the use of their transmission lines to transport electricity from the generators. The amount is determined by EPRA.

(b) Commercial services

	2023 Shs'000	2022 Shs'000
Salaries and wages	3,889,276	3,909,495
Depreciation of property and equipment	2,500,382	3,627,368
Advertising and public relations	-	27,041
Staff welfare	75,795	90,690
Transport and travelling	58,141	44,920
Consumable goods	1,900	1,935
Office expenses	204	102
Net recharge of customer service costs to RES	(3,548,875)	(2,917,386)
	2,976,823	**4,784,165**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. NET OPERATING EXPENSES (Continued)

(c) Administration

	2023 Shs'000	2022 Restated Shs'000
Salaries and wages	4,750,113	4,912,350
Depreciation of property and equipment	867,757	847,460
Staff welfare	1,447,317	1,349,986
Depreciation- ROU asset (Note 19)	291,130	297,899
Amortisation of intangible assets (Notes 18, 36 (a))	559,045	867,117
Amortisation of operating lease prepayment (Notes 17,36 (a))	34,798	25,864
Repairs and maintenance	353,652	442,070
Security and surveillance	806,318	855,621
Transport and travelling	438,826	127,598
External services	401,841	500,266
Office expenses	116,893	112,873
Other financial expenses*	166,744	150,507
Licenses	301,093	751,450
Legal expenses	228,971	338,760
Insurance	633,536	434,482
Public relations	96,032	30,334
Company electricity expenses	162,682	154,654
Training expenses and consumer services	157,144	95,943
Other consumable goods	234,426	186,263
Movement in leave obligation (Note 33 (a))	(33,270)	91,493
Movement in gratuity provision ((Note 33 (c))	301,547	268,179
Movement in leave allowance provision ((Note 33 (b))	(8,375)	(8,961)
Consultancy fees	99,746	54,011
Directors' emoluments	33,391	28,165
Auditor's remuneration	27,596	23,791
Other Directors' expenses	4,169	8,580
Allowance for inventories (Note 20)	(446,966)	(400,249)
Expense relating to leases of low-value assets (Note 19)	14,370	20,000
Other costs**	737,944	472,758
Retirement benefit plan debits (Note 32)	(66,514)	55,221
	12,711,956	**13,094,485**
Recharge of administration costs to RES***	(1,442,445)	(1,152,376)
	11,269,511	**11,942,109**

*Other financial expenses mainly relate to bank charges, excise duty on financial services and exchange differences arising from foreign denominated transactions.

**Other costs mainly relate to prepaid vendor commission, tax penalties, wayleaves, representation, AGM costs, local authority taxes, utilities and contracted services which includes cleaning, service maintenance contracts among others.

*** Recharges to RES relate to operating costs apportioned to RES based on the predetermined formula developed by the Government of Kenya.

9. NET OPERATING EXPENSES (Continued)

(d) Expected credit losses on financial assets

	2023 Shs'000	2022 Shs'000
Provision for electricity debtors (Note 21(c))	2,290,525	(884,407)
Provision for other receivables, bank deposits and bank balances and guarantees	143,164	118,610
Writeback of provisions for prepaid fixed charge (Note21(c))	(62,601)	(66,120)
Movement in expected credit losses	**2,371,088**	**(831,917)**

10. EMPLOYEE BENEFITS

	2023 Shs'000	2022 Shs'000
Salaries and wages		
Salaries and allowances of permanent employees	15,059,442	15,183,628
Wages of temporary employees	1,019,414	1,216,310
Recharge of capital works supervision to capital jobs*	(1,090,762)	(1,190,602)
NSSF employer contributions	65,312	23,900
Pension costs – defined contribution	799,500	807,800
Salaries and wages	**15,852,906**	**16,041,036**
Pension credit - defined benefit scheme (Note 32)	(66,514)	55,221
	15,786,392	**16,096,257**
Movement in leave pay provision (Note 33 (a))	(33,270)	91,493
Movement in gratuity and leave allowance provisions (Note 33 (b) and Note 33 (c))	293,172	259,218
	16,046,294	**16,446,968**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. NET FINANCE COSTS

(a) Finance income

	2023 Shs'000	2022 Shs'000
Interest income on bank and other deposits (Note 36 (g))	**506,640**	**396,940**

(b) Finance costs

	2023 Shs'000	2022 Shs'000
Interest incurred on:		
• Loans	(5,865,561)	(5,190,066)
• Bank overdrafts	(603)	(80,561)
• Lease liabilities (Note 29)	(102,983)	(124,022)
Foreign exchange differences on loans*	(16,867,665)	(6,577,066)
Interest on late payment of invoices	(1,120,143)	(753,907)
Time value of money of RES receivable (Note 21 (a))	(195,037)	(32,707)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(24,153,922)	**(12,760,259)**

* Finance costs include unrealised foreign exchange losses Shs 16,868 Million (2022: Shs 6,577 Million) arising from the depreciation of the Shilling against the USD and EURO in which some of the loans are denominated in.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. EXPENSES BY NATURE

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

	2023 Shs'000	2022 Restated Shs'000
Employee benefits (Note 10)	16,046,294	16,446,968
Depreciation of property and equipment (Note 16)	15,506,348	16,451,108
Impairment loss on WIP (Note 16)	26,536	45,761
Finance costs (Note 11(b))	24,153,922	12,760,259
Expected credit losses on financial assets (Note 9 (d))	2,371,088	(831,917)
Amortisation of intangible assets (Note 18)	559,045	867,117
Loss on disposal of property and equipment (Note 36 (e))	(931,499)	(716,217)
Loss on retirement of right of use (ROU) assets (Note 36 (e))	(1,129)	(191)
Movement in leave provision (Note 33 (a))	(33,270)	91,493
Movement in gratuity provision ((Note 33 (c))	301,547	268,179
Movement in leave allowance provision ((Note 33 (b))	(8,375)	(8,961)
Amortisation of leasehold land (Note 17)	34,798	25,864
Directors' emoluments:		
- Fees (Note 37 c (ii))	4,627	4,632
- Other (Note 37 c (ii))	16,485	10,213
Other Directors' expenses	4,169	8,580
Auditor's remuneration (Note 9 (c))	27,596	23,791
Movement in provision for inventories (Note 20)	(446,966)	(400,249)
Retirement benefit debit (Note 32)	(66,514)	55,221

13. (a) INCOME TAX EXPENSE

	2023 Shs'000	2022 Restated Shs'000
Statement of profit or loss		
Income tax:		
Current income tax (Note 13 (c))	293,491	143,191
Deferred income tax:		
Adjustment in respect of deferred tax for previous year (Note 27)	(14,315)	-
Movement for the year (Note 27)	(1,519,853)	1,377,551
Tax (credit)/charge	**(1,240,677)**	**1,520,742**

(b) RECONCILIATION OF INCOME TAX EXPENSE

Reconciliation of the income tax expense and the accounting profit multiplied by the statutory income tax rate for 2023 and 2022:

	2023 Shs'000	2022 Restated Shs'000
(Loss)/Profit before income tax	(4,433,856)	4,783,601
Tax calculated at the statutory income tax rate of 30%	(1,330,157)	1,435,081
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	89,480	82,198
Effect of tax rate changes (Note 27)	-	-
Prior year under provision for deferred tax (Note 27)	-	3,463
Income tax (credit)/expense	**(1,240,677)**	**1,520,742**

(c) CURRENT INCOME TAX RECOVERABLE

	2023 Shs'000	2022 Restated Shs'000
At start of year	143,885	50,629
Tax paid	137,470	236,447
Tax charge (Note 13 (a))	(293,491)	(143,191)
At end of year	**(12,136)**	**143,885**

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Company. There were no discontinued operations during the year. There were no potentially dilutive ordinary shares as at 30 June 2023 and 2022. Diluted earnings per share is therefore the same as basic earnings per share.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2023 Shs'000	2022 Restated Shs'000
(Loss)/Profit for the year attributable to owners of the Company	(3,193,179)	3,262,859

14. EARNINGS PER SHARE (Continued)

The total number of shares and the weighted average number of shares for the purpose of calculating the basic and diluted earnings are as follows:

	2023	2022
Weighted average number of ordinary shares for the of basic and and purpose diluted earnings per share	1,951,467,045	1,951,467,045

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

	2023	2022 Restated
Basic earnings per share (Shs)	(1.64)	1.67
Diluted earnings per share (Shs)	(1.64)	1.67

15. DIVIDENDS PER SHARE

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. No interim dividend was paid in 2022 (2021: Nil). At the Annual General Meeting to be held before 31 December 2023, the Directors will not recommend the payment of dividend in respect of the year ended 30 June 2023 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY AND EQUIPMENT

2023	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Distribution lines Shs'000	Machinery Shs'000	Motor Vehicles** Shs'000	Furniture equipment Shs'000	Work in Progress Shs'000	Total Shs'000
Cost									
At 1 July 2022- restated	755,432	12,467,228	33,280,954	273,663,216	1,279,128	8,304,351	60,670,856	23,278,876	**413,700,041**
Work in progress additions	-	-	-	-	-	-	-	12,300,538	**12,300,538**
Transfers from work in progress	30,278	560,090	39,172	12,935,187	49,716	217,437	4,805,571	(18,637,451)	**-**
Retirements	-	-	(1,794)	(1,859,854)	-	(302,469)	(3,601,157)	-	**(5,765,274)**
At 30 June 2023	**785,710**	**13,010,870**	**33,318,332**	**284,659,623**	**1,328,844**	**8,219,319**	**61,822,234**	**16,941,963**	**420,235,305**
Depreciation									
At 1 July 2022	-	2,392,411	13,968,313	71,411,503	376,289	6,544,794	46,394,835	251,322	**141,339,467**
Charge for the year	-	355,470	1,065,295	9,899,248	61,282	407,652	3,717,402	-	**15,506,349**
Impairment loss for the year*	-	-	-	-	-	-	-	26,536	**26,536**
Impairment loss reversal								(3,866)	**(3,866)**
Retirements	-	-	(21)	(749,533)	-	(272,222)	(3,585,871)	-	**(4,607,647)**
At 30 June 2023	**-**	**2,747,881**	**15,033,587**	**80,561,218**	**437,571**	**6,680,224**	**46,526,366**	**273,992**	**152,260,839**
Net book value At 30 June 2023	**785,710**	**10,279,437**	**18,284,745**	**204,177,331**	**891,273**	**1,539,095**	**15,348,904**	**16,667,971**	**267,974,466**

The Company has not pledged any of its assets as collateral for liabilities and any other restrictions on title.

*This relates to impairment loss on Work in Progress (WIP) relating to projects that have stalled for the last three years.

**Included in motor vehicles is an aircraft with a gross value of Shs 297,700,693 (2022: Shs 297,700,693) and accumulated depreciation of Shs 258,632,431 (2022: Shs 255, 444, 478)

Included in property and equipment at 30 June 2023 are assets with a gross value of Shs 57,902,204,567 (2022: Shs 48,124,430,413) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been Shs 10,594,841,137 (2022: Shs 8,943,576,940)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY AND EQUIPMENT (Continued)

2022	Freehold land	Buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment	Work in Progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost									
At 1 July 2021-restated	731,016	12,033,007	33,243,832	266,500,655	1,218,773	7,634,237	56,587,355	24,813,520	**402,762,395**
Work in progress additions	-	-	-	-	-	-	-	12,275,327	**12,275,327**
Transfers from work in progress	24,416	450,209	37,122	8,484,254	60,355	670,114	4,083,501	(13,809,971)	**-**
Retirements/disposals	-	(15,988)	-	(1,321,693)	-	-	-	-	**(1,337,681)**
At 30 June 2022	**755,432**	**12,467,228**	**33,280,954**	**273,663,216**	**1,279,128**	**8,304,351**	**60,670,856**	**23,278,876**	**413,700,041**
Depreciation									
At 1 July 2021-**Restated**	-	2,052,276	12,804,129	62,360,932	319,767	6,186,544	41,500,172	205,561	**125,429,381**
Charge for the year	-	341,582	1,164,184	9,635,907	56,522	358,250	4,894,663	-	**16,451,108**
Impairment loss*	-	-	-	-	-	-	-	45,761	**45,761**
Retirements/disposals	-	(1,447)	-	(585,336)	-	-	-	-	**(586,783)**
At 30 June 2022	**-**	**2,392,411**	**13,968,313**	**71,411,503**	**376,289**	**6,544,794**	**46,390,746**	**251,322**	**141,330,339**
Net book value At 30 June 2022 Restated	**755,432**	**10,074,817**	**19,312,641**	**202,251,713**	**902,839**	**1,759,557**	**14,276,021**	**23,027,554**	**272,360,574**

The Company has not pledged any of its assets as collateral for liabilities and any other restrictions on title.

*This relates to impairment loss on Work in Progress (WIP) relating to projects that have stalled for the last three years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. LEASEHOLD LAND

	2023 Shs'000	2022 Restated Shs'000
Cost		
At start of year	795,362	784,362
Additions	75,670	11,000
Disposal	-	-
At end of year	**871,032**	**795,362**
Amortisation		
At start of year	(150,540)	(124,676)
Charge for the year	(34,798)	(25,864)
Charge on disposals	-	-
At end of year	**(185,338)**	**(150,540)**
Net book value	**685,694**	**644,822**

18. INTANGIBLE ASSETS

	2023 Shs'000	2022 Restated Shs'000
Cost		
At start of year	8,087,672	8,087,672
Additions	1,616,868	-
Disposal	(382,159)	-
At end of year	**9,322,381**	**8,087,672**
Amortisation		
At start of year	(7,474,360)	(6,607,243)
Charge for the year	(559,045)	(867,117)
Charge on disposals	375,157	-
At end of year	**(7,658,248)**	**(7,474,360)**
Net book value	**1,664,133**	**613,312**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RIGHT-OF-USE (ROU) ASSET

	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
Cost			
At start of year	1,694,171	1,691,599	1,483,599
Additions	215,228	145,049	258,321
Retirements	(107,838)	(142,477)	(50,321)
At end of year	**1,801,561**	**1,694,171**	**1,691,599**
Depreciation			
At start of year	(754,378)	(598,765)	(285,237)
Charge for the year	(291,130)	(297,899)	(360,485)
Charge on retirements	106,709	142,286	46,957
At end of year	**(938,799)**	**(754,378)**	**(598,765)**
Net book value	**862,762**	**939,793**	**1,092,834**

As a lessee, the Company leases spaces for sub-stations, offices and banking halls, depots, stores and IT equipment among others. The Company also has certain leases of office equipment with low value. The Company applies the ''lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in profit or loss:

	2023 Shs '000	2022 Shs '000
Depreciation expense of right-of-use assets (Note 9 (c))	302,603	293,246
Interest expense on lease liabilities (Note 29)	105,047	125,143
Expense relating to leases of low-value assets ((Note 9 (c))	14,370	20,000
	422,020	**438,389**

The Company had total cash outflows for leases of Shs 420,105,000 in 2023 (2022: Shs 420,050,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of Shs 215,228,000 in 2023 (2022: Shs 145,049,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. INVENTORIES

	2023 Shs'000	2022 Shs'000
General stores	4,350,261	4,162,332
Transformers	1,009,397	1,701,447
Conductors and cables	2,645,057	1,851,646
Metering accessories	26,685	837,283
Poles	620,455	166,033
Fuel and oil	182,961	810,762
Motor vehicle spares	104,461	99,866
Engineering spares	12,481	12,603
	8,951,758	**9,641,972**
Provision for impairment	(2,878,763)	(3,325,729)
	6,072,995	**6,316,243**

Movements in the provisions for inventories were as follows:

	2023 Shs'000	2022 Shs'000
At start of year	(3,325,729)	(3,725,978)
Write back (Note 9 (c))*	446,966	400,249
At end of year	**(2,878,763)**	**(3,325,729)**

21. TRADE AND OTHER RECEIVABLES

(a) Non-current - Trade and other receivables

	2023 Shs'000	2022 Shs'000 Restated
Prepayments-loan origination fee*	380,102	566,509

This relates to arrangement costs charged upfront on long-term loans extended by Standard Chartered Bank, NCBA Kenya Bank Plc and Rand Merchant Bank. The fee is amortised over the tenure of the loans.

*During the year, loan origination fees was reclassified to trade and other receivables from borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Current - Trade and other receivables

	2023 Shs'000	2022 Shs'000
Electricity receivables (Note 21(b))	35,698,986	27,301,840
Receivable from Government of Kenya-RES recurrent losses******* (Note 37 (b) (ii))	26,928,111	19,355,163
RES – InterCompany (Note 37 (b) (ii))	6,117,783	4,644,000
Prepayments- Loan origination fees	189,642	228,476
Receivable from GOK-15% tariff reduction support	595,833	
Receivable from Government of Kenya***** (Note 37 (b) (ii) and Note 38)	271,549	296,549
Last mile prepaid debtors	1,857,208	1,958,070
Sundry debtors & prepayments	951,547	190,716
Conversion to prepaid debt	382,008	365,216
Non-commercial debt	1,217,769	855,913
Prepaid fixed charge debt	2,523,558	2,586,159
VAT recoverable (Note 37 (b) (ii))	1,439,511	1,830,267
Project funds****	26,292	
Due from KETRACO**	1,715,063	1,677,814
Staff receivables	684,529	583,553
Stima loan deferred payment customers *	233,133	228,821
Rural Electrification Authority current account (Note 37 (b) (ii))	248,564	248,564
GPOBA prepaid debtors***	743,646	771,419
Other ******	1,350,934	1,235,539
Gross trade and other receivables	**83,175,666**	**64,358,079**
Provision for credit losses		
Electricity receivables	(17,286,233)	(14,995,708)
Prepaid fixed charge	(2,523,558)	(2,586,159)
Last mile debtors	(1,441,679)	(1,564,026)
Receivable from GOK-RES Recurrent	(412,054)	(412,054)
Staff debtors	(324,865)	(280,433)
Other receivables	(3,282,366)	(3,110,622)
	(25,270,755)	**(22,949,002)**
Impairment of RES receivable********	(1,167,539)	(972,502)
Net trade and other receivables	**56,737,372**	**40,436,575**

21. TRADE AND OTHER RECEIVABLES (Continued)

Movement in impairment of RES receivable is as follows;

	2023 Shs'000	2022 Shs'000
At start of year	972,502	939,795
Increase during year (Note 11 (b))	195,037	32,707
At end of year	**1,167,539**	**972,502**

Trade and other receivables are non – interest bearing.

* Deferred payment customers balances represent debts outstanding under the Stima Loan Revolving Fund Programme which was established in 2010 to facilitate credit access to the low-income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD).

**This represents amounts due from KETRACO for local costs incurred in the construction of Sondu Miriu transmission and distribution line and repayments in relation to 0.75% Japan Bank for International Corporation loan that was transferred to Ketraco in 2018 upon signing of the Novation agreement.

***GPOBA prepaid debtors relate to the Global Partnership on Output Based Assistance (GPOBA) project for customers with prepaid meters. This project aims to provide safe, legal and affordable electricity to informal settlements. In 2015, the Company entered into an arrangement with the World Bank's International Development Association (IDA), which acts as an administrator of GPOBA. Under the agreement, the Company pre-invests its own resources to provide electricity to informal settlements after which IDA reimburses the Company for every connection done under this project.

The facility comprised a USD 10 Million IDA loan and USD 5.15 Million grant to be used as a subsidy for eligible electricity connections, allowing low-income households to pay Shs 1,160 per connection. The receivable amount of Shs 748,321,000 (2022: Shs 771,419,000) is due from customers who received electricity connection under this project. The Company automatically recovers Shs 100 from these customers every month towards the Shs 1,160 awarded to each customer.

**** The Company receives funding from the World Bank through Credit No.5587-KE to support electrification projects. The total amount received as at 30 June 2023 was Shs 15,950,530,000 (2022: Shs 14,483,121,000) and Shs 15,976,822,000 (2022: Shs 14,260,941,000) has been spent on the projects.

*****Receivable from Government of Kenya (GoK) relates to subsidies due to the Company to enhance universal access to electricity through connectivity to the national grid. The Shs 271,549,000 (2022: Shs 296,549,000) receivable from the GoK is part of a larger commitment by the GoK, to be financed partly through support from the World Bank and the African Development Bank to enhance universal access to electricity. During the year, the Company received Shs 25,000,000 as disbursements (2022: Shs 150,000,000) of which Shs nil (2022: Shs 438,000,000) was fully utilized to improve electricity supply in off grid stations through supply of generators.

******Included in other receivables is an amount of Shs 247,339,000 (2022: Shs 247,339,000) deposited in Imperial Bank Limited which was placed under receivership in 2015. The balance is fully provided for.

****** KPLC is the management agent for RES on behalf of Ministry of Energy and Petroleum (MOEP). The Schemes of RES are generally sub-economic since their operational and maintenance costs exceed their revenue. The resultant accumulated deficit is recoverable from the Government of Kenya (GOK) as stipulated in the 1973 Mercado agreement signed between KPLC and the GOK through the MOEP.

******** This relates to additional impairment of the RES receivable as a result of the time value of money. The amount was recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND OTHER RECEIVABLES (Continued)

(c) Electricity receivables

	<30 days Shs'000	30-90 days Shs'000	>90 days Shs'000	Total Shs'000
2023				
Gross	16,137,542	3,661,865	15,899,579	35,698,986
Impairment	(777,266)	(1,539,301)	(14,969,666)	(17,286,233)
Net	**15,360,276**	**2,122,564**	**929,913**	**18,412,753**
2022				
Gross	10,796,085	2,117,631	14,388,124	27,301,840
Impairment	(518,130)	(902,822)	(13,574,756)	(14,995,708)
Net	**10,277,955**	**1,214,809**	**813,368**	**12,306,132**

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

(d) Movement in the expected credit losses for trade and other receivables is as follows;

	Electricity receivables Shs'000	Prepaid fixed charge Shs'000	Other receivables Shs'000	Total Shs'000
2023				
At start of year	(14,995,708)	(2,586,159)	(5,367,135)	(22,949,002)
Additional provision	(2,290,525)	-	(93,829)	(2,384,354)
Write back (Note 9 (d))	-	62,601	-	62,601
At end of year (Note 21(a))	**(17,286,233)**	**(2,523,558)**	**(5,460,964)**	**(25,270,755)**
2022				
At start of year	(15,880,115)	(2,652,279)	(5,352,123)	(23,884,517)
Additional provision (Note 9 (d))	-	-	(15,012)	(15,012)
Write back (Note 9 (d))	884,407	66,120	-	950,527
At end of year (Note 21(a))	**(14,995,708)**	**(2,586,159)**	**(5,367,135)**	**(22,949,002)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short-term deposits

	2023 Shs'000	2022 Shs'000
Housing Finance Company of Kenya Limited	505,529	484,782
The Co-operative Bank of Kenya Limited	2,612	2,612
	508,141	**487,394**
Expected credit losses- charge for the year	(7,091)	(12,579)
	501,050	**474,815**

The average effective interest rate on the short-term deposits for the year ended 30 June 2023 was 7.47% (2022: 7.44%).

Movement in the expected credit losses is as follows;

	2023 Shs'000	2022 Shs'000
At start of year	12,579	6,724
Movement during the year	(5,488)	5,855
At end of year	**7,091**	**12,579**

(b) Bank and cash balances

	2023 Shs'000	2022 Shs'000
Cash at bank	17,922,068	7,592,758
Cash on hand	408	1,116
	17,922,476	**7,593,874**
Expected credit losses	(192,336)	(132,869)
	17,730,140	**7,461,005**

Movement in the expected credit losses is as follows;

	2023 Shs'000	2022 Shs'000
At start of year	132,869	39,688
Increase during the year	59,467	93,181
At end of year	**192,336**	**132,869**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES (Continued)

(c) Detailed analysis of the cash and cash equivalents

Description	2023 Shs'000	2022 Shs'000
a) Current Account		
Other Commercial banks	11,103,400	4,709,504
Sub - Total	**11,103,400**	**4,709,504**
b) On - Call Deposits		
Other Commercial banks	5,332,698	2,721,061
Sub - Total	**5,332,698**	**2,721,061**
c) Fixed Deposits Account		
Other Commercial banks	-	-
Sub - Total	**-**	**-**
d) Staff Car Loan/ Mortgage		
Other Commercial banks	508,140	487,394
Sub - Total	**508,140**	**487,394**
e) Others (Specify)		
Cash in transit	1,485,970	162,193
Cash in hand	73	78
Mobile money account	335	1,038
Sub - Total	**1,486,378**	**163,309**
Grand Total	**18,430,616**	**8,081,268**

23. SHARE CAPITAL

	2023 Shs'000	2022 Shs'000
Authorised:		
2,592,812,000 ordinary shares of Shs 2.50 each	**6,482,030**	**6,482,030**
Issued and fully paid:		
1,951,467,045 ordinary shares of Shs 2.50 each	**4,878,667**	**4,878,667**

24. SHARE PREMIUM

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. RETAINED EARNINGS

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

Further details on retained earnings are provided in page 115 to these financial statements.

26. DEFERRED INCOME

Deferred income relates to capital contributions received from electricity customers for the construction of electricity assets. The amounts are amortised through profit or loss on a straight-line basis over the useful life of the related asset used to provide the ongoing service.

	2023 Shs'000	2022 Shs'000
At start of year	14,824,857	14,342,533
Additional contributions	5,754,330	4,290,038
Recognised as income (Note 7(c))	(3,576,513)	(3,807,714)
At end of year	**17,002,674**	**14,824,857**
Maturity analysis:		
Non-current	12,775,248	11,131,733
Current	4,227,426	3,693,124
At end of year	**17,002,674**	**14,824,857**

27. DEFERRED INCOME TAX

	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
At start of year	28,579,124	27,415,359	20,590,805
Debit/(Credit) to other comprehensive income	172,523	(213,786)	337,481
Adjustment in respect of deferred tax in prior year		-	9,055
Effect of tax rate changes		-	4,326,050
Prior year adjustment	(14,315)	-	-
(Credit)/Charge to profit or loss (Note 13 (a))	(1,519,854)	1,377,551	2,151,968
At end of year	**27,217,478**	**28,579,124**	**27,415,359**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. DEFERRED INCOME TAX (Continued)

Deferred income tax balance is analysed as follows:

2023	At July 2022 Restated	Prior year adjustments	(Credited)/ Charged to profit or loss	Credited to OCI	Effect of tax rate changes	At 30 June 2023
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities						
Property and equipment	48,792,937	-	2,631,124	-	-	51,424,061
Unrealised foreign exchange loss	(5,237,100)	-	(5,898,728)	-	-	(11,135,828)
Right of use asset	283,335	-	(24,505)	-	-	258,830
Retirement benefit asset	153,496	-	19,954	161,518	-	334,968
	43,992,668	**-**	**(3,272,155)**	**161,518**	**-**	**40,882,031**
Deferred income tax assets						
Lease liabilities	(289,427)	-	31,056	-	-	(258,371)
Provisions	(8,967,976)	-	(551,062)	11,005	-	(9,508,033)
Tax losses	(6,156,141)	-	2,272,307	-	-	(3,883,834)
Prior year adjustments	-	(14,315)	-	-	-	(14,315)
	(15,413,544)	**(14,315)**	**1,752,301**	**11,005**	**-**	**(13,664,553)**
Net deferred income tax liabilities	**28,579,124**	**(14,315)**	**(1,519,854)**	**172,523**	**-**	**27,217,478**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. DEFERRED INCOME TAX (Continued)

2022	At July 2021 Restated Shs'000	Prior year adjustments Shs'000	(Credited)/ Charged to profit or loss Shs'000	Credited to OCI Shs'000	Effect of tax rate changes Shs'000	At 30 June 2022 Restated Shs'000
Deferred income tax liabilities						
Property and equipment	48,111,674	-	681,263	-	-	48,792,937
Unrealised foreign exchange loss	(3,307,275)	-	(1,929,825)	-	-	(5,237,100)
Right of use asset	327,851	-	(44,516)	-	-	283,335
Retirement benefit asset	387,040	-	(16,566)	(216,978)	-	153,496
	45,519,290	**-**	**(1,309,644)**	**(216,978)**	**-**	**43,992,668**
Deferred income tax assets						
Lease liabilities	(335,164)	-	45,737	-	-	(289,427)
Provisions	(9,104,095)	-	132,927	3,192	-	(8,967,976)
Tax losses	(8,664,672)	-	2,508,531	-	-	(6,156,141)
	(18,103,931)	**-**	**2,687,195**	**3,192**	**-**	**(15,413,544)**
Net deferred income tax liabilities	**27,415,359**	**-**	**1,377,551**	**(213,786)**	**-**	**28,579,124**

As at 30 June 2023, the Company had accumulated tax losses amounting to Shs 12,946 Million (2022: Shs 19,800 Million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

	2023 Shs'000	2022 Shs'000
Capital contribution - on-going projects**	12,079,656	12,874,799
Customer deposits*	6,870,637	6,594,305
Capital contributions-projects not commenced	5,012,298	5,065,111
Deferred creditor (Fibre optic)	55,878	133,807
RES current account - capital (Note 37 (b) (iii))	1,212,884	2,663,549
Donor funds	1,328,126	1,296,146
Kenya Off-Grid Solar Access Project (KOSAP)	136,163	136,163
Electrification of health facilities	129,956	404,758
Sub-Station Installation-GOK Funded Account	150,000	150,000
Nuclear electricity project	11,847	11,874
Other payables	2,575,248	2,492,625
	29,562,693	**31,823,137**

*Customer deposits are held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. In addition, the customer deposits are a security for the electric meters supplied to the customer for long-term electricity supply.

**Capital contributions for on-going projects relate to customer contributions for capital works not completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TRADE AND OTHER PAYABLES (continued)

(b) Current liabilities

	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
KenGen (Note 37 (e))	22,560,531	23,082,571	24,909,391
Other suppliers' accounts	5,445,331	6,643,675	6,148,280
Other electricity suppliers	44,567,645	23,242,929	23,513,471
Other payables	10,541,872	9,254,855	13,658,744
RES current account - Last Mile Project (Note 37 (b) (iii))	2,079,239	1,512,059	2,491,066
Last mile token contribution for RES	1,382,138	1,966,864	-
Deferred KPLC last mile	1,798,287	1,958,217	-
Retention money	895,256	1,309,814	-
Rural Electrification Authority Levy** ((Note 37 (b) (iii)))	10,963,339	12,164,824	12,097,905
Project funds	-	222,180	334,920
Ketraco wheeling charge (Note 37 (f))	2,586,194	4,567,868	5,546,379
Ministry of Finance (Note 37 (b) (iii))	875,041	875,041	875,041
Prepaid revenue****	429,681	265,944	263,132
Street lighting project (Note 37 (b) (iii) and Note 38)	641,878	923,548	1,826,504
Energy Regulatory Levy	221,300	144,193	152,743
Deferred creditor (Fibre optic)	70,721	70,721	70,721
	105,058,453	**88,205,303**	**91,888,297**
Provision for impairment (Note 28 (c))	6,469	11,114	6,549
	105,064,922	**88,216,417**	**91,894,846**

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

**** Prepaid revenue represents unearned income on prepaid meters. Based on historical trends, management derives an estimate of the value of prepaid power units not consumed as at the end of the financial year.

Non-current trade and other payables are non-interest bearing.

28. TRADE AND OTHER PAYABLES (continued)

(c) Movement in the provision for impairment for the Company guaranteed staff loans is as follows;

	2023 Shs'000	2022 Shs'000
At start of year	11,114	6,549
Increase/(decrease) in provision	(4,645)	4,565
At end of year (Note 28 (b))	**6,469**	**11,114**

(d) Aging analysis for trade payables

	2023 Shs'000	% of the total	2022 Shs'000	% of the total
0-30 days	12,987,326	19%	11,656,802	25%
30 -60 days	14,596,267	22%	11,204,414	24%
90 -90 days	12,681,423	19%	9,130,254	20%
Over 90 days	26,620,345	40%	14,288,872	31%
Total	**66,885,361**		**46,280,342**	

29. LEASE LIABILITIES

Lease liabilities include the net present value of the fixed lease payments discounted using the incremental borrowing rate.

	2023 Shs'000	2022 Restated Shs'000	2021 Restated Shs'000
Balance at start year	964,757	1,117,214	1,234,160
Additions for the year	215,228	145,049	223,501
Interest charge (Note 11(b))	102,983	124,022	145,469
Payment of interest	(102,983)	(124,022)	(145,469)
Payment of principal	(318,748)	(297,506)	(340,447)
	861,237	**964,757**	**1,117,214**

The carrying amount of the current portion is Shs 309,655,000 (2022: Shs 304,413,000) while the non-current portion is Shs. 556,878,000 (2022:Shs 661,950,000).

The maturity analysis of undiscounted lease liabilities is disclosed in Note 6 (b).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. (a) BORROWINGS

	Currency	Interest rate	Start date	End date	2023	2022 Restated
					Shs'000	Shs'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	19/06/2016	23/06/2026	23,054,637	23,713,770
Standard Chartered Bank Loan	Shs	CBR + 4%	17/06/2016	23/06/2023	-	3,036,000
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2014	30/09/2025	1,465,021	2,214,976
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2018	26/09/2025	4,098,602	4,811,490
NCBA Bank Kenya Plc	Shs	7% (CBR +2%)	09/10/2020	03/10/2032	6,750,000	6,750,000
Accrued Interest					559,400	441,380
					35,927,660	**40,967,616**
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	11/05/2011	01/03/2036	17,158,994	14,388,238
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2014	28/08/2035	18,556,583	15,560,150
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	28/06/2005	01/09/2030	12,363,819	10,367,365
GOK/NORDEA	EUR	3.00%	15/12/2014	15/09/2027	3,099,246	2,512,522
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	20/07/2026	2,637,955	2,138,559
GOK/Agence Francaise de Development	EUR	4.50%	23/05/2007	30/03/2026	1,618,074	1,311,753
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	22/05/2007	15/09/2027	621,487	503,832
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/12/2014	31/07/2035	3,411,487	2,765,653
GOK/IDA 5587 KE LOAN	USD	2.00%	27/02/2016	15/11/2053	9,593,000	5,908,613
GOK/IDA 2966 KE loan	Shs	7.70%	30/06/2016	30/06/2023	188,349	188,349
GOK/AFD Transformer Densification	EUR	3.20%	31/12/2014	31/07/2035	1,090,503	884,058
Accrued interest (Note 36 (b))					9,140,980	7,146,180
					79,480,477	**63,675,272**
Total borrowings					**115,408,137**	**104,642,888**

*Loan origination fees recognised as part borrowings in the prior year reclassified to trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 BORROWINGS (continued)

Description	2023 Shs' 000	2022 Shs' 000
Commercial borrowings		
Balance at beginning of the year	40,526,236	49,062,862
Commercial borrowings during the year	-	-
Repayments during the year	(10,620,802)	(11,684,226)
Revaluation (gain)/loss	5,462,826	3,147,600
Accrued Interest	559,400	441,380
Balance at end of the year	**35,927,660**	**40,967,616**
On Lent borrowings		
Balance at beginning of the year	56,529,092	51,987,796
On lent borrowings during the year	2,354,989	1,009,123
Repayments during the year	-	-
Revaluation (gain)/loss	11,455,416	3,532,173
Accrued Interest	9,140,980	7,146,180
Balance at end of the year	**79,480,477**	**63,675,272**
Balance at end of the period- commercial and onlent borrowings c = a+b	**115,408,137**	**104,642,888**
Total borrowings	115,408,137	104,642,888
Less: amounts repayable within 12 months	(20,951,195)	(17,411,984)
Non-current	**94,456,942**	**87,230,904**

(b) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Euros Shs' 000	Total Shs' 000
2023				
Loans	16,638,729	86,290,656	12,478,752	115,408,137
2022				
Loans	17,561,910	76,964,601	10,116,377	104,642,888

30 BORROWINGS (continued)

(c) Maturity of borrowings

	2023 Shs'000	2022 Shs'000
Due within 1 year	20,951,195	17,366,684
Due between 1 and 2 years	13,953,213	12,466,243
Due between 2 and 5 years	26,027,692	29,824,789
Due after 5 years	54,476,037	44,985,172
	115,408,137	**104,642,888**

(d) Compliance with debt covenants

During the year, the Company met all its loan repayment obligations. The Company was in compliance with all financial covenants during the year except for the Current Ratio covenant relating to the below borrowings from Standard Chartered Bank and Rand Merchant Bank. This covenant compares the current assets with the current liabilities.

	Current Shs'000	Non-current Shs'000	Total Shs'000
Standard Chartered Bank USD 350m loan	7,684,879	15,369,758	23,054,637
Rand Merchant Bank USD Medium Term Loan	1,639,441	2,459,161	4,098,602
	9,324,320	**17,828,919**	**27,153,239**

	Covenant requirement	As per the financial statements
For Standard Chartered Bank and Rand Merchant Bank		
Current assets (Shs'000)	-	81,041,557
Current liabilities (Shs'000)	-	132,275,488
Current ratio	**1**	**0.61**

Paragraph 74 of IAS 1 'Presentation of financial statements' requires the reclassification of the non-current portion of borrowings with covenant breaches to current. This reclassification has not been performed in the financial statements because the Company obtained waivers before the end of the reporting period, 30 June 2023 which gave consent of extension of the breach from 30 June 2023 to 30 June 2024.

Through a letter from Standard Chartered Bank dated 29 June 2023, the lender communicated consent of extension of the breach from 30 June 2023 to 30 June 2024.

Through a letter from Rand Merchant Bank dated 30 June 2023, the lender communicated that the breach would be condoned from 30 June 2023 to 30 June 2024 while reserving the rights under the facility agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. PREFERENCE SHARES

	2023 Shs'000	2022 Shs'000
Authorised, issued and fully paid:		
350,000 - 7% cumulative preference shares of Shs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of Shs 20 each	36,000	36,000
	43,000	**43,000**

The preference shares are treated as financial liabilities because the Company has a contractual obligation to pay preference dividends on the shares.

32. RETIREMENT BENEFIT ASSET

The Company operates a funded defined benefit plan (the "DB Scheme") for its employees that is established under irrevocable trust. The DB Scheme was closed to new members and future accrual of service as from 1 July 2006. Currently, no contributions are payable by employees to the DB Scheme and the Company is on a contribution holiday. DB Scheme assets are invested in a variety of asset classes comprising of government securities, fixed and time deposits, corporate bonds, equities and offshore investments. A separate defined contribution scheme (the "DC Scheme") was setup in respect of service from 1 July 2006. The contributions to the DC Scheme are accounted separately in the Company's statement of profit or loss.

The benefits provided by the DB Scheme are based on a formula taking into account years and complete months of service with the employer since joining the scheme to the closing date. Under the DB Scheme, the employees are entitled to retirement benefits varying between 3 and 5 % of final pensionable emoluments on attainment of the retirement age.

The DB Scheme is governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the DB Scheme. The most recent actuarial valuation of the DB Scheme was carried out at 31 December 2019 using the Projected Credit Method, by an independent qualified actuary. For the purposes of calculating the actuarial liability under the Scheme as at 30 June 2022 the Company engaged the services of an actuary, Actuarial Services (East Africa) Limited. The Actuary "rolled forward" the results of the actuarial valuation as at 31 December 2019 to 30 June 2022.

The Company is exposed to the following actuarial risks:

32. RETIREMENT BENEFIT ASSET (continued)

a) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in investment properties, government securities, equity investments, corporate bonds and short-term deposits. Due to the long-term nature of the DB Scheme liabilities, management considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the DB Scheme.

b) Interest risk

A decrease in bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

c) Longevity risk

Benefits in the DB Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

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

(i) The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022
Discount rate	15%	13%
Expected rate of return on assets	15%	13%
Future salary increases	5.0%	5.0%
Retirement age	60 years	60 years

The updated position arising from the Company's obligation in respect of its DB Scheme is as follows:

The current service costs and the net interest expense for the year are included in administration expenses in profit or loss (Note 9 (c)).

The measurement of the defined benefit liability is included in other comprehensive income. The amounts recognised in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RETIREMENT BENEFIT ASSET (continued)

	2023 Shs'000	2022 Shs'000
Current service cost	-	192,517
Interest cost on defined benefit obligation	1,756,434	1,569,402
Interest income on plan assets	(2,142,675)	(2,035,023)
Interest on the effect of the asset ceiling	319,726	328,325
Adjustments for previous years asset values	-	-
Net expense recognised in profit or loss (Note 10)	**(66,515)**	**55,221**
Net actuarial gains	(915,297)	(472,153)
Return on plan assets (excluding amount in interest cost)	2,461,333	1,919,310
Changes in effect of asset ceiling (excluding amounts in interest cost)	(1,662,597)	(723,896)
Recognised in other comprehensive income	(538,392)	723,261
Total net actuarial (gains)/losses	**(654,953)**	**1,446,522**

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

	2023 Shs'000	2022 Shs'000
Fair value of plan assets	15,691,828	16,925,783
Present value of funded defined benefit obligation	(13,458,711)	(13,954,701)
	2,233,117	**2,971,082**
Limit on defined benefit asset	(1,116,559)	(2,459,430)
Present value of funded defined benefit asset	**1,116,558**	**511,652**

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

	2023 Shs'000	2022 Shs'000
Net asset at the start of the year	511,652	1,290,134
Net income recognised in profit or loss (Note 9 (c))	66,514	(55,221)
Amount recognised in other comprehensive income	538,392	(723,261)
Present value of funded defined benefit asset	**1,116,558**	**511,652**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RETIREMENT BENEFIT ASSET (continued)

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

	2023 Shs'000	2022 Shs'000
At start of year	13,954,701	14,436,497
Current service cost	-	192,517
Interest cost on obligation	1,756,434	1,569,402
Actuarial loss	(1,337,127)	(472,153)
Benefits paid	(915,297)	(1,771,562)
At end of year	**13,458,711**	**13,954,701**

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

	2023 Shs'000	2022 Shs'000
At start of year	(16,925,783)	(18,581,632)
Interest income on plan assets	(2,142,675)	(2,035,023)
Return on plan assets, excluding amount in interest income	2,461,333	1,919,310
Benefits paid	915,297	1,771,562
Prior year adjustments	-	-
At end of year	**(15,691,828)**	**(16,925,783)**

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

	2023 Shs'000	2022 Shs'000
Property	7,115,350	7,291,510
Debt instruments	4,819,346	5,937,694
Equity instruments	2,449,282	2,773,987
Others	1,307,850	922,592
Total scheme assets	**15,691,828**	**16,925,783**

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets. This treatment has been implemented during the current and prior years.

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently at Shs 200 per employee per month.

Sensitivity analysis

A sensitivity analysis was performed on the model and a 1% p.a. reduction in the discount rate will increase the actuarial liability estimated at 30 June 2023 to around Shs 14.4 Billion (with all other assumptions remaining the same). If the discount rate is increased by 1% p.a. then the actuarial liability estimated would fall to around KShs 12.7 Billion.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. PROVISIONS

This is estimated provision for monetary liability for employees' accrued annual leave entitlement and present value of employee gratuity benefits.

	2023 Shs'000	2022 Shs'000
(a) Leave pay obligation		
At start of year	375,804	284,311
Increase/(decrease) in provisions (Note 9 (c))	(33,270)	91,493
At end of year	**342,534**	**375,804**
(b) Leave allowance provision		
At start of year	171,924	180,885
(Decrease)/increase in provisions (Note 9 (c))	(8,375)	(8,961)
At end of year	**163,549**	**171,924**
(c) Gratuity provision		
Opening benefit obligation	435,639	356,247
Current service cost	253,343	235,462
Interest cost	48,204	32,717
Actuarial gain	(36,684)	(10,639)
Benefits and expenses paid	(248,043)	(178,148)
Net liability at end of year	**452,459**	**435,639**

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

	2023 Shs'000	2022 Shs'000
Present value of the defined benefit obligation at start of year	435,639	356,247
Charge recognised in the profit or loss for the year (Note 9 (c))	301,547	268,179
Benefits paid to the outgoing employees during the year	(247,549)	(178,148)
Actuarial gain on the obligation recognised in other comprehensive income	(36,684)	(10,639)
Present value of the defined obligation at end of year	**452,459**	**435,639**
Total provisions	**958,542**	**983,367**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. DIVIDENDS PAYABLE

	2023 Shs'000	2022 Shs'000
Dividends payable on ordinary shares	751,612	758,170

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	758,170	793,383
Declared during the year	1,930	1,930
Paid during the year	(8,488)	(37,143)
At end of year	**751,612**	**758,170**

35. CONTRACT BALANCES

	2023 Shs'000	2022 Shs'000
Electricity receivables (Note 21(b))	18,359,670	12,306,132
Contract liabilities (Note 28)	12,079,656	12,874,799

As at 1 July 2022, the net carrying amount of electricity receivables was reported at Shs 12,306 Million.

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

The movement in the contract liabilities is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	12,874,799	11,668,644
Additions during the year	4,959,187	5,496,193
Transferred to deferred income during the year (Note 26)	(5,754,330)	(4,290,038)
At end of year	**12,079,656**	**12,874,799**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
36. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023 Shs'000	2022 Restated Shs'000
(Loss)/Profit before taxation	(4,433,856)	4,783,601
Depreciation of property and equipment (Note 16)	15,506,349	16,448,233
Impairment loss on Work in Progress (WIP) (Note 16)	26,536	45,761
Reversal of impairment loss on WIP	(3,866)	-
Amortisation of intangible assets (Note 18)	559,045	867,117
Amortisation of leasehold land (Note 17)	34,798	25,864
Depreciation of ROU (Right-of-use) asset (Note 19)	291,130	293,246
Amortisation of capital contribution (Note 7 (c))	(3,576,513)	(3,807,714)
Loss on disposal of property and equipment (Note 36 (e))	931,499	716,217
Loss on disposal of ROU (Note 36 (e))	1,129	191
Finance income (Note 11 (a))	(506,640)	(396,940)
Finance costs (Note 11 (b))	24,101,516	12,738,955
Interest expense on lease liabilities (Note 11 (b))	102,983	125,143
Movement in provision for leave pay, gratuity and leave allowance (Note33)	259,902	350,711
Movement in provisions for credit losses on short-term deposits (Note 22 (a))	(5,488)	5,855
Movement in provisions for credit losses on bank balances ((Note 22 (b))	59,467	93,181
Movement in provisions for Company guaranteed loans ((Note 28 (b))	(4,645)	4,565
Movement in provisions for credit losses on trade and other receivables	2,321,753	(935,518)
Movement in provision for slow moving inventories (Note 20)	(446,966)	(400,249)
Retirement benefit plan credits (Note 9 (c))	(66,514)	55,221
Unrealised foreign exchange losses on cash and cash equivalents	(50,577)	(102,719)
Working capital changes:		
Inventories	690,213	(20,227)
Trade and other receivables	(18,593,781)	(2,006,643)
Deferred income	5,754,330	4,290,025
Trade and other payables	14,592,707	(177,195)
Cash generated from operations	**37,544,511**	**32,996,681**

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

(b) Analysis of changes in borrowings

	2023 Shs'000	2022 Shs'000
At start of year	104,642,888	110,357,026
Proceeds	2,354,989	1,009,123
Repayments	(10,620,802)	(15,050,964)
Repayment of previous year's accrued interest	(7,587,560)	(5,939,630)
Foreign exchange losses	16,918,242	6,679,773
Accrued interest (Note 30 (a))	9,700,380	7,587,560
At end of year	**115,408,137**	**104,642,888**

(b) Analysis of changes in borrowings (continued)

	2023 Shs'000	2022 Shs'000
Net debt reconciliation		
Cash and bank balances (Note 22 (b))	17,730,140	7,461,005
Short-term deposits (Note 22 (a))	501,050	474,815
Overdrafts (Note 22 (b))	-	-
Borrowings (Note 30)	(115,408,137)	(104,642,888)
Net debt	**(97,176,947)**	**(96,707,068)**
Net debt reconciliation		
Cash, bank balances and short-term deposits	18,231,190	7,935,820
Gross debt – fixed interest rates	(83,659,379)	(68,583,361)
Gross debt – variable interest rates	(31,748,758)	(36,059,527)
Net debt	**(97,176,947)**	**(96,707,068)**

(c) Analysis of cash and cash equivalents

	2023 Shs'000	2022 Shs'000
Short-term deposits (Note 22 (a))	508,140	487,394
Cash and bank balances (Note 22(b))	17,922,476	7,593,874
	18,430,616	**8,081,268**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

For the purpose of the cash flow statement, cash and cash equivalents include short-term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from date of disbursement or date of confirmation of the advance.

(d) Analysis of interest paid

	2023 Shs'000	2022 Shs'000
Interest on loans (Note 11(b))	5,865,561	5,190,066
Overdraft interest (Note 11(b))	603	80,561
Interest on late payment invoices (Note 11 (b))	1,120,143	680,723
	6,986,307	**5,951,350**
Interest on loans capitalised	-	-
Accrued interest brought forward (Note 30 (a))	7,587,560	5,939,630
Accrued interest carried forward (Note 30 (a))	(9,700,380)	(7,587,560)
Interest paid	**4,873,487**	**4,303,420**

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

	2023 Shs'000	2022 Shs'000
Proceeds from disposal of property and equipment	233,130	34,681
Less: disposed assets at net book value	(1,164,629)	(750,898)
Loss on disposal of property and equipment	**(931,499)**	**(716,217)**
Proceeds of retirement of right of use assets (ROU)		
Proceeds from retirement of ROU	-	-
Less: retired assets at net book value	1,129	191
Loss on retirement of ROU	**(1,129)**	**(191)**

f) Analysis of dividends paid

	2023 Shs'000	2022 Shs'000
At start of year	758,170	793,383
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
At end of year	(1,612)	(758,170)
Dividends paid	**8,488**	**37,143**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(g) Analysis of interest received

	2023 Shs'000	2022 Shs'000
Interest received on bank and other deposits (Note 11 (a))	506,640	396,940
Accrued interest brought forward	2,255	4,023
Accrued interest carried forward	(39,656)	(2,255)
Interest received	**469,238**	**398,708**

(h) Purchase of property and equipment

	2023 Shs'000	2022 Shs'000
Work in progress additions (Note 16)	12,300,538	12,275,327
Exchange loss on loans for on-going projects capitalised	-	-
Property and equipment purchased	**12,300,538**	**12,275,327**

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 5.46% (2022: 5.28%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder in The Kenya Power & Lighting Company Plc (KPLC) holding a 50.1% equity interest. The Government also holds 70% and 100% of the equity interest in Kenya Electricity Generating Company Plc (KenGen) and Kenya Electricity Transmission Company (KETRACO), respectively. The Company is related to KenGen and KETRACO through common control. During the year, the following transactions were carried out with related parties:

(a) The Company had no individually significant transactions carried out on non-market terms.

(b) Other transactions that are collectively significant are detailed as follows:

(i) Ministries:

	2023 Shs'000	2022 Shs'000
Electricity sales to Government Ministries	4,906,128	5,715,969
Electricity sales to strategic parastatals	1,974,920	2,261,225

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

	2023 Shs'000	2022 Shs'000
Receivable from Government of Kenya-RES recurrent losses (Note 21 (a))	26,928,111	19,355,163
RES – interCompany (Note 21 (a))	6,119,833	4,644,000
Receivable from Government of Kenya (Note 21 (a))	271,549	296,549
VAT recoverable (Note 21 (a))	1,439,848	1,830,267
Ministries & County governments- Electricity sales receivable	3,600,450	2,727,368
Strategic parastatals- Electricity sales receivable	487,193	309,897
Rural Electrification Authority current account (Note 21 (a))	248,564	248,564
Ministry of Energy and other sector entities	158,393	158,393
	39,253,941	**29,570,201**

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

	2023 Shs'000	2022 Shs'000
RES current account - Last Mile (Note 28 (b))	2,079,239	1,512,059
Rural Electrification Authority levy (Note 28 (b))	10,963,339	12,164,824
REREC Garissa Solar Plant	494,600	490,545
Ministry of Finance (Note 28 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 28 (b))	641,878	923,548
RES – capital (Note 28 (a))	1,212,884	2,663,549
	16,266,981	**18,629,566**
Net amount owed by Government of Kenya	**22,986,960**	**10,940,635**

37. RELATED PARTY DISCLOSURES (Continued)

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

(i) Advances to staff included in trade and other receivables

	2023 Shs'000	2022 Shs'000
Advances to staff included in trade and other receivables	**684,529**	**583,553**

The Company advances loans to staff at an interest charge of 12% (2022:12%). The loans are mainly classified into salary, motorcycle, laptop and domestic appliances loans. The outstanding amounts are recovered from payroll on a monthly basis. The repayment period is between 12 to 36 months.

(ii) Key management compensation

	2023 Shs'000	2022 Shs'000
Short-term employee benefits	11,186	6,709
Termination benefits	17,522	24,567
	28,708	**31,276**

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

	2023 Shs'000	2022 Shs'000
Fees for services as Director		
Non-Executive Directors (Note 12)	4,627	4,632
Other emoluments		
Salaries and other short-term employment benefits:		
Non-Executive Directors (Note 12)	16,485	10,213
Executive Directors and key management staff	28,708	31,276
	45,193	41,489
	49,820	**46,121**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. RELATED PARTY DISCLOSURES (Continued)

(d) Rural Electrification Scheme (RES)

The Company continued to manage the RES under the Rural Electrification Programme (REP), on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company Limited, the predecessor to The Kenya Power & Lighting Company Plc. The programme was established with the specific objective to extend electricity to the sub-economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the Authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with REA to operate and maintain lines owned by REA. In return, the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government. The balances due to RES are disclosed in Note 37 (b) (ii) and (iii).

(e) KenGen

	2023	2022
		Restated
	Shs'000	Shs'000
Electricity purchases (before allocation to RES)	53,570,323	48,403,945
Amounts due to KenGen on electricity purchases (Note 28 (b))	22,560,531	23,082,571
Electricity sales	485,597	391,249
Amounts due from KenGen on account of electricity sales	164,685	127,522
Amounts due from KenGen on account of sector entities media campaign	30,000	30,000
Amounts due from KenGen on account of lease of fiber	46,448	15,688

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. RELATED PARTY DISCLOSURES (Continued)

(f) KETRACO

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

	2023 Shs'000	2022 Shs'000
Wheeling charge KETRACO (Note 9 (a))	2,720,102	2,668,667
Maintenance costs for Transmission lines (Note 7 (c))	-	18,834
KEEP/KETRACO 132/33KV substations	-	81,229
	2,720,102	**2,768,730**
Outstanding balances at the year-end included in trade and other payables:		
KETRACO wheeling charge (Note 28 (b))	2,586,194	4,567,868
Outstanding balances at the year-end included in trade and other receivables:		
KEEP/KETRACO 132KV Transmission lines	47,208	47,208
KEEP/KETRACO 132/33KV substations	107,391	107,391
Amount due from Ketraco on account of local costs*	567,642	567,642
Amount due from Ketraco on 0.75% JICA loan (inclusive of interest)	221,272	221,272
Maintenance costs for Transmission lines	743,855	703,593
	1,715,063	**1,674,801**

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu- Meru lines

(g) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office space. Rent paid to the scheme in the year amounted to Shs 177 Million (2022: Shs 154 Million). The outstanding balance to the retirement benefit scheme as at 30 June 2023 was Shs nil Million (2022: Shs nil Million).

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

38. GOVERNMENT GRANT

The Company received grants from the Government of Kenya to subsidize electricity connectivity and to finance street lighting projects. The grants amounted to Shs 361,500,000 (2022: Shs 361,500,000).

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

	2023 Shs'000	2022 Shs'000
Connectivity		
At start of year	296,549	8,549
Disbursements received during the year	(25,000)	(150,000)
Utilised during the year	-	438,000
New connections during the year	-	-
At end of year	**271,549**	**296,549**
Available funds	26,316	60,293
Committed funds	615,562	863,255
	641,878	**923,548**

The connectivity amount of Shs 272 Million (2022: Shs 296 Million) receivable for connectivity projects has been disclosed under trade and other receivables, while Shs 642 Million (2022: Shs 923 Million) for street lighting is accounted for under trade and other payables.

39. CAPITAL COMMITMENTS

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

	2023 Shs'000	2022 Shs'000
Authorised and contracted for	41,119,789	66,717,593
Less: amount incurred and included in work-in-progress	(10,375,628)	(16,846,898)
	30,744,161	**49,870,695**

40. CONTINGENT LIABILITIES

	2023 Shs'000	2022 Shs'000
Bank guarantees	9,150,644	6,924,076
Claims on the Company	7,008,575	9,386,267
	13,932,651	**15,924,076**

40. CONTINGENT LIABILITIES (Continued)

Cases filed against the Company are being handled by advocates appointed by the Company. The Directors, based on professional advice and previous High Court rulings, are of the opinion that significant loss may arise from these matters.

The following is a highlight of the significant claims against the Company: -

Litigation and claims

- **i)** Case No. 1720 of 2002 is a case for alleged trespass to land.
- **ii)** Case No. 3564 of 2003 seeks compensation for the wayleaves trace.
- **iii)** Case No. 87 of 2012 (formerly CoA 73 of 2016) is a claim for an alleged trespass to land.
- **iv)** Case No. 166 of 2016 seeks for payments, interest, and demurrages charges for an alleged loss occasioned as a result of an alleged breach of contract.
- **v)** Case No. 311 of 2016 is a claim on account of the alleged losses incurred due to alleged transformer failure.
- **vi)** Petition No. 421 of 2016 seeks to stop the Company from claiming an outstanding electricity debt.
- **vii)** Cause No. 2575 of 2016 is a case for alleged underpayments of their dues.
- **viii)** Case No. 322 of 2017 is a claim for an alleged breach of contract.
- **ix)** Case No. 412 of 2017 is a suit for an alleged breach of contract.
- **x)** Cause No. 1982 of 2017 is a suit for an alleged unlawful termination.
- **xi)** Cause No. 2120 of 2017 is a suit for alleged unlawful dismissal.
- **xii)** Case No. E049 of 2018 claims for alleged breach of contracts for supply of poles.
- **xiii)** Case No. 206 of 2018 is a claim for an alleged breach of contract.
- **xiv)** Judicial Review No. 292 of 2018 seeks compensation for termination of the applicant's contract.
- **xv)** Miscellaneous Application No. 331 of 2018 seeks to stop the Company from disconnecting power supply to the Plaintiff arising out of unpaid electricity debt.
- **xvi)** Petition No. 448 of 2018 seeks orders to stop the commissioning of a project.
- **xvii)** Cause No. 17 of 2019 (formerly Case No. 74 of 2003) is an employment matter instituted by former staff.
- **xviii)** Case No. E091 of 2020 claims for alleged breach of contracts for supply of poles.
- **xix)** Case No. E084 of 2021 is a claim for alleged trespass on land.
- **xx)** Case No. E307 of 2021 is a claim for alleged trespass on land.
- **xxi)** Case No. E076 of 2022 claims for alleged breach of contract for supply of poles.
- **xxii)** Case No. E106 of 2022 is a claim for compensation for an alleged breach of contract.
- **xxiii)** Case No. E157 of 2022 claims for alleged breach of contract for supply of wooden poles.
- **xxiv)** Case No. E215 of 2022 is a dispute regarding alleged termination of contracts for supply of transformers.
- **xxv)** Case No. E062 of 2023 is a claim for alleged trespass to land.
- **xxvi)** Petition No. E096 and E103 both of 2023 challenges the implementation of the RTA.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessor:

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

	2023 Shs'000	2022 Shs'000
Not later than 1 year	67,420	65,210
Later than 1 year and not later than 5 years	412,521	350,006
More than 5 years	143,926	139,949
	623,867	**555,165**

As a lessor, the Company has entered into commercial property leases on its property, and it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

42. PRIOR YEAR ADJUSTMENTS

In the current year, management has processed the following adjustments to correct the prior periods errors. The adjustments have been applied retrospectively in line with IAS 8 'Accounting policies, change in accounting estimates and errors':

(a) Cost of sales (Note 8)

	2021 Restated Shs'000
As previously reported	94,220,014
Restatements:	
To recognise amounts for energy supplied during pre-commissioning by Metumi Power Plant	320,614
Balance at end of year	**94,540,628**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. PRIOR YEAR ADJUSTMENTS (Continued)

*The contra entry has been processed through retained earnings at 30 June 2021.

	Non-fuel costs Shs'000	Foreign exchange costs Shs'000	Fuel costs Shs'000	Unrealised foreign exchange costs Shs'000
As previously reported at 30 June 2022	**79,647,754**	**9,072,591**	**26,487,695**	**-**
To adjust for reclassification of realised foreign exchange differences on power purchase from other financial expenses under Administration expenses (Note 8 (a) & (b))	1,164,817		283,563	-
To reclassify unrealised foreign exchange differences on power purchase from other financial expenses under administration costs (Note 8 (c))	-	-	-	1,201,785
To reclassify other off grid costs from network expenses (Note 8 (b))			(265,728)	
To adjust the resulting RES recharge on unrealised foreign exchange differences reclassified from administration costs				(78,284)
To adjust for credit notes received after year end	(157,419)		(11,421)	
As restated	**80,655,152**	**9,072,591**	**26,494,109**	**1,123,501**

(b) Net operating expenses (Note 9)

Network management expenses

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	**10,441,316**	**10,237,382**
Restatements:		
To recognise depreciation on restated assets values	-	51,116
To recognise infrastructure costs previously included in administration costs to network expenses	9,551,233	-
To adjust for depreciation of restated assets	2,875	
To reclassify other off grid costs previously included in network expenses to cost of sales (Note 8 (b))	265,728	-
Balance as at 30 June	**20,261,152**	**10,288,498**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
42. PRIOR YEAR ADJUSTMENTS (Continued)

Commercial services

	2022 Restated Shs'000
As previously reported	**5,066,810**
Restatements:	
To reclassify administration expenses previously included in commercial services costs	(282,645)
Balance as at 30 June 2022	**4,784,165**

Administration expenses

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	23,350,038	23,503,895
Restatements:		
To recognise administration expenses in the correct financial year	429,365	42,737
To reclassify infrastructure costs previously included in administration costs to network expenses	(9,551,233)	-
To recognise administration expenses previously included in commercial services costs	282,645	-
To reclassify unrealised foreign exchange differences on power purchase previously included in administration costs to cost of sales (Note 8 (c))	(1,201,785)	-
To adjust for reclassification of realised foreign exchange differences on power purchase previously included administration expenses to cost of sales (Note 8 (a) & (b))	(1,448,380)	-
To adjust the resulting RES recharge on unrealised foreign exchange differences reclassified to cost of sales	78,284	-
To adjust the depreciation on right of use asset	-	25,855
To adjust the depreciation on right of use asset	3,175	
As restated	**11,942,109**	**23,572,487**

*The contra entry for adjustment in 2021 has been processed through retained earnings at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
42. PRIOR YEAR ADJUSTMENTS (Continued)

(c) Finance costs (Note 11(b))

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	(12,688,196)	(9,050,124)
Restatements:		
To recognise late payment interest in the correct financial year	(73,184)	(9,460)
To recognise interest on lease liability on restated right of use asset	1,121	(84)
As restated	**(12,760,259)**	**(9,059,668)**

*The contra entry for adjustment in 2021 has been processed through retained earnings at 30 June 2021.

(d) Property and Equipment (Note 16)

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	272,335,824	277,305,389
Restatements:		
To reclassify leasehold land previously reported under freehold land		(18,400)
To adjust opening balance to recognise leasehold land previously reported under freehold land in June 2021	(18,400)	-
To reclassify assets from freehold land to right of use		(34,820)
To adjust opening balance to recognise assets reclassified from freehold land to right of use	(34,820)	
To recognise assets under distribution lines and furniture equipment asset classes		80,845
To adjust opening balance with assets recognised under distribution lines and furniture equipment asset classes	80,845	-
To recognise depreciation charge for the restated assets	(2,875)	-
Balance at end of year	**272,360,574**	**277,333,014**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. PRIOR YEAR ADJUSTMENTS (Continued)

(e) Leasehold Land (Note 17)

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	626,422	641,286
Restatements:		
To recognise leasehold land previously reported under freehold land		18,400
To adjust opening balance to recognise leasehold land previously reported under freehold land in June 2021	18,400	
Balance at end of year	**644,822**	**659,686**

(f) Trade and other payables (Note 28 (b))

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	87,508,583	91,522,034
Restatements:		
To recognise amounts payable to Metumi Power Plant for energy supplied during pre-commissioning		320,614
To recognise amounts payable in the correct financial year	429,365	42,737
To recognise amounts payable in respect of late payment interest in the correct financial year	73,184	9,460
To adjust the cost of sales credit notes received after year end	(167,526)	-
To adjust opening balance with 2021 restatements	372,811	-
Balance at end of year	**88,216,417**	**91,894,846**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. PRIOR YEAR ADJUSTMENTS (Continued)

(g) Right of use asset (Note 19)

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	934,571	1,082,959
Restatements:		
To adjust 2022 opening balance resulting from 2021 restatement	9,873	-
To recognise transfer of right of use asset transferred from freehold land		34,820
To recognise a right of use asset relating to prior years		3,731
To recognise accumulated depreciation for a right of use assert reclassified from freehold land		(26,915)
To recognise depreciation charge for restated right of use assets	(4,651)	(1,763)
	5,222	**9,873**
Balance at end of year	**939,793**	**1,092,832**

(h) Lease liability (Note 29)

	2022 Restated Shs'000	2021 Restated Shs'000
As previously reported	966,363	1,116,221
Restatements:		
To adjust 2022 opening balance resulting from 2021 restatement	993	-
To recognise lease liability for a lease relating to prior years		3,731
To adjust for lease interest expense and payments on the restated leases	(2,599)	(2,738)
	(1,606)	**993**
Balance at end of year	**964,757**	**1,117,214**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
42. PRIOR YEAR ADJUSTMENTS (Continued)

(i) Statement of financial position extract

	Notes	2022 As previously reported Shs'000	increase/ (decrease) Shs'000	2022 Restated Shs'000	2021 As previously reported Shs'000	increase/ (decrease) Shs'000	2021 Restated Shs'000
ASSETS							
Non-current assets							
Property and equipment	42(d)	272,335,824	24,750	272,360,574	277,305,389	27,625	277,333,014
Leasehold land	42(e)	626,422	18,400	644,822	641,286	18,400	659,686
Intangible assets		613,312	-	613,312	1,480,429	-	1,480,429
Retirement benefit asset		511,652	-	511,652	1,290,133	-	1,290,133
Right of use asset		934,571	5,222	939,793	1,082,959	9,873	1,092,832
Trade and other receivables	21(a)		566,509	566,509	-	794,985	794,985
		275,021,781	**614,881**	**275,636,662**	**281,800,196**	**850,883**	**282,651,079**
Current assets							
Inventories		6,316,243	-	6,316,243	5,895,766	-	5,895,766
Trade and other receivables	21(b)	40,295,197	141,378	40,436,575	37,454,287	141,378	37,595,665
Current income tax	13(c)	139,758	4,127	143,885	49,494	1,136	50,630
Short-term deposits		474,815	-	474,815	460,060	-	460,060
Bank and cash balances		7,461,005	-	7,461,005	5,546,861	-	5,546,861
		54,687,018	**145,505**	**54,832,523**	**49,406,468**	**142,514**	**49,548,982**
TOTAL ASSETS		**329,708,799**	**760,386**	**330,469,185**	**331,206,664**	**993,397**	**332,200,061**
EQUITY AND LIABILITIES							

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. PRIOR YEAR ADJUSTMENTS (Continued)

	Notes	2022 As previously reported Shs'000	increase/ (decrease) Shs'000	2022 Restated Shs'000	2021 As previously reported Shs'000	increase/ (decrease) Shs'000	2021 Restated Shs'000
EQUITY							
Equity attributable to owners							
Ordinary share capital		4,878,667	-	4,878,667	4,878,667	-	4,878,667
Share premium		22,021,219	-	22,021,219	22,021,219	-	22,021,219
Retained earnings	42(g)	33,279,508	(545,926)	32,733,582	30,274,055	(304,496)	29,969,559
TOTAL EQUITY		**60,179,394**	**(545,926)**	**59,633,468**	**57,173,941**	**(304,496)**	**56,869,445**
LIABILITIES							
Non-current liabilities							
Deferred income tax	27	28,774,025	(194,901)	28,579,124	27,514,730	(99,372)	27,415,358
Deferred income		11,131,733	-	11,131,733	11,187,465	-	11,187,465
Trade and other payables		31,823,137	-	31,823,137	28,317,338	-	28,317,338
Lease liabilities		661,950	(1,606)	660,344	836,749	993	837,742
Borrowings	30(a)	86,664,395	566,509	87,230,904	90,247,806	794,985	91,042,791
Preference shares		43,000	-	43,000	43,000	-	43,000
		159,098,240	**370,002**	**159,468,242**	**158,147,088**	**696,606**	**158,843,694**
Current liabilities							
Trade and other payables	42(f)	87,508,583	707,834	88,216,417	91,522,034	372,811	91,894,845
Deferred income		3,693,124	-	3,693,124	3,155,068	-	3,155,068
Provisions		983,367	-	983,367	821,443	-	821,443
Lease liabilities		304,413	-	304,413	279,472	-	279,472
Borrowings	30(a)	17,183,508	228,476	17,411,984	15,719,021	228,476	15,947,497
Dividends payable		758,170	-	758,170	793,383	-	793,383
Overdraft		0	-	-	3,595,214	-	3,595,214
		110,431,165	**936,310**	**111,367,475**	**115,885,635**	**601,287**	**116,486,922**
TOTAL EQUITY AND LIABILITIES		**329,708,799**	**760,386**	**330,469,185**	**331,206,664**	**993,397**	**332,200,061**

43. WORLD BANK FINANCING

(a) KEEP Loan (IDA Credit No. 4743-KE)

The Company received funding from the World Bank through Credit No.4743-KE to support electricity expansion projects.

Included in the long-term borrowings is an amount of Shs 17,158,994,495 (US$ 122,107,651) (2022: Shs 14,388,237,576 (US$ 122,107,651) in respect of the amounts disbursed under the loan to date. The proceeds of the World Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

(b) KEMP (IDA Credit No. 5587-KE) LOAN

The Company received funding from the World Bank through Credit No.5587-KE to support electricity modernization projects. Summary information on transactions under KEMP Loan during the two years ended 30 June 2023 and 2022 were as follows:

	2023 Shs'000	2022 Shs'000
At start of year	305,607	150,824
Amounts received during the year	155,730	354,503
Net interest income	5,038	2,429
Expenditure during the year	(363,578)	(202,149)
Balance at end of year	**102,797**	**305,607**

The closing balances shown above are included in cash and cash equivalents and represent balances in the World Bank funded Special Account No. 1400266765947 held at Equity Bank Limited. Included in the long-term borrowings is an amount of Shs 9,592,999,656 (US$ 68,266,159) (2021: Shs 5,908,612,988 (US$ 50,144,217) in respect of the amounts disbursed under the loan to date.

The proceeds of the World Bank through Credit No.5587-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

43. WORLD BANK FINANCING (Continued)

(c) KEMP (IDA Credit No. 5587-KE) GRANT

The Company received funding from the World Bank through Credit No.5587-KE to support electrification projects. Summary information on transactions under KEMP Grant during the two years ended 30 June 2023 and 2022 were as follows:

	2023 Shs'000	2022 Shs'000
At start of year	167,901	345,677
Amounts received during year	258,499	-
Net interest income	3,191	6,435
Expenditure during year	(374,492)	(184,211)
Balance at end of year	**55,099**	**167,901**

The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No1400266766088 held at Equity Bank Limited. The proceeds of World Bank grant have been expended in accordance with the intended purpose as specified in the loan agreement.

44. EUROPEAN INVESTMENT BANK (EIB) FINANCING

The Company received financial support from EIB for Grid development. Included in the long-term borrowings is an amount of Shs 2,637,954,754 (Euro 17,243,476) (2022: Shs 2,138,558,845 (Euro 17,243,476) in respect of the outstanding loan balance. The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

45. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any other material events after the reporting date that would require adjustment to, or disclosure in, these financial statements.

ANNEXURE: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2022 AUDITOR-GENERAL REPORT

Matter in the 2022 Auditor-General Report	Status in 2023	Observation in 2023	Management Response
Property, Plant and Equipment - Street Lighting Projects Cost	Resolved		
Variances on Balance with Related Entities	Resolved		
Material Uncertainty Relating to Going Concern	Recurring	The Company recorded a loss of KSh. 3,408,940,000 during the year under review. In addition, the Company's current liabilities as disclosed in Note 2(a) to the financial statements of KSh. 131,129,940,000 exceeded its current assets of KSh. 80,514,825,000 by KSh. 50,615,115,000 (2022 - KSh. 55,698,847,000). The Company has remained in a negative working capital position for the seventh consecutive year. The Board of Directors and Management in the past and in the year under review, indicated strategic initiatives that were being undertaken to improve the financial results of the Company. However, these initiatives appear not to have yielded the intended results as at 30 June, 2023. As further stated in Note 2(a), this condition, along with other matters as set forth in Note 2(a), indicates existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.	There is a consistent improvement of the working capital over the last 3 years, and the specific initiative of the balance sheet restructure as contained in the approved Cabinet Memorandum.

ANNEXURE: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2022 AUDITOR-GENERAL REPORT

Matter in the 2022 Auditor-General Report	Status in 2023	Observation in 2023	Management Response
Unmatched Pass through Costs to Revenue	Recurring	The statement of profit or loss and other comprehensive income for the year under review reflects revenue from contracts with customers and cost of sales amounting to KSh. 190,974,954,000 and KSh. 143,375,838,000 respectively. As disclosed in Note 7(a) to the financial statements, the revenue includes KSh. 34,155,050,000 in respect of fuel cost charge. However, fuel cost collections from revenue as per the approved Energy and Petroleum Regulatory Authority (EPRA) rates amounted to KSh. 57,335,015,682 resulting in a variance of KSh. 23,179,965,682. In addition, given that the fuel costs are passed to the customers, they are expected to match the recoveries. However, it was noted that the fuel cost recoveries from customers exceeded the corresponding fuel costs of KSh. 28,082,834,000 reported under cost of sales by KSh. 28,288,485,804.99.	The Gazetted Schedule of Tariffs, 2023 Part III (PASS THROUGH CHARGES, TAXES AND LEVIES), provides under the Fuel Energy Cost (FEC) a mechanism to recover power purchase costs associated with future temporary power plants, geothermal steam charge and costs of other power plants to be constructed in respect of which the Company shall enter into a power purchase agreement. In this regard, during the FY 2022/23 there were some power purchase costs that had not been factored in the approved base/non-fuel tariffs (Approved Tariffs in Nov 2018) and therefore these costs were allowed by the EPRA to be recovered through FEC pass-through mechanism. This explains the observed variation.
Comparative Cost of Power Purchase between KENGEN and Independent Power Producers	Recurring	Analysis of electricity units purchased during the year under review against the cost of purchase revealed a disparity between the cost of power procured from the Kenya Electricity Generating Company PLC (KenGen) and the Power Procured from Independent Power Producers (IPPs). The analysis revealed that KenGen supplied a total of 8,027 gigawatt hours (GWh) of 60% of the total power purchased while the IPPs supplied the remaining 5,263 GWh (40%).	• It is noted that the costs are computed as per PPAs and also dispatch. • PPA Financing is understood to be different between KenGen and IPPs and this could contribute to pricing/ tariffs. • Further the Demand and Market dynamics at the time of generation procurement could also be contributing to tariffs.

ANNEXURE: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2022 AUDITOR-GENERAL REPORT

Matter in the 2022 Auditor-General Report	Status in 2023	Observation in 2023	Management Response
		However, the cost of the total power purchased from KENGEN was KSh. 54,215,880,000 which was only 35% compared to the purchase cost of power from IPPs totalling KSh. 98,411,067,000 or 65%. The analysis further revealed that it cost KPLC an average of KSh. 6.75 per kilowatt hours (KWh) of power purchased from KenGen while it costs the Company an average of KSh. 18.70 per KWh of power from the IPPs, the Company therefore entered into expensive contracts with independent Power Producers (IPPs) and was in some instance selling power below the cost price.	**1. Cost Structure** a) The Major Hydros constitutes to 30% of KenGen component of Generation mix with an average cost of 2.89 Ksh/kWh. b) Olkaria 1 and Olkaria II constitutes to 9% of KenGen component of Generation mix with an average weighted cost of 2.33 Kshs/kWh. In addition, KenGen projects are funded through concessionary loans while IPPs are financed through commercial lending. Feasibility study costs for new hydro generation by KenGen are close to US Cts 15/kWh (KShs 18/kWh).
			2. Technology Cost of generation is largely dependent on the technology. KenGen, whose generation is largely Geothermal and Hydro has lower cost compared to IPPs whose generation is largely thermal. Choice of technology is depended on various factors including resource availability and site where generation is required. Hydo, Geothermal and Wind are site specific. **3. Total/Average Cost** Comparison of generation cost on the basis total/average costs does not present the actual position i.e is not a comparison of like with like. Costs for similar technologies for KenGen and IPPs are comparable as shown below. a) Thermal Comparisons; KDP3 (KenGen) average cost per year was 26.28 kshs/kWh compared to Rabai (IPP) 20.94 Kshs/kWh. b) Geothermal Comparisons; Olkaria IV & WellHead (both KenGen) average costs are 6.81 Kshs/kWh and 9.21 Kshs/kWh respectively whereas Orpower (IPP) average Costs is 12.45 Kshs/kWh (Note:) c) Wind Comparisons; Ngong II Wind (KenGen) cost are 9.10 Kshs/kWh as compared to LTWP 9.89 Kshs/kWh

ANNEXURE: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2022 AUDITOR-GENERAL REPORT

Matter in the 2022 Auditor-General Report	Status in 2023	Observation in 2023	Management Response
			Note: All processes provided in the Management comments are continuously implemented to ensure the Company pays for costs that are applicable under the respective PPAs.
Power losses in the system	Recurring	The financial statements in Note 7(a) reflects electricity sales of KSh. 120,186,026,000 and KSh. 24,172,173 in respect of postpaid and prepaid electricity sales respectively. Review of units of electricity purchased against units sold revealed a total of 13,290 in gigawatt-hours (GWh) purchased from power producers out of which 10,234 GWh were sold to customers resulting in an efficiency loss of 3,056 GWh or 23%.	It is noteworthy that only allowable losses are met by the tariff provision. Any losses above the allowable losses in the tariff are borne by KPLC and not recovered from customers. The system losses had remained high partially due to the expansions of the grid in support of the accelerated connectivity programs and the exponential customer growth leading to increased incidences of power theft and tampering of meters. The losses experienced in the network comprise both technical and commercial losses.
		The industry regulator, the Energy and Petroleum Regulatory Authority (EPRA) approved for the Company to recover from consumers system losses of up to 19.9% that is deemed to be normal loss.	The increase realized in the financial year was mostly an increase in technical losses, which are due to the inherent nature of the transmission and distribution network. These losses require substantial capital investment to be addressed. In addition they cannot technically be completely eradicated. The Company projects lined up for implementation of loss reduction were substantially delayed in the financial year 2022/23 as procurement of the necessary materials and equipment faced numerous legal challenges.
		The excess of 3.1% power loss above the allowed loss constitutes inefficiency power loss whose cost is passed to the consumers thus increasing operating costs of the Company.	The challenge of procurement delays has now been addressed by putting in place framework contracts for procurement of the critical spares.
			The commercial losses will continue to be addressed through smarting of the metering and increased inspections of installations. In addition different models are being explored for electricity supply to high loss areas of slums across the Country.

ANNEXURE: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2022 AUDITOR-GENERAL REPORT

Matter in the 2022 Auditor-General Report	Status in 2023	Observation in 2023	Management Response
			Going forward the planned initiatives will be implemented and a loss reduction trajectory is projected. Some of the initiatives lined for the current financial year are: ▪ Infrastructure reinforcements to support the last-mile connectivity programs and expand capacity. This involves the establishment of primary substations, and medium voltage distribution lines to act as the backbone support for the connectivity projects. ▪ Implementation of alternative feeders (Power lines) in highly loaded areas to reduce the load carried by the lines and by extension the line losses. ▪ Extension of the smart metering program focused on having all the industrial customers and SMEs on smart meters by June 2024.
			Towards this end, we have now retrofitted 75,000 SMEs and 7,500 large power meters, with plans to have all the remaining 1,200 large power supplies an additional 75,000 SME's upgraded to use smart meters ▪ Upscaling the digitalization of field workforce activities and clearing the backlog of replacement of faulty equipment already identified, with efficiency improvement monitoring at Regional level. This will bring down the commercial losses. ▪ Installation of energy accounting meters at KPLC county borders which is ongoing to be able to have full energy accounting at County level. This will complement the feeder meters that exist. Energy accounting will support focused interventions and loss reduction activities. ▪ Progression of ongoing data clean up campaigns to completion. A number of transmission loss reduction projects fall under KETRACO and a number of projects aligned to support in transmission loss reduction are delayed. Some of the KPLC delayed loss reduction projects are also lined up to receive input from these transmission projects. Follow-up will continue through the Ministry of Energy for support in fast tracking the projects.

Statistical Information

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TABLE 1: TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018 (Restated)	30th June 2019	30th June 2020	30th June 2021 (Restated)	30th June 2022 (Restated)	30th June 2023
UNITS SOLD (GWh)	6,790	7,130	7,385	7,717	7,905	8,173	8,171	8,571	9,163	9,567
Average yield of units sold (cents)	1,552.22	1,497.38	1,467.50	1,564.63	1,661.97	1,629.03	1,630.87	1,681.48	1,717.27	1,996.18
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Revenue from sale of electricity	105,395,714	106,763,525	108,374,612	120,742,270	131,378,974	133,140,887	133,258,602	144,119,605	157,353,254	190,974,954
Operating Profit	14,922,404	15,839,478	16,930,645	13,652,536	11,917,723	10,530,956	5,312,226	17,084,918	17,146,920	19,213,426
TAXATION (CHARGE)/ CREDIT	(4,021,363)	(4,821,617)	(4,885,834)	(2,376,214)	(1,699,641)	(72,061)	6,102,532	(6,707,968)	(1,520,742)	1,240,677
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/ COSTS	10,901,041	11,017,861	12,044,811	11,276,322	10,218,082	10,458,895	11,414,758	10,376,950	15,626,178	20,454,103
Finance Income	104,208	1,380,968	964,957	46,004	100,000	117,900	123,188	162,862	396,940	506,640
Finance Costs	(4,008,832)	(4,964,942)	(5,811,275)	(6,039,971)	(7,047,526)	(10,315,242)	(12,477,428)	(9,050,124)	(12,760,259)	(24,153,922)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS										
ORDINARY SHAREHOLDERS	6,994,487	7,431,957	7,196,563	5,280,425	3,268,626	261,553	(939,482)	1,489,688	3,262,859	(3,193,179)
ORDINARY DIVIDENDS (gross)	(390,293)	(975,733)	(975,733)	(585,440)	(975,734)	-	-	-	-	-
OTHER COMPREHENSIVE INCOME	989,821	(1,995,966)	(168,673)	(740,849)	(68,486)	(1,165,286)	(395,560)	787,454	(498,836)	402,552
RETAINED PROFIT FOR THE YEAR	7,594,015	4,460,258	6,052,157	3,954,136	2,224,406	(903,733)	(1,335,042)	2,277,142	2,764,023	(2,790,627)
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	7,594,015	4,460,258	6,052,157	3,954,136	2,224,406	(903,733)	(1,335,042)	2,277,142	2,764,023	(2,790,627)
Depreciation	6,797,745	7,943,421	9,434,511	11,951,350	15,284,953	17,253,356	17,869,493	18,218,443	17,641,988	16,391,321
	14,391,760	12,403,679	15,486,668	15,905,486	17,509,359	16,349,623	16,534,451	20,495,585	20,406,011	13,600,694
CAPITAL EMPLOYED										
Fixed Assets less depreciation	168,155,851	196,301,330	233,714,593	262,347,609	273,376,882	277,066,960	276,859,904	277,333,014	272,360,574	267,974,466
Intangible assets	1,410,044	1,418,599	2,602,033	2,593,483	3,842,816	3,491,263	2,380,739	1,480,429	613,312	1,664,133
Leasehold land	131,598	131,543	868,519	868,463	813,423	883,126	667,014	659,686	644,822	685,694
Investment	-	-	-	-	-	-	-	-	-	-
Other non current assets	817,423	8,372,135	5,079,411	4,133,291	4,001,887	2,342,637	2,732,763	3,177,952	2,017,954	2,359,422
Net current assets/ (Liabilities)	1,563,870	20,463,293	(2,793,900)	(17,535,199)	(56,012,987)	(70,969,861)	(74,848,822)	(66,937,941)	(56,534,952)	(51,233,931)
	172,078,786	226,686,900	239,470,656	252,407,647	226,022,021	212,814,125	207,791,598	215,713,140	219,101,710	221,449,784

For year ended	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018 (Restated)	30th June 2019	30th June 2020	30th June 2021 (Restated)	30th June 2022 (Restated)	30th June 2023
FINANCED BY:										
Ordinary shareholders' equity	54,743,822	57,969,656	59,379,481	63,333,617	60,622,423	56,230,862	54,896,799	56,869,445	59,633,468	56,842,841
Non cumulative preference shares	-	-	-	-	-	-		-		
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred Income	18,680,714	16,612,332	18,154,796	19,562,051	16,999,103	15,103,027	12,900,609	11,187,465	11,131,733	12,775,248
Loan capital	53,141,442	99,289,403	105,017,783	111,075,216	96,929,050	92,615,401	94,957,232	91,042,791	87,230,904	94,456,942
Deferred taxation	19,848,236	24,699,789	26,702,741	28,683,216	28,904,087	26,886,643	20,590,805	27,415,359	28,579,124	27,217,478
Non current liability	25,621,572	28,072,720	30,172,855	29,710,547	22,524,358	21,935,192	24,403,153	29,155,080	32,483,481	30,114,275
	172,078,786	226,686,900	239,470,656	252,407,647	226,022,021	212,814,125	207,791,598	215,713,140	219,101,710	221,449,784
CAPITAL EXPENDITURE	27,208,068	41,567,840	48,815,284	41,516,132	28,668,423	21,533,352	17,073,419	18,661,904	12,275,327	13,817,256
Average cost of units sold (cents)	1,450.92	1,365.10	1,339.41	1,493.09	1,627.34	1,607.31	1,656.27	1,564.35	1,675.24	1,890.43
Profit for the year before taxation as a percentage of average capital employed	8.67%	6.99%	7.07%	5.41%	5.27%	4.95%	2.56%	7.92%	7.83%	8.68%
ORDINARY DIVIDENDS RATES	20%	20%	20%	20%	0%	0%	0%	0%	0%	0%
Earnings per share	3.58	3.81	3.69	2.71	1.67	0.13	(0.48)	0.76	1.67	(1.64)
Customers/ employees ratio	260	333	439	615	615	643	723	814	925	920
Sales (KWh) per employee	641,076	657,446	663,343	682,800	719,094	743,473	837,198	904,294	1,017,524	1,021,561

TABLE 2: POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

Company	Capacity (MW) as at 30.06.2023		Energy Purchased (GWh)				
	Installed	Effective[1] / Contracted[2]	2018/19	2019/20	2020/21	2021/22	2022/23
KenGen							
Hydro:							
Gitaru	225.0	216.0	869	879	884	709	456
Kamburu	94.2	90.0	399	350	443	368	236
Kiambere	168.0	164.0	1,026	905	977	796	516
Kindaruma	72.0	70.5	193	203	184	165	102
Masinga	41.2	40.0	199	48	176	154	77
Tana	25.7	20.0	96	133	123	87	82
Turkwel	106.0	105.0	545	426	715	539	486
Sondu Miriu	60.7	60.0	258	509	431	339	375
Sang'oro	21.2	20.0	82	166	144	110	122
Small Hydros	12.1	11.7	42	19	16	34	67
Hydro Total	**826**	**797**	**3,707**	**3,636**	**4,091**	**3,300**	**2,520**
Thermal:							
Kipevu Diesel Power I	0.0	0.0	197	80	55	141	93
Kipevu Diesel Power III	120.0	115.0	490	162	147	399	231
Muhoroni GT	60.0	56.0	67	37	43	40	35
Thermal Total	**180**	**171**	**754**	**279**	**245**	**580**	**360**
Geothermal:							
Olkaria I (Units 1,2&3)	0.0	0.0	285	291	70	204	113
Olkaria II	104.5	101.0	796	583	500	488	730
Eburru Hill	2.4	2.1	10	7	8	4	8
OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads2	22.0	17.5	129	118	101	65	70
OW43 Olkaria Mobile Wellheads	14.0	10.0	66	56	55	40	29
OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads3	52.5	42.5	297	285	231	215	211
Olkaria IV	149.9	140.0	1,095	1,006	960	1,007	1,013
Olkaria I AU (Units 4&5)	150.5	140.0	1,069	985	861	774	1,042
Olkaria V	172.3	158.0		945	1,268	1,066	1,266
Olkaria I (Unit 6)	86.9	80.0				113	607
Geothermal Total	**755**	**691**	**3,747**	**4,276**	**4,053**	**3,977**	**5,089**

Company	Capacity (MW) as at 30.06.2023		Energy Purchased (GWh)				
	Installed	Effective[1] / Contracted[2]	2018/19	2019/20	2020/21	2021/22	2022/23
Wind							
Ngong	25.5	25.5	67.4	46.6	53.6	53.6	57.3
KenGen Total	**1,787**	**1,685**	**8,276**	**8,237**	**8,443**	**7,911**	**8,027**
Government of Kenya (Rural Electrification Programme)							
Off-grid Diesel	35.6	23.0	57.6	60.1	64.8	71	74
Off-grid Solar	2.3	1.9	0.00	0.00	0.26	0.25	0.34
Off-grid Wind	0.6	0.0	0.06	0.33	0.00	0.00	0.00
Offgrid Total	**38**	**25**	**58**	**60**	**65**	**71**	**75**
Independent Power Producers (IPP)							
Thermal:							
Iberafrica	52.5	52.5	74	55	45	86	116
Rabai Power	90.0	88.6	120	252	266	502	446
Tsavo	0.0	0.0	131	152	183	48	0
Thika Power	87.0	87.0	107	50	93	211	194
Gulf Power	80.3	80.3	37	18	21	81	170
Triumph Power	83.0	83.0	16	15	22	70	35
Thermal Total	**393**	**391**	**486**	**543**	**630**	**997**	**961**
Geothermal:							
OrPower 4 -Geothermal (1st plant)	63.8	63.8	536	460	390	392	399
OrPower 4 -Geothermal (2nd plant)	39.6	39.6	337	277	269	265	245
OrPower 4 -Geothermal (3rd plant)	17.6	17.6	165	136	128	128	116
OrPower 4 -Geothermal (4th plant)	29.0	29.0	247	202	194	190	180
Sossian Menengai Geothermal	35.0	35.0					6
Geothermal Total	**185**	**185**	**1,285**	**1,076**	**981**	**976**	**946**
Wind							
Lake Turkana Wind Power	310.0	300.0	1,124	1,237	1,559	1,573	1,678
Kipeto Energy PLC	100.0	100.0			88	426	466
Wind Total	**410**	**400**	**1,124**	**1,237**	**1,647**	**1,999**	**2,144**

Company	Capacity (MW) as at 30.06.2023		Energy Purchased (GWh)				
	Installed	Effective[1] / Contracted[2]	2018/19	2019/20	2020/21	2021/22	2022/23
Small Hydro:							
Imenti Tea Factory	0.3	0.3	0.3	1.0	0.4	0.2	0.3
Gikira small hydro	0.5	0.5	1.1	1.8	1.8	0.9	1.0
Regen-Terem	5.0	5.0	20.1	31.6	21.6	15.4	20.3
Chania KTDA	0.5	0.5	0.3	1.1	1.0	0.6	0.2
Gura KTDA	2.8	2.8	11.7	21.2	11.3	19.6	11.1
North Mathioya (Metumi) KTDA	3.6	3.6			13.8	9.9	14.5
Kianthumbi Small hydro	0.5	0.5			0.36	2.0	1.5
Small Hydro Total	**13.2**	**13.2**	**33.6**	**56.6**	**50.3**	**48.5**	**48.9**
Cogeneration:							
Biojoule Biogas	2.0	2.0	0.3	0.3	0.3	0.4	0.2
Cogeneration Total	**2.0**	**2.0**	**0.3**	**0.3**	**0.3**	**0.4**	**0.2**
Solar:							
Strathmore Solar	0.3	0.3	0.15	0.14	0.09	0.05	0.08
Selenkei Solar Farm	40.0	40.0			1.50	89	86
Cedate Solar Farm	40.0	40.0				88	94
Malindi Solar Group	40.0	40.0				54	99
Alten solar	40.0	40.0					79
Solar Total	**160.3**	**160.3**	**0.2**	**0.1**	**1.6**	**230.4**	**357.8**
IPP Total	**1,163**	**1,152**	**2,930**	**2,913**	**3,310**	**4,251**	**4,458**
REREC Garissa Solar Plant							
Garissa Solar Plant	50.0	50.0	60	91	86	82	86
REREC Garissa Total	**50**	**50**	**60**	**91**	**86**	**82**	**86**
Imports							
UETCL			168	156	192	332	275
TANESCO			0	0	0	0	0
EEU (MOYALE)			2	5	5	6	6
EEP (500kV HVDC)	200	200					364
Total Imports	**200**	**200**	**170**	**161**	**197**	**338**	**644**
SYSTEM TOTAL	**3,238**	**3,112**	**11,493**	**11,462**	**12,101**	**12,653**	**13,290**

Company	Capacity (MW) as at 30.06.2023		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2018/19	2019/20	2020/21	2021/22	2022/23
SUMMARY OF KEY STATISTICS							
SALES - KPLC System (GWh)			8,147	8,154	8,553	9,147	9,539
REP System (GWh)			595	602	632	650	667
Export to Uganda (GWh)			27	18	17	16	27
Export to Tanesco (GWh)			0.01	0.00	0.00	0.00	0.00
TOTAL SALES (GWh)			**8,769**	**8,773**	**9,203**	**9,813**	**10,233**
System Losses (GWh)4			2,724	2,689	2,898	2,839	3,057
System Peak Demand (MW)5			1,882	1,926	1,994	2,057	2,149
System Load Factor			69.7%	67.9%	69.3%	70.2%	70.6%
Sales % of Energy Purchased			76.3%	76.5%	76.1%	77.6%	77.0%
Losses as % of Energy Purchased			23.7%	23.46%	23.95%	22.44%	23.00%
Annual Growth: - Energy Purchased			7.42%	-0.26%	5.57%	4.56%	5.04%
Total Sales			3.67%	0.05%	4.90%	6.63%	4.28%
-KPLC Sales			3.38%	0.08%	4.90%	6.94%	4.28%
-REP Sales			7.37%	1.12%	5.02%	2.89%	2.58%
-System Peak Demand			4.45%	2.33%	3.51%	3.18%	4.49%

Notes:

1) PPA Effective Capacity - Contracted Capacity for the Power Plant on Energy PPA
2) PPA Contracted Capacity – Contracted Capacity for the Power Plant on Capacity PPA
3) OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads are centrally metered at OW 37
4) OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads are metered at OW 914 and OW 915
5) System losses comprises technical and non-technical losses.
6) The peak demand shown includes export to Uganda.

TABLE 3: REGIONAL & SYSTEM MAXIMUM DEMAND (MW)

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	913	905	993	1,008	1,032
Coast	340	337	382	402	380
West Kenya	446	445	456	466	507
Mt. Kenya	185	263	251	231	304
TOTAL SYSTEM (SIMULTANEOUS)	**1,882**	**1,926**	**1,994**	**2,057**	**2,149**
% INCREASE P.A.	**4.4%**	**2.3%**	**3.5%**	**3.2%**	**4.5%**

TABLE 4: KPLC SALES BY CUSTOMER CATEGORY IN GWh

CUSTOMER CATEGORY	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic-DC	2,366	2,508	2,630	2,728	2,798
Small Commercial-SC	1,250	1,262	1,326	1,474	1,504
Commercial and Industrial-CI	4,462	4,308	4,514	4,851	5,137
Street lighting-SL	68	76	84	95	99
TOTAL	**8,147**	**8,154**	**8,553**	**9,147**	**9,539**
% INCREASE P.A.	**3.4%**	**0.1%**	**4.9%**	**6.9%**	**4.3%**

TABLE 5: TOTAL UNIT SALES BY REGION IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	3,896	3,901	4,009	4,241	4,346
Coast	1,477	1,464	1,573	1,674	1,800
Central Rift	689	680	722	811	840
North Rift	288	302	317	357	349
South Nyanza	104	123	127	134	137
West Kenya	376	376	395	429	479
Mt Kenya	456	439	496	531	548
North Eastern	862	869	914	969	1,039
KPLC Sales	8,147	8,154	8,553	9,147	9,539
R.E.P. Schemes	595	602	632	650	667
Export Sales	27	18	17	16	27
TOTAL	**8,769**	**8,773**	**9,203**	**9,813**	**10,233**
%INCREASE P.A.	**3.7%**	**0.05%**	**4.90%**	**6.63%**	**4.28%**

TABLE 6: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "DC" DOMESTIC LOAD IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	1192	1274	1312	1354	1406
Coast	365	384	386	395	390
Central Rift	214	225	244	254	256
West Kenya	131	172	181	182	181
North Rift	78	139	155	164	167
South Nyanza	162	69	74	78	80
Mt Kenya	232	241	260	266	272
North Eastern	386	403	453	472	493
TOTAL	**2,760**	**2,908**	**3,065**	**3,166**	**3,245**
% INCREASE P.A.	**2.3%**	**5.4%**	**5.4%**	**3.3%**	**2.5%**

TABLE 7: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "SC" SMALL COMMERCIAL LOAD IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	538	554	570	637	641
Coast	206	191	195	214	212
Central Rift	184	176	183	203	211
West Kenya	85	108	113	124	128
North Rift	34	85	93	100	102
south Nyanza	96	47	47	54	57
Mt Kenya	162	152	160	179	181
North Eastern	139	140	147	159	175
TOTAL	**1,444**	**1,452**	**1,508**	**1,670**	**1,707**
% INCREASE P.A.	**2.9%**	**0.6%**	**3.8%**	**10.7%**	**2.2%**

TABLE 8: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “CI1” LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	770	723	681	739	766
Coast	221	225	209	235	237
Central Rift	236	232	226	248	257
West Kenya	91	70	65	72	74
North Rift	35	97	91	104	100
South Nyanza	74	45	46	45	44
Mt Kenya	138	134	150	165	171
North Eastern	168	163	144	144	149
TOTAL	**1,733**	**1,688**	**1,611**	**1,753**	**1,799**
% INCREASE P.A.	**9.0%**	**-2.6%**	**-4.5%**	**8.8%**	**2.6%**

TABLE 9: REGIONAL SALE OF ELECTRICITY CATEGORY “CI2” LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	844	825	835	867	886
Coast	222	173	107	114	116
Central Rift	42	39	38	43	39
West Kenya	44	40	41	50	39
North Rift	18	18	15	21	19
South Nyanza	12	10	10	9	10
Mt Kenya	17	18	26	26	26
North Eastern	177	168	173	183	194
TOTAL	**1,376**	**1,291**	**1,245**	**1,313**	**1,330**
% INCREASE P.A.	**4.2%**	**-6.1%**	**-3.6%**	**5.5%**	**1.3%**

TABLE 10: REGIONAL SALE OF ELECTRICITY CATEGORY "CI3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33KV) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	37.7	37.2	44.9	46.1	54.4
Coast	178.5	199.1	305.7	333.2	394.2
Central Rift	98	89	101	108	108
West Kenya	32	35	45	46	94
North Rift	21	23	29	29	28
South Nyanza	0	0	0	0	0
Mt Kenya	8	3	9	6	6
North Eastern	1	3	3	5	9
TOTAL	**375**	**388**	**538**	**573**	**694**
% INCREASE P.A.	**17.1%**	**3.5%**	**38.5%**	**6.6%**	**21.1%**

TABLE 11: REGIONAL SALE OF ELECTRICITY CATEGORY "CI4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66KV) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	533	510	591	613	615
Coast	0	0	0	0	0
Central Rift	12	7	6	7	7
West Kenya	0	0	0	0	0
North Rift	0	0	0	6	0
South Nyanza	0	0	0	0	0
Mt Kenya	10	0	0	0	0
North Eastern	45	48	59	68	81
TOTAL	**599**	**565**	**656**	**694**	**703**
% INCREASE P.A.	**4.3%**	**-5.7%**	**16.0%**	**5.8%**	**1.4%**

TABLE 12: REGIONAL SALE OF ELECTRICITY CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132KV) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	49	32	32	35	38
Coast	314	319	399	413	485
Central Rift	1	14	26	56	64
West Kenya	21	15	17	20	29
North Rift	0	0	0	1	0
South Nyanza	0	0	0	0	0
Mt Kenya	0	2	1	4	7
North Eastern	1	3	2	2	2
TOTAL	**387**	**385**	**476**	**531**	**625**
% INCREASE P.A.	**-9.0%**	**-0.5%**	**23.9%**	**11.3%**	**17.7%**

TABLE 13: REGIONAL SALE OF ELECTRICITY CATEGORY "CI6" LARGE COMMERCIAL AND INDUSTRIAL LOAD (220KV) IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	0	0	0	0.09	0.11
Coast	0	0	0	0.49	0.46
Central Rift	0	0	0	0.00	1.10
West Kenya	0	0	0	0.00	0.00
North Rift	0	0	0	0.27	0.93
South Nyanza	0	0	0	0.00	0.00
Mt Kenya	0	0	0	0.00	0.00
North Eastern	0	0	0	0.00	0.00
TOTAL	**0**	**0**	**0**	**0.84**	**2.60**
% INCREASE P.A.					

TABLE 14: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “SL” STREET LIGHTING IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	31.0	34.9	37.6	40.5	41.6
Coast	7.4	10.4	11.0	11.9	9.2
Central Rift	7.7	7.7	9.0	13.7	18.5
West Kenya	5.1	5.3	5.9	6.4	6.8
North Rift	3.0	4.5	6.5	7.4	8.0
South Nyanza	0.8	1.4	1.0	1.8	2.6
Mt Kenya	7.3	7.3	10.1	10.6	9.6
North Eastern	5.8	6.0	4.3	4.6	4.7
TOTAL	**68.1**	**77.4**	**85.4**	**96.8**	**101.0**
% Increase P.A.	**1.9%**	**13.7%**	**10.3%**	**13.4%**	**4.3%**

TABLE 15: REGIONAL SALES OF ELECTRICITY FOR R.E.P. SCHEMES IN GWh

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	99	90	96	92	102
Coast	36	37	40	42	43
Central Rift	105	110	111	121	121
West Kenya	57	68	73	73	73
North Rift	62	64	73	75	76
Soutn Nyanza	56	50	51	54	57
Mt Kenya	118	118	118	124	124
North Eastern	60	65	70	70	71
TOTAL	**595**	**602**	**632**	**651**	**667**
% Increase P.A.	**7.3%**	**1.1%**	**5.0%**	**3.0%**	**2.5%**

TABLE 16: NUMBER OF CUSTOMERS BY REGION

REGION	2018/19	2019/20	2020/21	2021/22	2022/23
Nairobi	2,349,703	2,482,707	2,663,594	2,775,550	2,820,392
Coast	537,383	580,873	598,005	640,935	657,401
Central Rift	509,750	571,900	569,960	681,448	676,673
West Kenya	326,402	507,726	512,437	544,400	553,932
North Rift	474,362	349,635	360,881	409,034	401,965
South Nyanza	175,759	191,690	193,804	208,636	215,150
Mt Kenya	519,602	565,945	628,861	642,016	678,590
North Eastern	765,644	822,726	838,215	916,687	993,941
KPLC Customers	**5,658,605**	**6,073,202**	**6,365,757**	**6,818,706**	**6,998,044**
R.E.P. Customers	1,409,256	1,502,943	1,912,447	2,100,734	2,214,710
TOTAL	**7,067,861**	**7,576,145**	**8,278,204**	**8,919,440**	**9,212,754**
% Increase P.A.	**4.5%**	**7.2%**	**9.3%**	**7.7%**	**3.3%**

TABLE 17: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	TARIFF	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic	**DC only**					
KPLC		5,390,996	5,775,839	6,059,698	6,475,912	6,646,169
REP		1,291,141	1,380,590	1,792,353	1,979,638	2,092,341
Small Commercial	**SC only**					
KPLC		251,614	277,989	285,277	319,665	327,293
REP		117,705	121,794	119,619	120,619	121,855
Large Commercial and Industrial	**CI1**					
KPLC		3,038	2,951	2,871	3,108	3,301
REP		22	32	34	42	55
Large Commercial and Industrial	**CI2**					
KPLC		456	480	507	540	565
Large Commercial and Industrial	**CI3**					

MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	TARIFF	2018/19	2019/20	2020/21	2021/22	2022/23
KPLC		69	75	86	91	95
Large Commercial and Industrial	**CI4**					
KPLC		50	52	45	51	51
Large Commercial and Industrial	**CI5**					
KPLC		37	45	51	57	49
Large Commercial and Industrial	**CI6**					
KPLC		0	0	0	5	20
Street lighting	**SL**					
KPLC		12,345	15,771	17,221	19,277	20,501
REP		388	527	441	435	459
TOTAL (KPLC)		**5,658,605**	**6,073,202**	**6,365,756**	**6,818,706**	**6,998,044**
TOTAL (R.E.P.)		**1,409,256**	**1,502,943**	**1,912,447**	**2,100,734**	**2,214,710**
GROSS TOTAL		**7,067,861**	**7,576,145**	**8,278,203**	**8,919,440**	**9,212,754**
% INCREASE P.A.		**4.5%**	**7.2%**	**9.3%**	**7.7%**	**3.3%**

TABLE 18: REVENUE (Shs 'MIlion) BY CUSTOMER CATEGORY

MAIN TYPE OF CUSTOMERS COVERED BY TARIFF	TARIFF	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic	DC	38,706	43,916	43,210	46,105	57,057
Small Commercial	SC	29,314	25,553	25,953	29,799	34,811
Commercial Industrial	CI	63,870	62,818	73,887	80,261	97,596
Off-peak (Interruptible)	IT****	47	0	0	0	0
Street Lighting	SL	658	766	821	923	948
TOTAL		**132,595**	**133,053**	**143,871**	**157,087**	**190,412**
Export		**546**	**206**	**249**	**266**	**562**
TOTAL KPLC		**133,141**	**133,259**	**144,120**	**157,353**	**190,974**
R.E.P.		**10,772**	**10,071**	**10,369**	**10,551**	**12,473**
TOTAL REVENUE		**143,913**	**143,330**	**154,489**	**167,904**	**203,447**
%INCREASE P.A.		**4.5%**	**-0.4%**	**7.8%**	**8.7%**	**21.2%**

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

TABLE 19: STAFF ANALYSIS

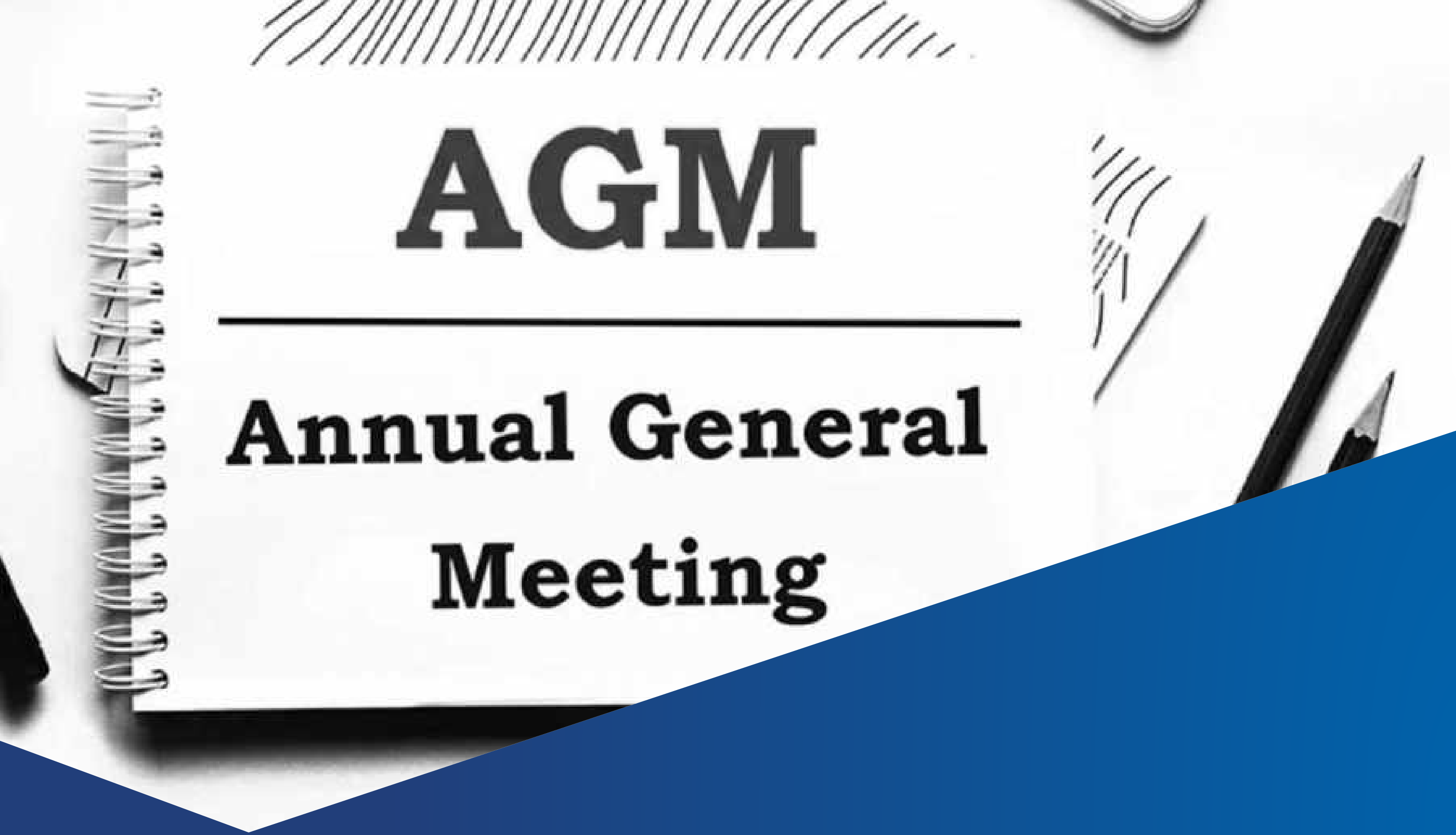
Number of Staff in Each Region	2018/19	2019/20	2020/21	2021/22	2022/23
Central Office	1,855	1,818	1,649	1,554	1,502
Nairobi	2,434	2,358	2,322	2,176	2,289
Coast	1,112	1,026	988	937	949
West Kenya	946	884	850	802	852
South Nyanza	465	444	440	409	426
Central Rift	1,154	1,124	1,104	1,054	1,125
North Rift	816	792	785	740	767
Mt Kenya	1,148	1,086	1,069	1,022	1,101
North Eastern	984	947	970	961	1,007
Total Number of Staff*	**10,914**	**10,479**	**10,177**	**9,655**	**10,018**
% INCREASE P.A.	**-0.7%**	**-4.0%**	**-2.9%**	**-5.1%**	**3.8%**
Gender:					
Male	8,563	8,201	7,913	7,457	7,829
Female	2,351	2,278	2,264	2,198	2,189
Ratio- Male/Female	**3.6**	**3.6**	**3.5**	**3.4**	**3.6**

TABLE 20: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETRES

VOLTAGE	2018/19	2019/20	2020/21	2021/22	2022/23
500kV HVDC KETRACO					641
400 kV KETRACO	1,981	1,981	1,981	2,031	2,031
220kv KETRACO & KENGEN Links	454	454	454	724	724
132kv KETRACO	1,022	1,022	1,094	1,094	1,264
KPLC					
220 kV	1,352	1,352	1,352	1,352	1,352
132 kV	2,350	2,350	2,350	2,350	2,350
66 kV	1,187	1,187	1,187	1,188	1,227
33 kV	35,177	35,703	36,570	38,051	39,168
11 kV	39,797	40,616	41,553	42,971	44,077
Total HV and MV	**83,320**	**84,665**	**86,541**	**89,761**	**92,834**
415/240V or 433/250V	152,799	158,527	168,595	200,050	217,784
TOTAL	**236,119**	**243,192**	**255,136**	**289,811**	**310,618**
% INCREASE P.A.	**5%**	**3%**	**5%**	**14%**	**7%**

TABLE 21: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA

	2018/19	2019/20	2020/21	2021/22	2022/23
Generation Substations					
33/220kV	388	388	528	608	648
15/220kV	95	95	95	95	95
11/220kV	1,054	1,212	1,212	1,292	1,327
33/132kV	95	95	95	95	145
15/132kV	175	175	175	175	175
11/132kV	1,095	1,095	1,095	1,095	945
11/66kV	576	516	516	516	516
11/33kV	238	238	238	238	238
3.3/33kV	4	4	4	4	4
TOTAL	**3,720**	**3,818**	**3,958**	**4,118**	**4,093**
Transmission Substations					
132/220 kV and 220/132kV	1,350	1,350	1,350	1,350	1,350
220/66kV	1,165	1,165	1,655	1,655	1,655
220/33kV	69	69	69	69	69
132/66kV	600	600	600	600	600
132/33kV	1,743	1,743	1,766	1,766	1,766
132/11kV	15	15	15	15	15
TOTAL	**4,942**	**4,942**	**5,455**	**5,455**	**5,455**
Distribution Substations					
66/11kV	2,775	2,817	2,817	2,883	2,929
66/33kV	161	161	161	161	161
33/11kV	1,544	1,585	1,625	1,625	1,757
TOTAL	**4,480**	**4,563**	**4,603**	**4,669**	**4,847**
Distribution Transformers					
11/0.415kV and 33/0.415kV	**7,844**	**8,174**	**8,778**	**9,170**	**9,444**



Notice of the Annual General Meeting

Kenya Power

GETTING *Smarter*
FOR BETTER

NOTICE OF THE ANNUAL GENERAL MEETING (AGM)

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.

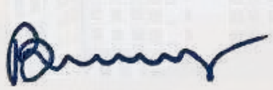
    SPECIAL BUSINESS

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

(a) 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 11.00am.

(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 or;

(b) Send an email request to be registered to ***kplcagm@image.co.ke*** providing their details i.e., Name, Passport/ID No., CDS No. and Mobile telephone number requesting to be registered. Image Registrars shall register 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 000/709170 041 from 8.00am to 5.00pm from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.

(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 livestream 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.

ILANI YA MKUTANO MKUU WA KILA MWAKA (AGM)

ILANI INATOLEWA HII HAPA kwa Wenyehisa kwamba, Mkutano Mkuu wa Kila Mwaka wa 102 wa **Kenya Power and Lighting Company Plc**, utaandaliwa kwa njia ya mawasiliano ya kielektroniki mnamo Ijumaa, **Desemba 8, 2023 saa 11.00 asubuhi** kuendesha shughuli ziuatazo:

1. Kusoma Notisi ya Kuandaa Mkutano na kutambua uwepo wa idadi ya kutosha ya wanachama

2. Kupokea, kukagua na kuidhinisha Ripoti za Kifedha zilizokaguliwa za Kampuni kwa mwaka uliomalizika Juni 30, 2023, pamoja na Taarifa za Mwenyekiti, Wakurugenzi na Wahasibu hapo baadaye.

3. Kutambua kwamba, Wakurugenzi hawapendekezi malipo ya mgao wa faida kwa mwaka uliomalizika Juni 30, 2023

4. Kuchagua Wakurugenzi

   (i) Kutambua Wakurugenzi walioteuliwa na Hazina Kuu, na ni Mmiliki wa 'Aina B' ya Hisa za Kawaida.

   (ii) Wamiliki wa 'Aina A' ya Hisa za Kawaida, wakiwa wamiliki wa Hisa za Kawaida isipokuwa zile zinazomilikiwa na Hazina Kuu, kuchagua Wakurugenzi Wanne (4) kujaza nafasi kwenye Bodi

   (iii) Kutokana na (i) na (ii) hapo juu, kutambua kwamba hakutakuwa na Wakurugenzi watakaohitajika kustaafu kwa mzunguko chini ya Kifungu 120 cha Katiba ya Kampuni.

5. Kufuatia vipengee vya Kifungu cha 769 cha Sheria za Kampuni, 2015 na kutegemea Sehemu ya 4 (i) na (ii) juu, kuidhinisha Bodi kuunda Kamati ya Uhasibu ya Bodi.

6. Kuidhinisha malipo ya Wakurugenzi Wasio na Mamlaka kwa mwaka uliomalizika Juni 30, 2023.

7. Wahasibu:

   Kutambua kwamba, uhasibu wa vitabu vya hesabu vya Kampuni utaendelea kufanywa na Mhasibu Mkuu, au kampuni atakayoteua kwa mujibu wa Sehemu ya 23 ya Sheria ya Uhasibu wa Umma, 2015.

8. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu

   SHUGHULI MAALUMU

9. Kuchunguza na iwapo itaamuliwa kuwa sawa, kupitisha Azimio Maalumu kuimarisha na kusawazisha Katiba ya Kampuni na Sheria ya Kampuni, 2015, na maongozi yafaayo ya Kampuni kama ifuatavyo:

   "Kuidhinisha Kanuni za Kampuni, zilizopo kwenye Wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip***, ambao umerekebishwa sambamba na Sheria ya Kampuni, 2015, na maongozi bora badala ya na mahali pa Katiba na Kanuni za sasa za Kampuni."

10. Kushughulikia shughuli zozote zile ambazo notisi halali imepeanwa.

Kwa Amri ya Bodi

Imelda Bore
Katibu wa Kampuni
Novemba 16, 2023

Maelezo:

(i) Kanuni za Kampuni zilizorekebishwa

Nakala ya Kanuni za Kampuni zilizorekebishwa pamoja na jedwali ya mabadiliko imo kwenye wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip.*** Nakala itapatikana pia kwenye matangazo ya moja kwa moja wakati wa AGM.

(ii) Pendekezo la Watu wa Kuchaguliwa kwa Bodi

(a) Ili watu waidhinishwe na Bodi, Wenyehisa sharti wawasilishe notisi kwa maandishi kupendekeza mtu kama huyo kuchaguliwa kama Mkurugenzi kwa Katibu wa Kampuni katika Ghorofa ya 7, Stima Plaza, Nairobi au S.L.P 30099 – 00100, Nairobi kupokelewa ndani ya Siku (14) kabla ya Mkutano Mkuu wa Kila Mwaka kufikia Novemba 24, 2023 saa 5.00 asubuhi.

(b) Notisi itajumuisha kukubali kwa mtu anayependekezwa kuchaguliwa. Fomu ya kuteua mtu kuchaguliwa kwa Bodi inapatikana kwenye ***https://www.kplc.co.ke/img/full/AGM2023.zip***

(c) Mkusanyiko wa ujuzi na vipaji vinavyohitajika kwa wanachama wa Bodi umo kwenye wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip***

(iii) Usajili kwa AGM

Wenyehisa wanaopenda kushiriki kwenye mkutano wanapasa kujiandikisha kwa AGM kwa kutumia mojawapo ya mbinu zifuatazo:

(a) Kubonyeza ***483*903#*** kwenye simu zao za rununu na kufuata maagizo tofauti kwenye mchakato wa usajili au;

(b) Kutuma maombi ya baruapepe ili kusajiliwa kwa ***kplcagm@image.co.ke*** kutoa maelezo yao kama vile Jina, Nambari ya Hati ya Kusaifiri/Kitambulisho Nambari ya Cheti cha Hisa (CDS) na nambari ya simu ya rununu ukiomba kusajiliwa. Image Registrars watasajili mwenyehisa na kuwatumia baruapepe kuwajulisha baada ya usajili.

(c) Wenyehisa walio na baruapepe watapokea linki ya usajili kupitia baruapepe ambayo watatumia kujisajili

(d) Kukamilisha mchakato wa usajili, wenyehisa watahitaji Nambari yao ya Kitambulisho cha Kitaifa/Hati ya Kusafiri ambayo walitumia kununua hisa zao au/pamoja na Nambari ya Akaunti yao ya CDSC. Kwa usaidizi, wenyehisa wanapasa kupiga nambari ya usaidizi ifuatayo: +254 709170 000/709170 041 kuanzia saa 2.00 asubuhi hadi saa 11.00 jioni kuanzia Jumatatu hadi Ijumaa. Wenyehisa nje ya Kenya wanaweza kupiga nambari ya usaidizi kusaidiwa wakati wa usajili.

(e) Usajili kwa AGM unafunguliwa Novemba 16, 2023 saa 3.00 asubuhi na kufungwa mnamo Desemba 6, 2023 saa 5.00 asubuhi.

(f) Wenyehisa hawataweza kujisajili baada ya wakati huu.

(iv) Kwa mujibu wa Kifungu 155 cha Kanuni za Kampuni, stakabadhi zifuatazo zinaweza kupatikana kwenye wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip***

(a) Nakala ya Notisi hii na Fomu ya Uwakilishi

(b) Taarifa za Kifedha za Kampuni zilizokaguliwa pamoja na Ripoti ya Kila Mwaka ya Kampuni kwa mwaka uliomalizika Juni 30, 2023.

(c) Nakala ya Kanuni za Kampuni zilizorekebishwa na jedwali ya mabadiliko

Ripoti pia zinaweza kupatikana kwa kubonyeza ***USSD*483*903#*** na kuchagua sehemu ya ripoti. Ripoti na ajenda zinaweza kupatikana kupitia kwa linki ya kupeperusha matangazo moja kwa moja.

(v) Mwenyehisa ambaye amehitimu kuhudhuria na kupiga kura wakati wa AGM anaweza kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi kama huyo si lazima awe mwanachama wa Kampuni. Tafadhali tembelea wavuti wa Kampuni kwa maelezo zaidi kuhusu mchakato wa kupiga kura na kupata Fomu ya Uwakilishi.

Fomu ya Uwakilishi pia inaweza kupatikana kutoka kwa wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip*** au kutoka kwa Image Registrars Limited, Absa Towers, Ghorofa ya 5, Loita Street, S.L.P 9287 – 00100, Nairobi, Kenya. Wenyehisa ambao hawataweza kuhudhuria Mkutano Mkuu wa Kila Mwaka wanaweza kujaza na kuwasilisha Fomu ya Uwakilishi kwa Image Registrars Limited, au kwa afisi za Msajili wa Hisa wa KPLC kwenye Ghorofa ya 2, Stima Plaza, Parklands kufikia Desemba 6, 2023 saa 11:00 asubuhi.

Fomu za uwakilishi zilizotiwa saini zinaweza kutumwa kwa baruapepe ***kplcagm@image.co.ke*** kwa muundo wa PDF. Fomu ya uwakilishi lazima itiwe saini na mteuzi au wakili aliyeidhinishwa kwa maandishi. Iwapo mteuzi ni shirika, uteuzi kama huo ni lazima uambatane na muhuri wa Kampuni au kuidhinishwa na wakili aliyeidhinishwa na shirika kama hilo.

(vi) Wenyehisa ambao wangependa kuuliza swali au ufafanuzi wowote kuhusiana na AGM wanaweza kufanya hivyo kwa kutuma maswali yaliyoandikwa:

(a) Kwa ***kplcagm@image.co.ke;*** au

(b) Kwa kubonyeza ***USSD *483*903#*** na kuingia kwa (Ask Question) kwa maelekezo; au

(c) Kwa kiasi kinachowezekana, wenyehisa wanaweza kuwasilisha maswali yao yaliyoandikwa , yakiambatana na anwani ya majibu au baruapepe, kwa afisi rasmi ya Kampuni (Afisi ya Hisa ya KPLC) au S.L.P. 30099 – 00100, Nairobi, au kwa afisi za Image Registrars katika S.L.P 9287 – 00100, Nairobi, Kenya.

Wenyehisa pia lazima watoe maelezo yao kamili (Majina kamili, Kitambulisho cha Kitaifa/Nambari ya Hati ya Kusafiri/Nambari ya Akaunti ya CDSC) wakati wa kuwasilisha maswali yao au kutafuta ufafanuzi.

(vii) Wakurugenzi wa Kampuni watatoa majibu kwa maswali yaliyopokelewa kupitia kwa njia wanayotumia wenyehisa kutuma maswali yao kwa mfano SMS (kwa wanaotumia USSD), baruapepe, Barua au kwa njia ya simu. Maswali pia yatajibiwa pia wakati wa mkutano.

Orodha kamili ya maswali yatakayopokelewa na majibu yao yatachapishwa kwenye wavuti wa Kampuni ndani ya saa 24 baada ya kumalizika kwa mkutano.

(viii) Mkutano Mkuu wa Kila Mwaka utapeperushwa moja kwa moja kupitia linki ambayo pia itapeanwa kwa wenyehisa wote ambao watakuwa wamesajiliwa kushiriki kwa AGM. Wenyehisa wote waliosajiliwa na wawakilishi watapokea ujumbe mfupi kwenye simu zao za mkono zilizosajiliwa, saa ishirini na nne (24) kabla ya Mkutano Mkuu wa Kila Mwaka kuwakumbusha kuhusu AGM. Ujumbe mwingine wa SMS/USSD utatumwa saa moja (1) kabla ya AGM, kama ukumbusho kwamba AGM itaanza katika saa moja ijayo na kutoa linki ya kupeperusha matangazo moja kwa moja.

(ix) Wenyehisa na wawakilishi wanaofuatilia matukio, kwenye jukwaa la linki ya matangazo ya moja kwa moja wanaweza kupata ajenda na kupiga kura wakiagizwa na Mwenyekiti kupitia ****483*903#*** au kupitia linki ya AGM.

(x) Matokeo ya maazimio yaliyopigiwa kura yatachapishwa kwenye wavuti wa Kampuni ***https://www.kplc.co.ke/img/full/AGM2023.zip*** ndani ya saa ishirini na nne (24) baada ya kumalizika kwa AGM.

Proxy Form

Kenya Power

Smarter for Better

PROXY FORM

The Company Secretary
Kenya Power and Lighting Company Plc
P.O. Box 30099-00100
Nairobi, Kenya

I/WE____

CDSC No ____

of P.O. Box ____ being a shareholder of the above Company.

HEREBY APPOINT____

of P.O. Box ____

and Mobile No. _____________________________ or failing him/her the Chairman of the Meeting as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting (AGM) of the Company to be held electronically on 8th December 2023 at 11.00am and at any adjournment thereof.

Signed this ____________________________ day of ______________________________________ 2023

Signature ____

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote:

Item	Business	For	Against	Withheld
1	To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2023, together with the Chairman's, Directors' and Auditors' Reports thereon.			
2	Election of Board Audit Committee Members: Consequent to the provisions of Section 769 of the Companies Act, 2015 and subject to 4 (i) & (ii) in the Notice, to authorise the Board to set up the Board Audit Committee.			
3	To approve payment of fees to non-executive Directors for the year ended 30th June 2023.			
4	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.			
5	To authorise the Directors to fix the Auditors' remuneration.			
6	To adopt the revised Articles of Association 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.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in **BLOCK CAPITALS**

Full name of member (s): ____

Address: ____

CDSC No ____

Mobile No. ____

Date: ____

Signature: ____

Please tick the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th floor, Absa Towers, Loita Street or to KPLC's Shares' Registry on 2nd floor, Stima Plaza, Parklands, P.O. Box 30099 – 00100 Nairobi.

Approval of Registration	
I/WE approve to register to participate in the virtual Annual General Meeting to be held on 8th December 2023.	

Consent for use of the Mobile Number provided	
I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.	

Notes:

1. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company.

2. This proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate.

3. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority to kplcagm@image.co.ke or delivered to Registered Office of the Company or posted to the Company Secretary P.O. Box 30099 – 00100 Nairobi, or to Image Registrars Limited, 5th Floor, Absa Towers, Loita Street, P.O. Box 9287 – 00100, Nairobi, so as to be received not later than 6th December 2023 at 11.00am.

4. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 6th December 2023 at 11.00am. Any proxy registration that is rejected will be communicated to the shareholder concerned not later than 6th December 2023 at 11.00am.

5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.

6. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

7. A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

NOTES

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