REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

THE KENYA POWER AND LIGHTING COMPANY PLC

FOR THE YEAR ENDED 30 JUNE, 2022

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Table of Contents

THE KENYA POWER AND LIGHTING COMPANY PLC
CORPORATE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS

Vivienne Yeda	- Chairman
Mr. Benard Ngugi	- Resigned on 3 August 2021 as the Managing Director & CEO
Eng. Rosemary Oduor	- Appointed on 3 August 2021 as Ag. Managing Director & CEO, and resigned on 17 May 2022
Eng. Geoffrey Muli	- Appointed on 17 May 2022 as Ag. Managing Director
Eng. Abulrazaq Ali	- Resigned on 30 May 2022
Eng. Elizabeth Rogo	- Resigned on 30 May 2022
Caroline Kittony-Waiyaki	- Resigned on 30 May 2022
Sachen Gudka	- Resigned on 3 December 2021
Mr. Kairo Thuo	
Mr. Yida Kemoli	- Appointed on 3 December 2021
Sarah Mbwaya	- Appointed on 26 July 2022
Brig (Rtd) James M Gitiba (Ebs)	- Appointed on 26 July 2022
Justice (RTD) Aaron Gitonga Ringera EBS	- Appointed on 24 August 2022
Hon. Amb. Ukur Yattani	- Cabinet Secretary (CS), National Treasury
Maj. Gen (Rtd) Dr. Gordon Kihalangwa	- Principal Secretary, Ministry of Energy
Mr. Humphrey Muhu	- Alternate Director to Cabinet Secretary, National Treasury
Eng. Benson Mwakina	- Alternate to Principal Secretary, Ministry of Energy

The Bio Data of the Board of Directors is provided in Annexure 2.

SECRETARY
Imelda Bore
Certified Public 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 Limited
Harambee Avenue
P.O. Box 20063- 00200, Nairobi

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

Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081 - 00100, Nairobi

Equity Bank Kenya Limited
Hospital Road
P.O. Box 75104 - 00100, Nairobi

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

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

Stanbic Bank Limited
Kenyatta Avenue
P.O. Box 30550 - 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

DELEGATED AUDITOR
Ernst & Young LLP
Kenya Re Towers, Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100, Nairobi

PRINCIPAL LEGAL ADVISOR
Hamilton Harrison & Mathews
Delta Office Suites, Waiyaki Way
P.O. Box 30333 - 00100, Nairobi

The Directors submit their report together with the audited financial statements of the Kenya Power and Lighting Company Plc (the "Company") for the year ended 30 June 2022, which disclose the state of affairs of the Company.

BUSINESS REVIEW

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).

The year under review saw the full recovery of the economy from the impact of the COVID-19 pandemic with all sectors of the economy resuming normal activity levels. Demand for electricity continued to increase especially driven by the resumption of full manufacturing capacity, construction activity as well as expansion of industry, which necessitated application for additional load by existing customers. Electricity unit sales increased by 6.9% from 8,571GWh to 9,163GWh, 57% of the additional 592GWh was achieved on the commercial and industrial customer category signalling an expanding manufacturing sector.

During the year, the Presidential Taskforce on the Review of Power Purchase Agreements, appointed in March 2021, released its report which recommended a wide range of sector reforms key among which was the reduction of the end-user electricity tariff by 33% and the renegotiation of Power Purchase Agreements. A subsequent presidential proclamation revised the tariff reduction to two phases of 15% each. The first phase of 15% reduction on consumer prices was implemented in January 2022 following a gazette notice published by EPRA. The impact of this phase was a revenue reduction estimated at Shs 26.3 billion based on the December 2021 tariff pricing components. The first 15% was to be achieved through enhanced efficiencies across the electricity supply chain, while the second phase was to be anchored on the gains achieved from the renegotiation of PPAs.

To ensure the sustainability of the Company and the sector by extension, the Ministry of Energy obtained commitments amounting to Shs 12.2 billion (of which Shs 7.85 billion was KPLC efficiency and sales gains) from Semi-Autonomous Government Agencies (SAGAs) within the electricity sub-sector. The residual deficit of Shs 14.1 billion was taken up by the National Treasury with the aim of ensuring that the revenue gap was entirely covered, in the year under review 50% of this amount was disbursed to KPLC with the balance expected to be availed in the subsequent financial year. The agreed contribution from the other SAGAs in the electricity sub-sector was as follows:

KenGen: Shs. 3,500 million
GDC: Shs. 346 million, and
KETRACO: Shs. 500 million.

During the year, the Company witnessed changes in its top leadership with the resignation of the Managing Director & CEO CPA Bernard Ngugi in August 2021 and the appointment of Eng. Rosemary Oduor as acting MD & CEO who was later replaced by Eng. Geoffrey Muli in acting capacity in May 2022. Four independent directors resigned from the Company's Board of directors on diverse dates during the period and were subsequently replaced.

The Company continued building on the momentum by focusing on the identified major areas to drive the financial recovery initiative. These included enhancing system efficiency (Loss reduction), growing sales, intensified revenue collection, cost management and improving working capital. The consolidated impact of these initiatives resulted in the improved business performance especially in the first half of the financial year before implementation of the tariff reduction. These initiatives together with the support from the government towards meeting the revenue deficit ensured that the company remained profitable and stayed on the financial recovery path.

Over the period, profit before tax declined by 37.5% from Shs 8.198 billion reported in June 2021, to Shs 5.124 billion. The main drivers for the decline in profit before tax were; the reduction of the end user electricity tariff by 15% in January 2022 and the increase in finance costs due to significant depreciation of the Kenya Shilling against the USD and the EURO leading to increased foreign exchange losses on loans. During the period, operating expenses reduced by 4.6%, unit sales increased by 6.9%, system efficiency improved by 1.5% and other income increased by 88.7%

The Company has undergone disruptive reforms and is currently repositioning itself as a key economic enabler and dependable utility through the review and realignment of business processes, systems as well as Human Resource instruments with the aim of building the corporate capacity to support the business efficiency and financial sustainability.

RESULTS FOR THE YEAR

	2022 Shs'000	2021 Shs'000
Profit before income tax	5,123,553	8,197,656
Income tax expense	(1,619,264)	(6,707,968)
Profit for the year	3,504,289	1,489,688

DIVIDEND

A dividend of Shs 1.93 million (2021: 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 2022 (2021: Nil). The Directors do not recommend the payment of final dividend for the year ended 30 June 2022 (2021: Nil).

DIRECTORS

The current Directors are as shown on page 1.

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 Section 35 of the Public Audit Act, 2015 (the "Act"). Section 23(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Ernst & Young LLP were appointed to carry out the audit for the year ended 30 June 2022 and report to the Auditor-General.

BY ORDER OF THE BOARD

Imelda Bore
Company Secretary
27/10/.................... 2022

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). Eng. Geoffrey Muli was appointed as the Ag. Managing Director on 17 May 2022 to replace Eng. Rosemary Oduor who had been appointed as the Ag. Managing Director & Chief Executive Officer (CEO) and Executive Director of the Company on 3 August 2021 to replace Mr. Bernard Ngugi who was the Managing Director & CEO and Executive Director since 28 October 2019.

Statement of voting at general meeting

During the last AGM held on 3 December 2021 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 2022 and 30 June 2021, the Directors' fees and remuneration are as below:

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2022				
Executive Director				
Eng. Geoffrey Muli- Ag. Managing Director	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

Directors' remuneration (continued)

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2021				
Executive Director				
Bernard Ngugi- MD&CEO	9,120	-	2,210	11,330
Non-Executive Directors				
Ms Vivienne Yeda - Chairman	608	600	1,668	2,876
Mahboub Mohamed - Former Chairman	320	200	726	1,246
PS, National Treasury	-	600	-	600
PS, Energy - Joseph Njoroge	-	600	110	710
Abulrazaq Ali	-	600	1,488	2,088
Kairo Thuo	-	400	500	900
Elizabeth Rogo	-	600	2,345	2,945
Caroline Kittony	-	600	1,812	2,412
Sachen Gudka	-	600	1,826	2,426
Beatrice Gathirwa	-	-	1,467	1,467
Isaac Kiva	-	-	1,682	1,682
Bernard Ndungu	-	-	140	140
	10,048	4,800	15,974	30,822

BY ORDER OF THE BOARD

Imelda Bore
Company Secretary

27/10/........................ 2022

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 27/10/ 2022 and signed on its behalf by:

Vivienne Yeda	Mr. Kairo Thuo	Eng. Geoffrey Muli
Chairman, Board	Chairman, Audit Committee	Ag. Managing Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2022

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

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

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

Qualified Opinion

The accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 12 to 87, which comprise of the statement of financial position as at 30 June, 2022, the statement of profit or loss and other comprehensive income, the 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, have been audited on my behalf by Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The Kenya Power and Lighting Company PLC as at 30 June, 2022, 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 Qualified Opinion

1. Property, Plant and Equipment - Street Lighting Projects Cost

The statement of financial position reflects property plant and equipment balance of Kshs.272,335,824,000 as at 30 June, 2022. As disclosed in Note 16 to the financial statements, the balance includes Kshs.23,015,299,000 in respect of work in progress. Review of work in progress schedules and projects listing provided for audit revealed street lighting projects with a balance of Kshs.1,239,001,000. Management has indicated that the street lighting projects are funded by the National Government and implemented by the Company after which the projects are handed over to respective County Governments.

Records at the Company indicates that upon completion, the projects are cleared from the books against the received funds. Although the build-up of costs are included under property, plant and equipment as work in progress, the resultant assets are not reported as part of the Company's assets.

Under the circumstances, capital work in progress balance of Kshs.23,015,299,000 has been overstated

2. Variances on Balance with Related Entities

The statement of financial position reflects balances of Kshs.40,295,197,000 and Kshs.87,508,583,000 in respect of trade and other receivables and trade and other payables respectively as disclosed in Note 21(b) and Note 28(b) to the financial statements. Review of receivables and payables balances for related entities revealed variances between amounts reported by the Company and those confirmed by the entities as indicated below: -

Company	Classification	Balance Reported by KPLC (Kshs.)	Confirmed Balance (Kshs.)	Variance (Kshs.)
KENGEN	Payables	23,147,261,000	23,888,820,000	(741,559,000)
KETRACO	Payables	4,567,868,000	4,643,480,000	(75,612,000)
KETRACO	Receivables	1,677,814,000	1,690,167,000	(12,353,000)
REREC	Payables	12,164,824,000	10,685,566,000	1,479,258,000

The Management attributed the variances to disputes relating to interest charged on late payment, withholding taxes, works carried out on behalf of the entities among others. Collection of the disputed amounts was therefore in doubt.

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 qualified opinion.

Emphasis of Matter

1. Material Uncertainty Relating to Going Concern

I draw attention to Note 2(a)(iii) to the financial statements which discloses that the Company's current liabilities of Kshs.110,431,165,000 exceeded its current assets of Kshs.54,687,018,000 by Kshs.55,744,147,000 (2021 - Kshs.66,479,167,000). The Company has remained in a negative working capital position for the sixth 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, 2022. 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. Unmatched Passthrough Costs to Revenue

The statement of profit or loss and other comprehensive income reflects revenue from contracts with customers and cost of sales amounting to Kshs.157,353,254,000 and Kshs.115,208,040,00 respectively. As disclosed in Note 7(a) to the financial statements, the revenue includes Kshs.7,322,584,000 and Kshs.24,446,580,000 in respect of foreign cost adjustment and fuel cost charge respectively. However, the corresponding foreign exchange costs and fuel costs amounted to Kshs.9,072,591,000 and Kshs.26,358,279,000 respectively as reflected in Note 8 to the financial statements resulting in variances of Kshs.1,750,007,000 and Kshs.1,911,699,000. The foreign exchange costs and fuel costs are passed to the customers hence expected to match. Management has indicated that the variance was due to actual recovery rates approved by the Energy and Petroleum Regulatory Authority (EPRA) for billing to customers, being lower than the actual rates applied at the point of purchasing power from the producers.

The disparity in those rates were borne by the Company thus affecting its financial performance for the year.

3. Forensic Audits

On 29 March, 2021, a Presidential Taskforce on the review of Power Purchase Agreements (PPAs) was appointed through a special Gazette Notice No.3076 to undertake a comprehensive review and analysis of all Power Purchase Agreements

(PPAs) entered into between various Independent Power Producers (IPPs) and The Kenya Power and Lighting Company PLC. The Terms of Reference (TOR) of the Taskforce was to develop a suitable strategy for engagement with the IPPs and lenders, in order to achieve relief for electricity consumers and ensure the long-term viability and sustainability of the energy sector.

The Taskforce in its report, outlined nine (9) recommendations, key among them performing forensic audits on the following areas:-

i. Procurement of Power Purchase Agreements with Independent Power Producers.

ii. Procurement and the use of Heavy Fuel Oil (HFO) in electricity generation by thermal power plants in the last three (3) years.

iii. System losses on the Company's key commercial consumers to confirm that power delivered is consistent with metered power and that there is no power leakage.

iv. Supply chain processes in the Company with the objective of improving the performance of the Company; improve efficiency and enhance value for money in procurement and supply chain, among other priority areas.

Subsequently, two (2) consultants were appointed in February, 2022 and a third in June, 2022 to carry out the assignment on behalf of the Auditor-General.

As at the date of this report, the forensic audits had not been finalized. Consequently, I was unable to perform alternative audit procedures and to quantify the adjustments, if any, likely to affect the revenue, cost of sales, administrative expenses, tax, property, plant and equipment, trade receivables, trade payables, and disclosures, in the absence of the forensic reports.

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
Provision for Expected Credit Losses on Trade and Other Receivables As at 30 June, 2022, the Company's gross current trade and other receivables amounted to Kshs.64,216,701,000 as disclosed in Note 21(b) to the financial statements. The Company recognized an allowance for expected credit losses on these trade and other receivables of Kshs. 22,949,002,000 in accordance with IFRS 9 - *'Financial Instruments'*. Focus was given to the Expected Credit Losses (ECL) due to the materiality of these balances and the associated allowances for ECL. In addition, compliance with IFRS in this area involves significant judgement and estimates to be made by the Company. The most significant areas identified with greater levels of management judgement included: i. Determining the criteria for Significant Increase in Credit Risk (SICR). ii. Application of future macro-economic variables reflecting a range of future conditions; and iii. Techniques used to determine the Probability of Default (PD) and Loss Given Default (LGD). Relevant disclosures were included in Notes 3(j), 4(b), 6(a), 9(d) and 21(b) to these financial statements which give a description of the accounting policies, credit risk management and analysis of the expected credit losses for trade and other receivables.	**The following Procedures were performed: -** i. Obtained an understanding of the Company's process for estimating the ECL; ii. Tested the key controls over the administration of the expected credit loss model; iii. Tested the accuracy and completeness of the Company's data used for the ECL model; iv. Analysed the expected credit loss models against IFRS 9 guidelines; v. Selected a sample of trade and other receivables and performed procedures to determine the reasonableness of the impairment assessed based on the model; vi. For forward looking assumptions used by the Company, discussions were held with Management and corroborated with the assumptions using both internal and publicly available information; and vii. Assessed the disclosures included in the financial statements, including their compliance with the requirements of IFRS.

Other Matter

GOK Support for 15% Tariff Reduction

During the year under review, a Presidential directive was issued on implementation of 15% tariff reduction for all customer categories which was effected through Gazette

Notice No. 64 dated 7 January, 2022. Arising from the Presidential directive, the National Government disbursed a total of Kshs.7,050,000,000 to the Company to support the tariff reduction. According to the framework agreed between the Ministry of Energy and Semi-Autonomous Agencies (SAGAs) in the electricity sub-sector, the SAGAs in the electricity supply chain comprising The Kenya Power and Lighting Company PLC (KPLC), the Kenya Electricity Generation Company PLC (KenGen), the Kenya Electricity Transmission Company Limited (KETRACO), and the Geothermal Development Company Limited (GDC), were to contribute through cost reduction initiatives to supplement Government Support.

KPLC implemented the tariff reduction from January, 2022 but the other Agencies did not implement the cost reduction measures as per respective commitments which was estimated to translate to Kshs.2,173,000,000.

Consequently, the Company did not realize full revenue support occasioned by the 15% tariff reduction directive.

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. Comparative Cost of Power Purchase between KENGEN and Independent Power Producers

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 7,911 Gigawatt hours (GWh) or 63% of the total power purchased while the IPPs supplied the remaining 4,742GWh (37%). However, the cost of the total power purchased from KENGEN was Kshs.38,902,478,000 which was only 41%, compared to the purchase cost of power from IPPs totalling Kshs.56,274,009,000 or 59%. The analysis further revealed that it cost KPLC an average of Kshs.3.93 per Kilowatt hours (KWh) of power purchased from Kenya Electricity Generating Company PLC while it cost the Company an average of Kshs.11.87 per KWh of power from the Independent Power Producers. The Company, therefore, entered into expensive contracts with Independent Power Producers (IPPs) and was in some instances selling power below the cost price.

2. Unmatched Cost of Thermal power Against Units Purchased

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.115,208,040,000 as disclosed in Note 8 to the financial statements. The costs include fuel charge of Kshs.26,487,695,000 representing an increase of Kshs.15,303,503 or 137% from the previous year. However, as reflected in Note 8(c) to the financial statements, thermal energy purchased increased to a total of 1,577Gwh units from 940GWh units in 2020/2021, an increase of 637GWh units or 68%.

The increase of fuel costs, therefore, did not match increase in units of thermal energy purchased during the year.

3. Budgetary Control and Performance

During the year under review, the approved total expenditure budget for Kenya Power and Lighting Company was Kshs.177,618,431,980. However, review of recurrent budget revealed that the Company spent Kshs.167,634,935,592 against the approved budget of Kshs.146,242,067,492 resulting to an over expenditure of Kshs.9,983,496,388 being 15% contrary to Regulation 40 (2) of the Public Finance Management (National Government) Regulations, 2015, which provides that prior to incurring any expenditure against revised budgets, Accounting Officers shall seek the approval of The National Treasury, and if approval is granted by the Cabinet Secretary, it shall be communicated to the Accounting Officers through a notification.

Further, the Management adopted the Board approved recurrent budget of Kshs.153,028,067,492 instead of The National Treasury approved recurrent budget of Kshs.146,242,067,492.

4. Human Resources Matters

4.1 Irregular Secondment of Staff

During the year under review, thirty-six (36) employees were seconded from different Ministries to the Company. However, review of relevant documents revealed that the secondment was not approved by the Public Service Commission (PSC) as required by Section 42 of the Public Service Act, 2017. Further, secondment of thirty-three (33) employees to serve in supply chain officer positions for a period of three (3) months effective February, 2022 was done by the Cabinet Secretary to The National Treasury instead of PSC. In addition, the officers continued to serve beyond the secondment period without formal extension of the term of secondment.

4.2 Unconcluded Recruitment Process of a Managing Director

During the year under review, the Board of Directors through Management engaged a consultancy firm to undertake the recruitment of the Company Managing Director through a contract signed on 27 January, 2022. The process entailed analysis, preparation of applicants' profiles, longlisting, shortlisting, interview, and recommendation of suitably qualified applicant for the position the Managing Director. The consultant in a letter dated 6 May, 2022 indicated that it had concluded the recruitment process and presented the results of screening, final interview and recommended candidates for consideration to the Chairperson of the Board of Directors and was paid full contract price of Kshs.2,989,320.

However, the report of the consultant, evaluation results, recommendation of the consultant and Board minutes and resolutions on the matter were not provided for audit review. Further, no explanations were provided on why the appointment was yet to be made.

4.3 Non-Compliance with the One-Third of Basic Salary Rule

During the year under review, at least 2,635 employees were paid a net salary which was less than a third (1/3) of their basic pay in the month of June, 2022. This was in contravention of Section 19(3) of the Employment Act, 2007 which provides that the total amount of deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

No plausible explanation was provided for breach of law on payment of salaries and allowances.

5. Procurement of Goods and Services

5.1 Irregular Hire of Generator for Mandera and Lodwar Power stations

The Management contracted a rental company to supply on hire, 2 megawatts (MW) and 2.5 MW capacity generators for power generation in Mandera and Lodwar power stations through six contracts spread between August, 2020 to September, 2022 at a cost of Kshs.185,311,161 through direct procurement.

Review of the procurement process and contract documents revealed the following anomalies:

i. Management cited Section 103(2)(d) of the Public Procurement and Asset Disposal Act, 2015 as the justification for direct procurement. However, the justification was not appropriate since no standardization and compatibility was needed as the same services could be sought from other providers.

ii. The method of procurement of the services was indicated as through open tender in the approved procurement plans for the financial year 2019/2020 and 2020/2021 as required by Section 53 (10) of the Public Procurement and Asset Disposal Act, 2015. The use of direct procurement method is therefore in violation of the Act.

iii. Hire of the generators has been the prevalent at the Company. However, a cost benefit analysis between hiring and buying of generators conducted by Management in 2019/2020 financial year concluded that purchasing own generators was beneficial. Despite the recommendation, the Management continued to hire generators after the survey, thus negating the value for money for expenditure spent to hire the generators.

iv. The supplier was engaged to provide generator hire services in Lodwar and Mandera stations at a cost of Kshs.14,227,895 and Kshs.11,036,760 for the service period between 25 November, 2020 to 25 February, 2021 and 19 December, 2020 to 18 February, 2021 respectively without signed contracts contrary to Section 135 of the Public Procurement and Asset Disposal Act, 2015. Further, the supplier continued to provide services in respect of six contracts before the procurement process was completed and contracts entered into with successful tenderer which is irregular.

v. The Evaluation Committee in its report dated 7 January, 2021 indicated that the supplier's bids for the service period between 25 November, 2020 to 25 February, 2021 and 19 December, 2020 to 18 February, 2021 at a cost of Kshs.14,227,895 and Kshs.11,036,760 respectively, were not responsive in the preliminary evaluation due to failure to submit audited financial statements for the last 18 months. In addition, the technical evaluation report indicated that the bidder did not submit details of services statement in accordance with section XXI part B of the tender documents. Although the Evaluation Committee noted the non-responsiveness to tender, it recommended the award of tenders and negotiated with the bidder to bring the documents later which was contrary to the Regulations. Further there was no support evidence that the contractor provided the documents. Therefore, the award of the two contracts were irregular and contrary to Regulation 75(1) of the Public Procurement and Asset Disposal Regulation, 2020.

vi. The evaluation report indicated that the supplier quoted a price of Kshs.10,846,470 for hire of generators to Mandera Substation for service period between 19 December, 2020 to 18 February, 2021. However, the Evaluation Committee made correction to the quoted price to Kshs.11,036,759 on grounds that the bidder's price schedule computed VAT at 14% while the prevailing VAT rate was 16%. This correction was contrary to Section 82 of the Public Procurement and Asset Disposal Act, 2015.

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

5.2 Irregular Procurement of Insurance Services

During the year under review, the Management procured provision of various insurance services through restricted tender method. Review of the procurement process and documentation revealed the following anomalies.

i. The Management did not maintain a list of prequalified suppliers for Insurance brokers or providers of insurance services. Subsequently, the Management invited nine (9) tenderers contrary to Section 89 (5) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the procuring entity to invite tenders from at least ten (10) persons selected from the list maintained as provided for under Sections 57 and 71 of the Act. As a result, the procurement process for the nine (9) insurance policies was done irregularly.

ii. An existing insurance services provider continued to provide services from 1 September, 2021 to 30 June, 2022 despite the procurement process having concluded on 19 January, 2022 when the professional opinion and the contract subsequently signed on 15 March, 2022.

iii. The use of direct procurement method and subsequent award to seven (7) insurance brokers and underwriters was irregular as justification used was not among those outlined under Section 103 of the Public Procurement and Asset Disposal Act, 2015. Management had indicated that direct procurement was used because the contract for the services had exhausted the maximum variation threshold of 25% thus a further extension would have not been tenable under the set regulations and the Act.

iv. The insurance brokers and underwriters continued to provide insurance services from 1 March, 2022 to 30 June, 2022 after conclusion of the procurement process as professional opinions were signed in March, 2022 and contract entered into on June, 2022.

v. The budget for insurance services as per the approved budget and approved procurement plan was Kshs.760,000,000. However, the Company incurred expenditure of Kshs.810,593,434 resulting in unexplained over expenditure of Kshs.50,593,434 or 7% of approved budget.

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

5.3 Irregular Procurement of Consultancy Services

The Company engaged a foreign consultant through a contract dated 16 March, 2022 for provision of legal services of review and renegotiations of power purchase agreements at a cost of Kshs.114,000,000. Review of the procurement process revealed the following anomalies:

i. As part of the mandatory requirements, bidders were required to submit a duly filled, signed, and stamped self-declaration form indicating that the tenderer is not debarred, a confidential business questionnaire, declaration of no conflict of interest and a self-declaration form indicating that they will not engage in any corrupt or fraudulent practice. However, evaluation score sheets by the evaluation committee and the evaluation report dated 23 December, 2021 indicated that the winning bidder's self-declaration forms, confidential business questionnaire, declaration of no conflict of interest were not duly stamped as required in the evaluation criteria. This implies that the tenderer was non-responsive and ought not to have progressed to technical and financial evaluation.

ii. The Cabinet Secretary to The National Treasury who had initiated the process required the Company to engage a consultant through a competitive procedure which would involve identification of reliable candidates with suitable track records and who had previously or are currently providing services to the Government. However, no documentary evidence was provided to indicate how the three consultants invited to bid were identified.

iii. The Evaluation Committee in its evaluation report dated 24 December, 2022 indicated that the tender documents submitted by the winning bidder through an online platform could not be accessed using the Company portal. The Head of Procurement requested the bidder to resend the documents through email to the Evaluation Committee secretary. Despite the Secretary to the Evaluation Committee not agreeing to resubmission as it was contrary to Regulation 57 of the Public Procurement and Asset Disposal Regulations, 2020, the Committee went ahead and evaluated the resubmitted tender documents and eventually awarded the tender to the bidder

iv. Tender negotiation was done by a different Evaluation Committee from the one which had evaluated the tender contrary to Section 46(4)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires an Evaluation Committee to complete the procurement process for which it was appointed, and no new Committee shall be appointed on the same issue unless the one handling the issue has been procedurally disbanded.

v. Examination of the bid documents, contracts and other documents provided for verification revealed that the Management did not require the consultants to provide performance security contrary to Section 142(1) and (2) of the Public Procurement and Asset Disposal Act, 2015.

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

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 in the System

The financial statements in Note 7(a) reflects electricity sales of Kshs.107,206,265,000 and Kshs.19,666,579,000 in respect of postpaid and prepaid electricity sales respectively. Review of units of electricity purchased against units sold revealed a total of 12,653GWh purchased from power producers out of which, 9,814GWh were sold to customers resulting in an efficiency loss of 2,839GWh or 22.44% which translates to approximately Kshs.31,206,288,000 using the average sale price for the 9,814GWh sold.

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% (approximately Kshs.21,077,217,000) that is deemed to be normal loss. The excess of 2.43% above the allowed loss (232.53-19.9) translates to a loss of approximately Kshs.2.57 billion had the same energy been sold to the consumers. The loss variance of 23.95% was attributed to systems inefficiencies arising from commercial or technical operations. These losses contribute to high power charges to the consumers since the industry regulator allows the Company to charge up to 19.9% of the power loses to consumers.

The difference or excess of 4.05% power loss above the approved recovery rate of 19.9% constitutes inefficiency power loss whose cost is not passed on to the consumers and therefore increases the operating costs of the Company.

2. Failure to Observe Guidelines on Board of Directors Meetings

During the year under review, the Board of Directors had in its approved calendar a total of thirty-three (33) full Board and Committee meetings which exceeded a maximum number of six (6) recommended by the Office of the President Circular referenced OP/CAB.9/1A dated 11 March, 2020. Additionally, during the year under review, the Board held a total of eighty-nine (89) Committee meetings comprising forty-five (45) full Board meetings and forty-four (44) Committees' meetings, translating to a Board meeting every four days thus making the Board becoming operational in nature.

Further, review of the requests made to the Cabinet Secretary for extra meetings revealed only the extra meetings in the Board calendar were forwarded for approval. In addition, the requests did not have the justification, source of funds and budget implications as required in the circular. Further, six (6) of the requests for extra meetings, were approved by the Principal Secretary who is a Member of the Board Member instead of the Cabinet Secretary.

3. Lack of Annual Governance Audit

Review of records at the Company relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

It was therefore not possible to confirm the level of adherence to applicable laws, rules, regulations, and policies of the company.

Management explained that the difference between the actual system losses of 23.95% and the allowed system losses of 19.9% is borne by the Company without any billing impact to the customers/consumers. This loss has, however, been persistent for the last four years.

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 2 to 3 is consistent with the financial statements.

(ii) In my opinion, the auditable part of the Directors' remuneration report on pages 5 to 7 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 control, 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 to 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

27 October, 2022

THE KENYA POWER AND LIGHTING COMPANY PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 Shs'000	2021 Shs'000
Revenue from contracts with customers	7(a)	157,353,254	144,119,605
Cost of sales	8	(115,208,040)	(94,220,014)
Gross profit		42,145,214	49,899,591
Net operating expenses			
Network management	9(a)	(10,441,316)	(10,237,382)
Commercial services	9(b)	(5,066,810)	(5,765,298)
Administration	9(c)	(23,350,038)	(23,503,895)
Expected credit losses on financial assets	9(d)	831,917	(354,190)
		(38,026,247)	(39,860,765)
Operating income		4,118,967	10,038,826
Other income	7(c)	13,295,842	7,046,092
Operating profit		17,414,809	17,084,918
Finance income	11(a)	396,940	162,862
Finance costs	11(b)	(12,688,196)	(9,050,124)
Profit before income tax		5,123,553	8,197,656
Income tax expense	13(a)	(1,619,264)	(6,707,968)
Profit for the year		3,504,289	1,489,688
Basic and diluted earnings per share (Shs)	14	1.80	0.76

	Notes	2022 Shs'000	2021 Shs'000
Profit for the year		3,504,289	1,489,688
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of the retirement benefit asset	32	(723,261)	870,510
Remeasurement of the gratuity arrangement	33(c)	10,639	254,425
Deferred income tax relating to remeasurement of the retirement benefit asset and gratuity arrangement	27	213,786	(337,481)
Other comprehensive income, net of taxes		(498,836)	787,454
Total comprehensive income for the year		3,005,453	2,277,142

THE KENYA POWER AND LIGHTING COMPANY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

ASSETS	Notes	2022 Shs'000	2021 Shs'000
Non-current assets			
Property and equipment	16	272,335,824	277,305,389
Leasehold land	17	626,422	641,286
Intangible assets	18	613,312	1,480,429
Retirement benefit asset	32	511,652	1,290,133
Right of use asset	19	934,571	1,082,959
		275,021,781	281,800,196
Current assets			
Inventories	20	6,316,243	5,895,766
Trade and other receivables	21(a)	40,295,197	37,454,287
Current income tax	13(c)	139,758	49,494
Short-term deposits	22(a)	474,815	460,060
Bank and cash balances	22(b)	7,461,005	5,546,861
		54,687,018	49,406,468
TOTAL ASSETS		329,708,799	331,206,664
EQUITY AND LIABILITIES			
Equity attributable to owners			
Ordinary share capital	23	4,878,667	4,878,667
Share premium	24	22,021,219	22,021,219
Retained earnings	25	33,279,508	30,274,055
TOTAL EQUITY		60,179,394	57,173,941
Non-current liabilities			
Deferred income tax	27	28,774,025	27,514,730
Deferred income	26	11,131,733	11,187,465
Trade and other payables	28(a)	31,823,137	28,317,338
Lease liabilities	29	661,950	836,749
Borrowings	30	86,664,395	90,247,806
Preference shares	31	43,000	43,000
		159,098,240	158,147,088
Current liabilities			
Trade and other payables	28(b)	87,508,583	91,522,034
Deferred income	26	3,693,124	3,155,068
Provisions	33	983,367	821,443
Lease liabilities	29	304,413	279,472
Borrowings	30	17,183,508	15,719,021
Dividends payable	34	758,170	793,383
Overdraft	22(b)	-	3,595,214
		110,431,165	115,885,635
TOTAL EQUITY AND LIABILITIES		329,708,799	331,206,664

The financial statements on pages 12 to 82 were approved and authorised for issue by the Board of Directors on 27/10/ 2022 and were signed on its behalf by:

Vivienne Yeda	Mr. Kairo Thuo	Eng. Geoffrey Muli
Chairman, Board	Chairman, Audit Committee	Ag. MD

THE KENYA POWER AND LIGHTING COMPANY PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary share capital (Note 23) Shs'000	Share premium (Note 24) Shs'000	Retained earnings (Note 25) Shs'000	Total Shs'000
Year ended 30 June 2021				
Balance at 1 July 2020	4,878,667	22,021,219	27,996,913	54,896,799
Profit for the year	-	-	1,489,688	1,489,688
Other comprehensive income	-	-	787,454	787,454
Total comprehensive income for the year	-	-	2,277,142	2,277,142
At 30 June 2021	4,878,667	22,021,219	30,274,055	57,173,941
Year ended 30 June 2022				
Balance at 1 July 2021	4,878,667	22,021,219	30,274,055	57,173,941
Profit for the year	-	-	3,504,289	3,504,289
Other comprehensive income	-	-	(498,836)	(498,836)
Total comprehensive income for the year	-	-	3,005,453	3,005,453
At 30 June 2022	4,878,667	22,021,219	33,279,508	60,179,394

THE KENYA POWER AND LIGHTING COMPANY PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

Cash flows from operating activities	Notes	2022 Shs '000	2021 Shs '000
Cash generated from operations	36(a)	32,995,203	38,967,119
Income tax paid	13(c)	(236,447)	(74,747)
Interest received	36(g)	398,708	163,493
Gratuity paid	33(c)	(178,148)	(66,846)
Repayment of interest portion of lease liabilities	29	(125,143)	(145,469)
Interest paid	36(d)	(4,303,420)	(5,353,748)
Net cash flows generated from operating activities		28,550,753	33,489,802
Cash flows from investing activities			
Purchase of property and equipment	36(h)	(12,275,327)	(18,031,630)
Purchase of intangible assets	18	-	(250,818)
Prepayment of lease relating to leasehold land	17	(11,000)	-
Proceeds from disposal of property and equipment	36(e)	34,681	52,955
Net cash flows used in investing activities		(12,251,646)	(18,229,493)
Cash flows from financing activities			
Repayment of borrowings	36(b)	(15,050,964)	(21,286,356)
Proceeds from borrowings	36(b)	1,009,123	8,520,774
Repayment of principal portion of lease liabilities	29	(294,907)	(337,708)
Dividends paid to owners of the Company	36(f)	(37,143)	(14,769)
Net cash flows used in financing activities		(14,373,891)	(13,118,059)
Net increase in cash and cash equivalents		1,925,216	2,142,250
Cash and cash equivalents at the beginning of year		6,053,333	3,908,481
Effect of foreign exchange rate changes on cash and cash equivalents		102,719	2,602
Cash and cash equivalents at end of year	36(c)	8,081,268	6,053,333

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

For the year ended 30 June 2022, the Company recorded profit before tax of Shs 5,124 million (2022: Shs 8,198 million) and generated positive cash flows from operations of Shs 28,551 million (2021: Shs 32,466 million). However, the Company had a net current liability position of Shs 55,744 million as at 30 June 2022 (2021: Shs 66,479 million). The Company has also had to seek for loan repayment moratoria and waivers for borrowing agreement covenant breaches for some borrowings. However, no lender has requested an early repayment of the borrowings, and this is expected to continue being the case. Historically, the funders have been supportive of the Company by allowing to grant loan repayment moratoria and waivers for borrowing agreement covenant breaches. The directors consider that this represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern should the Company not be able to:

- Generate sufficient cashflows from operations to meet its obligations to its creditors when these obligations are due for payment given that there is overreliance on operating cashflows to finance debt repayments and capital expenditure. In addition, the plans to improve financial performance as forecasted require additional funding for capital expenditure to expand, improve and maintain the network. The Company's ability to repay trade creditors is also critical in ensuring continued availability of supplies and services from the creditors which is necessary for continued operation of the Company.

- Obtain Government and/or shareholder financial support as and when required e.g., through guaranteeing commercial loans and funding from on-lent loans or equity; providing the required approvals to mobilise funding from other sources; and supporting the Company to obtain moratoria and covenant breach waivers for existing loan obligations.

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

- Comply with loan repayment obligations and borrowing agreement covenants and in case of non-compliance, failing to obtain lenders' approval of the debt repayment moratoria or debt restructuring and borrowing agreement covenant breach waivers. In the absence of waivers, breach of loan repayment obligations and covenants that are not rectified within the time specified in the respective agreements, as applicable, would cause an event of default under the loan agreements. Unless covenant breach waivers and loan repayment moratoria are obtained, the debt may be called due which could materially impact the ability of the Company to meet debt repayment obligations and fund operations and critical capital expenditure. Although the Company has a history of negotiating covenant waivers and repayment moratoria, assessing the likely scale of debt repayment and covenant breaches and whether the waivers and repayment moratoria necessary to avoid the immediate repayment of debt will be forthcoming, is uncertain.

Despite the above and the challenging operating environment, the Company has made strides in improving its financial performance and continues to receive support from its major stakeholders including key suppliers, financial institutions and the Government. The Board and management expect that the ongoing initiatives and support from key stakeholders will strengthen the Company's financial position and improve its performance.

Whilst the Company remains in a net current liability position, this has improved in the current year as a result of the financial recovery initiatives undertaken by the Board and management.

To drive this financial recovery, the Company outlined the major areas of focus which included: enhancing system efficiency (loss reduction), growing sales, intensified revenue collection, cost management and improving working capital as well as debt restructuring. These recovery measures are further discussed below.

(i) Financial performance

The operating performance of the Company has declined from profit before tax of Shs 8,198 million for the year ended 30 June 2021 to Shs 5,124 million for the year ended 30 June 2022. This was mainly driven by increased finance costs in the current year. The directors and management expect that with reduced debt burden going forward, the financing costs will decrease. Finance costs have increased in the current year to Shs 12,688 million from Shs 9,050 million in the previous year due to depreciation of the Kenya Shilling against the US Dollar and the Euro.

(ii) System efficiency (Loss reduction)

Intensified war on losses especially commercial losses through enhanced field operations to inspect meters, curtail illegal connections and replacement of faulty meters. The use of live line technology in network maintenance is reducing planned and unplanned outages. There was a gradual improvement of the efficiency level by 1.5% in the current financial year owing to the focus in addressing commercial losses. This was through recovery of lost units, removal of illegal connections and replacement of faulty meters.

(iii) Financial Position - Working capital and cash position

The Company's working capital position remains adverse at a negative working capital position of Shs 55,744 million as at 30 June 2022. This has however improved by Shs 10,735 million from a negative working capital position of Shs 66,479 million as at 30 June 2021. The improved working capital position is as a result of the following measures:

- Improved level of monthly billing due to growth in sales and collection of electricity receivables as well as intensified installation inspection and long outstanding debt collection activities.
- The Company has obtained an extension of on-lent debt repayment moratorium approved by the National Treasury amounting to Shs 25,120 million to 30 June 2024.
- Expected continued support from the Government in collection of overdue electricity debt from County governments and National Government departments and entities.

3. BASIS OF PREPARATION (continued)

(b) Going concern assessment (continued)

(iv) Sales growth and peak demand

Sales growth
The units sold increased from 8,571 GWh in 2021 to 9,163 GWh in 2022 which translates to an increase in revenue of Shs 13 billion. This increase is attributable to new connections, revenue protection activities, smart meter installations coupled with opening up of the economy following easing of the Covid 19 pandemic. However, in January 2022, there was a reduction of the end user tariff by 15% resulting in reduction of gross margin.

Peak demand
Peak demand increased following the full recovery of demand from the impact of the Covid-19 pandemic. This was also boosted by the increased activity in infrastructure development driving up demand for cement and other construction material whose production is energy intensive.

(v) Commercial debt refinancing

The Company aims at leveraging on the debt repayment moratorium by the Government to 30 June 2024 as well as the combined effect of the other financial recovery initiatives, to restructure its commercial debt with a view to achieving the following objectives:

- Sustainable annual debt service
- Improved net cash position and working capital
- Improved financial ratios
- The increased availability of cash from the extended debt tenors, and lower finance cost obligations resulting from negotiating lower interest rates on existing debt facilities, will be used to accelerate payment of outstanding trade payables.

(vi) Other financial recovery initiatives

To address the declining financial performance as well as the uncertainty on the Company's going concern status, the Company's management undertook a review of the Company's investment and financial decisions over a six-year period with a view to determining the root cause of the declining financial position. The findings and recommendations of this initiative were submitted to the Ministry of Energy and subsequently to the National Treasury. This culminated in the setting-up of a taskforce chaired by National Treasury and comprising of the electricity sub-sector entities as well as the Ministry of Energy and the regulator (EPRA).

The taskforce made recommendations, some of which have been implemented including the granting of on-lent loan repayment moratorium to sector entities and the partial payment of the Rural Electrification schemes deficit to KPLC.

Preparation of financial statements on a going concern basis

The Company's management and directors confirm their commitment to the stated initiatives that will support business continuity including delivery of services to the Company's customers. For these reasons, management and the directors continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

2. BASIS OF PREPARATION (continued)

(a) 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 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective. A list of the standards and amendments is below:

Effective for annual periods beginning on or after 1 January 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Effective for annual periods beginning on or after 1 April 2021
- COVID-19-Related Rent Concessions beyond 30 June 2021-Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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:

Effective for annual periods beginning on or after 1 January 2022
- Reference to the conceptual framework -Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

Effective for annual periods beginning on or after 1 January 2023
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1*
- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

** In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.*

To be determined
- Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

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 the consumer and business customers cover the electricity sales. There is only one performance obligation, which is to stand-ready to supply electricity to the customer. The transaction price generally includes both a fixed monthly fee and a variable fee that depends on the customer tariff category as determined by the Energy and Petroleum Regulatory Authority (EPRA). The fixed and variable components are 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. Unbilled 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 charge 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

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognised and charged to the consumers of power to recover the losses in the foreign exchange rates. The net foreign currency costs 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 ERC's target loss factor in transmission and distribution. For the year ended 30 June 2022, the target loss factor was 19.9% (2021: 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 2022) data to obtain the revenue to be deferred.

(b) Other income

(i) Finance revenue

Finance revenue comprises interest receivable from bank deposits 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Other income (continued)

(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 leasing the transmission lines 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 and invoiced by suppliers.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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	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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

Company as a lessee (continued)

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.

(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 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

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. 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 (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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Financial assets (continued)

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Impairment of financial assets (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of transmission and distribution lines (continued)

(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

(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 the Energy Sector Recovery Project, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Recharge of costs to Rural Electrification Scheme (continued)

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.

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 being significant in the current period when they 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.

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

(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.

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 2022 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 2022 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.

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

(b) Key sources of estimation uncertainty (continued)

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).

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.

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.

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	(63,364,422)	(20,737,447)	(20,737,447)	(10,368,724)	(115,208,040)
Operating expenses	(14,247,394)	(11,432,364)	(4,847,487)	(7,499,002)	(38,026,247)
Other income	6,441,794	2,798,108	2,261,733	1,794,207	13,295,842
Operating profit	1,436,208	945,013	4,628,902	10,404,686	17,414,809
Finance income					396,940
Finance costs					(12,688,196)
Income tax expense					(1,619,264)
Profit for the year					3,504,289
Assets	101,508,600	121,614,515	42,533,504	64,052,180	329,708,799
Liabilities	130,227,406	59,323,530	46,494,678	33,483,791	269,529,405
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	5,014,384	2,296,399	2,803,260	17,634,460

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.

2021	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	67,822,450	26,915,170	25,326,684	24,055,301	144,119,605
Energy purchases	(51,821,009)	(16,959,602)	(16,959,602)	(8,479,801)	(94,220,014)
Operating expenses	(14,887,664)	(12,254,335)	(5,285,485)	(7,433,281)	(39,860,765)
Other income	2,826,008	1,771,657	1,027,603	1,420,824	7,046,092
Operating profit	3,939,785	(527,110)	4,109,200	9,563,043	17,084,918
Interest income					162,862
Finance costs					(9,050,124)
Income tax credit					(6,707,968)
Loss for the year					1,489,688
Assets	108,288,770	114,832,680	44,230,433	63,854,781	331,206,664
Liabilities	135,097,854	60,340,518	46,901,821	31,692,530	274,032,723
Capital expenditure (including intangible assets)	10,221,545	3,580,120	3,190,047	1,670,192	18,661,904
Depreciation/amortisation	7,996,205	5,008,536	2,407,705	2,805,997	18,218,443

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:

2022	Land and buildings* Shs'000	Lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment and other Shs'000	Intangible assets Shs'000	Total Shs'000
Transmission	417,654	19,752,418	1,540	-	-	-	20,171,612
Distribution	11,100,603	201,786,801	901,332	1,780,950	14,205,649	613,312	230,388,647
Total	11,518,257	221,539,219	902,872	1,780,950	14,205,649	613,312	250,560,259
2021							
Transmission	463,958	20,879,480	1,956	-	-	-	21,345,394
Distribution	10,950,661	203,673,670	897,083	1,469,086	15,015,077	1,480,429	233,486,006
Total	11,414,619	224,553,150	899,039	1,469,086	15,015,077	1,480,429	254,831,400

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

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.

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:

30 June 2022	Notes	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Electricity receivables	21(a)	27,301,840	(14,995,708)	12,306,132
Prepaid fixed charge receivable		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
30 June 2021				
Electricity receivables	21(a)	29,668,163	(15,880,115)	13,788,048
Prepaid fixed charge receivable	21(a)	2,652,279	(2,652,279)	-
Other receivables		26,528,689	(5,352,123)	21,176,566
Short-term deposits	22(a)	466,784	(6,724)	460,060
Bank balances	22(b)	5,585,691	(39,688)	5,546,003
		64,901,606	(23,930,929)	40,970,677

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.

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	2022 Shs'000
Electricity receivables	10,796,085	2,117,631	14,388,124	27,301,840
Prepaid fixed charge receivable	-	-	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

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

Total exposure at 30 June (continued)

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2021 Shs '000
Electricity receivables	11,739,564	3,384,968	14,543,631	29,668,163
Prepaid fixed charge receivables	-	-	2,652,279	2,652,279
Other receivables	6,245,745	684,180	19,598,764	26,528,689
Short term deposits	466,784	-	-	466,784
Bank balances	5,585,691	-	-	5,585,691
Total	24,037,784	4,069,148	36,794,674	64,901,606

Total impairment at 30 June

	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
Electricity receivables	595,405	1,494,960	13,789,750	15,880,115
Prepaid fixed charge receivables	-	-	2,652,279	2,652,279
Other receivables	1,296,228	552,459	3,503,436	5,352,123
Short term deposits	6,724	-	-	6,724
Bank balances	39,688	-	-	39,688
Total	1,938,045	2,047,419	19,945,465	23,930,929

Expected credit loss rate at:	0-30 days	31-90 days	>90 days
30 June 2022	5%	43%	94%
30 June 2021	5%	44%	95%

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.

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.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

Management of electricity receivables (continued)

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 2022 was Shs 14,996 million (2021: Shs 15,880 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 debt collectors
- focus on early identification and letters of demand higher security deposits

(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.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity risk (continued)

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	Less than 3 months Shs'000	3 -12 months Shs'000	1-5 Years Shs'000	>5 years Shs'000	Total Shs'000
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
At 30 June 2021						
Borrowings	-	3,595,214	15,943,096	49,281,231	64,943,609	133,763,150
Trade and other payables	-	54,021,814	26,802,612	1,932,394	13,679,572	96,436,392
Lease liabilities	-	-	279,472	1,187,035	553,006	2,019,513
Dividends payable	793,383	-	-	-	-	793,383
	793,383	57,617,028	43,025,180	52,400,660	79,176,187	233,012,438

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.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(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 2022			
US$	+/-3%	+/- 9,808	+/- 6,865
Euro	+/-1%	+/- 103	+/- 72
Year 2021			
US$	+/-1%	+/-6,865	+/-4,806
Euro	+/-3%	+/- 72	+/- 50

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.

(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.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(c) Market risk (continued)

(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.

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
2022			
	1%	962,603	673,822
	5%	4,813,017	3,369,112
2021			
	1%	1,010,507	707,355
	5%	5,052,533	3,536,773

The assumed movement in interest rate is based on the currently observable market environment.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(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 2022 and 30 June 2021.

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.

	2022 Shs' million	2021 Shs' million
Interest-bearing loans and borrowings (Note 36 (b))	103,848	109,562
Cash and cash equivalents (Note 36 (b))	(7,936)	(6,007)
Net debt	95,912	103,555
Equity	59,499	57,174
Gearing ratio	161%	181%

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 2022 and 30 June 2021.

(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.

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

	2022 Shs'000	2021 Shs'000
Electricity sales*		
• Post-paid	107,206,265	106,632,288
• Prepaid	19,666,579	20,578,339
Foreign exchange adjustment	7,322,584	6,333,065
Fuel cost charge	24,446,580	11,859,696
	158,642,008	145,403,388
Revenue apportioned to RES**	(1,288,754)	(1,283,783)
	157,353,254	144,119,605

*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:

	2022 GWh	2021 GWh
Type of customers		
Domestic	3,166	3,066
Small Commercial	1,670	1,508
Commercial and Industrial	4,864	4,527
Street Lighting	97	85
Exports	16	17
	9,813	9,203
Less:		
RES unit sales	(650)	(632)
KPLC unit sales	9,163	8,571

(c) Other income

	2022 Shs'000	2021 Shs'000
GOK support for 15% tariff reduction	7,050,000	-
Amortisation of capital contribution (Note 26)	3,807,714	4,769,069
Fibre optic leases	700,767	643,021
Miscellaneous sales	637,950	744,788
Transmission line maintenance revenue	18,834	15,023
Capital contribution- KPLC last mile	193,889	223,473
Reconnection charges	779,663	552,514
Rent	107,025	98,204
	13,295,842	7,046,092

8. COST OF SALES

	2022 Shs'000	2021 Shs'000
Non-fuel costs (8 (a))	79,647,754	76,037,298
Foreign exchange costs	9,072,591	6,998,524
Fuel costs (8 (b))	26,487,695	11,184,192
	115,208,040	94,220,014

(a) Non-fuel costs

The basic power purchase costs according to source/ power producer were as follows:

	2022 Shs'000	2021 Shs'000
KenGen*	38,739,502	41,142,194
Lake Turkana Wind Power	17,231,081	17,337,239
OrPower 4 Inc.	11,740,550	11,895,495
Kipeto Energy Plc	5,793,260	1,137,969
Uganda Electricity Transmission Company Limited	3,792,858	2,095,162
Rabai Power Limited	3,151,387	2,948,796
Triumph Power Generating Company Limited	3,005,440	2,621,272
Thika Power Limited	2,518,155	2,394,759
Gulf Power Limited	2,281,186	2,207,283
Iberafrica Power (E.A.) Company Limited	1,923,130	1,765,089
Cedate	1,300,574	-
Selenkei Solar Farm	1,275,094	14,473
Malindi	713,995	-
Garissa Solar Power Plant	513,447	515,181
Tsavo Power Company Limited	442,752	2,478,619
Gura	178,052	97,832
Regen-Terem	166,247	223,630
Metumi Power Plant	105,804	118,221
Ethiopia Electric Utility	92,776	108,912
Hydro Project Services Peters	24,072	4,098
Power Technology Solutions Limited	10,102	19,221
Chania Power Limited	7,978	10,535
Biojoule Kenya Limited	4,383	3,599
Imenti Tea Factory	1,045	2,741
Strathmore University	641	1,195
	95,013,511	89,143,515
Less:		
Foreign exchange surcharge	(9,072,591)	(6,998,524)
Recharged to RES	(6,293,166)	(6,107,693)
	79,647,754	76,037,298

KenGen*- included in Non-fuel costs for KenGen are Capacity charges totalling to Shs 25,064 million (2021: Shs 26,883 million), Steam charges totalling 5,017 million (2021: 5,226 million), Energy charges totalling Shs 8,021 million (2021: Shs 7,771 million) and foreign exchange costs totalling Shs 802 million (2021: Shs 1,262 million).

8. COST OF SALES (continued)

(b) Fuel costs

	2022 Shs'000	2021 Shs'000
KenGen	9,664,443	3,662,996
Rabai Power Limited	7,369,065	2,386,223
Thika Power Limited	3,259,748	1,024,007
Iberafrica Power (E.A.) Company Limited	1,359,461	504,868
Tsavo Power Company Limited	597,293	1,604,704
Off grid power stations	3,772,310	2,287,744
Gulf Power Limited	1,288,634	294,349
Triumph Power Generating Company Limited	1,055,583	241,953
	28,366,537	12,006,844
Less:		
Recharged to RES	(1,878,842)	(822,652)
	26,487,695	11,184,192

The fuel cost is a pass though cost. During the year a recovery of Shs 24,447 million (2021: Shs 11,860 million) was made.

(c) Units purchased

Analysis of interconnected power purchases by utility source in gigawatt-hours (GWh) is as follows:

	2022 GWh	2021 GWh
KenGen	7,911	8,443
Lake Turkana Wind Power	1,573	1,559
OrPower 4 Inc	976	981
Rabai Power Limited	502	266
Kipeto Energy Plc	426	88
Uganda Electricity Transmission Company Limited	332	192
Thika Power Limited	211	93
Cedate	88	-
Selenkei Solar Farm	88	1
Iberafrica Power (E.A.) Company Limited	86	45
Garissa Solar Power Plant	82	86
Gulf Power Limited	81	21
Off grid power stations	71	65
Triumph Power Generating Company Limited	69	22
Malindi	54	-
Tsavo Power Company Limited	48	183
Gura	20	11
Regen-Terem	15	22
Metumi Power Plant	10	14
Ethiopia Electric Utility	5	5
Hydro Project Services Peters	2	-
Power Technology Solutions Limited	1	2
Others	1	1
Imenti Tea Factory	1	-
Chania Power Limited	-	1
	12,653	12,101
Less:		
Recharged to RES	(838)	(826)
	11,815	11,275

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:

	2022 GWh	2021 GWh
Geothermal	4,953	5,034
Hydro	3,349	4,142
Wind	2,052	1,700
Thermal	1,577	940
Net imports	338	197
Others	384	88
	12,653	12,101
Less:		
Recharged to RES	(838)	(826)
	11,815	11,275

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.

9. NET OPERATING EXPENSES

(a) Network management

	2022 Shs'000	2021 Shs'000
Salaries and wages	4,828,016	4,713,531
Depreciation of property and equipment	5,154,103	5,012,890
Impairment loss on WIP	45,761	205,561
Wheeling charges - Ketraco*	2,668,667	2,668,667
Loss on disposal of fixed assets	716,408	777,169
Consumable goods	326,352	216,807
Staff welfare	171,051	204,598
Transport and travelling	(98,770)	(181,753)
Office expenses	534	118
Other costs	1,099,113	813,451
Net recharge of distribution and transmission costs to RES	(4,469,919)	(4,193,657)
	10,441,316	10,237,382

* 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.

9. NET OPERATING EXPENSES (continued)

	2022 Shs'000	2021 Shs'000
(b) Commercial services		
Salaries and wages	3,909,495	4,044,577
Depreciation of property and equipment	3,627,368	3,962,642
Advertising and public relations	27,041	28
Staff welfare	90,690	115,406
Transport and travelling	44,920	52,795
Consumable goods	1,935	2,523
Office expenses	102	2,132
Other costs	282,645	66,902
Net recharge of customer service costs to RES	(2,917,386)	(2,481,707)
	5,066,810	5,765,298

	2022 Shs'000	2021 Shs'000
(c) Administration		
Salaries and wages	7,303,524	7,955,769
Depreciation of property and equipment	7,666,763	7,734,247
Staff welfare	1,406,329	1,178,309
Depreciation- ROU asset (Note 19)	293,246	331,808
Amortisation of intangible assets (Notes 18, 36 (a))	867,117	1,151,128
Amortisation of operating lease prepayment (Notes 17,36 (a))	25,864	25,728
Repairs and maintenance	40,118	1,270,808
Security and surveillance	845,927	845,826
Transport and travelling	276,435	261,723
Office expenses	109,278	114,019
Other financial expenses*	2,800,672	1,186,799
Licenses	395,638	235,303
Insurance	434,482	279,807
Public relations	30,334	46,497
Company electricity expenses	154,654	181,750
Training expenses and consumer services	95,943	46,939
Other consumable goods	186,263	163,240
Movement in leave obligation (Note 33 (a))	91,493	(167,351)
Movement in gratuity provision ((Note 33 (c))	268,179	264,767
Movement in leave allowance provision ((Note 33 (b))	(8,961)	10,741
Consultancy fees	54,011	33,375
Directors' emoluments	28,165	30,822
Auditor's remuneration	23,791	22,319
Other Directors' expenses	8,580	16,198
Allowance for inventories (Note 20)	(400,249)	(188,853)
Expense relating to leases of low-value assets (Note 19)	20,000	15,903
Other costs**	1,507,881	1,452,406
Retirement benefit plan debits (Note 32)	55,221	107,705
	24,580,698	24,607,732
Recharge of administration costs to RES***	(1,230,660)	(1,103,837)
	23,350,038	23,503,895

*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	2022 Shs'000	2021 Shs'000
Provision for electricity debtors (Note 21(c))	(884,407)	308,349
Provision for other receivables, bank deposits and bank balances and guarantees	118,610	119,658
Writeback of provisions for prepaid fixed charge (Note 21(c))	(66,120)	(73,817)
Movement in expected credit losses	(831,917)	354,190

10. EMPLOYEE BENEFITS

Salaries and wages	16,399,938	16,980,976
Recharge of capital works supervision to capital jobs*	(1,190,602)	(1,169,032)
NSSF employer contributions	23,900	24,572
Pension costs - defined contribution	807,800	877,361
Salaries and wages	16,041,036	16,713,877
Pension credit - defined benefit scheme (Note 32)	55,221	107,705
	16,096,257	16,821,582
Movement in leave pay provision (Note 33 (a))	91,493	(167,351)
Movement in gratuity and leave allowance provisions (Note 33 (b) and Note 33 (c))	259,218	275,508
	16,446,968	16,929,739

* Recharge of recurrent expenditure to capital jobs relates to the labour and transport costs incurred by staff on capital jobs.

11 NET FINANCE COSTS

	2022 Shs'000	2021 Shs'000
(a) Finance income		
Interest income on bank and other deposits (Note 36 (g))	396,940	162,862
(b) Finance costs		
Interest incurred on:		
• Loans	(5,190,066)	(5,842,818)
• Bank overdrafts	(80,561)	(490,715)
• Lease liabilities (Note 29)	(125,143)	(145,469)
Unrealised foreign exchange differences on loans*	(6,577,066)	(1,682,612)
Interest on late payment of invoices	(680,723)	(773,330)
Time value of money of RES receivable (Note 21 (a))	(32,707)	(113,250)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(12,688,196)	(9,050,124)

* Finance costs include unrealised foreign exchange losses Shs 6,577 million (2021: Shs 1,683 million) arising from the depreciation of the Shilling against the USD and EURO in which some of the loans are denominated in.

12. EXPENSES BY NATURE

The profit before income tax is arrived at after charging/(crediting):

	2022 Shs'000	2021 Shs'000
Employee benefits (Note 10)	16,446,968	16,929,739
Depreciation of property and equipment (Note 16)	16,448,233	16,709,779
Impairment loss on WIP (Note 16)	45,761	205,561
Finance costs (Note 11(b))	12,688,196	9,050,124
Expected credit losses on financial assets (Note 9 (d))	(831,917)	354,190
Amortisation of intangible assets (Note 18)	867,117	1,151,128
Loss on disposal of property and equipment (Note 36 (e))	(716,217)	(773,805)
Loss on retirement of right of use (ROU) assets (Note 36 (e))	(191)	(3,364)
Movement in leave provision (Note 33 (a))	91,493	(167,351)
Movement in gratuity provision ((Note 33 (c))	268,179	264,767
Movement in leave allowance provision ((Note 33 (b))	(8,961)	10,741
Amortisation of leasehold land (Note 17)	25,864	25,728
Directors' emoluments:		
- Fees (Note 37 c (ii))	4,632	4,800
- Other (Note 37 c (ii))	10,213	26,022
Other Directors' expenses	8,580	16,198
Auditor's remuneration (Note 9 (c))	23,791	22,319
Movement in provision for inventories (Note 20)	(400,249)	(188,853)
Retirement benefit debit (Note 32)	55,221	107,705

13. (a) INCOME TAX EXPENSE

	2022 Shs'000	2021 Shs'000
Statement of profit or loss		
Income tax:		
Current income tax (Note 13 (c))	146,183	121,524
Deferred income tax:		
Adjustment in respect of deferred tax for previous year (Note 27)	-	350
Movement for the year (Note 27)	1,473,081	6,586,094
Tax charge	1,619,264	6,707,968

13. (b) RECONCILIATION OF INCOME TAX EXPENSE

Reconciliation of the income tax expense and the accounting profit multiplied by the statutory income tax rate for 2022 and 2021:

	2022 Shs'000	2021 Shs'000
Profit before income tax	5,123,553	8,197,656
Tax calculated at the statutory income tax rate of 30% (2021: 27.5%)	1,537,066	2,254,355
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	82,198	129,376
Effect of tax rate changes (Note 27)	-	4,323,887
Prior year under provision for deferred tax (Note 27)	-	350
Income tax expense	**1,619,264**	**6,707,968**

(c) CURRENT INCOME TAX RECOVERABLE

	2022 Shs'000	2021 Shs'000
At start of year	49,494	96,271
Tax paid	236,447	74,747
Tax charge (Note 13 (a))	(146,183)	(121,524)
At end of year	139,758	49,494

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 2022 and 2021. 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:

	2022 Shs'000	2021 Shs'000
Profit for the year attributable to owners of the Company	3,504,289	1,489,688

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:

	2022	2021
Weighted average number of ordinary shares for the purpose of basic and 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.

	2022	2021
Basic earnings per share (Shs)	1.80	0.76
Diluted earnings per share (Shs)	1.80	0.76

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 30 November 2022, the Directors will not recommend the payment of dividend in respect of the year ended 30 June 2022 (2021: Nil)

16. PROPERTY AND EQUIPMENT

2022	Freehold land and 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 2021	12,825,879	33,847,814	265,862,612	1,218,773	7,627,752	56,540,855	24,801,265	402,724,950
Work in progress additions	-	-	-	-	-	-	12,275,327	12,275,327
Transfers from work in progress	474,625	37,122	8,484,254	60,355	670,114	4,083,501	(13,809,971)	-
Retirements	(15,988)	-	(1,321,693)	-	-	-	-	(1,337,681)
At 30 June 2022	13,284,516	33,884,936	273,025,173	1,279,128	8,297,866	60,624,356	23,266,621	413,662,596
Depreciation								
At 1 July 2021	2,052,546	12,968,334	62,188,942	319,734	6,158,666	41,525,778	205,561	125,419,561
Charge for the year	341,582	1,164,184	9,634,766	56,522	358,250	4,892,929	-	16,448,233
Impairment loss*	-	-	-	-	-	-	45,761	45,761
Retirements	(1,447)	-	(585,336)	-	-	-	-	(586,783)
At 30 June 2022	2,392,681	14,132,518	71,238,372	376,256	6,516,916	46,418,707	251,322	141,326,772
Net book value								
At 30 June 2022	10,891,835	19,752,418	201,786,801	902,872	1,780,950	14,205,649	23,015,299	272,335,824

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 property and equipment at 30 June 2022 are assets with a gross value of Shs 48,124,430,413 (2021: Shs 39,342,277,227) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been Shs 8,943,576,940 (2021 Shs 6,987,367,825)

16. PROPERTY AND EQUIPMENT (continued)

2021	Freehold land and 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 2020	11,895,250	33,006,298	259,602,043	1,203,888	7,771,215	51,459,083	21,045,925	385,983,702
Work in progress additions	-	-	-	-	-	-	18,187,585	18,187,585
Transfers from work in progress	930,629	841,516	7,563,443	14,885	-	5,081,772	(14,432,245)	-
Retirements/disposals	-	-	(1,302,874)	-	(143,463)	-	-	(1,446,337)
At 30 June 2021	12,825,879	33,847,814	265,862,612	1,218,773	7,627,752	56,540,855	24,801,265	402,724,950
Depreciation								
At 1 July 2020	1,740,621	11,824,825	53,292,448	264,671	5,867,375	36,133,858	-	109,123,798
Charge for the year	311,925	1,143,509	9,386,954	55,063	420,408	5,391,920	-	16,709,779
Impairment loss*	-	-	-	-	-	-	205,561	205,561
Retirements/disposals	-	-	(490,460)	-	(129,117)	-	-	(619,577)
At 30 June 2021	2,052,546	12,968,334	62,188,942	319,734	6,158,666	41,525,778	205,561	125,419,561
Net book value								
At 30 June 2021	10,773,333	20,879,480	203,673,670	899,039	1,469,086	15,015,077	24,595,704	277,305,389

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.

17. LEASEHOLD LAND

	2022 Shs'000	2021 Shs'000
Cost		
At start of year	765,900	765,900
Additions	11,000	-
Disposal	-	-
At end of year	776,900	765,900
Amortisation		
At start of year	(124,614)	(98,886)
Charge for the year	(25,864)	(25,728)
Charge on disposals	-	-
At end of year	(150,478)	(124,614)
Net book value	626,422	641,286

18. INTANGIBLE ASSETS

	2022 Shs'000	2021 Shs'000
Cost		
At start of year	8,087,672	7,836,854
Additions	-	250,818
Disposal	-	-
At end of year	8,087,672	8,087,672
Amortisation		
At start of year	(6,607,243)	(5,456,115)
Charge for the year	(867,117)	(1,151,128)
Charge on disposals	-	-
At end of year	(7,474,360)	(6,607,243)
Net book value	613,312	1,480,429

19. RIGHT-OF-USE (ROU) ASSET

	2022 Shs'000	2021 Shs'000
Cost		
Balance on adoption of IFRS 16	-	-
At start of year	1,653,047	1,479,867
Additions	145,049	223,501
Retirements	(142,477)	(50,321)
At end of year	1,655,619	1,653,047
Depreciation		
At start of year	(570,088)	(285,237)
Charge for the year	(293,246)	(331,808)
Charge on retirements	142,286	46,957
At end of year	(721,048)	(570,088)
Net book value	934,571	1,082,959

19. RIGHT-OF-USE (ROU) ASSET (continued)

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:

	2022 Shs '000	2021 Shs '000
Depreciation expense of right-of-use assets (Note 9 (c))	293,246	331,808
Interest expense on lease liabilities (Note 29)	125,143	145,469
Expense relating to leases of low-value assets ((Note 9 (c))	20,000	15,903
	438,389	493,180

The Company had total cash outflows for leases of Shs 420,050,000 in 2022 (2021: Shs 483,178,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of Shs 145,049,000 in 2022 (2021: Shs 223,501,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 41.

20. INVENTORIES

	2022 Shs'000	2021 Shs'000
General stores	4,162,332	4,194,456
Transformers	1,701,447	2,131,626
Conductors and cables	1,851,646	2,405,349
Metering accessories	837,283	12,466
Poles	166,033	493,204
Fuel and oil	810,762	271,669
Motor vehicle spares	99,866	100,319
Engineering spares	12,603	12,655
	9,641,972	9,621,744
Provision for impairment	(3,325,729)	(3,725,978)
	6,316,243	5,895,766

Movements in the provisions for inventories were as follows:

At start of year	(3,725,978)	(3,914,831)
Write back (Note 9 (c))*	400,249	188,853
At end of year	(3,325,729)	(3,725,978)

21. TRADE AND OTHER RECEIVABLES

(a) Current - Trade and other receivables	2022 Shs'000	2021 Shs'000
Electricity receivables (Note 21(b))	27,301,840	29,668,163
Receivable from Government of Kenya-RES recurrent losses****** (Note 37 (b) (ii))	19,355,163	18,738,621
RES - intercompany (Note 37 (b) (ii))	4,644,000	1,556,780
		-
Receivable from Government of Kenya**** (Note 37 (b) (ii) and Note 38)	296,549	8,549
VAT recoverable (Note 37 (b) (ii))	1,830,267	851,028
Due from KETRACO**	1,677,814	1,593,572
Staff receivables	583,553	751,476
Stima loan deferred payment customers *	228,821	218,219
Rural Electrification Authority current account (Note 37 (b) (ii))	248,564	248,564
GPOBA prepaid debtors***	771,419	803,128
Other *****	7,278,711	7,840,499
Gross trade and other receivables	64,216,701	62,278,599
Provision for credit losses (Note 21(c))	(22,949,002)	(23,884,517)
Impairment of RES receivable*******	(972,502)	(939,795)
Net trade and other receivables	40,295,197	37,454,287

Movement in impairment of RES receivable is as follows;

At start of year	939,795	826,545
Increase during year (Note 11 (b))	32,707	113,250
At end of year	972,502	939,795

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.

21. TRADE AND OTHER RECEIVABLES (continued)

(a) Current - Trade and other receivables (continued)

***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 771,419,000 (2021: Shs 803,128,000) 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.

****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 296,549,000 (2021: Shs 8,549,000) 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 150,000,000 as disbursements (2021: Shs 685,000,000) of which Shs 438,000,000 (2021: Shs 133,989,000) was fully utilized to improve electricity supply in off grid stations through supply of generators.

***** Mainly include non-commercial clients, prepaid fixed charge, Integrated Customer Service (ICS) debtors and last mile debtors. Included in other receivables is an amount of Shs 247,339,000 (2021: Shs 250,967,000) 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.

(b) Electricity receivables

	<30 days Shs'000	30-90 days Shs'000	>90 days Shs'000	Total Shs'000
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
2021				
Gross	11,739,564	3,384,968	14,543,631	29,668,163
Impairment	(595,405)	(1,494,960)	(13,789,750)	(15,880,115)
Net	11,144,159	1,890,008	753,881	13,788,048

Information about the credit exposure is disclosed in Note 6 (a).

21. TRADE AND OTHER RECEIVABLES (continued)

(c) 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
2022				
At start of year	(15,880,115)	(2,652,279)	(5,352,123)	(23,884,517)
Additional provision	-	-	(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)
2021				
At start of year	(15,495,920)	(2,726,096)	(5,237,657)	(23,459,673)
Additional provision (Note 9 (d))	(308,349)	-	(114,466)	(422,815)
Write back (Note 9 (d))	-	73,817	-	73,817
Write offs	(75,846)	-	-	(75,846)
At end of year (Note 21(a))	(15,880,115)	(2,652,279)	(5,352,123)	(23,884,517)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short-term deposits

	2022 Shs'000	2021 Shs'000
Housing Finance Company of Kenya Limited	484,782	464,172
The Co-operative Bank of Kenya Limited	2,612	2,612
	487,394	466,784
Expected credit losses- charge for the year	(12,579)	(6,724)
	474,815	460,060

The average effective interest rate on the short-term deposits for the year ended 30 June 2022 was 7.44% (2021: 7.09%).

	2022 Shs'000	2021 Shs'000
Movement in the expected credit losses is as follows;		
At start of year	6,724	6,519
Increase during the year	5,855	205
At end of year	12,579	6,724

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES (continued)

(b) Bank and cash balances	2022 Shs'000	2021 Shs'000
Cash at bank	7,592,758	5,585,691
Cash on hand	1,116	858
	7,593,874	5,586,549
Expected credit losses	(132,869)	(39,688)
	7,461,005	5,546,861
Overdraft	-	(3,595,214)
	7,461,005	1,951,647

Movement in the expected credit losses is as follows;

	2022 Shs'000	2021 Shs'000
At start of year	39,688	17,671
Increase during the year	93,181	22,017
At end of year	132,869	39,688

23. SHARE CAPITAL

	2022 Shs'000	2021 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.

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 15 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.

	2022 Shs'000	2021 Shs'000
At start of year	14,342,533	15,941,830
Additional contributions	4,290,038	3,169,772
Recognised as income (Note 7(c))	(3,807,714)	(4,769,069)
At end of year	14,824,857	14,342,533
Maturity analysis:		
Non-current	11,131,733	11,187,465
Current	3,693,124	3,155,068
At end of year	14,824,857	14,342,533

27. DEFERRED INCOME TAX

	2022 Shs'000	2021 Shs'000
At start of year	27,514,730	20,590,805
(Credit)/Debit to other comprehensive income	(213,786)	337,481
Adjustment in respect of deferred tax in prior year (Note 13 (a))	-	350
Effect of tax rate changes (Notes 13 (a) and 13 (b))	-	4,323,887
Charge to profit or loss (Note 13 (a))	1,473,081	2,262,207
At end of year	28,774,025	27,514,730

Deferred income tax balance is analysed as follows:

2022	At July 2021 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 Shs'000
Deferred income tax liabilities						
Property and equipment	48,096,404	-	678,662	-	-	48,775,066
Unrealised foreign exchange loss	(3,307,275)	-	(1,929,825)	-	-	(5,237,100)
Right of use asset	324,889	-	(44,516)	-	-	280,373
Retirement benefit asset	387,040	-	(16,566)	(216,978)	-	153,496
	45,501,058	-	(1,312,245)	(216,978)	-	43,971,835
Deferred income tax assets						
Lease liabilities	(334,866)	-	44,957	-	-	(289,909)
Provisions	(9,104,095)	-	132,927	3,192	-	(8,967,976)
Tax losses	(8,547,367)	-	2,607,442	-	-	(5,939,925)
	(17,986,328)	-	2,785,326	3,192	-	(15,197,810)
Net deferred income tax liabilities	27,514,730	-	1,473,081	(213,786)	-	28,774,025

27. DEFERRED INCOME TAX (continued)

Deferred income tax balance is analysed as follows (continued):

2021	At July 2020 Shs'000	Prior year adjustments Shs'000	(Credited)/ Charged to profit or loss Shs'000	Debited to OCI Shs'000	Effect of tax rate changes Shs'000	At 30 June 2021 Shs'000
Deferred income tax liabilities						
Property and equipment	40,692,374	-	(673,241)	-	8,077,271	48,096,404
Unrealised foreign exchange loss	(2,542,195)	-	(235,254)	-	(529,826)	(3,307,275)
Right of use asset	298,658	700	(34,264)	-	59,795	324,889
Retirement benefit asset	131,832	-	(29,619)	261,153	23,674	387,040
	38,580,669	700	(972,378)	261,153	7,630,914	45,501,058
Deferred income tax assets						
Lease liabilities	(308,376)	-	34,961	-	(61,451)	(334,866)
Provisions	(7,446,500)	(350)	(223,776)	76,328	(1,509,797)	(9,104,095)
Tax losses	(10,234,988)	-	3,423,400	-	(1,735,779)	(8,547,367)
	(17,989,864)	(350)	3,234,585	76,328	(3,307,027)	(17,986,328)
Net deferred income tax liabilities	20,590,805	350	2,262,207	337,481	4,323,887	27,514,730

As at 30 June 2022, the Company had accumulated tax losses amounting to Shs 19,800 million (2021: Shs 28,491 million).

28. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

	2022 Shs'000	2021 Shs'000
Capital contribution - on-going projects**	12,874,799	11,668,644
Customer deposits*	6,594,305	6,173,942
Capital contributions-projects not commenced	5,065,111	4,768,063
Deferred creditor (Fibre optic)	133,807	207,675
RES current account - capital (Note 37 (b) (iii))	2,663,549	262,022
Donor funded revolving fund	1,432,309	1,282,308
Electrification of health facilities	404,758	247,985
Sub-Station Installation-GOK Funded Account	150,000	1,425,000
Nuclear electricity project	11,874	11,900
Other payables	2,492,625	2,269,799
	31,823,137	28,317,338

*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.

28. TRADE AND OTHER PAYABLES (continued)

(b) Current liabilities

	2022 Shs'000	2021 Shs'000
KenGen (Note 37 (e))	22,934,576	24,700,501
Other suppliers' accounts	6,171,573	6,105,543
Other electricity suppliers	22,942,508	23,192,857
Other payables	14,489,749	13,658,743
RES current account - Last Mile Project (Note 37 (b) (iii))	1,512,059	2,491,066
Rural Electrification Authority Levy** ((Note 37 (b) (iii)))	12,164,824	12,097,905
Project funds***	222,180	334,920
Ketraco wheeling charge (Note 37 (f))	4,567,868	5,546,379
Ministry of Finance (Note 37 (b) (iii))	875,041	875,041
Prepaid revenue****	265,944	263,132
Street lighting project (Note 37 (b) (iii) and Note 38)	923,548	1,826,504
Energy Regulatory Levy	144,193	152,743
Aggreko	212,685	199,430
Deferred creditor (Fibre optic)	70,721	70,721
	87,497,469	91,515,485
Provision for impairment (Note 28 (c))	11,114	6,549
	87,508,583	91,522,034

**The Rural Electrification Authority Levy relates to levy charge pending remission to the Rural Electrification and Renewable Energy Corporation (REREC).

*** 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 2022 was Shs 14,483,121,000 (2021: Shs 13,328,327,000) and Shs 14,260,941,000 (2021: Shs 12,993,427,000) has been spent on the projects.
**** 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.

(c) Movement in the provision for impairment for the Company guaranteed staff loans is as follows;

	2022 Shs'000	2021 Shs'000
At start of year	6,549	23,578
Increase/(decrease) in provision	4,565	(17,029)
At end of year (Note 28 (b))	11,114	6,549

29. LEASE LIABILITIES

Lease liabilities include the net present value of the fixed lease payments discounted using the incremental borrowing rate. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 leases.

	2022 Shs'000	2021 Shs'000
Balance at start year	1,116,221	1,230,428
Additions for the year	145,049	223,501
Interest charge (Note 11(b))	125,143	145,469
Payment of interest	(125,143)	(145,469)
Payment of principal	(294,907)	(337,708)
	966,363	1,116,221

The carrying amount of the current portion is Shs 304,413,000 (2021: Shs 279,472,000) while the non-current portion is Shs 661,950,000 (2021:Shs 836,749,000).
The maturity analysis of undiscounted lease liabilities is disclosed in Note 6 (b).

30. (a) BORROWINGS

	Currency	Interest rate	Start date	End date	2022 Shs'000	2021 Shs'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	19/06/2016	23/06/2026	23,010,100	24,835,897
Standard Chartered Bank Loan	Shs	CBR + 4%	17/06/2016	23/06/2023	2,997,166	5,994,332
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2014	30/09/2025	2,214,976	4,063,252
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2018	26/09/2025	4,770,540	5,608,576
NCBA Bank Kenya Plc	Shs	7% (CBR +2%)	09/10/2020	03/10/2032	6,738,469	6,737,344
Standard Chartered Bank Money Market Loan	Shs	12% (CBR+4%)	30/05/2021	30/05/2022	-	800,000
					39,731,251	48,039,401
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	11/05/2011	01/03/2036	14,388,238	13,169,310
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2014	28/08/2035	15,560,150	14,241,941
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	28/06/2005	01/09/2030	10,367,365	9,489,074
GOK/NORDEA	EUR	3.00%	15/12/2014	15/09/2027	2,512,522	2,597,736
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	20/07/2026	2,138,559	2,211,089
GOK/Agence Francaise de Development	EUR	4.50%	23/05/2007	30/03/2026	1,311,753	1,356,242
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	22/05/2007	15/09/2027	503,832	520,920
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/12/2014	31/07/2035	2,765,653	2,859,451
GOK/IDA 5587 KE LOAN	USD	2.00%	27/02/2016	15/11/2053	5,908,613	4,439,643
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	884,058	914,041
Accrued interest (Note 36 (b))					7,587,560	5,939,630
					64,116,652	57,927,426
Total borrowings					103,847,903	105,966,827

30. (a) BORROWINGS (continued)

	2022 Shs'000	2021 Shs'000
Total borrowings	103,847,903	105,966,827
Less: amounts repayable within 12 months	(17,183,508)	(15,719,021)
Non-current	86,664,395	90,247,806

(b) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Euros Shs' 000	Total Shs' 000
2022				
Loans	17,511,544	76,219,982	10,116,377	103,847,903
2021				
Loans	19,659,656	75,847,693	10,459,478	105,966,827

(c) Maturity of borrowings

	2022 Shs'000	2021 Shs'000
Due within 1 year	17,138,207	15,719,021
Due between 1 and 2 years	12,276,600	11,726,989
Due between 2 and 5 years	29,453,830	33,043,045
Due after 5 years	44,979,266	45,477,772
	103,847,903	105,966,827

(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	4,381,892	19,331,878	23,713,770
Standard Chartered Bank USD 150m loan	3,036,000	-	3,036,000
Rand Merchant Bank USD Medium Term Loan	1,374,711	3,436,779	4,811,490
	8,792,603	22,768,657	31,561,260

	Covenant requirement	As per the financial statements
For Standard Chartered Bank and Rand Merchant Bank		
Current assets (Shs'000)	-	54,687,018
Current liabilities (Shs'000)	-	110,431,165
Current ratio	1	0.50

30. BORROWINGS (continued)

(d) Compliance with debt covenants (continued)

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 2022 which gave consent of extension of the breach from 30 June 2022 to 30 June 2023.

Through a letter from Standard Chartered Bank dated 17 June 2022, the lender communicated consent of extension of the breach from 30 June 2022 to 30 June 2023.

Through a letter from Rand Merchant Bank dated 28 June 2022, the lender communicated that the breach would be condoned from 30 June 2022 to 30 June 2023 while reserving the rights under the facility agreement.

31. PREFERENCE SHARES	2022	2021
	Shs'000	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 percent 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.

32. RETIREMENT BENEFIT ASSET (continued)

The Company is exposed to the following actuarial risks:

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.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022	2021
Discount rate	13%	11.5%
Expected rate of return on assets	13%	11.5%
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:

	2022 Shs'000	2021 Shs'000
Current service cost	192,517	166,521
Interest cost on defined benefit obligation	1,569,402	1,777,730
Interest income on plan assets	(2,035,023)	(2,307,207)
Interest on the effect of the asset ceiling	328,325	471,624
Adjustments for previous years asset values	-	(963)
Net expense recognised in profit or loss (Note 10)	55,221	107,705
Net actuarial gains	(472,153)	(310,669)
Return on plan assets (excluding amount in interest cost)	1,919,310	684,654
Changes in effect of asset ceiling (excluding amounts in interest cost)	(723,896)	(1,244,495)
Recognised in other comprehensive income	723,261	(870,510)
Total net actuarial losses/(gains)	1,446,522	(1,741,020)

32. RETIREMENT BENEFIT ASSET (continued)

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:

	2022 Shs'000	2021 Shs'000
Fair value of plan assets	16,925,783	18,581,632
Present value of funded defined benefit obligation	(13,954,701)	(14,436,497)
	2,971,082	4,145,135
Limit on defined benefit asset	(2,459,430)	(2,855,002)
Present value of funded defined benefit asset	511,652	1,290,133

The reconciliation of the amount included in the statement of financial position is as follows:

	2022 Shs'000	2021 Shs'000
Net asset at the start of the year	1,290,134	527,328
Net income recognised in profit or loss (Note 9 (c))	(55,221)	(107,705)
Amount recognised in other comprehensive income	(723,261)	870,510
Present value of funded defined benefit asset	511,652	1,290,133

Movement in the present value of defined benefit funded obligations in the current year is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	14,436,497	14,380,254
Current service cost	192,517	166,521
Interest cost on obligation	1,569,402	1,777,730
Actuarial loss	(472,153)	(310,669)
Benefits paid	(1,771,562)	(1,577,339)
At end of year	13,954,701	14,436,497

Movement in the fair value of defined benefit scheme assets is as follows;

At start of year	(18,581,632)	(18,535,455)
Interest income on plan assets	(2,035,023)	(2,307,207)
Return on plan assets, excluding amount in interest income	1,919,310	684,654
Benefits paid	1,771,562	1,577,339
Prior year adjustments	-	(963)
At end of year	(16,925,783)	(18,581,632)

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2022 Shs'000	2021 Shs'000
Property	7,291,510	7,305,455
Debt instruments	5,937,694	6,709,827
Equity instruments	2,773,987	3,339,405
Others	922,592	1,226,945
Total scheme assets	16,925,783	18,581,632

32. RETIREMENT BENEFIT ASSET (continued)

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 if all other key assumptions remained unchanged while the discount rate had decreased by 1% the result would have been Shs 1,062 million decrease in retirement benefit asset (2021: Shs 987 million increase).

33. PROVISIONS

This is estimated provision for monetary liability for employees' accrued annual leave entitlement and present value of employee gratuity benefits.

	2022 Shs'000	2021 Shs'000
(a) Leave pay obligation		
At start of year	284,311	451,662
Increase/(decrease) in provisions (Note 9 (c))	91,493	(167,351)
At end of year	375,804	284,311
(b) Leave allowance provision		
At start of year	180,885	170,144
(Decrease)/increase in provisions (Note 9 (c))	(8,961)	10,741
At end of year	171,924	180,885
(c) Gratuity provision		
Opening benefit obligation	356,247	412,751
Current service cost	235,462	202,305
Interest cost	32,717	62,462
Actuarial gain	(10,639)	(254,425)
Benefits and expenses paid	(178,148)	(66,846)
Net liability at end of year	435,639	356,247

Movement in the present value of defined benefit funded obligations in the current year is as follows:

	2022 Shs'000	2021 Shs'000
Present value of the defined benefit obligation at start of year	356,247	412,751
Charge recognised in the profit or loss for the year (Note 9 (c))	268,179	264,767
Benefits paid to the outgoing employees during the year	(178,148)	(66,846)
Actuarial gain on the obligation recognised in other comprehensive income	(10,639)	(254,425)
Present value of the defined obligation at end of year	435,639	356,247
Total provisions	983,367	821,443

34. DIVIDENDS PAYABLE

	2022 Shs'000	2021 Shs'000
Dividends payable on ordinary shares	758,170	793,383

These relate to unclaimed dividends payable to different ordinary shareholders. The movement in the dividend payable account is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	793,383	806,222
Declared during the year	1,930	1,930
Paid during the year	(37,143)	(14,769)
At end of year	758,170	793,383

35. CONTRACT BALANCES

Electricity receivables (Note 21(b))	12,306,132	13,788,048
Contract liabilities (Note 28)	12,874,799	11,668,644

As at 1 July 2021, the net carrying amount of electricity receivables was reported at Shs 11,904 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:

	2022 Shs'000	2021 Shs'000
At start of year	11,668,644	8,358,690
Additions during the year	5,496,193	6,479,726
Transferred to deferred income during the year (Note 26)	(4,290,038)	(3,169,772)
At end of year	12,874,799	11,668,644

36. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2022 Shs'000	2021 Shs'000
Profit before taxation	5,123,553	8,197,656
Depreciation of property and equipment (Note 16)	16,448,233	16,709,779
Impairment loss on Work in Progress (WIP) (Note 16)	45,761	205,561
Amortisation of intangible assets (Note 18)	867,117	1,151,128
Amortisation of leasehold land (Note 17)	25,864	25,728
Depreciation of ROU (Right-of-use) asset (Note 19)	293,246	331,808
Amortisation of capital contribution (Note 7 (c))	(3,807,714)	(4,769,069)
Loss on disposal of property and equipment (Note 36 (e))	716,217	773,805
Loss on disposal of ROU (Note 36 (e))	191	3,364
Finance income (Note 11 (a))	(396,940)	(162,862)
Finance costs (Note 11 (b))	12,665,772	8,907,256
Interest expense on lease liabilities (Note 11 (b))	125,143	145,469
Movement in provision for leave pay, gratuity and leave allowance (Note 33)	350,711	108,157
Movement in provisions for credit losses on short-term deposits (Note 22 (a))	5,855	205
Movement in provisions for credit losses on bank balances ((Note 22 (b))	93,181	22,017
Movement in provisions for company guaranteed loans ((Note 28 (b))	4,565	-
Movement in provisions for credit losses on trade and other receivables	(935,518)	331,968
Movement in provision for slow moving inventories (Note 20)	(400,249)	(188,853)
Retirement benefit plan credits (Note 9 (c))	55,221	107,705
Unrealised foreign exchange losses on cash and cash equivalents	(102,719)	(2,602)
Working capital changes:		
Inventories	(20,227)	(875,542)
Trade and other receivables	(1,939,868)	(3,074,324)
Deferred income	4,290,025	3,169,772
Trade and other payables	(512,217)	7,848,993
Cash generated from operations	32,995,203	38,967,119

(b) Analysis of changes in borrowings

	2022 Shs'000	2021 Shs'000
At start of year	109,562,041	118,733,339
Proceeds	1,009,123	8,520,774
Repayments	(15,050,964)	(21,286,356)
Repayment of previous year's accrued interest	(5,939,630)	(4,186,515)
Foreign exchange losses	6,679,773	1,841,169
Accrued interest (Note 30 (a))	7,587,560	5,939,630
At end of year	103,847,903	109,562,041

36. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Analysis of changes in borrowings (continued)

	2022 Shs'000	2021 Shs'000
Net debt reconciliation		
Cash and bank balances (Note 22 (b))	7,461,005	5,546,861
Short-term deposits (Note 22 (a))	474,815	460,060
Overdrafts (Note 22 (b))	-	(3,595,214)
Borrowings (Note 30)	(103,847,903)	(105,966,827)
Net debt	(95,912,083)	(103,555,120)
Net debt reconciliation		
Cash, bank balances and short-term deposits	7,935,820	6,006,921
Gross debt - fixed interest rates	(61,299,632)	(57,596,372)
Gross debt - variable interest rates	(42,548,271)	(51,965,669)
Net debt	(95,912,083)	(103,555,120)

(c) Analysis of cash and cash equivalents

	2022 Shs'000	2021 Shs'000
Short-term deposits (Note 22 (a))	487,394	466,784
Cash and bank balances (Note 22(b))	7,593,874	5,586,549
	8,081,268	6,053,333

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

	2022 Shs'000	2021 Shs'000
Interest on loans (Note 11(b))	5,190,066	5,842,818
Overdraft interest (Note 11(b))	80,561	490,715
Interest on late payment invoices (Note 11 (b))	680,723	773,330
	5,951,350	7,106,863
Interest on loans capitalised	-	-
Accrued interest brought forward (Note 30 (a))	5,939,630	4,186,515
Accrued interest carried forward (Note 30 (a))	(7,587,560)	(5,939,630)
Interest paid	4,303,420	5,353,748

(e) Analysis of proceeds from disposal of property and equipment

	2022 Shs'000	2021 Shs'000
Proceeds from disposal of property and equipment	34,681	52,955
Less: disposed assets at net book value	(750,898)	(826,760)
Loss on disposal of property and equipment	(716,217)	(773,805)
Proceeds of retirement of right of use assets (ROU)		
Proceeds from retirement of ROU	-	-
Less: retired assets at net book value	191	3,364
Loss on retirement of ROU	(191)	(3,364)

36. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	2022 Shs'000	2021 Shs'000
f) Analysis of dividends paid		
At start of year	793,383	806,222
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
At end of year	(758,170)	(793,383)
Dividends paid	37,143	14,769
(g) Analysis of interest received		
Interest received on bank and other deposits (Note 11 (a))	396,940	162,862
Accrued interest brought forward	4,023	4,654
Accrued interest carried forward	(2,255)	(4,023)
Interest received	398,708	163,493
(h) Purchase of property and equipment		
Work in progress additions (Note 16)	12,275,327	18,187,585
Exchange loss on loans for on-going projects capitalised	-	(155,955)
Property and equipment purchased	12,275,327	18,031,630

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 5.28% (2021: 5.28%).

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:

	2022 Shs'000	2021 Shs'000
(i) Ministries:		
Electricity sales to Government Ministries	5,715,969	4,906,128
Electricity sales to strategic parastatals	2,261,225	1,974,920
(ii) Outstanding balances at the year-end included in trade and other receivables:		
Receivable from Government of Kenya-RES recurrent losses (Note 21 (a))	19,355,163	18,738,621
RES - intercompany (Note 21 (a))	4,644,000	1,556,780
Receivable from Government of Kenya (Note 21 (a))	296,549	8,549
VAT recoverable (Note 21 (a))	1,830,267	851,028
Ministries	2,727,368	2,767,679
Strategic parastatals	309,897	442,126
Rural Electrification Authority current account (Note 21 (a))	248,564	248,564
Ministry of Energy and other sector entities	158,393	158,393
	29,570,201	24,771,740

37. RELATED PARTY DISCLOSURES (continued)

(b) Other transactions that are collectively significant are detailed as follows: (continued)

(iii) Outstanding balances at the year-end included in trade and other payables:

	2022 Shs'000	2021 Shs'000
RES current account - Last Mile (Note 28 (b))	1,512,059	2,491,066
Rural Electrification Authority levy (Note 28 (b))	12,164,824	12,097,905
Ministry of Finance (Note 28 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 28 (b))	923,548	1,826,504
RES - capital (Note 28 (a))	2,663,549	262,022
	18,139,021	17,552,538
Net amount owed by Government of Kenya	11,431,180	7,219,202

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

	2022 Shs'000	2021 Shs'000
(i) Advances to staff included in trade and other receivables	583,553	408,765

The Company advances loans to staff at an interest charge of 12% (2021:12%). 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	2022 Shs'000	2021 Shs'000
Short-term employee benefits	6,709	6,753
Termination benefits	24,567	23,632
	31,276	30,385

Short-term employee benefits include those relating to the Managing Director and Chief Executive Officer who is also a Director are disclosed below:

	2022 Shs'000	2021 Shs'000
Fees for services as Director		
Non-Executive Directors (Note 12)	4,632	4,800
Other emoluments		
Salaries and other short-term employment benefits:		
Non-Executive Directors (Note 12)	10,213	26,022
Executive Directors and key management staff	31,276	30,385
	41,489	56,407
	46,121	61,207

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).

	2022 Shs'000	2021 Shs'000
(e) KenGen		
Electricity purchases (before allocation to RES)	48,403,945	44,805,190
Amounts due to KenGen on electricity purchases (Note 28 (b))	22,934,576	24,700,501
Electricity sales	391,249	164,044
Amounts due from KenGen on account of electricity sales	127,522	44,789

37. RELATED PARTY DISCLOSURES (continued)

(f) KETRACO

	2022 Shs'000	2021 Shs'000
During the year, the following transactions were carried out with KETRACO		
Wheeling charge KETRACO (Note 9 (a))	2,668,667	2,668,667
Maintenance costs for Transmission lines (Note 7 (c))	18,834	15,023
KEEP/KETRACO 132/33KV substations	81,229	-
	2,768,730	2,683,690
Outstanding balances at the year-end included in trade and other payables:		
KETRACO wheeling charge (Note 28 (b))	4,567,868	5,546,379
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	44,996
Interest paid on repayment of 2.5% Exim Bank Loan	27,695	27,695
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	703,593	684,759
	1,674,801	1,593,572

*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 154 million (2021: Shs 157 million). The outstanding balance to the retirement benefit scheme as at 30 June 2022 was Shs nil million (2021: 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 (2021: Shs 872,500,000).

The movement in the grant accounts in the current year is as follows:

	2022 Shs'000	2021 Shs'000
Connectivity		
At start of year	8,549	559,560
Disbursements received during the year	(150,000)	(685,000)
Utilised during the year	438,000	133,989
New connections during the year	-	-
At end of year	296,549	8,549
Street lighting		
At start of year	1,826,504	203,078
Disbursements received during the year	211,500	187,500
Utilised during the year	(2,038,004)	(390,578)
At end of year - Available funds	60,293	347,714
Committed funds	863,255	1,478,790
	923,548	1,826,504

The connectivity amount of Shs 296 million (2021: Shs 8 million) receivable for connectivity projects has been disclosed under trade and other receivables, while Shs 923 million (2021: Shs 1,826 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.

	2022 Shs'000	2021 Shs'000
Authorised and contracted for	66,717,593	69,790,122
Less: amount incurred and included in work-in-progress	(16,846,898)	(20,255,439)
	49,870,695	49,534,683

40. CONTINGENT LIABILITIES

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) HCC No. 166 of 2016- The Plaintiff is seeking payments, interest, and demurrages charges for an alleged loss occasioned by KPLC as a result of an alleged breach of contract.
ii) HCC Misc. Appl. 331 of 2018 - In this matter, the Plaintiff is seeking to stop KPLC from disconnecting power supply to the Plaintiff arising out of unpaid electricity debt.
iii) HCC Pet. No. 421 of 2016- This is a matter filed by the Plaintiff to stop KPLC from claiming an outstanding electricity debt.
iv) HCC JR. 292 of 2018- This is a claim by the petitioners seeking compensation for termination of Plaintiff's contract.
v) HCC No. 311 of 2016- This is a claim against KPLC by the Plaintiff on account of the losses made on his farm based on alleged transformer failure.

40. CONTINGENT LIABILITIES (continued)

Litigation and claims (continued)

vi) HCCC No. 87 of 2012 (formerly CoA 73 of 2016) - This is a claim against KPLC for an alleged trespass.
vii) HCCC No. 74 of 2003- This is an employment and labour relations matter instituted by former employees.
viii) HCCC No. 217 of 2015- This is a dispute regarding alleged termination of contracts for supply of transformers.
ix) HC E049 of 2018- This is a claim against KPLC for an alleged breach of contract for supply of poles.
x) CMCC No. 3564 of 2003- In this matter, the Plaintiff are seeking compensation for alleged wayleaves trace.
xi) HCC 119 of 2009- This is a suit by the Plaintiff seeking payments for levies on poles and lines erected within the Plaintiff's Township.
xii) ELC No. 84 of 2021- This is a claim against KPLC for alleged trespass on land.
xiii) HCC No. E307 of 2021- This is a claim against KPLC for alleged trespass on the Plaintiff's land.
xiv) HCC No. E076 of 2022- In this matter, the Plaintiff has sued KPLC for an alleged breach of contract for supply of poles.
xv) HCC No. E821 of 2021- In this matter, the Plaintiff has sued KPLC for breach of contract on various tenders for supply of various assorted items.
xvi) HCC No. E106 of 2022- This is a claim by the Plaintiff against KPLC for compensation for an alleged breach of contract for provision of services.
xvii) HCC No. E157 of 2022- This is a claim against KPLC for alleged breach of contract for supply of wooden poles.
xviii) ELRC No. 2120 of 2017 - This is a suit filed by the Plaintiff against KPLC for alleged unlawful dismissal.
xix) HCC 103 of 2003- This is a claim by the Plaintiffs against KPLC for alleged unfair dismissal.
xx) CMCC 322 of 2017- This is a claim against KPLC for an alleged breach of contract.
xxi) Nairobi ELC No. 1720 of 2002- This is a case by the Plaintiff against KPLC for al alleged trespass.
xxii) ELRC No. 1982 of 2017- This is a suit against KPLC for an alleged unlawful termination.
xxiii) HCC 206 of 2018- This is a claim against KPLC for an alleged breach of contract.
xxiv) ELRC No. 2575 of 2016- This is a case against KPLC alleged underpayments of their dues.
xxv) HCC 412 of 2017- This is a suit filed by the Plaintiff against KPLC for an alleged breach of contract by KPLC.
xxvi) HCC Pet 448 of 2018- The Petitioners are seeking orders against KPLC to stop the commissioning of a project.

Other claims lodged against the Company relate to civil suits which have arisen in the normal course of business.

41. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessor:

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2022 Shs'000	2021 Shs'000
Not later than 1 year	65,210	113,323
Later than 1 year and not later than 5 years	350,006	343,994
More than 5 years	139,949	156,001
	555,165	613,318

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. 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 14,388,237,576 (US$ 122,107,651) (2021: Shs 13,169,310,160 (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 2022 and 2021 were as follows:

	2022 Shs'000	2021 Shs'000
At start of year	150,824	157,956
Amounts received during the year	354,503	302,039
Net interest income	2,429	6,160
Expenditure during the year	(202,149)	(315,331)
Balance at end of year	305,607	150,824

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 5,862,205,788 (US$ 50,144,217) (2021: Shs 4,439,643,448 (US$ 41,164,983) 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.

(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 2022 and 2021 were as follows:

	2022 Shs'000	2021 Shs'000
At start of year	345,677	136,310
Amounts received during year	-	592,526
Net interest income	6,435	4,743
Expenditure during year	(184,211)	(387,902)
Balance at end of year	167,901	345,677

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.

43. 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 2,138,558,845 (Euro 17,243,476) (2021: Shs 2,211,088,957 (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.

44. 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 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2021 AUDITOR-GENERAL REPORT

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Material uncertainty relating to going concern	Recurring	As at 30 June 2022, the Company's current liabilities exceeded current assets by Shs 55.7 billion (2021: Shs 66.5 billion). The Company has remained in a negative working capital position for the sixth consecutive year. This condition indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.	While the net current liability position has persisted over the past six years, it is notable that there has been a consistent improvement over the past three years from Shs 74B in 2020, Shs 65B in 2021 and Shs 57B in 2022. The management of working capital has been optimized through prudent utilization of the approved banking facilities that saw the Company exit the reliance on overdrafts. Some of the factors driving the liquidity challenge are external and policy interventions have been proposed to address these exposures. The management continues to build on the momentum by driving enhanced system efficiency, revenue growth and cost management.
Capacity Charge on Power Purchase Agreements	Resolved		
Impairment loss on stalled project	Resolved		
Comparative cost of power purchase- Kenya Electricity Generating Company PLC and the Independent Power Producers.	Recurring	Analysis of the energy units purchases during the year vis-a-vis the total power purchase cost for the same year shows that KenGen supplied Kenya Power with 62 per cent of all the energy it distributed. However, its cost proportion was only 47 per cent. On the contrary, the Independent Power Producers, who only supplied 38 per cent of power, accounted for 53 per cent of the proportion of costs. This indicates that the entity entered very expensive Power Purchase Agreements (PPAs).	*The costs are computed as per PPAs and dispatch.* *The Demand and Market dynamics at the time of generation procurement also contributes to the tariff pricing.* *Most IPPs have Capacity Payments based due to debt payment structure.* *PPA Financing is different between KenGen and IPPs and this contribute to pricing/tariffs.* *Renegotiation of PPA for IPPs to reduce the cost of tariff is ongoing* *KPLC has instituted PPA implementation processes for quality assurance and to ensure KPLC only pays for cost approved under the PPA.*

ANNEXURE 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2021 AUDITOR-GENERAL REPORT (continued)

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Non-compliance with the Unclaimed Financial Assets Act,2011	Recurring	The Unclaimed Financial Assets Act, 2011 specifies in section 19 that it is the duty of holder of presumed abandoned assets, to locate and notify owners of assets. The Company is required to make a report certified by the CEO concerning the assets presumed abandoned as at 30 June and shall be filed on or before 1st November to Unclaimed Financial Assets Authority (UFAA) of the same year. As at 30 June 2022, total unremitted qualifying assets amounted to Shs 950 million (2021: Shs 691 million). The Company made efforts to comply with the Act by making three remittances to UFAA in the financial year ended 30 June 2022.	The monthly reconciliation of the long outstanding payables at the regional level has been enhanced, and the reconciled schedule of presumed abandoned assets remitted to UFAA on a quarterly basis. The Company continues to strive to reunite these assets with the owners even as it makes the quarterly remittances to UFAA.
Power losses in the system	Recurring	During the year ended 30 June 2022, the Company reported 77.57% system efficiency resulting to system losses of 22.43%. The industry regulator, Energy and Petroleum Regulatory Authority (EPRA) has currently approved for the Company to recover from consumers system losses up to a limit of 19.9%. For each 1% loss, the entity incurs a loss of approximately Shs 800 million. This translates to total estimated loss of Shs 2 billion loss for the year ended 30 June 2022.	The Company has initiated strategies that has supported focused Commercial and technical loss reduction activities in areas of highest gains. The strategic initiatives include; • Staggered retrofitting of post-paid higher-end customers with SMART meters. We target to retrofit 75,000 this FY. • Establishment and operationalization of a data analytics unit for deepening of data consumption trends for focused inspections. • Conclude feeder alignment to itinerary (data clean-up). • Enhancement of meter reading supervisory tools. • Carry out metering of county boundaries.
Failure to observe guidelines on Board of Directors meetings	Resolved		

ANNEXURE 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2021 AUDITOR-GENERAL REPORT (continued)

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Non-compliance with Capital Markets Authority (CMA) Listing Rules	Recurring	The Capital Markets Authority has set out regulations for listed companies. The Company, which is listed on the Main Investment Market Segment, was non-compliant with the First Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) with respect to the following requirements: • The issuer should not be insolvent and should have adequate working capital: - As at 30 June 2022, the Company's current liabilities exceeded its current assets by Shs 55.7 billion (2021: Shs 66.5 billion) which indicates that the Company is commercially insolvent. • The Issuer must have prepared financial statements for the latest accounting period on a going concern basis and the audit report must not contain any emphasis of matter or qualification in this regard. - Refer to the audit opinion in the financial statements which includes an emphasis of matter on material uncertainty relating to going concern. • The issuer must not be in breach of any of its loan covenants particularly in regard to the maximum debt capacity: - The Company was in breach of debt covenants as it has a current ratio of 0.50 compared to the expected current ratio of 1.	The net liability position has continued to gradually improve and the ongoing reforms including an impending tariff review to ensure cost reflectivity will enhance the recovery of the solvency status. Waivers for the breach of the current ratio have been obtained and the management periodically engages with CMA on its initiative towards financial recovery. The Company continues building on the momentum by focusing on the identified major areas to drive the financial recovery initiative. These included enhancing system efficiency (Loss reduction), growing sales, intensified revenue collection, cost management and improving working capital. The consolidated impact of these initiatives and support from the government resulted in the improved business performance, ensuring that the Company remains on the financial recovery path.

ANNEXURE 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2021 AUDITOR-GENERAL REPORT (continued)

<table>
<tr><th>Matter in the 2021 Auditor-General Report</th><th>Status in 2022</th><th>Observation in 2022</th><th>Management Response</th></tr>
<tr><td>Long outstanding trade and other receivables</td><td>Not resolved</td><td>We noted balances in the Non-commercial receivables account as at 30 June 2022 that have been outstanding for more than 150 days. See the summary below:
<table>
<tr><th></th><th></th><th>More than 150 days</th></tr>
<tr><th>Customer</th><th>Customer Name</th><th>Shs</th></tr>
<tr><td>102002</td><td>RURAL ELECTRIFICATIO</td><td>269,406,511</td></tr>
<tr><td>102257</td><td>KENYA NATIONAL HIGHWAY AUTHORITY</td><td>89,608,620</td></tr>
<tr><td>101956</td><td>KENYA BROADCASTING CORPORATION</td><td>23,653,337</td></tr>
<tr><td>101778</td><td>LION CABLE TELEVISION</td><td>23,063,200</td></tr>
<tr><td>102259</td><td>A-ONE PLASTICS LIMITED</td><td>16,436,359</td></tr>
<tr><td>102141</td><td>TECHNICAL UNIVERSITY OF KENYA</td><td>8,466,099</td></tr>
</table></td><td>The REREC receivable remains outstanding based on the REREC's view that KPLC owes REREC an even higher amount.

Most of the non-commercial receivables relates to deferred payments. The Company has embarked on the review of the non-commercial client receivables process, with the aim of automating the process flow and framework of the deferred payment model.

This will link the client electricity account with their deferred capital contribution payment.</td></tr>
<tr><td>Implementation of last mile connectivity project</td><td>Resolved</td><td></td><td></td></tr>
<tr><td>Weaknesses in Information Technology (IT) Systems</td><td>Recurring</td><td>The following IT issues have recurred in current year:</td><td></td></tr>
<tr><td></td><td></td><td>a) Lack of regular review of ICT Policies</td><td>The draft policies are ready awaiting Board approval.</td></tr>
<tr><td></td><td></td><td>b) Weaknesses in the SAP Change Transport Process</td><td>SAP - User acceptance and post implementation sign off forms have been designed and incorporated in the transport request forms.

These forms will be accessible in a central folder for monitoring and compliance.</td></tr>
</table>

ANNEXURE 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2021 AUDITOR-GENERAL REPORT (continued)

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
		c) Weakness in the User Monitoring Process	SAP is configured to automatically disable inactive user accounts every day at midnight in effect disabling accounts that have been inactive for 90 days at that time. SAP user rights review is domiciled in SAP Functional administration team. Information Security sends a reminder for quarterly reviews. QRADAR - The licenses have not been renewed due to budgetary constraints. The SIEM tool is still under the custody of internal audit team. ITRON - four accounts now disabled (KPL84749, KPL51795, KPL52113, KPL16056) KPL52170 - enabled after the user requested through ICT Service Desk.
		d) Active Accounts belonging to Exited Staff on SAP and INCMS Missing system backlogs	Active SAP user noted to have logged in after their exit date. - A notification is sent to ICT Security when a user is marked for exit in SAP IHRS. In this case, the flagging in SAP was not timely and there was a delay to send a clean-up mail to system administrators. INCMS - The 12 listed users have since been disabled. (KPL00640, KPL02885, KPL06991, KPL08983, KPL09004, KPL10437, KPL16115, KPL52367, KPL80882, KPL83531, KPL86047, KPL87040). There was a delay to send the clean-up mail.
		e) Gaps within the Back-up restoration and testing procedures	The Company has already invested in a suitable Backup System that has been running well in the past. The setback has been availability of adequate storage that facilitates running of backups on a regular basis and which backups can be used for the needed restores. The procurement of the required additional storage is underway.

ANNEXURE 2: BIO DATA FOR THE BOARD OF DIRECTORS

Ms. Vivienne Yeda, OGW, LL.B, LL.M, MBA
Chairman of the Board of Directors
Ms. Vivienne Yeda was appointed the Chairman of the Board of Directors on 13th November 2020. She is the Director General, East African Development Bank. She holds a Master of Business Administration (ECU), Master of Laws (LLM) from the University College London, and a Bachelor of Laws (LLB Hons.) from the University of Nairobi. She is an expert in Foreign Relations Law, International Economic Law, Business operations, and Financial transactions in public and private sector operations including project finance and structured finance. Vivienne is fifty-seven years old and joined the Board on 20th July 2020.

Eng. Geoffrey Muli
Ag. Managing Director
Eng. Geoffrey Wasua Muli was appointed as the Acting Managing Director on 17th May 2022. He holds a Master of Business Administration, a Bachelor of Science in Electrical Engineering and is currently pursuing a PhD in Business Administration. He is a Registered Professional Engineer with the Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers of Kenya (IEK). Prior to his appointment, Geoffrey was the acting General Manager in charge of the Company's Regional Coordination.

Amb. Ukur Yatani, B.A. (Econ.), MA (Econ.), MPA
Cabinet Secretary, The National Treasury
Ambassador Ukur Yatani holds a Master of Arts in Public Administration and Public Policy degree from University of York, United Kingdom; and a Bachelor of Arts in Economics degree, Egerton University, Kenya. He is the Cabinet Secretary, National Treasury, a position he has held since 14th January 2020. Prior to this appointment, he was the Cabinet Secretary for Labour and Social Protection. He served as the pioneer Governor of Marsabit County, Member of Parliament for North Horr constituency and Assistant Minister for Science and Technology. He has also served as Kenya's Ambassador to Austria with accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. Further to this, he has held senior leadership positions at various diplomatic and international agencies such as: International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC) and Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ). Amb. Yatani is fifty-four years old and has over 30 years, experience in public administration, politics, diplomacy and governance.

Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS, 'ndc' (K), 'ensp' (RSA), 'psc' (K)
CPrincipal Secretary, Ministry of Energy.

Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS joined the Ministry of Energy as the Principal Secretary from the State Department for Public Works in October 2021. He also served as the Director for Immigration services between August 2014 and March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019 before being reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in September 2019.
Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer close to 40 years ago. He diligently served and worked his way through the ranks and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.
During his time in the Military, Maj. Gen (Rtd) Dr. Kihalangwa underwent various military courses and Strategic Leadership training, locally and internationally. He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA) and Defence Staff College (K). He holds a PhD and a Master's degree in International Studies and Diplomacy from Washington International University (WIU) in the United States of America. He further holds a Diploma in Strategic Studies and a Diploma in International Studies both from the University of Nairobi (UoN). He is sixty-five years old.

Eng. Abdulrazaq Ali, BSc. (Civ. Eng.), MSc. (Civ. Eng.), MBA, R. Eng., FIEK
Eng. Abdulrazaq Ali holds a Master's Degree in Civil Engineering, a Master of Business Administration and Bachelor's Degree in Civil Engineering. He has over 35 years' experience in public service having served in the Government as a deputy and chief executive of various state corporations, and later as the Permanent Secretary in the Ministries of Transport and Trade. Eng. Ali is a registered Consulting Engineer with the Engineers Board of Kenya and is a fellow of the Institution of Engineers of Kenya. He is also an associate of the Chartered Institute of Arbitrators (UK). He is sixty-six years old and joined the Board on 20th July 2020.

ANNEXURE 2: BIO DATA FOR THE BOARD OF DIRECTORS (continued)

Ms. Caroline Kittony-Waiyaki, LLB, Dip. (Law)

Ms. Caroline Kittony-Waiyaki is an Advocate of the High Court of Kenya with a Bachelor of Laws (LLB) degree from the University of East Anglia, and a Post-Graduate Diploma in Law from the Kenya School of Law. She is a Senior Partner at Kittony Waiyaki Advocates and has over 30 years of experience in civil and commercial practice in the areas of Conveyance, Civil and Commercial Practice Intellectual Property, International Corporate Finance and Public Private Partnerships, Project Development, Joint Ventures, Mergers, Acquisitions and Energy Law. She is a registered trustee with Capital Market Authority, Commissioner of Oaths, Notary Public and Patent Agent. She is fifty-five years old and joined the Board on 20th July 2020.

Eng. Elizabeth Rogo, BSc, B. Eng

Eng. Elizabeth Rogo holds a Bachelor of Science from Mount Saint Vincent University and a Bachelor of Engineering from Dalhousie University both in Halifax, Nova Scotia, Canada. She is the Founder and Chief Executive Officer of TSAVO Oilfield Services and has over 20 years' international experience in Engineering, Operations, Project Management, Consultancy, Business Development and Management in Oil and Gas (onshore and offshore) for global companies including BJ Services, Baker Hughes and Weatherford International. Areas of operations include Canada, USA, Europe and Africa. Eng. Rogo was recently appointed the President for the Africa Energy Chamber (East Africa). She is fifty-eight years old and joined the Board on 20th July 2020.

Mr. Sachen Gudka, BSc. (Econ.), Chartered Accountant

Mr. Sachen Gudka holds a Bachelor of Science degree in Economics from the London School of Economics, and is a Chartered Accountant by profession, having qualified with Price Waterhouse in London. He is now the Chairman, Chief Executive Officer and Director of a diverse group of printing companies in Kenya including Chrome Partners Limited, The Print Exchange Limited, Skanem Interlabels Nairobi Limited, Armor East Africa Imaging Supplies Limited and Flexo World Limited. The group exports printed material to over 15 countries and is an authorized label supplier for major multinational and national companies as well as UK and European retailers. He served as Chairman of the Kenya Association of Manufacturers and is the Vice Chairman of Comesa Business Council and a Director of the Kenya Private Sector Alliance. He is fifty-five years old and joined the Board on 20th July 2020.

Justice (RTD) Aaron Gitonga Ringera E.B.S.

Justice (Rtd) Ringera is one of the country's foremost legal minds with a career spanning over 46 years, mainly in public service. He is a Judge Emeritus of the Court of Appeal of Kenya, the East African Court of Justice (Appellate Division) and the High Court of Kenya. He has served as the Solicitor-General of Kenya as well as the Director and Chief Executive Officer of both the Kenya Anti-Corruption Authority (KACA) and the Kenya Anti-Corruption Commission (KACC). He has also served in and chaired College and Polytechnic Boards and Councils, worked as a lecturer at the University of Nairobi, and practised law in a private capacity.

He holds Master's (LL.M) and Bachelor's (LL.B) degrees in law from the University of Nairobi. He also holds a Diploma in Comparative and International Law of Human Rights from the International Institute of Comparative and International Law of Human Rights, Strasbourg, France, and a Certificate of Study from The Hague Academy of International Law.

He is a Chartered Arbitrator and an accredited mediator of the Chartered Institute of Arbitrators of London with experience in commercial arbitration. Justice (Rtd) Ringera has served in various Presidential and Ministerial Taskforces and Committees. He was a member of the Taskforce on the Review of Power Purchase Agreements as well as the Steering Committee on the Implementation of the Report of the Presidential Taskforce on Review of Power Purchase Agreements. He is the Chairman of FKF Caretaker Committee and a recipient of several Awards and Honours.

Sarah Mbwaya

Sarah Mbwaya is an Electrical and Electronics engineer with over 30 years of senior management experience in the fields of energy, information communication technology, business management, financial and resource management and project management. She has served on the boards of Numerical Machining Complex, Emerging Young Leaders, and Emerging Leadership Initiatives among others. She is an Independent Director of Limuru Tea PLC, and the country Chair of African Women in Energy and Power, an initiative to increase women's participation in the power and energy sector in 22 African countries. She is also a member of the Board of Friends of Conservation. Additionally, she is a member of the Engineers Board of Kenya, Business Network International, Women on Boards Network, Women in Sustainable Energy Entrepreneurs and Women in Business. She holds an M.B.A. in Strategic Management from the United States International University, Nairobi, B.Sc. (Hons.) in Electrical and Electronics Engineering from the University of Nairobi, Solar technician Licenses from the Energy & Petroleum Regulatory Authority (EPRA), and an ACCA Diploma in Financial management. She is also an accredited system engineer (ASE).

ANNEXURE 2: BIO DATA FOR THE BOARD OF DIRECTORS (continued)

Mr. Kairo Thuo, LLB (Hons), CPA (K), CPA (T), ACII
Mr. Kairo Thuo is both a lawyer and accountant by profession. He holds a Bachelor of Laws (LLB Hons.) from the University of Nairobi and is a CPA-K and CPA-T holder from Strathmore University. He is a consultant and founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche and was the Director of the unit. He has extensive experience in all areas of legal, finance and taxation including specialized tax service lines in direct and indirect taxation including customs, international tax and transfer pricing in Kenya, Uganda, Rwanda, Tanzania and other countries in Africa. He has conducted numerous tax and legal training seminars in Kenya and Tanzania and specific tax and legal workshops for various clients in Kenya. He was recognised by KRA in the annual taxpayers' awards for contribution towards tax education and by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process. He is forty-six years old and joined the Board on 13th November 2020.

Brig (Rtd) James M Gitiba (Ebs)
Brig (Rtd) James Magige Gitiba served as a Military Assistant to the Chief of the General Staff Kenya Armed Forces, Commanding Officer Transport Battalion, Deputy Corps Commander KACT, Colonel Logistics Kenya Army HQs, Defence Advisor at the Kenya High Commission in Dar es Salaam - Tanzania, Colonel Supply Defence Headquarters and Chief of Logistics Kenya Army HQs and Deputy General Officer Commanding Border Security. He also served as a Military Observer with the UN Mission in Sierra Leone from Aug 2000 to Aug 2001 as well as Deputy Sector Commander/Chief of Operation for the UN Mission in Southern Sudan from Apr 2008 to May 2009. He has undertaken a Transportation Officers' Advance Course (TOAC) at the US Army Transportation School-Fort Eustis Virginia, G2 Staff Course at the Kenya Defence Staff College-Karen, Joint Senior Command and Staff Programme (JSCSP) at South African National War College-Pretoria, Senior Command Course at the Kenya School of Combat, Senior Management Course at the Kenya School of Government, G1 Staff course at the Kenya National Defence College, and Strategic Defence Management Course in Hyderabad - India.

Mr. Humphrey Muhu, BSc. (Math & Stat.), B. Phil (Econ.), MA (Econ)
Alternate Director to the Cabinet Secretary, National Treasury
Mr. Humphrey Muhu holds a Bachelor of Science (Mathematics & Statistics) from Kenyatta University, Bachelor of Philosophy (Economics) and a Master of Arts in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University. Mr. Muhu is an Economist with over 30 years' experience in various government ministries and departments. He is fifty-seven years old and joined the Board on 25 June 2021 as Alternate Director to the Cabinet Secretary, the National Treasury.

Eng. Isaac Kiva, OGW, MSc (Energy Technology); BSc (Eng.); R. Eng.; FIEK
Alternate Director to the Principal Secretary, Ministry of Energy
Eng. Isaac Kiva holds Master of Science degree in Energy Technology from JKUAT, and a Bachelor's degree in Electrical Engineering from the University of Nairobi. He is the Secretary for Renewable Energy at the Ministry of Energy and heads the Directorate charged with policy formulation and promotion of development and utilisation of renewable energy, including facilitation of private sector investment. Eng. Kiva has published in the field of energy access through decentralized systems (mini-grids). He has wide experience in public sector management, having held senior Government positions for over 20 years. He is a registered Professional Engineer with Engineer's Board of Kenya, a Fellow of the Institution of Engineers of Kenya and a Gold member of the Association of Energy Professionals East Africa. Eng. Kiva is fifty-three years old and joined the Board on 16th December 2009 as an Alternate Director to the Principal Secretary, Ministry of Energy.

Ms. Imelda Bore, LL.B, LL.M, Dip (Law), H.Dip (HR), CPS(K), AMCIArb
General Manager, Legal Services, Regulatory Affairs & Company Secretary
Ms. Imelda Bore is the Secretary to the Board of Directors. She holds a Bachelor of Laws (LLB) from Moi University and Master of Laws (LLM) (Public Finance) from the University of Nairobi. Additionally, she holds 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, 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. She was appointed as Acting Company Secretary in July 2018 and confirmed to the position in December 2019.

ANNEXURE 2: BIO DATA FOR THE BOARD OF DIRECTORS (continued)

Mr. Kairo Thuo, LLB (Hons), CPA (K), CPA (T), ACII

Mr. Kairo Thuo is both a lawyer and accountant by profession. He holds a Bachelor of Laws (LLB Hons.) from the University of Nairobi and is a CPA-K and CPA-T holder from Strathmore University. He is a consultant and founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche and was the Director of the unit. He has extensive experience in all areas of legal, finance and taxation including specialized tax service lines in direct and indirect taxation including customs, international tax and transfer pricing in Kenya, Uganda, Rwanda, Tanzania and other countries in Africa. He has conducted numerous tax and legal training seminars in Kenya and Tanzania and specific tax and legal workshops for various clients in Kenya. He was recognised by KRA in the annual taxpayers' awards for contribution towards tax education and by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process. He is forty-six years old and joined the Board on 13th November 2020.

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Mr. Humphrey Muhu, BSc. (Math & Stat.), B. Phil (Econ.), MA (Econ)
Alternate Director to the Cabinet Secretary, National Treasury

Mr. Humphrey Muhu holds a Bachelor of Science (Mathematics & Statistics) from Kenyatta University, Bachelor of Philosophy (Economics) and a Master of Arts in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University. Mr. Muhu is an Economist with over 30 years' experience in various government ministries and departments. He is fifty-seven years old and joined the Board on 25 June 2021 as Alternate Director to the Cabinet Secretary, the National Treasury.

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