



Kenya Power

THE KENYA POWER AND LIGHTING COMPANY PLC

THE ABRIDGED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN to Shareholders that, in accordance with the provisions of section 280 of the Companies Act, 2015, and pursuant to a Court Order dated 29th April 2020 issued by the High Court of Kenya at Milimani in Miscellaneous Application No. E680 of 2020, the 98th Annual General Meeting of The Kenya Power and Lighting Company Plc will be held via electronic communication on **Friday, 13th November 2020 at 11.00 a.m.** to conduct the following business:-

1. To read the Notice convening the Meeting and note the presence of a quorum.

2. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2019, together with the Chairman's, Directors' and Auditors' Reports thereon.

3. To note that the Directors do not recommend payment of a dividend for the year ended 30th June 2019.

4. To elect Directors:-

(i) Amb (Eng.) Mahboub Mohamed retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, does not offer himself for re-election.

(ii) The Cabinet Secretary, National Treasury retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.

(iii) The Principal Secretary, Ministry of Energy retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.

(iv) Mr. Sachin Gudka, who was appointed by the Board on 20th July 2020 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers himself for election.

(v) Ms. Caroline Kittony-Waiyaki, who was appointed by the Board on 20th July 2020 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers herself for election.

(vi) Ms. Vivienne Yeda, who was appointed by the Board on 20th July 2020 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers herself for election.

(vii) Eng. Elizabeth Rogo, who was appointed by the Board on 20th July 2020 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers herself for election.

(viii) Eng. Abdulrazaq Ali, who was appointed by the Board on 20th July 2020 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers himself for election.

5. In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit Committee will be required to be elected to continue serving as members of the said Committee: -

(i) Mr. Sachin Gudka
(ii) Mrs. Beatrice Gathirwa
(iii) Ms. Caroline Kittony-Waiyaki
(iv) Eng. Elizabeth Rogo

6. To approve payment of fees to non-executive Directors for the year ended 30th June 2019.

7. Auditors:

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

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

SPECIAL BUSINESS

9. To consider and, if thought fit, pass the following Special Resolution:

"That the Articles of Association of the Company be amended by inserting the following Article immediately after the present Article [66] and numbering the new Article as Article [66A.] as follows:

Article [66A.]

The Members may, if they think fit, confer or hold a meeting by radio, telephone, closed circuit television, video conferencing or other electronic, or other, means of audio or audio/visual communication, or a combination thereof ("Conference"). Notwithstanding that the Members are not present together in one place at the time of the Conference, a resolution passed by the Members constituting a quorum at such a Conference shall be deemed to have been passed at a General Meeting held on the day on which and at the time at which the Conference was held. The provisions of these presents relating to proceedings of Members apply insofar as they are capable of application mutatis mutandis to such General Meeting."

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

By Order of the Board

Imelda Bore
Company Secretary
22nd October 2020

NOTES:

(i) Owing to the ongoing Coronavirus 2019 (COVID-19) pandemic, the related Public Health Regulations and directives passed by the Government restricting public gatherings, it is not possible for the Company to hold a physical Annual General Meeting in the manner envisaged under the present Articles of Association of the Company and section 280 of the Companies Act 2015. On 29th April 2020, the High Court of Kenya at Milimani in Miscellaneous Application No. E680 of 2020, issued an order permitting any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a 'No Objection' from the Capital Markets Authority (CMA). Relying on this Court Order, the Company has convened and will conduct its virtual Annual General Meeting (AGM) following receipt of the 'No Objection' from CMA.

(ii) Shareholders wishing to participate in the AGM should register by dialing USSD Code ***483*904#** on their mobile telephone and follow the various prompts on the registration process.

A Shareholder domiciled outside of Kenya can send an email to Image Registrars via kplcagm@image.co.ke providing their details i.e Name, Passport/ID no., CDS no. and Mobile telephone number requesting to be registered. Image registrars shall register the shareholder and send them an email notification once registered.

Links to register via the web portal will also be sent to all shareholders with email addresses in the Register.

(iii) To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which they used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: **+254 709170 000/709170 040** from 9.00 a.m. to 3.00 p.m. from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.

(iv) Registration for the AGM opens on 22nd October 2020 at 9.00 a.m. and will close on 10th November 2020 at 5.00 p.m. Shareholders will not be able to register after this time.

(v) In accordance with Article 155 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.kplc.co.ke.

(a) a copy of this Notice and the Proxy Form;

(b) the Company's Annual Report & Audited Financial Statements for the year ended 30th June 2019;

(c) a copy of the Milimani High Court Order in Miscellaneous Application No. E680 of 2020; and

(d) a copy of the No Objection issued by the CMA.

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

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

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

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

(a) sending their written questions by email to kplcagm@image.co.ke; or

(b) to the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the registered office of the Company or P.O. Box 30099 - 00100, Nairobi, or to Image Registrars offices at P. O. Box 9287 - 00100, Nairobi, Kenya.

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

The Company's Directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than twelve (12) hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than twelve (12) hours before the start of the AGM.

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

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

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

(xiii) Shareholders are encouraged to continuously monitor the Company's website for any updates relating to the AGM owing to the changing situation arising from the COVID-19 pandemic. We appreciate the understanding of our shareholders as we navigate the evolving business conditions posed by COVID-19.

MESSAGE FROM THE CHAIRMAN



Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

During the year, the Board of Directors and the Management team focused on stabilizing the Company given the challenging operating environment. In the period, the Board laid emphasis on improving internal controls and processes to streamline our business operations, enhance customer satisfaction and ultimately improve our bottom line.

Despite the challenges, we registered improved performance in electricity sales which increased by 3.4% during the year compared to 2.3% the previous year. This resulted from our sustained customer connectivity drive, continued implementation of the Time of Use tariff, improved reliability of power supply, and continuous investment in the network and infrastructure expansion. The growth was also supported by a favourable economic environment with the country's GDP growing by 6.3% in 2018 and the manufacturing sector registering an improved growth of 4.2%.

To promote best practice in corporate governance, the Board continued to adopt ethically driven business structures, procedures and processes. At the fore of the Board's agenda was institution of sound internal controls; driving corporate strategy; managing electricity supply and demand balance; and stakeholder engagement for improved corporate reputation.

However, our trading performance fell short of our expectations due to an increase in energy cost with the expanding renewable capacity aimed at enhancing the Company's sustainability and making power affordable to all, whilst reducing dependency on thermal generation. This is in line with the current sector strategy aimed at reducing the long term energy cost to consumers.

Retail Tariff Review

We operate in a regulated electricity pricing environment which has a major impact on our revenue margins. During the year, the Company implemented a new favourable tariff which was approved in July 2018 following protracted negotiations spanning a period of two years. The new tariff was effected in August 2018 and applied for a period of three months before it was reviewed downwards. The review dimmed the Company's revenue prospects by Shs.4.8 billion of the total projected revenues in the tariff application, thereby necessitating stop gap measures in short term borrowings to enable the Company meet its financial obligations.

Trading Performance

Revenue from electricity sales grew by Shs.16,994 million from Shs.95,435 million the previous year to Shs.112,429 million, representing an increase of 17.8 %. The rise in revenue was partly attributed to the tariff review and increase in unit sales from 7,905 GWh to 8,174 GWh.

Non-fuel power purchase costs increased by 34% from Shs.52,795 million the previous year to Shs.70,878 million, partly due to growth in total units purchased and the entry of two new renewable energy generation plants with combined capacity of 360 MW. The total units purchased rose to 11,492 GWh from

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 which 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 which 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 the Company's 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 which 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 which 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.

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2019
8

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 which are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters which 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 control of the current period 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

04 September, 2020

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 Kshs. Million	2018 Restated Kshs. Million
Revenue		
Non-fuel revenue	112,429	95,435
Foreign exchange adjustment	860	9,322
Fuel cost recharge	19,852	26,622
	133,141	131,379
Power Purchases Costs		
Non-fuel costs	(70,878)	(52,795)
Foreign exchange costs	(986)	(7,714)
Fuel costs	(18,289)	(23,591)
Total Power Purchase Costs	(90,153)	(84,100)
Gross Margin	42,988	47,279
Other operating income	8,586	9,178
Transmission & distribution costs	(41,043)	(44,541)
Operating Profit	10,531	11,916
Interest income	118	100
Finance costs	(10,315)	(7,048)
Profit Before Tax	334	4,968
Income tax expense	(72)	(1,700)
Profit After Tax	262	3,268
Basic and Diluted Earnings Per Share	Kshs. 0.13	Kshs. 1.67
Dividend Per Share	Nil	Nil

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	2019 Kshs. Million	2018 Restated Kshs. Million	2017 Restated Kshs. Million
Assets			
Property, plant and equipment	277,067	273,377	262,348
Other Non-current assets	6,717	8,658	7,595
Current assets	44,221	50,234	54,017
	328,005	332,269	323,960
Equity and Liabilities			
Shareholders' equity	56,231	60,622	58,398
Non-current liabilities	156,583	165,400	187,756
Current liabilities	115,191	106,247	77,806
	328,005	332,269	323,960

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 Kshs. Million	2018 Kshs. Million
Cash generated from operating activities	26,750	28,266
Net Cash used in investing activities	(20,947)	(27,733)
Net Cash generated from financing activities	(3,626)	(6,986)
Decrease in cash and cash equivalents	2,177	(6,453)
Cash and cash equivalents at beginning of year	(7,603)	(1,150)
Cash and cash equivalents at close of year	(5,426)	(7,603)