

THE KENYA POWER & LIGHTING COMPANY PLC

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2020

THE KENYA POWER & LIGHTING COMPANY PLC
FINANCIAL STATEMENTS FOR SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020

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THE KENYA POWER & LIGHTING COMPANY PLC

REPORT OF THE DIRECTORS

The Directors submit the unaudited interim financial statements for the six months' period ended 31 December 2020

ACTIVITIES

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

RESULTS

| | Shs'000 |
|------------------------|-----------------------|
| Profit before Taxation | 332,658 |
| Taxation charge | (194,297) |
| Profit for the Period | <u><u>138,361</u></u> |

DIVIDENDS

The Directors recommend no payment of interim dividend for the period.

THE KENYA POWER & LIGHTING COMPANY PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS
PERIOD ENDED 31 DECEMBER 2020

| | Note | 31.12.2020 | 31.12.2019 |
|--|-------|-----------------------|----------------------|
| Revenue | | Shs' 000 | Shs' 000 |
| Electricity Sales | 2 (a) | 61,497,156 | 61,241,134 |
| Foreign Exchange adjustment | 2 (a) | 2,662,375 | 571,532 |
| Fuel cost adjustment | 2 (a) | 4,855,056 | 7,793,993 |
| | | <hr/> | <hr/> |
| | | 69,014,587 | 69,606,659 |
| | | <hr/> | <hr/> |
| Power Purchase Costs | | | |
| Non Fuel Power Purchase Costs | 3 (a) | (38,122,496) | (37,190,151) |
| Foreign exchange costs | 3 (a) | (2,837,388) | (1,173,124) |
| Fuel Costs | 3 (b) | (4,618,246) | (7,152,496) |
| | | <hr/> | <hr/> |
| | | (45,578,130) | (45,515,771) |
| | | <hr/> | <hr/> |
| Gross profit | | 23,436,457 | 24,090,888 |
| | | <hr/> | <hr/> |
| Net operating expenses | | | |
| Network Management | 4 (a) | (5,333,363) | (7,184,009) |
| Customer service | 4 (b) | (3,066,424) | (3,451,140) |
| Administration | 4 (c) | (10,306,542) | (11,191,151) |
| Expected credit losses on financial assets | 4 (d) | 30,948 | (1,151,158) |
| | | <hr/> | <hr/> |
| | | (18,675,381) | (22,977,458) |
| | | <hr/> | <hr/> |
| Operating income | | 4,761,076 | 1,113,430 |
| Other income | 2 (b) | 3,568,726 | 3,800,924 |
| | | <hr/> | <hr/> |
| Operating profit | | 8,329,802 | 4,914,354 |
| Finance income | 6 | 60,120 | 59,378 |
| Finance costs | 6 | (8,057,264) | (3,834,848) |
| | | <hr/> | <hr/> |
| Profit before tax | | 332,658 | 1,138,884 |
| Income tax expense | 8 (a) | (194,297) | (446,688) |
| | | <hr/> | <hr/> |
| Profit after tax | | 138,361 | 692,196 |
| Basic and diluted earnings Per Share | 9 | <hr/> <u>Shs 0.07</u> | <hr/> <u>Shs0.35</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | | 31.12.2020 | 31.12.2019 |
|-------------------------------------|-------------|---------------------------|---------------------------|
| ASSETS | Note | Shs' 000 | Shs' 000 |
| Non-Current Assets | | | |
| Property and Equipment | 10 | 272,145,726 | 275,707,545 |
| Leasehold Land | 11 | 654,149 | 866,703 |
| Intangible assets | 12 | 1,791,895 | 2,878,998 |
| Retirement benefit asset | | 527,328 | 1,103,010 |
| Right of use asset | 13 | 1,039,716 | - |
| | | <u>276,158,814</u> | <u>280,556,256</u> |
| Current Assets | | | |
| Inventories | 14 | 5,856,620 | 9,470,521 |
| Trade and Other Receivables | 15 | 36,226,958 | 30,345,762 |
| Current income tax | 8 (c) | 120,864 | 72,638 |
| Short term deposits | 21 (c) | 446,848 | 419,607 |
| Bank and Cash Balances | 21(c) | 1,252,862 | 4,918,519 |
| | | <u>43,904,152</u> | <u>45,227,047</u> |
| TOTAL ASSETS | | <u>320,062,966</u> | <u>325,783,303</u> |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Ordinary Share Capital | 16 | 4,878,667 | 4,878,667 |
| Share premium | | 22,021,219 | 22,021,219 |
| Reserves | 19 | 28,135,272 | 30,023,172 |
| Total Equity | | <u>55,035,158</u> | <u>56,923,058</u> |
| Non-Current Liabilities | | | |
| Deferred income tax | | 20,768,229 | 27,279,297 |
| Deferred Income | | 10,991,781 | 12,942,373 |
| Trade and Other Payables | 20(a) | 23,565,953 | 24,848,865 |
| Borrowings | 17 | 97,467,240 | 89,608,175 |
| Preference Shares | 18 | 43,000 | 43,000 |
| | | <u>152,836,203</u> | <u>154,721,710</u> |
| Current Liabilities | | | |
| Trade and Other Payables | 20 (b) | 86,661,369 | 77,919,470 |
| Deferred Income | | 3,041,221 | 3,935,632 |
| Provision | | 1,034,557 | 813,331 |
| Borrowings | 17 | 15,400,477 | 19,320,385 |
| Lease liabilities | | 1,075,514 | - |
| Dividends Payable | | 795,003 | 807,132 |
| Overdraft | | 4,183,464 | 11,342,585 |
| | | <u>112,191,605</u> | <u>114,138,535</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>320,062,966</u> | <u>325,783,303</u> |

The financial statements on pages 3 to 22 were approved for release by the Board of Directors on.....
2021 and were signed on its behalf by:

Vivienne Yeda) Chairman, Board

Mr. Sachen Gudka) Director

Mr. Bernard Ngugi) Managing Director & CEO

THE KENYA POWER & LIGHTING COMPANY PLC
STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020.

| | Ordinary Share Capital Shs' 000 | Share premium Shs' 000 | Retained earnings Shs' 000 | Total Shs' 000 |
|----------------------------|--|---------------------------------------|---|---------------------------|
| At 1 July 2020 | 4,878,667 | 22,021,219 | 27,996,911 | 54,896,797 |
| Profit for the six months | - | - | 138,361 | 138,361 |
| Dividends paid-2020 | - | - | - | - |
| At 31 December 2020 | <u>4,878,667</u> | <u>22,021,219</u> | <u>28,135,272</u> | <u>55,035,158</u> |

**THE KENYA POWER & LIGHTING COMPANY PLC
STATEMENT OF CHANGES OF CASH FLOWS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020**

| | Note | Six months up to 31.12.2020 Shs'000 | Six months up to 31.12.2019 Shs'000 |
|---|--------|--|--|
| OPERATING ACTIVITIES | | | |
| Cash generated from operations | 21(a) | 10,244,376 | 12,925,730 |
| Repayment of interest portion of lease liabilities | | (48,622) | |
| Interest received | 21(f) | 57,475 | 42,491 |
| Interest paid | 21(d) | (2,330,047) | (4,106,843) |
| Net taxation paid | 8(c) | <u>40,957</u> | <u>(55,564)</u> |
| | | <hr/> | <hr/> |
| Cash generated from operating activities | | <u>7,964,139</u> | <u>8,805,814</u> |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | 21(e) | (4,170,605) | (7,201,086) |
| Purchase of intangible asset | 12 | - | - |
| Proceeds from disposal of property, plant and equipment | | <u>19,468</u> | <u>30,048</u> |
| Net cash used in investing activities | | <u>(4,151,137)</u> | <u>(7,171,038)</u> |
| FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | 21(b) | 7,882,057 | 4,508,512 |
| Repayment of borrowings | 21(b) | (13,664,884) | (6,717,360) |
| Repayment of principal portion of lease liabilities | | (203,536) | - |
| Dividends paid | 21(d) | <u>(11,219)</u> | <u>(3,913)</u> |
| Net cash from financing activities | | <u>(5,997,582)</u> | <u>(2,212,761)</u> |
| INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | (2,184,580) | (577,985) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 3,908,481 | <u>(5,426,474)</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 21 (c) | <u>1,723,901</u> | <u>(6,004,459)</u> |

**THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020.**

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Companies Act Cap 486 of the Laws of Kenya. The principal accounting policies adopted remain unchanged from the previous period and are set below:

BASIS OF ACCOUNTING

The financial statements have been prepared on a historical cost basis, except for the measurement at revaluation amounts of certain property and equipment.

REVENUE

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. 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.

INTEREST

Interest payable and receivable are recognised on an accrual basis. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

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.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met.

No depreciation is provided on freehold land. Depreciation on other assets is calculated to write down their cost or valuation 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 the unexpired period of the lease |
| Transmission and Distribution lines | 2.5 – 20% |
| Plant and Machinery | 2.85 – 6.66% |
| Motor vehicles | 25% |
| Furniture, equipment and fittings | 6.66 – 20% |
| Computers and photocopiers | 30% |

TAXATION

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

Current taxation is based on taxable profit for the period. Taxable profit differs from profit as reported in the financial statements 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 tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

FOREIGN CURRENCIES

The financial statements are presented in Kenya shillings, which is the Company's functional and presentation currency. Transactions during the period are translated at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising during the period of construction of a project are capitalised as part of the cost of the project. Other exchange gains and losses are dealt with in the statement of comprehensive income.

RETIREMENT BENEFIT OBLIGATIONS

The Company employees are eligible for retirement benefits under a defined contribution scheme from 1 July 2006 and make contributions to the statutory fund, the National Social Security Fund. Payments by the Company to the defined contribution scheme are charged to income statement as incurred.

2 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

| | 31.12.2020 | 31.12.2019 |
|-----------------------------|--------------------------|--------------------------|
| | KShs'000 | KShs'000 |
| Electricity Sales* | 61,497,156 | 61,241,134 |
| Foreign Exchange adjustment | 2,662,375 | 571,532 |
| Fuel cost adjustment | 4,855,056 | 7,793,993 |
| | <u>69,014,587</u> | <u>69,606,659</u> |

*All electricity sales are recognised at point in time.

(b) Other income

| | 31.12.2020 | 31.12.2019 |
|---------------------------------------|-------------------------|-------------------------|
| | KShs'000 | KShs'000 |
| Reconnection charges | 226,841 | 110,825 |
| Rent receivable | 52,686 | 55,058 |
| Fibre optic lease charges | 315,342 | 305,210 |
| Miscellaneous sales | 317,689 | 323,105 |
| Transmission line maintenance revenue | - | 27,539 |
| Recovery from Last Mile customers | - | 179,300 |
| Deferred Income | 2,656,168 | 2,799,887 |
| | <u>3,568,726</u> | <u>3,800,924</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

3 POWER PURCHASE COSTS

(a) Non Fuel Power Purchase Costs

The power purchases were sourced from the following companies:

| | 31.12.2020 | 31.12.2019 |
|---|--------------------------|--------------------------|
| | KShs'000 | KShs'000 |
| Kenya Electricity Generating Company Limited (KenGen) | 20,866,737 | 19,361,651 |
| Tsavo Power Company Limited | 1,246,672 | 1,153,617 |
| Iberafrica Power (E.A) Company Limited | 893,664 | 1,071,751 |
| Orpower 4 Inc | 6,177,968 | 6,284,432 |
| Uganda Electricity Transmission Company Limited | 778,855 | 1,274,719 |
| Rabai Power Limited | 1,478,197 | 1,278,244 |
| Imenti Tea Factory | 1,359 | 2,130 |
| Ethiopia Electricity Power Company | 21,440 | 15,853 |
| Thika Power Limited | 1,183,116 | 1,029,321 |
| Power Technology Solutions Limited | 11,117 | 6,822 |
| Gulf Power Limited | 1,100,993 | 955,130 |
| Triumph Power Generating Co. Limited | 1,342,535 | 1,190,791 |
| Regen-Terem | 171,874 | 155,475 |
| Mumias Sugar Company | - | 21,931 |
| Chania | 6,748 | 3,809 |
| Gura | 56,360 | 83,366 |
| Biojoule Kenya Limited | 832 | 1,959 |
| Lake Turkana | 8,275,223 | 6,779,884 |
| Strathmore | 745 | 757 |
| Garissa Solar Plant | 257,028 | 259,596 |
| Metumi Power Plant | 49,524 | |
| | 43,920,987 | 40,931,238 |
| Foreign Exchange Surcharge | <u>(2,837,388)</u> | <u>(1,173,124)</u> |
| | 41,083,599 | 39,758,114 |
| Recharge to Rural Electrification schemes | <u>(2,961,103)</u> | <u>(2,567,964)</u> |
| | <u>38,122,496</u> | <u>37,190,151</u> |

(b) Fuel Costs

| | 31.12.2020 | 31.12.2019 |
|---|-------------------------|-------------------------|
| | KShs'000 | KShs'000 |
| Kenya Electricity Generating Company Limited (KenGen) | 1,070,785 | 3,375,734 |
| Tsavo Power Company Limited | 746,601 | 899,853 |
| Iberafrica Power (E.A) Company Limited | 364,475 | 446,203 |
| Rabai Power Limited | 1,113,311 | 1,303,568 |
| Thika Power Limited | 392,905 | 487,160 |
| Gulf Power Limited | 141,740 | 84,102 |
| Triumph Power Generating Co. Limited | 78,931 | 114,972 |
| Off Grid Stations | <u>1,050,384</u> | <u>988,523</u> |
| | 4,959,132 | 7,700,115 |
| Recharge to Rural Electrification schemes | <u>(340,886)</u> | <u>(547,619)</u> |
| | <u>4,618,246</u> | <u>7,152,496</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31ST DECEMBER 2019 (continued)

3. POWER PURCHASE COSTS (continued)

(c) Units Purchased

Interconnected power purchases by utility source is analysed as follows in gigawatt-hours (GWh)

| | 31.12.2020 | 31.12.2019 |
|---|---------------------|---------------------|
| | GWh | GWh |
| Kenya Electricity Generating Company Limited (KenGen) | 4,274 | 4,085 |
| Tsavo Power Company Limited | 98 | 82 |
| Iberafrica Power (E.A) Company Limited | 33 | 34 |
| Orpower 4 Inc | 496 | 592 |
| Imports from Uganda | 71 | 96 |
| Imports from Tanzania | - | - |
| Rabai Power Ltd | 138 | 129 |
| Thika Power | 38 | 37 |
| Imenti Tea Factory Co. Ltd* | - | - |
| Ethiopia Electricity Power Company | 2 | 2 |
| Gulf Power Ltd | 11 | 6 |
| Gikira Power Technology Solutions Ltd | 1 | 1 |
| Triumph Power Generating Co. Limited | 8 | 9 |
| Biojoule Kenya Limited | - | - |
| REGEN-TEREM | 17 | 16 |
| GURA | 7 | 10 |
| Strathmore | - | - |
| Chania | - | - |
| Lake Turkana Wind Power | 749 | 702 |
| Garissa Solar Power Plant | 43 | 46 |
| Metumi Power Plant | 7 | - |
| Off –grid power stations stations | <u>31</u> | <u>29</u> |
| | 6,024 | 5,876 |
| Less RES-Interconnected | <u>(414)</u> | <u>(400)</u> |
| | <u>5,610</u> | <u>5,476</u> |

*Imenti Tea Factory Co. Ltd supplied KWh 208,519 during the period (2019: KWh 323,724), Biojoule Biogas supplied KWh 75,343 (2019: KWh 188,358), Chania Power Company KWh 592,710 (2019: 323,724) and Strathmore KWh 56,704 (2019: 59,705).

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

(d) Type of Interconnected Power Sources

The interconnected power sources by type of generation are analysed as follows in gigawatt-hours (GWh):

| | 31.12.2020 | 31.12.2019 |
|--|---------------------|---------------------|
| | GWh | GWh |
| Hydro | 2,230 | 1,683 |
| Geothermal | 2,467 | 2,759 |
| Thermal | 444 | 564 |
| Imports | 74 | 98 |
| Wind | 774 | 726 |
| Others | <u>42</u> | <u>46</u> |
| | 6,024 | 5,876 |
| Less supplied to Rural Electrification customers | <u>(414)</u> | <u>(400)</u> |
| | <u>5,610</u> | <u>5,476</u> |

4. OTHER OPERATING COSTS

(a) Network Management

| | 31.12.2020 | 31.12.2019 |
|--|-------------------------|-------------------------|
| | Shs'000 | Shs'000 |
| Staff costs | 2,751,363 | 3,120,833 |
| Other consumable goods | 149,076 | 898,571 |
| Staff welfare | 61,668 | 63,330 |
| Transport | (91,195) | (324,061) |
| Travelling | 74,351 | 143,116 |
| Depreciation | 2,742,126 | 2,771,893 |
| Ketraco Wheeling Charge | 1,334,333 | 1,334,333 |
| Losses on Disposal of Fixed Assets | 276,999 | 328,916 |
| Losses on transformer repairs | 60,060 | - |
| Other office expenses | 9,760 | 255,597 |
| Net recharged to Rural Electrification Programme | (2,035,178) | (1,408,519) |
| | <u>5,333,363</u> | <u>7,184,009</u> |

(b) Customer Service

| | 31.12.2020 | 31.12.2019 |
|--|-------------------------|-------------------------|
| | Shs'000 | Shs'000 |
| Staff costs | 2,019,004 | 1,765,098 |
| Staff welfare | 25,913 | 35,738 |
| Transport | - | 135,365 |
| Travelling | 25,913 | 77,490 |
| Depreciation | 2,126,531 | 2,230,628 |
| Other costs | 22,251 | - |
| Net recharged to Rural Electrification Programme | (1,153,188) | (793,179) |
| | <u>3,066,424</u> | <u>3,451,140</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

(c) Administration

| | 31.12.2020 | 31.12.2019 |
|--|--------------------------|--------------------------|
| | Shs'000 | Shs'000 |
| Staff costs | 3,879,185 | 4,025,711 |
| Staff welfare | 332,784 | 534,215 |
| Transport & Travelling | 125,551 | 406,249 |
| Training expenses and commercial services | - | - |
| Repairs and maintenance | 430,712 | 1,052,451 |
| Depreciation | 3,958,339 | 3,228,057 |
| Amortization of intangible assets and operating lease prepayment | 371,726 | 628,688 |
| Depreciation- ROU asset | 154,914 | - |
| Office expenses | 43,730 | 242,078 |
| Postage and telegrams | 1,600 | 3,201 |
| Security and surveillance | 341,707 | 307,084 |
| Consultancy fees | 23,019 | 4,014 |
| Insurance | 172,800 | 395,879 |
| Bank charges | 91,674 | 80,774 |
| Advertising and Public Relations | 15,725 | 85,263 |
| Other costs | 953,603 | 595,605 |
| Net charged to Rural Electrification Programme | <u>(590,527)</u> | <u>(398,118)</u> |
| | <u>10,306,542</u> | <u>11,191,151</u> |

(d) Expected credit losses on financial assets

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | Shs'000 | Shs'000 |
| Provision for electricity debtors | (30,948) | 992,486 |
| Write back/Provision for non- vending customers | - | (47,149) |
| Provision for other receivables | - | 205,821 |
| | (30,948) | 1,151,158 |

5. EXPENSES BY NATURE

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

| | 31.12.2020 | 31.12.2019 |
|--|-------------------|-------------------|
| | Shs'000 | Shs'000 |
| Staff costs (Note 7) | 9,039,243 | 8,911,642 |
| Depreciation | 8,597,012 | 8,230,578 |
| Amortisation | 601,709 | 628,688 |
| Interest expense (Note 6) | 3,331,694 | 3,834,848 |
| Provision for trade and other receivables (Note 4 (b)) | (30,948) | 1,151,158 |
| Loss on retirement of transformers | 276,999 | 328,916 |
| Rent receivable | (52,686) | (55,058) |
| | ===== | ===== |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

6. FINANCE INCOME/ (COSTS)

FINANCE INCOME

| | 31.12.2020 | 31.12.2019 |
|--|---------------------------|---------------------------|
| | Shs'000 | Shs'000 |
| Interest income on bank and other deposits | <u>60,120</u> | <u>59,378</u> |
| FINANCE COSTS | | |
| Interest incurred: | | |
| • On loans | (3,037,012) | (3,902,877) |
| • On bank overdrafts | (246,060) | (725,881) |
| • Lease liabilities | (48,622) | - |
| Unrealised foreign exchange gain/(loss) | <u>(4,725,570)</u> | <u>793,910</u> |
| Total finance costs | <u>(8,057,264)</u> | <u>(3,834,848)</u> |

7. STAFF COSTS

| | 31.12.2020 | 31.12.2019 |
|---|-------------------------|-------------------------|
| | Shs'000 | Shs'000 |
| Salaries and wages | 8,574,251 | 8,434,626 |
| National Social Security Fund | 12,395 | 12,932 |
| Pension costs – defined contribution plan | <u>452,597</u> | <u>464,084</u> |
| | <u>9,039,243</u> | <u>8,911,642</u> |

8. TAXATION

(a) Income tax expense

| | 31.12.2020 | 31.12.2019 |
|--|-----------------------|-----------------------|
| | Shs'000 | Shs'000 |
| Based on the adjusted profit/(loss) for the period | - | - |
| Deferred taxation charge | 177,423 | 392,654 |
| Corporation tax prior year under- provision | - | - |
| Income tax separate sources – current year | <u>16,874</u> | <u>54,034</u> |
| | <u>194,297</u> | <u>446,688</u> |

(b) Reconciliation of tax expense to the expected tax based on accounting profit:

| | | |
|--|-----------------------|-----------------------|
| Profit before taxation | 332,658 | 1,138,884 |
| | ===== | ===== |
| Tax at the applicable tax rate of 25% (2019 :30%) | 83,164 | 341,665 |
| Tax effect of expenses not deductible for tax purposes | 82,103 | 50,989 |
| Income tax separate sources – current year | 16,874 | 54,034 |
| Income not subject to tax | <u>12,156</u> | |
| Tax Charge | <u>194,297</u> | <u>446,688</u> |

(c) Current income tax (payable)/ recoverable reconciliation

| | | |
|--|-----------------------|----------------------|
| At the beginning of the year | 96,271 | 71,108 |
| Paid during the year | 40,957 | 55,564 |
| Income tax separate sources – current year | <u>(16,874)</u> | <u>(54,034)</u> |
| | <u>120,354</u> | <u>72,638</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

9. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the profit after tax of Shs138,361,000 (2019- Shs 692,196,000) and the number of ordinary shares in issue during the year of 1,951,467,045 (2019- 1,951,467,045)

There were no potentially dilutive shares as at 31 December 2020 Diluted earnings per share is therefore the same as basic earnings per share

THE KENYA POWER & LIGHTING COMPANY PLC
 NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
 ENDED 31 DECEMBER 2020 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land and buildings | Transmission lines | Distribution lines | machinery | Motor vehicles | Furniture equipment | Work in progress | |
|-------------------------------|-----------------------------------|-----------------------|-----------------------|------------------|------------------|------------------------|---------------------|--------------------|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| COST | | | | | | | | |
| At 1st 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 | - | - | - | - | - | - | 4,170,605 | 4,170,605 |
| Transfer to fixed assets | 7,531 | - | 1,581,855 | 2,339 | - | 1,075,558 | (2,667,283) | - |
| Disposals | - | - | (468,258) | - | - | - | - | (468,258) |
| At 31st Dec. 2020 | 11,902,781 | 33,006,298 | 260,715,640 | 1,206,227 | 7,771,215 | 52,534,641 | 22,549,247 | 389,686,049 |
| DEPRECIATION | | | | | | | | |
| At 1st 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 period | 154,642 | 850,469 | 4,531,424 | 27,537 | 223,286 | 2,809,654 | - | 8,597,012 |
| Disposals | - | - | (180,487) | - | - | - | - | (180,487) |
| At 31st Dec. 2020 | 1,895,263 | 12,675,294 | 57,643,385 | 292,208 | 6,090,661 | 38,943,512 | - | 117,540,323 |
| NET BOOK VALUE | | | | | | | | |
| At 31st Dec. 2020 | 10,007,518 | 20,612,087 | 203,072,255 | 914,019 | 1,680,554 | 13,591,129 | 22,549,247 | 272,145,726 |
| At 31st Dec. 2019 | 8,764,550 | 19,508,806 | 204,199,173 | 743,544 | 1,128,529 | 15,253,616 | 26,109,460 | 275,707,545 |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

11. LEASEHOLD LAND

| | 31.12.2020 | 31.12.2019 |
|-------------------------------|-------------------|-------------------|
| | KShs'000 | KShs'000 |
| COST | | |
| At 1 July | 765,900 | 978,409 |
| AMORTISATION | | |
| At 1 July | 98,886 | 95,283 |
| Amortisation for the year | 12,865 | 16,423 |
| At 30 June | 111,751 | 111,706 |
| NET BOOK VALUE At 31 December | 654,149 | 866,703 |

12. INTANGIBLE ASSETS-COMPUTER SOFTWARE

| | 31.12.2020 | 31.12.2019 |
|---------------------|-------------------|-------------------|
| | KShs'000 | KShs'000 |
| COST | | |
| At 1 July | 7,836,854 | 7,762,728 |
| Additions | - | - |
| At 31 December | 7,836,854 | 7,762,728 |
| AMORTISATION | | |
| At 1 July | (5,456,115) | (4,271,465) |
| Charge for the year | (588,844) | (612,265) |
| | (6,044,959) | (4,883,730) |
| At 31 December | 1,791,895 | 2,878,998 |

13. RIGHT-OF-USE (ROU) ASSET

| | 31.12.2020 | 31.12.2019 |
|---------------------|-------------------|-------------------|
| | KShs'000 | KShs'000 |
| COST | | |
| At 1 July | 1,479,867 | - |
| Additions | - | - |
| At 31 December | 1,479,867 | - |
| AMORTISATION | | |
| At 1 July | (285,237) | - |
| Charge for the year | (154,914) | - |
| | (440,151) | - |
| At 31 December | 1,039,716 | - |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

14. INVENTORIES

| | 31.12.2020 | 31.12.2019 |
|--------------------------|--------------------|-------------------|
| | KShs'000 | KShs'000 |
| General stores | 4,524,399 | 4,781,370 |
| conductors and Cables | 2,336,681 | 1,900,692 |
| Poles | 408,441 | 2,224,861 |
| Meters and accessories | 354,790 | 3,439 |
| Engineering spares | 12,770 | 404,173 |
| Fuel and oil | 250,041 | 293,391 |
| Transformers | 1,772,457 | 109,950 |
| Motor vehicle spares | 111,872 | 12,986 |
| | 9,771,451 | 9,730,862 |
| | (3,914,831) | (260,341) |
| Provision for impairment | 5,856,620 | 9,470,521 |

15. TRADE AND OTHER RECEIVABLES

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | KShs'000 | KShs'000 |
| Electricity receivables | 9,968,388 | 9,851,919 |
| Prepayments | 2,668,090 | 2,646,712 |
| Recoverable fuel cost | - | - |
| Rural Electrification Authority Current Account | 248,564 | 248,564 |
| VAT recoverable | 1,201,234 | 1,097,110 |
| Staff receivables | 617,206 | 394,895 |
| Stima Loan Deferred Payment Customers | 227,354 | 219,127 |
| Electricity Regulatory Commission levy | - | 152,767 |
| Rural Electrification Schemes- intercompany account | 17,949,494 | 11,933,486 |
| KEMP IDA grant | 92,962 | 1,939,251 |
| Nuclear electricity project | - | 1,463 |
| Receivable from Government of Kenya | 401,049 | 639,465 |
| Other receivables | 2,852,617 | 1,221,003 |
| | 36,226,958 | 30,345,762 |

16. SHARE CAPITAL

| Authorised and Issued | 31.12.2020 | | 31.12.2019 | |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Authorised | Issued and fully paid | Authorised | Issued and fully paid |
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| Ordinary stock units/shares of Sh 2.50 each | 6,482,030 | 4,878,667 | 6,482,030 | 4,878,667 |
| 7.85% Redeemable non-cumulative Preference shares of Sh 20 each | 100,750 | - | 100,750 | - |
| | 6,582,780 | 4,878,667 | 6,582,780 | 4,878,667 |

THE KENYA POWER & LIGHTING COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020 (continued)

17. Borrowings

| | Currency | Interest rate | Start date | End date | 2020 Shs'000 | 2019 Shs'000 |
|---|-----------------|----------------------|-------------------|-----------------|-------------------------|-------------------------|
| Commercial borrowings | | | | | | |
| Standard Chartered Bank Loan | USD | 4.15% + Libor | 6/19/2016 | 6/23/2026 | 28,060,564 | 29,815,098 |
| Standard Chartered Bank Loan | Shs | CBR + 4% | 6/17/2016 | 6/23/2023 | 7,590,000 | 10,626,000 |
| Rand Merchant Bank Long Term Loan | USD | 5.75% + Libor | 6/30/2014 | 12/31/2021 | 1,273,671 | 3,546,777 |
| Equity Bank USD Medium Term Loan | USD | 4.75% + Libor | 9/30/2014 | 9/30/2025 | 4,570,057 | 5,090,475 |
| Stanbic Loan | Shs | 11% | 6/28/2017 | 6/28/2019 | - | 2,000,000 |
| NCBA Bank Loan | Shs | CBR +2% | 3/10/2021 | 3/10/2032 | 6,750,000 | - |
| Rand Merchant Bank Medium Term Loan | USD | 7.95% | 3/26/2018 | 9/26/2024 | 6,368,355 | 7,093,555 |
| Standard Chartered Bank Money Market Loan | Shs | 12% (cbr+4%) | 5/30/2019 | 5/30/2021 | 800,000 | 800,000 |
| GOK/Agence Francaise De development | EUR | 2.5% + Libor | 1/18/2017 | 12/31/2030 | - | 1,133,679 |
| | | | | | 55,412,647 | 60,105,584 |
| On-lent borrowings | | | | | | |
| GOK/IDA Kenya Electricity Expansion Project | USD | 3.00% | 5/11/2011 | 3/1/2035 | 13,330,712 | 12,030,310 |
| GOK/CHINA EXIM BANK (USD | USD | 3.00% | 8/28/2014 | 8/28/2034 | 14,416,489 | 12,232,127 |
| GOK/IDA 3958 & 4572 KE ESRP | USD | 4.50% | 6/28/2005 | 6/1/2024 | 9,605,371 | 8,915,990 |
| GOK/NORDEA | EUR | 3.00% | 12/15/2014 | 9/15/2026 | 2,712,575 | 2,296,716 |
| GOK/EIB 23324 KE ESRP | EUR | 3.97% | 10/10/2007 | 7/20/2025 | 2,308,834 | 2,132,589 |
| GOK/Agence Francaise de Development | EUR | 4.50% | 5/23/2007 | 3/30/2025 | 1,416,197 | 1,199,084 |
| GOK/ Nordic Development Fund 435 ESRP | EUR | 4.50% | 5/22/2007 | 9/15/2026 | 543,948 | 495,985 |
| KPLC/AFD Revolving Fund Loan | EUR | 2.70% | 12/31/2014 | 7/31/2034 | 2,985,859 | 2,641,472 |
| GOK/IDA 5587 KE LOAN | USD | 2.00% | 2/27/2016 | 11/15/2052 | 3,852,748 | 2,440,557 |
| GOK/IDA 2966 KE loan | Shs | 7.70% | 6/30/2016 | 6/30/2019 | 188,349 | 188,349 |
| GOK/ IDA 5587 Grant | USD | 4.50% | 29/6/2015 | 30/6/2035 | - | - |
| GOK/AFD Transformer Densification | EUR | 3.20% | 12/31/2014 | 7/31/2034 | 954,448 | 676,793 |
| Accrued interest | | | | | 5,139,540 | 3,573,004 |
| | | | | | 57,455,070 | 48,822,976 |
| Total borrowings | | | | | 112,867,717 | 108,928,560 |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

17. Borrowings (continued)

| | 2020 Shs'000 | 2019 Shs'000 |
|--|-------------------------------|-------------------------------|
| Total borrowings | 112,867,717 | 108,928,560 |
| Less: amounts repayable within 12 months | <u>(15,400,477)</u> | <u>(19,320,385)</u> |
| Non-current | <u>97,467,240</u> | <u>89,608,175</u> |

18. PREFERENCE SHARES

Authorised issues and fully paid:

| | | |
|---|----------------------|----------------------|
| 350,000 - 7% cumulative preference shares of KShs 20 each | 7,000 | 7,000 |
| 1,800,000 - 4% cumulative preference shares of KShs 20 each | <u>36,000</u> | <u>36,000</u> |
| | <u>43,000</u> | <u>43,000</u> |

The preference shares are treated as financial liabilities because the Company has a contractual obligation to pay preference dividends on the shares.

19. RESERVES

| | 31.12.2020 Shs'000 | 31.12.2019 Shs'000 |
|-------------------|-------------------------------------|-------------------------------------|
| Retained earnings | <u>28,135,272</u> | <u>30,023,172</u> |

20. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

| | 31.12.2020 Sh'000 | 31.12.2019 Sh'000 |
|---|------------------------------------|------------------------------------|
| Customers' deposits | 6,081,947 | 6,061,937 |
| Capital contributions | 4,688,545 | 4,636,108 |
| Capital contribution-on-going projects | 8,358,690 | 7,806,971 |
| Donor Funded Revolving Fund | 846,950 | 2,799,793 |
| Rural Electrification Scheme Current Account- Capital | 316,066 | 134,756 |
| Deferred creditor(Fibre optic) | 287,647 | 413,326 |
| Ministry of Finance | - | - |
| Sub-Station Installation-GOK Funded Account | 1,425,000 | 1,300,000 |
| Other payables and accruals | <u>1,561,108</u> | <u>1,695,974</u> |
| | <u>23,565,953</u> | <u>24,848,865</u> |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

(b) Current liabilities

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | Sh'000 | Sh'000 |
| The Kenya Electricity Generating Company Limited (KenGen) | 25,068,010 | 20,338,254 |
| Other electricity suppliers | 22,691,071 | 18,425,441 |
| Other Suppliers | 5,555,353 | 9,896,709 |
| Rural Electrification Scheme's current account | - | - |
| Rural Electrification Programme Levy | 11,265,562 | 8,813,877 |
| Energy & Petroleum Regulatory Authority Levy | 470,237 | - |
| Nuclear Electricity Project | 11,890 | - |
| Ketraco wheeling charge | 6,004,500 | 4,976,099 |
| Street Lighting Project | 388,376 | 562,520 |
| Rural Electrification Scheme Current Account- Last Mile | 3,350,954 | 5,581,221 |
| Ministry of Finance | 875,041 | 875,041 |
| Other payables and accruals | 10,980,375 | 8,450,308 |
| | 86,661,369 | 77,919,470 |

21. NOTES TO THE CASH FLOW STATEMENT

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

| | 31.12.2020 | 31.12.2019 |
|--|-------------------|-------------------|
| | Sh'000 | Sh'000 |
| Operating profit | 8,329,802 | 4,914,354 |
| Adjustments for: | | |
| Depreciation | 8,597,012 | 8,230,578 |
| Amortisation of leasehold land and intangible assets | 601,709 | 628,688 |
| Amortisation of ROU (Right-of-use) asset | 154,914 | |
| Loss on retirement of transformers | 268,303 | 328,916 |
| Loss on transformers repairs | 60,060 | |
| Decrease in deferred income | (1,908,828) | (2,160,654) |
| Working capital changes: | | |
| Inventories | (1,025,248) | 364,379 |
| Trade and other receivables | (3,276,709) | 492,799 |
| Trade and other payables | (1,556,639) | 126,670 |
| Cash generated from operations | 10,244,376 | 12,925,730 |

(b) Analysis of changes in loans.

| | 31.12.2020 | 31.12.2019 |
|---|--------------------|--------------------|
| | Sh'000 | Sh'000 |
| At 1st July | 118,733,339 | 111,383,416 |
| Repayments | (13,664,884) | (6,717,360) |
| Receipts | 7,882,057 | 4,508,512 |
| Repayment of previous year's accrued interest | (4,186,515) | (3,051,089) |
| Unrealised foreign exchange loss | 3,147,644 | (767,923) |
| Accrued interest | 5,139,540 | 3,573,004 |
| At 31 st December | 117,051,181 | 108,928,560 |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

(c) Analysis of cash and cash equivalents

| | 31.12.2020 | 31.12.2019 |
|------------------------|-------------------|--------------------|
| | Sh'000 | Sh'000 |
| Short term deposits | 453,368 | 419,607 |
| Bank and cash balances | 1,270,533 | 4,918,519 |
| | 1,723,901 | 5,338,126 |
| Bank overdraft | - | (11,342,585) |
| | 1,723,901 | (6,004,459) |

(d) Analysis of interest and dividend Paid

| Interest paid | | 31.12.2020 | 31.12.2019 |
|----------------------------------|----------|-------------------|-------------------|
| | | Sh'000 | Sh'000 |
| Interest on loans | | 3,037,012 | 3,902,877 |
| Overdraft interest | (Note 6) | 246,060 | 725,881 |
| | | 3,283,072 | 4,628,758 |
| Interest on loans capitalised | | - | - |
| Accrued interest brought forward | | 4,186,515 | 3,051,089 |
| Accrued interest carried forward | | (5,139,540) | (3,573,004) |
| Interest paid | | 2,330,047 | 4,106,843 |
| Dividend paid | | | |
| At 1 July | | 806,222 | 811,045 |
| 2019 final dividends declared | | - | - |
| At 31 December | | (795,003) | (807,132) |
| Dividends paid | | 11,219 | 3,913 |

(e) Purchase of Plant and Equipment

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | Sh'000 | Sh'000 |
| Additions to work in progress | 4,170,605 | 7,227,074 |
| Exchange (loss)/gain on loans for on-going projects | - | (25,988) |
| Interest expense on loans capitalised | - | - |
| Property and equipment purchased | 4,170,605 | 7,201,086 |

THE KENYA POWER & LIGHTING COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2020 (continued)

(f) Analysis of interest received

| | | 31.12.2020 | 31.12.2019 |
|--|--------|----------------------|----------------------|
| | | Sh'000 | Sh'000 |
| Interest received on bank and other deposits | Note 6 | 60,120 | 59,378 |
| Accrued interest brought forward | | 4,654 | 2,404 |
| Accrued interest carried forward | | (7,299) | (19,291) |
| Interest received | | <u>57,475</u> | <u>42,491</u> |

(g) Proceeds of disposal of property and equipment

| | | |
|--|-----------------------|-----------------------|
| Proceeds of disposal of property and equipment | 19,468 | 30,048 |
| Less: disposed assets at net book value | <u>(287,771)</u> | <u>(358,964)</u> |
| Loss on disposal of property and equipment | <u>268,303</u> | <u>328,916</u> |