

REPUBLIC OF KENYA



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REPORT

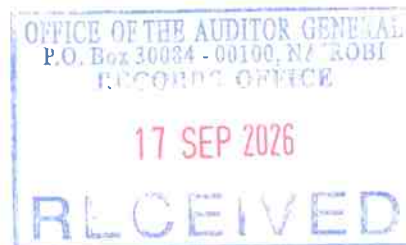
OF

THE AUDITOR-GENERAL

ON

**THE KENYA POWER AND LIGHTING
COMPANY PLC**

**FOR THE YEAR ENDED
30 JUNE, 2026**



THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2026

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

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THE KENYA POWER AND LIGHTING COMPANY PLC
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ABBREVIATIONS AND ACRONYMS

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

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CORPORATE INFORMATION

KEY ENTITY INFORMATION

Background information

The Kenya Power and Lighting Company Plc, a public company incorporated in the Republic of Kenya on 6 January 1922 as East African Power & Lighting Limited, changed its name to The Kenya Power and Lighting Company Plc on 11 October 1983.

The Government has a controlling stake at 50.1% of shareholding with private investors at 49.9%. Kenya Power is listed on the Nairobi Securities Exchange.

Principal Activities

The core business of the Company continues to be the transmission, distribution and retail of electricity. Kenya Power's key mandate is to plan for sufficient electricity generation and transmission capacity to meet demand; build and maintain the power distribution and transmission network and retail electricity to its customers.

Mission

Powering people for better lives by innovatively securing business sustainability.

By striving to provide world-class products and services that delight our customers and transform lives as we ensure viability of our business.

Vision

Energy solutions provider of choice.

By becoming the preferred energy solution for businesses and individuals, we empower our customers to achieve more and reach their full potential.

Core Values

We put our customers first as they matter most

We work together as one team to achieve our goals

We are passionate about powering the nation

We believe in integrity and delivering on our promises

We strive for excellence in all that we do

We are accountable to our customers and stakeholders

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CORPORATE INFORMATION

DIRECTORS

Joy Brenda Masinde	Chairman
Dr. (Eng.) Joseph Siror, FIEK	Managing Director & CEO
Hon. FCPA John Mbadi, EGH	Cabinet Secretary, National Treasury & Economic Planning
Alex Wachira, CBS	Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy
Logan Christi Hambrick	Board Member
Eng. James Rege, CBS	Board Member
Ezekiel Saina, HSC	Board Member
CPA Dr. Caleb B. Manyaga	Board Member
Eng. Albert Mugo	Board Member
Ruth Muiruri	Board Member
Dr. Stephen Ikikii	Alternate Director to Cabinet Secretary, National Treasury & Economic Planning
Dr. (Eng.) Isaac Kiva, FIEK	Alternate Director to Principal Secretary, Ministry of Energy & Petroleum

COMPANY 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
The Office of the Auditor General
Anniversary Towers
P.O. Box 30084 – 00100, Nairobi

PRINCIPAL LEGAL ADVISOR

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

ASSURANCE AND AUDIT

The Company applies a combined assurance model to enhance the reliability of this report. Assurance is provided through Management reviews, Internal audit assessments overseen by the Board Audit Committee, and External audit of financial statements by the Office of the Auditor-General

Legal, Compliance, and Corporate Governance Audits are conducted to ensure adherence to applicable laws, regulations, and governance standards. The Board has applied its collective judgment to this report and confirms that it provides a balanced and accurate reflection of the Company's performance, strategy, and value-creation approach.

THE KENYA POWER AND LIGHTING COMPANY PLC

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BOARD PROFILE

Ms. Joy Brenda Masinde
Chairman of the Board of Directors



Joy Mdivo is an Advocate of the High Court of Kenya. She is the Executive Director of the East Africa Centre for Law and Justice (EACLJ), a position she has held for several years. She is also the Proprietor of Masinde Mdivo and Associates.

She currently serves on several boards, including the Africa International University Council, the Integrated Aid Services (IAS-Kenya) and the Deliverance Church Umoja Council.

Previously, Ms. Mdivo was the Executive Director of the Christian Legal Education Aid and Research, CLEAR Kenya, the Legal Aid branch of the Kenya Christian Lawyers Fellowship. Ms. Mdivo has served the Nation in the Kenyan Judiciary for six years starting as a District Magistrate, rising through the rank of Senior Resident Magistrate before her resignation from public service.

Ms. Mdivo is a former Council Member of the Law Society of Kenya, Nairobi Branch. She is a member of East Africa Law Society, the Kenya Christian Professionals Forum and the Kenya Christian Lawyers Fellowship. She joined the Board and was appointed as the Chairman on 16th December 2022.

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



Dr. (Eng.) Joseph Siror was appointed as the Managing Director & Chief Executive Officer on 2nd May 2023. Prior to his appointment, Dr. Siror was the General Manager in charge of Technical Services at the Kenya Electricity Transmission Company (KETRACO). He has experience spanning over 30 years in diverse business portfolios, ranging from telecommunications (Kenya Posts & Telecommunication Corporation); revenue administration (Kenya Revenue Authority); policy development (NESC), manufacturing (Firestone East Africa), Information and Communication Technology and Energy Transmission

Dr. (Eng.) Siror holds a Doctor of Philosophy (PhD) degree in Engineering from Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), a Master of Business Administration (MBA) degree and a (BSc) Bachelor of Science in Electrical Engineering degree from the University of Nairobi. He also holds a Bachelor of Law degree from the University of London and a Postgraduate Certificate in Applied Radiation Protection from the University of Nairobi.

Dr. (Eng.) Siror is a member of the Institute of Electrical and Electronics Engineers (IEEE) and a licensed Professional Electrical Engineer with the Engineers Board of Kenya (EBK). He is also a Fellow of the Institute of Engineers of Kenya (FIEK).

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BOARD PROFILE

Hon. FCPA John Mbadi, EGH

Cabinet Secretary, The National Treasury and Economic Planning



Hon. FCPA John Mbadi is the Cabinet Secretary for the National Treasury and Economic Planning. He was appointed to the Cabinet on 7th August 2024.

Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

Hon. Mbadi has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency, Suba Constituency, and Gwassu Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly.

Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee,

Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, he is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa.

Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

Hon. Mbadi's contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH).

His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills. His areas of interest include politics, reading, and soccer.

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BOARD PROFILE

Alex Wachira

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



Mr. Alex Wachira was appointed the Principal Secretary, State Department of Energy on 2 December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited.

Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers.

He has spearheaded community initiatives such as youth mentorship programmes and sports tournaments.

Eng. James Rege, CBS

Independent Director



Eng. James Rege is a distinguished leader recognized for his exceptional ability to drive projects towards achieving financial performance and strategic objectives. His extensive career showcases his strong leadership, particularly in his roles as a Member of Parliament for Karachuonyo Constituency and Chairman of Kenya Electricity Transmission Company (KETRACO).

Noteworthy accolades include a Lifetime ICT Achievement Award, induction into the Canada Chapter of ICT Hall of Fame, and the establishment of critical legal frameworks for the Ministry of ICT in the Government of Kenya. As Chairman of Energy and ICT in Parliament, Eng. Rege was instrumental in shaping national policies and legislative strategies that influenced both domestic and global ICT and energy landscapes. He has a proven track record in policy development, strategic negotiations, and the implementation of transformative legislative strategies across 48 countries.

His expertise has also been pivotal in successful licensure negotiations that have benefited both public and private sectors. Currently, he serves as a Member of the Executive Board and President at SkyMax Network, furthering his influence in global connectivity solutions.

Eng. Rege holds a Bachelor of Science in Electrical Engineering (BSEE) from West Virginia University. He is currently advancing his expertise through Business Management studies at Harvard University Business School and pursuing a Master of Science in Electrical Engineering at George Washington University. Eng. James Rege joined the Board on 8th December 2023, and his leadership continues to inspire innovation and sustainable growth in the energy and ICT sectors.

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BOARD PROFILE

Ezekiel Saina, HSC
Independent Director



Ezekiel Saina brings a robust blend of expertise in corporate leadership and technology, aligning with over two decades of experience at the Kenya Revenue Authority (KRA).

He is the holder of a Master of Business Administration (MBA) degree in Strategic Management from Strathmore Business School, Bachelor of Science (Hons) degree and a Post-Graduate Diploma in Computer Science from the University of Nairobi. He was a key player and catalyst in driving tax reform programmes, through major change programmes that entailed implementation of large corporate projects leveraging on technology to support business operations of national impact.

With extensive certifications in leadership, project management, IT governance, business process re-engineering and risk management, his tenure at KRA involved strategic roles in ICT, finance, procurement, and human resources. He played a pivotal role in optimizing technology for revenue collection systems, receiving accolades for innovative application of technology. He was a member of the National Task Force that developed the National ICT Master Plan 2017. His background showcases a profound commitment to driving change, fostering efficiency, and shaping impactful strategies across diverse organisational domains. Mr. Saina's contributions have been recognized with honours such as the Head of State Commendation (HSC). Ezekiel joined the Board on 8th December 2023.

Ruth Muiruri
Independent Director



Ruth Muiruri is a proficient legal professional with a robust career history that showcases her adeptness in leadership, business strategy, and risk management. She has had diverse responsibilities ranging from contract negotiation and debt collection to strategic planning, risk management and compliance. These include roles as Head of Legal at Kenya Mortgage Refinance Company Limited and Guaranty Trust Bank (Kenya) Limited. She is currently the Managing Partner and Head of Commercial, Conveyancing, and Financial Services at Waithira Tanui & Co Advocates.

Ms. Muiruri holds a Bachelor of Laws (LLB) from the University of Nairobi, Post Graduate Diploma in Law from Kenya School of Law and is pursuing a Masters in Business Administration (MBA), with a focus on Strategic Management, at the United States International University (USIU).

She is also a member of the Law Society of Kenya and East African Law Society. Beyond her professional endeavours, Ms. Muiruri actively engages in community service, serving on several boards and contributing to legal aid clinics, exemplifying a holistic commitment to her profession and society. Ms. Muiruri joined the Board on 8th December 2023.

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BOARD PROFILE

Logan Christi Hambrick
Independent Director



Christi Hambrick is an advocate called to the New York bar. She is a graduate of the George Washington University Law School in Washington, DC (juris doctor) and also of Furman University in South Carolina (Bachelors in Political Science).

She has more than fifteen years' experience working in areas of criminal justice, international humanitarian law, human rights, and complex investigations. She has worked at international criminal tribunals in Freetown (Sierra Leone), The Hague (Netherlands), and Arusha (Tanzania). Currently she is a consultant for the High Level Mediation for South Sudan.

Additionally, Logan has experience in gender policy, NGO management, corporate governance and labor law, organization change management programs, and the healthcare industry. Logan joined the Board on 16th December 2022.

Eng. Albert Mugo
Non-Independent Director



Eng. Mugo has over 40 years of experience in the energy sector, including 10 years in operations and maintenance of power systems and over 20 years in planning and development of the generation and transmission of electricity supply. From 2008-2017 he held senior positions at Kenya Electricity Generating Company, the largest power producer in Kenya, serving as Managing Director & CEO from 2014 to 2017. As Business Development and Strategy Director, he spearheaded several major projects, including 120 MW Kipevu III power plant in Mombasa and over 370 MW of geothermal capacity development in Olkaria between 2008 and 2013. Previously, he worked at the Kenya Pipeline Company before joining the Kenya Power and Lighting Company for 28 years, where he rose to the position of Chief Engineer in Corporate Planning and later became Power System Development Manager.

Eng. Mugo serves on the Boards of Africa 50 and Rusumo Power Company. He previously served on the Board of the Stima Sacco DT.

Eng. Mugo holds a Bachelor of Science degree in Electrical Engineering and a Master of Business Administration degree in Strategic Management from the University of Nairobi. He undertook an Advanced Management Program in Strathmore and has trained in various management and leadership courses including The Effective Director, Corporate Governance, Mwongozo Code of Conduct among others. He is a registered Engineer, member of the Institution of Engineers of Kenya and Institute of Directors, Kenya. Eng. Mugo is a certified professional mediator and qualified Executive Coach. He has passion for leadership and governance as well as Energy development. Eng. Mugo joined the Board on 16th December 2022.

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BOARD PROFILE

CPA Dr. Caleb B. Manyaga
Independent Director



Caleb Manyaga is a finance expert with over three decades of experience in strategic management, finance, and accounting.

He holds a PhD in Business Administration from Jomo Kenyatta University of Agriculture and Technology, an MBA in Financial Management from the University of Strathclyde UK, and a BSc in Business Administration from the United States International University-Africa.

With a proven track record in managing multi-billion projects, negotiating financing agreements and expertise in financial reporting, cash flow management and budgetary control, his career highlights include serving as Finance Manager at Kenya Pipeline Company Limited.

Additionally, he has held diverse leadership roles in different organizations, serving as a Director, Treasurer, Secretary General and actively engaging in cooperative movements and church leadership roles. Alongside his corporate achievements, he has been an adjunct lecturer in esteemed universities, contributing insights into investments, financial markets and corporate finance. He is the Chairman of the Board of the Kenya Pipeline Pensioners Association. CPA Dr. Caleb joined the Board on 8th December 2023.

Dr. Stephen Ikikii
Alternate Director to the Cabinet Secretary, National Treasury & Economic Planning



Dr. Stephen Ikikii holds a PhD in Economics (Hacettepe University), MSc in Financial Economics (Jomo Kenyatta University of Agriculture & Technology) and BSc (Mathematics) from Moi University. He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA). Stephen was appointed as alternate Director to the Cabinet Secretary of the National Treasury in Kenya Power in December 2024.

He is the Director of Investments at the National Treasury, with over 20 years of experience. He possesses strong expertise in policy analysis, economic research, analytical thinking, and strategic planning, and has represented the National Treasury on more than 20 boards of state corporations.

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BOARD PROFILE

Dr. (Eng.) Isaac Kiva, MBS, FIEK

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



Dr. Eng. Isaac Kiva is the Secretary for Renewable Energy at the State Department for Energy. He heads the Directorate charged with policy formulation, and promotion of development and utilization of renewable energy, including facilitation of private sector investment.

Dr. Eng. Kiva holds an Honorary Doctor of Science (Honoris Causa) from the University of Southampton, a Master of Science degree in Energy Technology from JKUAT, and a Bachelor's degree in Electrical Engineering from the University of Nairobi. He has published in the field of energy access through decentralized systems (mini-grids).

Eng. Kiva has wide experience in public sector management, having worked in energy and 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. He is also the Chairman of the Board of the East African Centre of Renewable Energy and Efficiency (EACREE). Eng. Kiva joined the Board on 25th April 2024 as an Alternate Director to the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy.

Imelda Bore

General Manager, Legal Services, Regulatory Affairs & Company Secretary



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 20 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.

EXECUTIVE MANAGEMENT



Dr. Eng. Joseph Siror
Managing Director & Chief Executive Officer
B.Sc (Elec. Eng.), LL.B, MBA,
PhD, R. Eng., FIEK, MIEEE



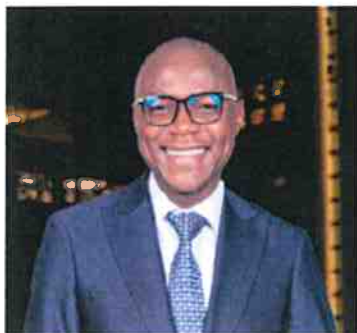
Imelda Bore
General Manager, Legal, Regulator Affairs & Company
Secretary
LL.B, LL.M, Dip(Law), H.Dip (HR), CPS(K), AMCIArb



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

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EXECUTIVE MANAGEMENT



Eng. Kennedy Owino
Ag. General Manager, Infrastructure Development
B.Sc (Elec. Eng.), M.Sc, MA, R. Eng., MIEK, CPM



David. Syengo
Ag. General Manager, Network Management, and
Power Planning & Purchase
B.Sc (Elec. Eng.), M.A, PPM



Eng. Rosemary Oduor
General Manager, Regional Coordination
BTech. (Elec & Comms.) MBA, R.Eng. MIEK



Eng. Phineas Marete
Ag. General Manager, Commercial Services & Sales
B.Sc (Elec. Eng.), Certified Thermographer



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



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

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EXECUTIVE MANAGEMENT



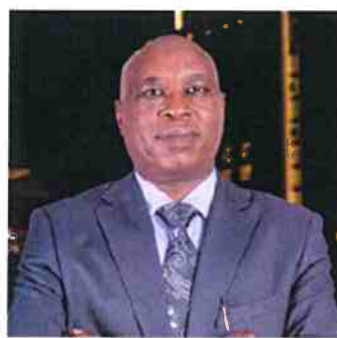
Robert Mugo
General Manager, ICT
B.Sc (Elec. Eng), MBA, AMP



Cecilia Kalungu-Uvyu
General Manager, Human Resource & Administration
B.Sc, MBA, MCIPD



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



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

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STATEMENT BY THE CHAIRMAN

Strategic oversight for sustainable value

The Board is pleased to report a year of resilient performance and disciplined execution. Against a rapidly evolving legal, regulatory and operating environment, the Company strengthened its financial position, advanced its strategic priorities and continued investing in the infrastructure required to meet Kenya's growing electricity needs.

Strategy focused on execution

In the period under review, the Company continued implementing its 2023/24-2027/28 Corporate Strategic Plan, anchored on operational excellence, customer centricity, human capital and financial sustainability. Its Mid-Term Review confirmed progress in system efficiency, cost containment, financial resilience, customer experience, employee engagement and corporate reputation. It also identified priorities requiring faster execution, particularly grid reliability, system loss reduction, digital transformation, revenue collection and revenue diversification.

The strategy has therefore been recalibrated around a focused portfolio of high-impact initiatives: grid modernisation and automation, smart metering, revenue protection, customer-facing digitalisation, workforce transformation and new revenue streams. This sharper focus is intended to improve service delivery, strengthen resilience and position Kenya Power as a modern, digitally enabled and commercially sustainable utility.

A stronger business

Sustained attention to the fundamentals of the business delivered further progress in liquidity, leverage and operational efficiency. Revenue grew from KSh. 219.28 billion the previous year to KSh 238.24 billion, while the cost of power purchases rose to KSh 152.65 billion, reflecting higher energy volumes and demand. Despite these cost pressures, the Company remained profitable, recording a net profit of KSh 36.01 billion for the year ended June 2026. A particularly significant milestone was the turnaround in our working capital position. Working capital improved from a deficit of KSh19.21 billion at 30 June 2025 to a surplus of KSh1.90 billion at 30 June 2026 a KSh21.10 billion improvement.

As financial performance and the balance sheet continue to strengthen, the Company remains focused on creating sustainable value for shareholders. The share price at end of September 2025 was KShs.14.40 per share and has increased to KShs.21 as at September 2026, a 50% increase. This performance the market's stronger assessment of the Company's financial and operational fundamentals, transformation agenda and improving corporate reputation.

The Company resumed dividend payment in the year ended 30th June 2024 and has since progressively increased the dividend per share, reflecting improved financial performance. In March 2026, the Company paid an interim dividend of KShs. 0.30 per share to be approved by shareholders in this year's Annual General Meeting. The Board further recommends for shareholders' approval a final dividend of KShs.1.20 per share for the year ended 30th June 2026.

Securing capacity for growth

Rising demand continued to expose constraints in generation and transmission capacity. The Board supported policy and sector interventions to lift the moratorium on new generation capacity, accelerate Power Purchase Agreement processing and mobilise resources for critical transmission projects. These actions are essential to restore an adequate supply cushion, unlock network capacity and support the country's growth.

Strengthening organisational capacity

A capable and motivated workforce remains central to service delivery. The Board approved additional customer-facing technical staff, bringing this workforce to 1,588 employees, as well as revised terms and conditions of service, including the Collective Bargaining Agreement and new human-resource instruments. These decisions support productivity, succession and a stronger employee value proposition.

THE KENYA POWER AND LIGHTING COMPANY PLC

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STATEMENT BY THE CHAIRMAN

Operating in a changing environment

The Company operated against a backdrop of improving economic activity, continued customer growth and rising electricity demand. Relative stability of the Kenya Shilling against major currencies eased pressure on foreign-currency-denominated obligations. At the same time, the policy and regulatory landscape continued to evolve, notably through implementation of the Government-Owned Enterprises (GOE) Act, 2025 and new regulations under the Energy Act, 2019.

The GOE Act came into operation during the year and introduced strengthened ownership, accountability and required performance for Government Owned Enterprises. The Act presents both a transition requirement and an opportunity to reinforce governance, financial sustainability and operational efficiency. To align with the GOE Act, the Company reviewed its governance instruments, including its Articles of Association and related governance instruments which will be presented for approval in this year's Annual General Meeting.

The operationalisation of regulations under the Energy Act, 2019 - including provisions on open access, net metering, reliability, quality of supply and electricity-market liberalisation - is reshaping the sector. Open access introduces new competitive dynamics, including potential customer migration and pressure on tariff cross-subsidies. The Board is overseeing the Company's regulatory preparedness, compliance and engagement with policymakers and the regulator to protect customers, sustain network investment and preserve long-term value.

The Board maintained close oversight of strategy, performance and policy implementation. During the year, several governance instruments were developed, and some were reviewed. These include development of the Anti-Bribery Policy, and the review of the Conflict of Interest & Independence of Directors Policy to align with the Conflict of Interest Act, 2025. This work strengthens ethical conduct, transparency and accountability across the Company.

Sustainability and shared value

Sustainability is increasingly central to the Company's long-term viability, resilience and compliance with evolving international disclosure standards and Capital Markets Authority requirements. During the year, the Company further embedded sustainability across its operating model and strengthened the Kenya Power Foundation as its dedicated vehicle for social investment. Together, these initiatives enhance the Company's capacity to respond to climate-related risks, regulatory change and geopolitical developments while creating lasting impact in the communities it serves.

Outlook

The Board remains alert to emerging risks, including the 2027 electoral cycle, sector dynamics and extreme weather events such as the predicted El Nino rains. Our priority is to future-proof the utility through disciplined strategy execution, climate adaptation, digital transformation and smart-grid investment. We will continue strengthening risk management, regulatory responsiveness and organisational agility while holding management accountable for sustainable performance and long-term value creation.



Ms. Joy Brenda Masinde
Chairman, Board of Directors

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MESSAGE FROM THE MANAGING DIRECTOR & CEO

The period under review marked a decisive strengthening of our core business fundamentals to support sustained growth. Building stronger financial and operational foundations, we sharpened our strategy to provide reliable, affordable and increasingly efficient electricity service while ensuring long-term value.

To sustain this momentum, we completed the mid-term review of the 2023/24–2027/28 Corporate Strategic Plan and refocused resources on high-impact priorities: grid modernisation and automation, smart metering, revenue protection, customer-facing digitalisation, workforce transformation and new revenue streams. Anchored on operational excellence, customer centricity, human capital and financial sustainability, the recalibrated strategy will strengthen resilience and accelerate our transformation into a modern, digitally enabled and commercially sustainable utility.

Focused execution and measurable progress

In the year, the Company continued implementing the Last Mile Connectivity Programme and the Kenya Off-Grid Solar Access Project on behalf of the Government, including the development of 89 solar mini-grids and 343 stand-alone solar systems. We also reinforced the network through transformer upgrades, new transmission and sub-transmission links, switching facilities, and the hybridisation of off-grid stations by integrating solar power with existing diesel generation.

During the year, we completed five substation enhancement projects, adding 110 MVA of distribution transformation capacity. We also commissioned hybridisation projects in El Wak, Merti and Habaswein, adding 1.28 MWp of solar capacity to complement existing diesel generation.

As a result of sustained strategic investment, the distribution network expanded by 451 km to 344,116 km, while the number of distribution transformers increased to 87,723, up from 84,778 the previous the year. This additional capacity supports customer growth, productive use of electricity and the progressive strengthening of the grid to meet rising demand.

Investing ahead of demand

We also connected 411,710 new customers: 226,803 commercial customers, including 539 Premium customers, and 184,907 Last Mile customers. These connections generated an additional 161.7 GWh in sales and approximately KShs.4.05 billion in revenue, demonstrating that access expansion creates both social and commercial value.

Demand accelerated

Consequently, our electricity sales grew from 2.7% three years ago to 8.4% last year and 12% as at end of June 2026. This trajectory reflects expanding economic activity, increased consumption across customer segments and continued growth in the customer base. It also raises the standard of execution required from the entire electricity value chain: every additional unit demanded must be generated, transmitted and delivered reliably.

Restoring the supply cushion

As a result of growing energy demand, the system peak increased by 8.6%, from 2,316 MW to 2,514 MW, which tightened the system's reserve margin to approximately negative 1.5%. The margin is below the level required to absorb an unexpected plant outage, hydrology shock or demand surge. This position follows a prolonged pause in contracting meaningful new generation capacity after the moratorium on new Power Purchase Agreements introduced in March 2021 and later lifted in December 2024.

Our response combines regional imports with accelerated domestic capacity. Imports from Ethiopia increased by 200 MW to 400 MW. During the year, 71.5 MW of new capacity was onboarded: 35 MW from Globeleq geothermal, 35 MW from OrPower 22 geothermal and 1.5 MW of solar from Marco Borero. A further 60.5 MW from the KenGen Olkaria I Rehabilitation project was under commissioning. Over the medium to long term, proposed additions by the Government include the planned 1,000 MW of nuclear power to be constructed in Siaya, 400 MW of Liquefied Natural Gas (LNG) generation and 700 MW of

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hydropower from High Grand Falls along the Tana River. Progress of these additional generation plants will depend on timely approvals, financing and project delivery.

A more resilient and efficient network

While additional generation is developed, we are extracting greater value from the existing network. Enhanced preventive maintenance programme on the distribution transformers and associated low voltage networks implemented during the year, thereby reducing transformer failure rate from 4.60% to 3.25%. Targeted work on substations, transmission lines, power transformers and protection systems maintained transmission line availability at 99.64%. We reinforced and automated the network while strengthening energy accounting. All regional and county border points and interfaces across the transmission, sub-transmission and distribution network were metered, alongside 97% of medium-voltage feeders. This improved energy balancing and accountability across the network.

Remarkably, system losses reduced from 21.21% to 18.58%. This significant improvement reflects the combined effect of commissioned system reinforcement projects highlighted above, operational interventions and the roll-out of the phase II of loss reduction drive dubbed Gigawatt Project which focused on identifying and recovering unaccounted electricity consumptions.

The continued rollout of Distribution Network Automation and integration of primary substations into the Supervisory Control and Data Acquisition (SCADA) system strengthened remote visibility and control of the grid, supporting faster fault detection, isolation and restoration.

We also replaced 347,443 meters with smart meters, while deploying optical character recognition and geofencing to strengthen meter-reading coverage and anomaly detection. Together, these measures are shifting loss management from broad estimates to location-specific action, improving revenue protection and the value derived from every unit purchased. These investments are building a network that is safer, more responsive and better able to accommodate demand and revenue growth.

Financial resilience

During the year, electricity sales increased from 11,403GWh to 12,777GWh, driven by customer growth, higher consumption and improved energy accountability. The margin between electricity purchases and sales narrowed from 21.21% to 18.58%, demonstrating the commercial value of improved system efficiency.

Continued investment in grid reliability and capacity increased total assets from KSh 389.03 billion to KSh 421.49 billion. Property and equipment grew by KSh 8.07 billion, supported by KSh 28.01 billion in completed projects and asset acquisitions. Operating expenses increased from KSh 42.42 billion to KSh 53.75 billion, mainly due to higher credit-loss provisions, staff costs and depreciation on the expanded asset base.

Prudent financial management and relative currency stability reduced finance costs from KSh 4.72 billion to KSh 3.08 billion, while total borrowings declined from KSh 87.64 billion to KSh 79.82 billion.

Overall, our gross profit increased from KSh 74.62 billion to KSh 85.6 billion, while the gross profit margin improved from 34% to 36%. This performance reflects stronger operational efficiency and improved returns from the Company's core business.

Customer centricity

Serving a growing customer base requires convenient access, faster resolution of issues and consistent, reliable service delivery. During the year, we enhanced the resourcing of the National Contact Centre, and promoted the adoption of digital and self-service channels, making it easier for customers to transact and engage with us.

We also rolled out the Pamoja Twang'aa culture change programme, supported by staff training on attitude, behaviour and culture, to embed customer centricity across the Company. This contributed to improved Customer Satisfaction Index from

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72% the previous year, to 74% during the year and a significant growth of the Net Promoters Score, which gauges brand advocacy levels of our customers, from -12% to +5%.

Building the workforce of the future

Over the past five years, the Company's workforce has reduced through retirements and other forms of natural attrition, heightening succession and skills-continuity risks. In response, we recruited 1,154 employees across customer relations, legal, security and field operations, including 434 Graduate Engineer Trainees - the first major graduate engineering intake in almost eight years. This workforce renewal has reduced the average employee age from 46 to 41.86 years and is timely, as approximately 1,400 employees are expected to retire over the next three years, 62% of them being technicians and craftsmen.

Alongside workforce renewal, we strengthened employee capability, engagement and retention. We delivered 9,441 training interventions, reaching 83.73% of employees and averaging 5.3 training days per employee, with a focus on technical and leadership skills. Implementation of the 2025–2028 Collective Bargaining Agreement and initiatives such as the Staff Car Loan and Mortgage Policy strengthened the employee value proposition, contributing to an improvement in Employee Satisfaction Index from 83% to 85.7%.

Sustainability and shared value

During the year, we expanded electricity access, advanced e-mobility and e-cooking, and commissioned three solar-battery-diesel hybrid systems at off-grid stations. We invested KSh 35.98 million in social initiatives spanning energy and environment, education and skills, and community wellness. We also planted 253,992 seedlings, bringing the cumulative total since November 2023 to approximately 1.02 million.

Safety remained non-negotiable. We revised the Safety, Health and Environment Policy, introduced the Seven Golden Life-Saving Rules, and strengthened training, inspections and awareness. Our commitment is clear: every employee and contractor must return home safely, and every customer must interact safely with our network.

Priorities for FY2026/27

The progress achieved in FY2025/26 provides a strong platform for Kenya Power's next phase of transformation. In the year ahead, we will improve grid reliability, reduce system losses, grow sales, strengthen revenue collection, optimise debt, accelerate digitalisation and develop new revenue streams.

We will support these priorities through workforce transformation and stronger capabilities in people, systems and data. With greater discipline on costs, risks and investment returns, we enter the year on stronger financial and operational foundations.

Together We Shine

I thank our employees, the Board, our customers, shareholders, Government, the regulator, development partners and all our stakeholders for their continued commitment and support. Together, we will build a stronger grid, deliver a better customer experience and transform Kenya Power into a more resilient, efficient and commercially sustainable utility that powers Kenya's growth.



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

THE KENYA POWER AND LIGHTING COMPANY PLC

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MANAGEMENT DISCUSSION & ANALYSIS

1. Overview

Performance at a glance

Indicator	FY2025/26
New customers connected	411,710
Additional electricity sales from new connections	161.7 GWh
Revenue from new connections	KSh4.05 billion
Total network length	344,116 km
System losses at year-end	18.58%
Distribution transformation points	87,723
Transmission network availability	99.64%
Transformer failure rate	3.20%

During the year, Kenya Power continued to execute its strategic priorities through a combination of customer access, targeted infrastructure investment and increasingly data-driven network management. The focus was not only on expanding the electricity network, but also on ensuring that new demand was matched by adequate capacity, stronger asset performance, improved system visibility and greater efficiency.

The Company connected 411,710 new customers during the year, generating an additional 161.7 GWh of electricity sales and approximately KSh4.05 billion in revenue. This growth reinforced the need for continued investment in network capacity and asset performance, particularly in areas experiencing rising demand and emerging system constraints.

Accordingly, infrastructure expansion was complemented by asset maintenance, network automation, energy accounting and loss-reduction initiatives. This integrated approach enabled the Company to expand the network while improving system efficiency and strengthening the information base used to prioritise maintenance and future investment.

This section provides Management's discussion and analysis of the Company's financial and operational performance during the year and should be read together with the audited financial statements and accompanying notes.

2. Operating Environment

Kenya's electricity sector continued to evolve during the year, driven by increasing electricity demand, continued economic growth, expanding digital infrastructure and the country's transition towards cleaner sources of energy. Government investment in industrialisation, electrification and infrastructure development continued to support electricity demand growth while regional power integration initiatives enhanced opportunities to strengthen energy security and optimise electricity supply.

The Company continued operating within a regulated tariff framework while responding to changing macroeconomic conditions, increasing customer expectations and the need for sustained investment in network expansion and modernisation. Against this backdrop, Management remained focused on improving operational efficiency, strengthening financial resilience and delivering reliable electricity services that support Kenya's long-term development agenda.

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MANAGEMENT DISCUSSION & ANALYSIS

3. Financial Performance

Revenue

Revenue for the year amounted to KSh. 238.24 billion, compared to KSh. 219.28 billion in the previous financial year.

The growth in electricity sales reflected increased demand across all customer categories, supported by continued customer connections, revenue protection initiatives, improved energy accounting and the deployment of smart metering technology. Export sales recorded particularly strong growth following the energisation of the Kenya–Tanzania Interconnector, while higher production in the cement and steel industries supported demand from commercial and industrial customers.

Profitability

The Company recorded a profit before tax of KSh. 36.01 billion, compared to KSh. 35.37 billion in FY 2024/25, while profit after tax amounted to KSh. 24.99 billion.

Profitability was influenced by revenue performance, power purchase costs, finance costs, foreign exchange movements, expected credit loss provisions and continued operational efficiency initiatives.

Operating Expenses

Operating expenses amounted to KSh. 53.75 billion, representing 23% of revenue.

Management continued implementing prudent cost management initiatives while maintaining expenditure at levels necessary to support reliable electricity supply, customer service and strategic investment. Major expenditure categories included employee benefits, repairs and maintenance, depreciation and amortisation, expected credit loss provisions and other operating expenses.

Finance Costs

Finance costs amounted to KSh. 3.08 billion, compared to KSh. 4.72 billion in the previous financial year.

The movement was attributable to changes in borrowing levels and foreign exchange movements. During the year, the Company continued optimising its debt portfolio to minimise financing costs while maintaining adequate funding for strategic capital investment.

Financial Position

The Company's financial position remained resilient, with total assets increasing to KSh. 421.49 billion from KSh. 389.04 billion, reflecting continued investment in electricity infrastructure.

Net assets stood at KSh. 131.8 billion, while total borrowings amounted to KSh. 79.82 billion. Management continued strengthening the balance sheet through prudent working capital management, disciplined capital allocation and effective liquidity management.

4. Operational Performance

Grid Expansion and Electricity Access

Network expansion remained a core component of the Company's investment strategy, providing the infrastructure required to accommodate customer growth, strengthen supply capacity and support economic activity. By June 2026, total network length had increased to 344,116 km, representing a growth of 3.65% over the previous year. Expansion was recorded across the 66kV, 33kV, 11kV and low-voltage networks, alongside continued growth in distribution transformation infrastructure.

The 33kV network increased by 4.25% to 42,771 km, while the 66kV network grew to 1,515 km and the low-voltage network to 243,242 km. Distribution transformers increased from 84,778 to 87,723, while secondary and distribution substation transformation capacity increased to 10,919.39 MVA and 5,093 MVA, respectively.

This expansion represents more than an increase in physical network assets. It provides additional capacity to connect new customers, serve growing loads and reduce pressure on existing infrastructure, while creating the foundation for further network reinforcement and improved system performance.

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MANAGEMENT DISCUSSION & ANALYSIS

Network Asset Position

Network asset	FY2024/25	FY2025/26	Change / significance
Total network length	331,999 km	344,116 km	3.65% growth
66kV lines	1,457 km	1,515 km	3.98% growth
33kV lines	41,029 km	42,771 km	4.25% growth
11kV lines	46,062 km	46,629 km	1.23% growth
Low-voltage lines	234,120 km	243,242 km	3.90% growth
Distribution transformers	84,778	87,723	3.47% increase
Secondary substation transformation capacity	10,786 MVA	10,919.39 MVA	1.2% increase
Distribution substation transformation capacity	4,984 MVA	5,093 MVA	2.2% increase

Managing Network Performance and Supply Reliability

The effectiveness of an expanding network ultimately depends on how well the assets are operated, maintained and managed. During the year, the Company therefore complemented infrastructure investment with targeted network maintenance and operational interventions aimed at improving asset condition, power quality, supply flexibility and system resilience.

Key activities included transformer load balancing and uprating, vegetation management, preventive maintenance and improved outage resolution reporting. These interventions supported asset performance and helped the Company manage increasing utilisation of the network.

The transformer failure rate improved from 4.6% to 3.2%, reflecting the contribution of sustained maintenance, load balancing and targeted upgrades. Transmission network availability remained high at 99.64%.

Customer reliability indicators, however, continue to require focused attention. During the year, the Company strengthened outage and resolution data capture, including reporting through field devices. The enhanced reporting has improved the quality and completeness of network performance information and affected the comparability of some year-on-year reliability indicators.

Network Performance

Infrastructure investment is being complemented by a stronger focus on asset performance and operational discipline. During the year, the Company implemented targeted maintenance and operational interventions to protect asset condition, manage increasing network utilisation and strengthen supply performance.

Key interventions included transformer load balancing and uprating, vegetation management, preventive maintenance and improved outage-resolution reporting. These measures contributed to a reduction in the transformer failure rate from 4.6% to 3.2%, while transmission network availability remained high at 99.64%.

Indicator	FY2024/25	FY2025/26	Assessment
SAIFI	44.07	46.9	Reported movement affected by improved data capture
CAIDI	2.56 hours	3.37 hours	Reported movement affected by improved data capture

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Indicator	FY2024/25	FY2025/26	Assessment
Transformer failure rate	4.60%	3.20%	Improved
Transmission availability	99.86%	99.64%	Slight decline
Unserved energy	166.15 GWh	228.34 GWh	Reported increase affected by improved data capture

The strengthening of network performance data is also improving the basis for operational and investment decisions. Enhanced outage and resolution data capture is enabling more consistent identification of recurring faults and constrained assets, although improvements in data capture have affected the comparability of some year-on-year reliability indicator.

Increasing Grid Visibility and Automation

As the network expands and becomes more complex, improved network visibility and automation are increasingly important to maintaining system performance. In the period, the Company continued to extend SCADA coverage and strengthen the quality of system data available for operational decision-making.

SCADA coverage increased to 276 of 374 substations, equivalent to 73.8% coverage. The central SCADA system achieved 100% availability, while availability across connected stations was 92.7%, with fibre cuts affecting some connected sites. The EMS quality index improved from 76.5% to 82.7%, indicating stronger data quality across monitored stations.

Distribution automation also continued to support faster fault identification, isolation and restoration in selected areas. The programme is expected to expand to additional areas, including Kiambu and Makueni Counties.

The progressive integration of automation with network investment and operational management is strengthening the Company's ability to move towards a more responsive grid, one in which faults can be identified more quickly, network configurations can be optimised and service restoration can be accelerated.

Improving System Efficiency Through Network Investment, Data and Revenue Protection

Improving system efficiency requires action across the electricity value chain. In the period, the Company combined network investment and operational improvements with strengthened energy accounting, smart metering and targeted revenue-protection activities.

System efficiency improved from 78.79% to 81.42%. The improvement reflects the combined effect of commissioned projects, operational interventions and the rollout of Phase II of the Gigawatt Project, which focused on identifying and recovering unaccounted electricity consumption.

System losses

Loss component	FY2024/25	FY2025/26
Transmission technical losses	4.23%	4.56%
66kV sub-transmission losses	0.64%	0.44%
33kV/11kV MV technical losses	4.59%	4.01%
Secondary substation and LV losses – technical and commercial	11.74%	9.57%
Total system losses	21.21%	18.58%

The improvement in losses was supported by more granular energy accounting. By June 2026, all border points between regions and counties had been metered, enabling energy balancing at both levels. Interfaces between transmission, sub-transmission and distribution were also fully metered, while 97% of medium-voltage feeders had metering coverage.

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The smart-metering programme was reinforced through 347,443 smart-meter replacements and 415,859 faulty-meter replacements, while optical character recognition and geofencing were rolled out across regions to strengthen meter-reading coverage and anomaly detection.

These technology and network interventions were complemented by targeted customer inspections and security operations. The Company inspected 10,289 large-power installations against a target of 9,746, while security operations recorded 3,594 identified incidences and 1,366 arrests, with reported monetary outcomes of approximately KSh2.39 billion.

The combination of infrastructure, operational visibility, energy accounting and revenue protection is enabling the Company to move progressively from broad loss estimates towards more location-specific identification and management of losses.

Addressing Grid Constraints

While the grid expanded and system efficiency improved, rising demand and network utilisation continue to create pressure points that require timely intervention. Significant constraints were identified on the transmission and distribution network, with 33 substations operating close to the Company's accepted loading threshold.

These constraints demonstrate the importance of targeted reinforcement initiatives and optimal utilisation of existing infrastructure. The Company's Distribution Masterplan identified several priority responses, such as transformer uprating, new substations and network links, uprating of lines to higher capacity conductors, installation of reactive power compensation equipment, and accelerated completion of projects already under implementation.

Peak demand reached a reported 2,514 MW on 29 June 2026, against installed generation capacity of 3,243 MW, including 649 MW of variable renewable energy. The system nevertheless continued to face limited spinning reserve, intermittent generation, unavailable generating units and constrained transmission corridors.

Key Constraints and Responses

Constraint	Operational implication	Priority response
Overloaded lines and substations	Higher outage/load-shedding risk and limited headroom for new demand	Complete reinforcement projects, transformer upgrades, new links and high-capacity reconductoring
High/off-peak voltage and limited reactive-power control	Voltage-quality risk and restricted transfer capability	Deploy STATCOMs, reactors and other reactive-power compensation
Ageing infrastructure and equipment outages	Reduced reliability and higher maintenance burden	Risk-based refurbishment, re-insulation, tower-hardware renewal and critical-spares planning

Digital Transformation and Innovation

Digitalisation remained a key enabler of the Company operational resilience, customer service and business transformation during the year. The Company continued to invest in and strengthen its ICT infrastructure, telecommunications and digital capabilities to support reliable business operations, enhance service delivery, improve operational efficiency and unlock opportunities for commercial growth and revenue generation. These investments also advanced the Company's broader digital transformation agenda and strengthened the technology foundations required to support an increasingly integrated, data-driven and customer-centric business.

Key milestones during the year included the continued commercialisation of the Company's fibre-optic network and associated infrastructure, enhanced digital customer engagement, improved ICT systems availability and resilience, expanded SCADA and teleprotection capabilities, and progress in the IT-OT Systems Rejuvenation programme. Collectively, these initiatives strengthened the Company's digital and technology capabilities, enhanced visibility and control of operations, supported more informed decision-making, and positioned the Company to derive greater value from its technology, telecommunications and digital assets.

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Digital transformation at a glance.

Initiative	Status	Value Delivered
Fibre Network	9,000 km fibre network, including a 48-core backbone supporting SCADA, corporate data and commercial leasing.	Enhanced operational connectivity and resilience; created opportunities for revenue generation through surplus fibre leasing.
Telecommunications Business	53 customers served through 587 circuits for dark fibre, lit fibre and infrastructure collocation services.	Diversified revenue streams.
Digital Superhighway (DSH)	12,005 km completed, connecting 5,447 public institutions.	Expanded national digital connectivity and supported government digital transformation initiatives.
SCADA-Connected Substations	276 substations connected to SCADA, achieving 73.8% coverage.	Improved real-time monitoring, control and reliability of the power network.
EMS Network Model Quality	Improved from 76.5% to 82.7% (+6.2 percentage points).	Enhanced network visibility, modelling accuracy and operational decision-making.
SCADA Upgrade Programme	12 critical substations upgraded.	Strengthened operational resilience and improved network monitoring and control capabilities.
MyPower App	813,106 customer downloads/interactions recorded.	Increased customer engagement and uptake of digital self-service channels.
WhatsApp Channel	435,995 customer interactions recorded.	Improved customer accessibility and service responsiveness.
AI chatbot	Approximately 2.62 million cumulative customer interactions.	Automated customer support and enhanced service availability.
OCR-enabled meter reading	Nationwide rollout completed in March 2026.	Improved meter reading accuracy, billing integrity and operational efficiency.

Electricity Demand and Customer Experience

Electricity demand continued to grow during the year, supported by increased customer connections, expanding economic activity and improved network reliability.

Electricity sales increased to 12,777 GWh from 11,403 GWh, while energy purchases amounted to 15,693 GWh.

The Company continued enhancing customer experience through expansion of digital service channels, improved responsiveness, stakeholder engagement and customer education initiatives.

Human Capital

Our employees remain the foundation of Kenya Power's operational excellence and long-term success. As the Company continues to modernise its network, embrace digital technologies and respond to evolving customer expectations, investment in our workforce remains a strategic priority.

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During the year, Management continued strengthening organisational capability through targeted recruitment, talent development, employee engagement and wellbeing initiatives aimed at building a skilled, motivated and high-performing workforce.

As at 30 June 2026, the Company had 11,203 employees (FY 2024/25: 10,582), with more than 85% deployed in technical operations and customer-facing functions to support the Company's extensive electricity network and growing customer base.

The Company continued investing in leadership development, technical training, graduate development programmes and employee wellness initiatives while fostering a culture of innovation, accountability, diversity and continuous improvement.

5. Enterprise Risk Management

Effective risk management remains integral to Kenya Power's ability to achieve its strategic objectives and deliver sustainable value to shareholders and other stakeholders. The Company continues to strengthen its Enterprise Risk Management (ERM) Framework by embedding risk management into strategic planning, operational decision-making and performance monitoring, enabling proactive identification, assessment and mitigation of risks across the business.

During the year, Management continued implementing measures to enhance operational resilience and safeguard the Company's financial sustainability within an evolving business environment. The principal risks monitored included foreign exchange volatility, tariff and regulatory risks, political and legislative developments, litigation exposure, changing customer demand patterns, cybersecurity and digital transformation risks, as well as emerging climate-related risks associated with the transition to a low-carbon economy.

Principal and emerging risks

Principal Risk	Description & Interdependency	Mitigations
Generation Adequacy & Grid Stability	Constrained reserve margin and higher VRE penetration reduce system stability, impacting reliability and compensation exposure.	In progress: System-reinforcement schemes; Spinning reserve and frequency-control additions.
Market Reforms & Competitive Position	The Energy (Electricity Market, Bulk Supply and Open Access) Regulations, 2026 opened non-discriminatory access to the network. This potentially reduces revenue from migrating customers, eroding tariff cross-subsidies and stranding fixed network costs.	In progress: Network services positioning to monetise open access; Customer Retention strategies underway; Revenue diversification initiatives being pursued.
Legal and Regulatory environment	Growing litigation against the Company, further catalysed by new or incoming regulations and amendments that have significant operational and financial impacts. These include compensation for electricity reliability or service shortfalls; implementation of Electronic Government Procurement (eGP); charges for infrastructure on county wayleaves, etc.	Delivered: Alternative Dispute Resolution mechanisms in place; In Progress: Distribution reliability projects. Constraint-relief projects with the transmission operator. Engagements with policy drivers.
Safety & Public protection	Electrical injuries and loss of life related to electricity distribution or consumption, and the associated legal, reputational & financial exposures. Leading public electrocution causes include illegal connections, substandard wiring and wayleaves encroachments.	Delivered: Seven Golden Safety Rules; In Progress: OSH improvement programmes Contractor safety management Public Safety Campaigns

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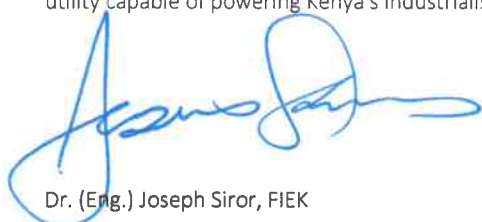
MANAGEMENT DISCUSSION & ANALYSIS

Principal Risk	Description & Interdependency	Mitigations
Political & Stakeholder Risks	Policy and service expectations, and electoral-cycle uncertainty may impact tariff action, staff safety, and implementation of infrastructure or connectivity projects.	Delivered: Stakeholder engagements In Progress: Service continuity and security preparedness
Geopolitical risks	Currency fluctuations and supply chain disruptions arising from geopolitical events that impact the availability or cost of electricity supply.	In Progress: Reducing forex exposure through refinanced loans and local currency components. Supply chain contingencies to navigate disruptions.
Emerging Risks	Description	Mitigations
Climate risks & Disclosures	Flood and weather damage to assets affecting electricity safety and reliability from expected increased precipitation in the current year from El Nino weather events.	Delivered: Flood hotspots mapped out. In Progress: Flood proofing of vulnerable infrastructure. Network reinforcement schemes for redundant supply to affected areas.
Cybersecurity	Increased targeting of customer data for fraudulent attempts exposing the Company to litigation and regulator penalties; while infrastructure vandalism shifting significantly to digital assets – fibre.	In Progress: Continuous upgrade of customer -data protection protocols; Network surveillance and community engagements to deter vandalism.
Public Service Obligations Funding transitions	Potential changes in funding, asset base and institutional roles under GOE Act, 2025	In Progress: Costed obligation register; Transition agreements

6. Outlook

Kenya Power remains well positioned to support Kenya's growing electricity demand and the country's long-term economic transformation. Management will continue implementing the Corporate Strategy by strengthening financial sustainability, expanding electricity access, modernising the network, accelerating digital transformation, improving customer experience and enhancing operational efficiency. Continued investment in electricity infrastructure, regional power integration and emerging technologies will further strengthen the Company's ability to deliver reliable, affordable and sustainable electricity while creating long-term value for shareholders and stakeholders.

As the energy sector continues to evolve, Kenya Power remains committed to building a resilient, innovative and future-ready utility capable of powering Kenya's industrialisation, digital economy and clean energy transition.



Dr. (Eng.) Joseph Siror, FIEK
Managing Director and CE

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STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

Towards delivering on our strategic intent, there were eight (8) strategic objectives for the FY2025/26 namely: Ensure Financial Sustainability, Improve Customer Experience, Enhance Stakeholder Engagement, Enhance Network Reliability and Efficiency, Improve Business Efficiency, Improve Performance Culture, Increase Business Innovation and Leverage on Technology.

The extent to which the objectives were attained as at June 2026 is as tabulated below.

KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	TARGET 2025/26	ACTUAL FY 2025/26	VARIANCE (%)	STRATEGIC INITIATIVES	ACTIVITIES.
Pending Bills Ratio	%	1%	4.20%	(3.20) %	Undertake asset refinancing and balance sheet restructuring to strengthen liquidity.	Retirement of high-cost commercial loans for green resilient funds to enhance liquidity and reduce financial costs.
Pre-Tax Profit	Ksh. (B)	16.271	36.01	121.31%		- Implementation of cost management initiatives. - Enhanced revenue diversification through fibre leasing, pole leasing and other non-core commercial initiatives.
Net Profit Margin	Index	0.07	0.15	115.95%		
Debt-to-Equity Ratio	Index	1.2	0.6	50%		
Return on Investment	%	4.37%	7.62%	3.25%	Revenue Diversification	Expanded diversified income streams through fibre leasing, pole leasing, training services and property rentals.
Current Ratio	Index	0.84	1.02	21%	Enhance Cash Flow	- Intensified debt collection initiatives for overdue customer accounts - Intensified and strengthened collection of revenue
Implementation of Corporate Service Delivery Charter	%	72%	60.68%	(11.34) %	Strengthen service delivery, customer experience and stakeholder engagement to	Implemented system maintenance plan for reliability.

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	TARGET 2025/26	ACTUAL FY 2025/26	VARIANCE (%)	STRATEGIC INITIATIVES	ACTIVITIES.
Corporate Reputation Index	%	77%	73.2%	(3.8) %	enhance corporate reputation and compliance with the Corporate Service Delivery Charter.	Leveraged on digital customer service channels.
Customer Retention Rate	%	100%	99.75%	(0.25) %		
Customer Growth Rate	%	4.0%	3.95%	(0.05) %		
Sustainability Plan Implementation	%	100.0%	100.0%	0.00%	Develop and implement a sustainability framework	Mainstreamed Sustainability in operations and project implementation
Annual Sales Growth	GWH	12,806	12,777	(0.23) %	Optimise electricity sales and reduce system losses through network enhancement, customer growth, energy accounting and revenue protection initiatives.	- Implementing Loss reduction projects. - Undertook customer meter inspection
System Losses	%	20.21%	18.58%	1.63%		
SAIFI	No.per year	39	46.88	(16.81) %	Enhance power supply reliability and quality through network strengthening, preventive maintenance and operational efficiency initiatives.	- Completion of planned refurbishments projects. - Implemented preventive maintenance of transmission and distribution lines substations and transformers..
CAIDI	Hrs	2.38	3.37	(29.38) %		
Employee Engagement Index	%	82%	79.4%	(5.48) %	Strengthen employee engagement, capability development and organizational culture to improve workforce performance and productivity.	- Implemented the recommendations arising from the previous Employee Engagement. - Enhanced employee capability through training, leadership development and performance management.

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

SUSTAINABILITY REPORT

Creating Enduring Value Through Responsible Operations, Resilient People and Informed Risk-Taking

Our sustainable value story

Kenya Power's contribution extends beyond the distribution and retail of electricity. The Company connects households, businesses and public institutions; enables a predominantly renewable domestic power system; invests in people and infrastructure; and supports social and economic participation across the country. Sustaining this value depends on reliable and safe operations, robust economic performance, environmental stewardship, capable and engaged employees, responsible conduct and the confidence of customers, investors, regulators and communities.

During FY2025–26, the Company enhanced sales, diversified income streams, engaged in revenue protection and enhanced collection, strengthened workforce capacity, implemented off-grid hybridization projects, expanded environmental and community programmes, and continued building the governance foundations for accountable ESG performance, contributing to the Company's enhanced financial resilience and social standing.

Sustainability governance and materiality

The Sustainability Framework 2024–2028 embeds environmental stewardship, social responsibility, robust governance and economic resilience into the Company's operations. These activities are oversighted by the Board via select committees, while delivery is distributed across the various business functions and the Kenya Power Foundation.

Strategic Focus	Value Sought	FY2025–26 Emphasis
Economic Resilience	Financially sustainable connectivity and demand growth, efficient operations, responsible investment, and income diversification	Customer base and energy sales growth; enhanced collection, improved system losses, resilience and reliability; inclusive economic value
Environmental Stewardship	Lower environmental footprint and stronger ecosystem resilience	Renewable integration and hybridisation; project safeguards; waste and biodiversity management.
Social Responsibility	Safe, inclusive and capable workforce and communities	Safe electricity supply; workforce renewal; fair labour and employee wellbeing; inclusive access and social investments; project safeguards.
Robust Governance	Ethical conduct, clear accountability and decision-useful disclosure	Board oversight; risk appetite; compliance; data controls; stakeholder responsiveness and assurance.

Materiality and Reporting Approach

The Company's material sustainability matters arise from its impacts on the economy, environment and people and from the risks and opportunities that may affect enterprise value. For FY2025–26, the core matters comprised commercial performance, human capital, safety, public protection and community impact, environmental stewardship, and governance and ethics.

Key Reporting Area	GRI Linkage	Management and Performance Evidence
Economic Resilience		
Environmental Management	GRI 302, 303, 305, 306, 308; GRI 101 Biodiversity 2024	Energy and emissions boundaries; water and waste; project compliance; nature impacts and restoration effectiveness.

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SUSTAINABILITY REPORT

Key Reporting Area	GRI Linkage	Management and Performance Evidence
Social/Employee Impact	GRI 401–407 and GRI 403/404/405	Workforce flows, labour relations, training, diversity, occupational health and safety outcomes, worker participation and wellbeing.
Stakeholder Engagement	GRI 413, 414, 416 and 418	Community impacts and remedy; supplier screening; public safety; data privacy and service-related outcomes.
Governance and Ethics	GRI 2, GRI 3 and applicable Topic Standards	Material-topic management, significant non-compliance, ethics, accountability, data controls and assurance.

Climate change and environmental stewardship

Enabling the Energy Transition

Kenya Power is central to Kenya’s energy transition and plays a key role in the implementation of the country’s National Climate Change Action Plan (NCCAP) 2023-2027 and the Energy Transition and Investment Plan (ETIP) 2023-2050 . This role is achieved through greening the grid initiatives while enabling universal access to electricity and promoting productive use of electricity.

During the year, renewable sources comprised 90.4% of locally generated electricity, with geothermal and hydro accounting for 63.93% of the 15,601 GWh dispatched.

In line with the national climate commitments, 411,710 no of customers were connected to the grid, as we actively spearheaded the uptake of e-mobility and e-cooking. Additionally, the Company continued the hybridization of off-grid stations. Three solar-battery-diesel hybrid stations at El Wak, Merti and Habarswein were commissioned.

However, climate overshoot continued to be a risk factor to the Company’s operations due to increase risk of physical damage to our assets.

Environmental Safeguards and Nature

Area	FY2025–26 Performance	Impact/Outcome
Engagement and awareness	202 stakeholder sensitisation forums	Community buy-in and ownership
Project safeguards	10 Environmental Impact Assessment reports; 99 environmental, social and safety monitoring reports	Social license for project activities
Tree growing and restoration	253,992 seedlings reported planted; cumulative programme approximately 1,024,992 since November 2023	Nature-based carbon sequestration
Environmental audit coverage	Audits undertaken in two regions; six in progress	Environmental performance monitoring and compliance
Waste and hazardous materials	Company-wide inventory and Waste Management Plan under development	Enhanced waste management

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

SUSTAINABILITY REPORT

Human capital: renewing the workforce

FY2025–26 marked a significant rebuilding of Kenya Power’s workforce. The Company ended the year with 11,203 employees against the then-approved establishment of 13,419, leaving a staffing gap of 2,216. A total of 1,154 employees were recruited during the year, including 435 graduate engineers – the first graduate trainee intake since 2018.

Indicator	FY2025–26 position
Workforce	11,203 employees
Recruitment	1,154 employees
Separations	655; attrition rate reported at 5.8%
Workforce age	Average 41.86 years
Female representation	22.02% of workforce
Retirement exposure	1,469 projected retirements during 2026–2030
Younger workforce	6,683 below age 45 years (millennial and Gen Z employees; approximately 63%)

Succession planning and inclusion

An Integrated Talent Architecture for the Company covering competency, leadership assessment, capability development and succession mapping was contracted in June 2026 under the World Bank GREEN Programme. As part of the implementation of the programme, ongoing recruitment and succession planning prioritises critical skills and under-resourced regions while supporting progressive gender and disability inclusion under the Company’s Gender Action Plan 2023–2028.

Employee experience, capability and fair work

Learning and performance

Measure	FY2025–26 submitted result	Sustainable-value implication
Training coverage	83.73%; average 4.58 training days	Technical, digital, cyber, renewable-energy, customer and leadership capability.
Industrial attachments and internships	2,433 attachments; 145 interns	Supports national skills development and the future talent pipeline.
Professional and GREEN development	437 graduate engineers progressing towards registration; 428 employees supported through GREEN	Build technical depth, succession and capacity for institutional reform.
Performance management	98.5% assessment compliance among management employees	Enhance productivity and entrench performance culture

Employee relations and wellbeing

Employee engagement strengthened during the year, with 4,402 employees participating in the Employee Satisfaction Survey - 39.4% of the workforce, up from 33%. The Company implemented a ‘HR Week’ employee engagement programmed that included wellness programmes, and provided feedback opportunity and recognition for staff activities across all 47 counties. Labour stability was supported by implementation of the 2025–2028 Collective Bargaining Agreement and the integration of confidential workplace mediation into disciplinary processes across all eight regions.

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SUSTAINABILITY REPORT

Wellbeing and inclusion measure	Outcome/Impact
Medical and psychosocial support	18 medical camps; 760 individual, group and family therapy sessions; 117 members supported through the Chronic Disease Management Programme.
Leave and fatigue management	Average leave balance of 11 days vis a vis a target of 15 days, supporting work-life balance.
Gender inclusion	31 gender focal persons; 45 male champions trained; five operational lactation rooms, with two additional facilities planned for the current financial period.
Recognition	A social network of the Company's female engineers, received the Africa Queen of Energy Award in recognition of its efforts to increase the number of women engineers professionally registered by the Engineers Board of Kenya (EBK).

Employee safety, human rights and social value

Protecting employees and the public

Safety remains a key human and operational priority for the Company. In the year, the Company revised its Safety Health and Environment Policy to enhance safety standards within the organization. Additionally, the Company continued to implement its safety programmes including campaigns, inspections, training and assessments. However, despite these initiatives, the Company recorded five staff fatalities and 127 public electrocutions during the year. To improve this safety performance, priority actions centered on the Company's Seven Golden Life-saving Rules are being implemented while also addressing the causes of the public electrical accidents.

Prevention and control activity	FY2025/26
Staff safety training and awareness	195 sessions
Safety inspections	249
Safety committee meetings	176
Public electrical-safety campaigns	686
Competency and authorisation assessments	320 employees and contractors
Personal protective equipment	Procurement of 28,534 items initiated

Community investment and inclusive development

Through the Kenya Power Foundation, the Company invested KSh37.19 million to implement various community-impact initiatives across the thematic focus areas of Education and Skills Development, Energy and Environment, and Social Impact and Community Wellness.

Programme	Expenditure	Outcome position
Education and skills development	KSh23.17m	School facilities constructed/ renovated/ equipped; 13,237 beneficiary learners countrywide;
Energy and environment	KSh6.50m	Planted 253,992 tree saplings; 1,450 locals engaged
Social impact and wellness	KSh6.31m	990 beneficiaries – medical camps, disaster relief and other charitable/ philanthropic works
Administration and Logistics	KSh1.21m	Implementation of the CSRI programmes

THE KENYA POWER AND LIGHTING COMPANY PLC

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CORPORATE GOVERNANCE

Governance that enables accountable and sustainable value creation

The Company's governance framework safeguards long-term value through clear accountability, effective oversight, informed decision-making and ethical conduct. During FY2025–26, the Board maintained oversight of strategy, financial resilience, service reliability, major investment, people, technology, risk and sustainability while advancing the Company's transition under the Government Owned Enterprises Act, 2025.

Governance at a Glance

Indicator	FY2025–26 position
Board size	10 directors
Role mix	9 non-executive; 1 executive
Independent directors	6
Gender representation	3 women; 7 men
Board meetings	13
Board attendance	98.5% (128 of 130 expected attendances)
Board committees	5
Committee meetings	34
Integrity training	3,058 employees
Board evaluation	Facilitated by ICS Kenya
Legal and governance audit	Completed
Latest confirmed CMA score	91% — FY2024–25 baseline

Governance Framework

The Board is collectively responsible for directing and overseeing the Company in a manner that promotes accountability, protects stakeholder interests and supports Kenya Power's public mandate and commercial sustainability. Day-to-day management is delegated to the Managing Director & CEO, subject to defined authority, performance oversight and reserved matters.

The governance framework is anchored in the Companies Act, 2015; the Government Owned Enterprises Act, 2025; the Capital Markets Act; the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023; the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015; the Company's Articles of Association; and Board and committee charters and policies.

Application of the governance code

The Company applies the principles and recommendations of the CMA Code through an "apply and explain" approach. The Board's statement on application of the Code, material departures and corrective measures. Governance practices are reviewed through Board evaluation, legal and governance audits, internal assurance and the CMA governance assessment process.

Government Owned Enterprises Act, 2025

The Government Owned Enterprises Act, 2025 came into operation on 5 December 2025 and introduced a strengthened ownership, performance and accountability framework for Government Owned Enterprises. As a listed company with majority Government shareholding, Kenya Power continued reviewing its governance instruments during the second half of the year to align statutory, shareholder and capital-market requirements.

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SUSTAINABILITY REPORT

Responsible business and stakeholder trust

Responsible supply chain and property stewardship

The Company's supply chain supported network expansion, grid modernisation, revenue protection, safety, ICT resilience and operational continuity. Contract awards during FY2025–26 totalled KSh47.23 billion inclusive of VAT (KSh40.71 billion excluding VAT). Local bidders received KSh39.62 billion, representing 97.31% of the ex-VAT value, while specialised foreign suppliers accounted for KSh1.09 billion, or 2.69%.

Local value creation and inclusive procurement. Local manufacturers received KSh19.99 billion—49.10% of total awards—supporting domestic production of transformers, meters, cables and other network materials. Local contractors and dealers received KSh3.49 billion, while local service providers received KSh2.57 billion. Awards to women-, youth- and PWD-owned enterprises under AGPO totalled KSh1.51 billion excluding VAT.

Key supply-chain indicator	FY2025/26
Total awards, excluding VAT	KSh40.71 billion
Local bidders	KSh39.62 billion
Local manufacturers	KSh19.99 billion
Local contractors and dealers	KSh3.49 billion
Local service providers	KSh2.57 billion
AGPO suppliers	KSh1.51 billion
Contracts incorporating ESG/SHE requirements (LMCP, KOSAP, GREEN)	5

Governance, resilience and property stewardship. Supply-chain governance focused on competitive value, integrity, quality assurance and managing supplier concentration, foreign-exchange exposure, long lead times and counterfeit-material risks. The Company also advanced responsible procurement through lifecycle costing, supplier due diligence and environmental, labour and safety requirements. Property stewardship covered 523 owned parcels and 181 leased premises supporting substations, offices and other operations, with title regularisation, utilisation, lease costs, property income and maintenance performance.

Digital trust and responsible innovation

Digitalisation strengthens grid visibility, revenue assurance and operating efficiency. However, the same digital initiatives expose the Company to increased cyber, privacy and technology-dependency risks. During the year, the Company improved its cybersecurity profile and entrenched digital safety through capacity building of its employees on Data Protection and Artificial Intelligence. All reported breaches in the year were investigated and remedial action implemented.

Stakeholder engagement and reputation

Stakeholder engagement improves the Company's risk intelligence and decision-making. During the year, the Company undertook several initiatives to enhance its stakeholder engagements to facilitate business operations and enhance brand value. This resulted in a improving corporate reputation index of 73.2% and a Net Promoter Score of +5%.

Stakeholder outcome	Outcome/Impact
Corporate Reputation Index	73.2%, very good rating
Customer Satisfaction Index	74%; very good rating
Stakeholder Engagement Score	63.2%; good rating
Employee survey participation	4,402 responses; 39.4%, up from 33%.

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CORPORATE GOVERNANCE

Governance area	Transition implication
Board composition	Transition from the current Articles-based range of 7–10 directors to the statutory structure applicable under the Act.
Independence and suitability	Expanded independence, competency and fit-and-proper criteria for directors.
Commercial orientation	Clearer separation of commercial activity from approved, costed and funded public service obligations.
Ownership and accountability	Clearer separation of the State’s ownership, policy and management roles.
Performance contracting	A revised performance-contracting framework involving the National Treasury.
Board remuneration	Fees and allowances subject to the approvals and determinations prescribed by the Act.
Minority shareholders	Continued representation and participation in accordance with applicable law and the Articles of Association.

The Board initiated a comprehensive review of the Articles of Association, Board Charter, committee charters and related governance instruments. Proposed amendments requiring shareholder approval will be presented at the Annual General Meeting.

Leadership and accountability

Governance actor	Primary accountability
Board Chair	Leads the Board, promotes constructive challenge and ensures effective participation and accountability.
Board	Sets strategic direction; oversees performance, risk, internal control, culture, capital allocation and stakeholder outcomes.
Managing Director & CEO	Executes strategy, leads management and remains accountable to the Board for performance and conduct.
Company Secretary	Advises the Board on governance, coordinates Board processes and maintains statutory and governance records.
Management	Implements approved strategy, policies, controls and Board decisions within delegated authority.
Internal and external assurance	Provides independent insight over financial reporting, governance, risk, compliance and internal control.

Board effectiveness

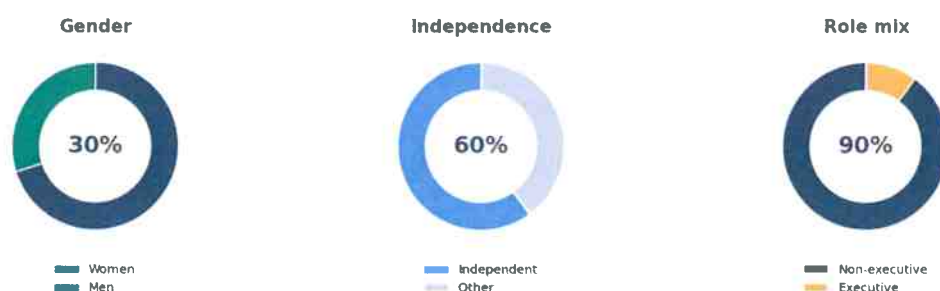
Composition, independence and diversity

At 30 June 2026, the Board comprised ten directors: nine non-executive directors and the Managing Director & CEO as the sole executive director. The reported composition included six independent directors, three women and seven men. The Chair and Managing Director & CEO roles were held separately, supporting an appropriate balance of authority and accountability.

THE KENYA POWER AND LIGHTING COMPANY PLC
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CORPORATE GOVERNANCE

Board composition at 30 June 2026



Director	G	Nationality	Primary field	Appointed	Reported status
Joy Brenda Masinde	F	Kenyan	Law	8 Dec 2023	Independent
Dr (Eng.) Joseph Siror, FIEK	M	Kenyan	Engineering	2 May 2023	Non-independent
Logan Christi	F	American	Law	8 Dec 2023	Independent
Ruth Muiruri	F	Kenyan	Law	8 Dec 2023	Independent
Eng. Albert Mugo	M	Kenyan	Engineering	8 Dec 2023	Non-independent
Ezekiel Saina	M	Kenyan	ICT	8 Dec 2023	Independent
CPA Dr Caleb B. Manyaga	M	Kenyan	Financial management	8 Dec 2023	Independent
Eng. James Rege	M	Kenyan	ICT	8 Dec 2023	Independent
Eng. Isaac Kiva, FIEK — Alternate to PS, Ministry of Energy	M	Kenyan	Engineering	25 Apr 2024	Non-independent
Dr Stephen Ikikii — Alternate to CS, National Treasury	M	Kenyan	Finance	20 Dec 2024	Non-independent

Skills and experience

Collectively, the Board brings experience in engineering, energy, law, finance, financial management, ICT, technology governance, public policy and institutional leadership. This mix supports oversight of strategy execution, service reliability, financial resilience, customer outcomes, digital transformation, infrastructure investment, risk and sustainability.

Appointments, induction and succession

Directors are appointed in accordance with applicable law and the Articles of Association. No new director joined the Board during FY2025–26; accordingly, no induction programme was conducted. The Board continued to consider succession, tenure, diversity, independence and evolving capability needs, including energy transition, climate, cybersecurity, artificial intelligence and stakeholder governance.

Board development

Directors participated in targeted development and external engagements designed to strengthen oversight of governance, technology, finance, law, energy transition and labour matters.

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CORPORATE GOVERNANCE

Development activity	Oversight relevance	Date
Corporate Governance Conference	Corporate governance	16–20 Feb 2026
Huawei Connect 2025	Digital transformation, AI, cybersecurity, cloud and technology governance	17–24 Sep 2025
Arbitration and Alternative Dispute Resolution Training	Commercial disputes and alternative dispute resolution	28–29 Oct 2025
International Law Institute Seminar	Arbitration and dispute management	27–31 Oct 2025
ESAMI training	Leadership and governance development	7–11 Jul 2025
IRENA Assembly and World Future Energy Summit	Renewable energy, climate resilience and clean-energy investment	8–15 Jan 2026
Powering Africa Summit	Sector reform, utility finance, grid modernisation and partnerships	13–22 Mar 2026
12th Africa AIEP and Renewable Energy Investment Conference	Renewable investment, infrastructure finance and public-private partnerships	18–20 Nov 2025
World Geothermal Congress 2026	Geothermal development, sustainable technology and decarbonisation	8–11 Jun 2026
Law Society of Kenya Annual Conference	Law, regulation, governance and labour matters	13–16 Aug 2025
42nd ICPAK Annual Seminar	Financial reporting, tax, audit, sustainability and governance	17–21 Nov 2025
Institute of Internal Auditors Annual Dinner	Internal audit, risk, ethics and internal control	11 Dec 2025
114th International Labour Conference	Labour standards, workplace rights, safety and future of work	1–12 Jun 2026

Board evaluation

The Board conducted its annual evaluation with support from the Institute of Certified Secretaries of Kenya. The assessment covered the Board, Chair, committees and committee chairs, Managing Director & CEO, General Manager Internal Audit and Company Secretary. The evaluation toolkit was enhanced to incorporate the Government Owned Enterprises Act, ESG and artificial intelligence. An action plan was developed to address identified improvement areas; the principal themes and closure status

Board committees

The Board retains collective responsibility while delegating detailed oversight to five committees operating under approved terms of reference. Committee membership reflects the skills relevant to each mandate, and material matters are escalated to the Board for decision. During the year, the Board and its committees held 47 meetings: 13 Board meetings and 34 committee meetings.

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CORPORATE GOVERNANCE

Committee	Meetings	Core oversight
Finance, Strategy & Risk	7	Strategy, finance, capital allocation, enterprise risk and ESG
Audit Committee	7	Financial reporting, internal and external audit, internal control and assurance
Technical	10	Network planning, reliability, infrastructure, energy procurement and system losses
Telecoms, SCADA, ICT & Innovation	5	Digital strategy, telecommunications, SCADA, cybersecurity and innovation
Governance & Human Resource	5	Governance, people, ethics, legal, customer, reputation, SHE and property

Finance, Strategy & Risk

Membership. Eng. James Rege (Chair); Dr Stephen Ikikii; Eng. Albert Mugo; Dr (Eng.) Isaac Kiva; Managing Director & CEO

Key deliberations. Considered financing for strategic infrastructure and sustainability investments; reviewed financial performance, liquidity, foreign-currency and sales positions; considered the annual procurement plan and asset write-offs; and reviewed enterprise risks, insurance, Board performance, ESG, pension matters and staff-welfare financing.

Audit Committee

Membership. CPA Dr Caleb B. Manyaga (Chair); Logan Christi; Dr Stephen Ikikii; Ezekiel Saina

Key deliberations.

- Approved the revised Audit Committee Charter and Internal Audit Work Plan;
- reviewed half-year and full-year results, external-audit matters, Office of the Auditor-General issues and internal-audit reports; and
- considered aged electricity debt, land management and the General Manager Internal Audit scorecard.

Technical Committee

Membership. Eng. Albert Mugo (Chair); Dr Stephen Ikikii; Logan Christi; Dr (Eng.) Isaac Kiva; Managing Director & CEO

Key deliberations.

- Reviewed power-system planning, network reliability, outages, transmission and substation proposals and major infrastructure projects;
- monitored the system-losses strategy; and
- considered energy-purchase trends and PPA negotiations.

Telecoms, SCADA, ICT & Innovation

Membership. Ezekiel Saina (Chair); Eng. James Rege; Ruth Muiruri; Managing Director & CEO

Key deliberations.

- Reviewed the ICT Five-Year Strategy, enterprise architecture and business-process re-engineering;
- oversaw the Digital Superhighway and One Government Network fibre rollout; and
- reviewed telecommunications, fibre, SCADA, information security and telecoms-business performance.

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CORPORATE GOVERNANCE

Governance & Human Resource

Membership. *Ruth Muiruri (Chair); CPA Dr Caleb B. Manyaga; Ezekiel Saina; Dr (Eng.) Isaac Kiva; Managing Director & CEO*

Key deliberations.

- Considered senior-management contracts, HR policies, succession, staff welfare, collective bargaining, surveys, training and recruitment;
- reviewed governance, legal, ethics, Board performance and AGM preparations; and
- considered customer service, reputation, social investment, litigation, property, security, safety and environmental matters.

Ethics, compliance and accountability

Ethical leadership and speak-up culture

The Board sets the tone for integrity and expects directors, employees, suppliers and other stakeholders to act lawfully, fairly and in the Company's best interests. The Code of Ethics guides conduct, while conflict declarations, whistleblowing arrangements, investigation protocols and disciplinary processes support accountability. During the year, the Company developed an Anti-Bribery Policy.

Conflicts of interest and related-party governance

Directors and employees are required to declare interests on appointment, periodically and whenever circumstances change. Meeting-specific interests are recorded, assessed and managed through recusal or other safeguards where necessary. Related-party transactions are reviewed and disclosed in accordance with applicable law and accounting standards. Annual declaration completion, meeting recusals, unresolved conflicts and the related-party financial-statement cross-reference.

Legal and regulatory compliance

Compliance oversight covered capital-markets and listing obligations, energy regulation, legal and governance assurance, data protection, cybersecurity, health, safety and environment, employment and labour matters, procurement, tax and competition requirements. Material non-compliance, penalties, litigation developments and corrective actions with financial effects are disclosed in the audited financial statements where applicable.

Legal and governance audit

Robson Harris Advocates LLP completed the legal and governance audit during the year.

Responsible procurement

The Board oversaw procurement as an enabler of network investment, operational continuity and sustainable value. Governance focused on fairness, competitive value, integrity, supplier due diligence, local content and inclusive procurement. Detailed procurement performance, including KSh40.71 billion in reported ex-VAT awards, 97.31% awarded to local bidders and KSh1.51 billion awarded to AGPO suppliers, is presented in the ESG, Enterprise Risk and Sustainable Value chapter.

Remuneration and performance accountability

The Company's remuneration arrangements are governed through approved policies, applicable law and shareholder oversight. Non-executive directors receive fees and allowances approved through the prescribed process, while executive remuneration comprises approved fixed and performance-related components. The detailed policy basis, individual or aggregate disclosures, performance measures and amounts are set out below and cross-referenced to the audited financial statements.

Shareholder and stakeholder accountability

The Board remained accountable to shareholders while considering the interests of customers, employees, Government, regulators, suppliers, investors, communities and development partners. Engagements were intended to surface material concerns, inform decisions and close commitments.

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

CORPORATE GOVERNANCE

Shareholder-approved governance policies

The 104th Annual General Meeting approved policies covering remuneration; effective communication with stakeholders; corporate disclosure; internal and external dispute resolution; and attraction and retention of Board members. During FY2025–26, implementation focused on embedding these policies in Board and management processes.

Internal control, risk and assurance

The Board is responsible for maintaining effective systems of risk management and internal control. The Audit Committee oversees financial reporting, internal and external audit and control effectiveness, while the Finance, Strategy & Risk Committee monitors enterprise risk, liquidity, investment and sustainability-related matters. Internal Audit reported implementation of 94% of recommendations at year end; the population, risk weighting, ageing and independent verification of closure are presented in the Enterprise Risk chapter.

Sustainability and technology governance

Sustainability oversight was exercised through the Board and relevant committees, linking environmental and social performance to strategy, risk, investment, people and stakeholder outcomes. Technology oversight included enterprise architecture, SCADA, telecommunications, information security, data protection and emerging artificial-intelligence risks.

Governance performance and outlook

CMA governance assessment

The latest confirmed CMA assessment supplied for this report relates to the year ended 30 June 2025. Kenya Power achieved an overall weighted score of 91%, placing the Company in the “Leadership” band. The assessment recognised strong performance in commitment to good governance, ethics and social responsibility, and accountability, risk management and internal control. Board operations and control was the lowest-scoring area at 87%, providing a clear focus for continuing improvement.

FY2026–27 governance priorities

Priority	Intended outcome
Complete GoE Act alignment	Secure required shareholder approvals and implement revised Articles, charters and governance instruments.
Close assessment actions	Strengthen Board processes, disclosure quality and timely closure of governance actions.
Deepen Board capability	Address skills needs in energy transition, customers, digital and cyber risk, AI and sustainability.
Strengthen ESG oversight	Approve the governance map, controlled ESG data, disclosure controls and assurance roadmap.
Improve decision tracking	Strengthen the timeliness, ownership and evidence of Board and committee action closure.
Enhance stakeholder accountability	Connect material stakeholder concerns to Board decisions, responses and reported outcomes.
Advance assurance	Complete and track governance, legal and sustainability assurance actions.

The Company enters FY2026–27 with stronger governance foundations and a clear transition agenda. Continued progress will depend on disciplined implementation, transparent accountability and Board oversight that converts governance processes into sustainable outcomes for customers, shareholders and other stakeholders.

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CORPORATE GOVERNANCE

Board and committee attendance

Attendance tables present meetings held and attendance recorded for the year ended 30 June 2026. "By invitation" attendance is shown separately and is not included in member attendance percentages

Board attendance

Director	Status	Held	Attended	Attendance
Joy Brenda Masinde	Member	13	13	100.0%
Eng. Albert Mugo	Member	13	13	100%
Logan Christi	Member	13	13	100.0%
Eng. Isaac Kiva	Member	13	11	84.6%
Dr (Eng.) Joseph Siror	Member	13	13	100%
CPA Dr Caleb B. Manyaga	Member	13	13	100%
Ezekiel Saina	Member	13	13	100%
Ruth Muiruri	Member	13	13	100%
Eng. James Rege	Member	13	13	100%
Dr Stephen Ikikii	Member	13	13	100%

Governance & Human Resource Committee

Director	Status	Held	Attended	Attendance
Ruth Muiruri	Member	5	5	100%
Ezekiel Saina	Member	5	5	100%
Eng. Isaac Kiva	Member	5	4	80%
CPA Dr Caleb B. Manyaga	Member	5	5	100%
Dr (Eng.) Joseph Siror	Member	5	5	100%
Eng. Albert Mugo	By invitation	5	2	—
Eng. James Rege	By invitation	5	2	—
Dr Stephen Ikikii	By invitation	5	2	—
Logan Christi	By invitation	5	2	—

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

CORPORATE GOVERNANCE

Finance, Strategy & Risk Committee

Director	Status	Held	Attended	Attendance
Eng. James Rege	Member	7	7	100%
Eng. Albert Mugo	Member	7	7	100%
Dr Stephen Ikikii	Member	7	6	85.7%
Eng. Isaac Kiva	Member	7	5	71.4%
Dr (Eng.) Joseph Siror	Member	7	7	100%
Ruth Muiruri	By invitation	7	2	—
CPA Dr Caleb B. Manyaga	By invitation	7	2	—
Ezekiel Saina	By invitation	7	2	—
Logan Christi	By invitation	7	1	—

Technical Committee

Director	Status	Held	Attended	Attendance
Eng. Albert Mugo	Member	10	10	100%
Logan Christi	Member	10	10	100%
Eng. Isaac Kiva	Member	10	10	100%
Dr Stephen Ikikii	Member	10	10	100%
Dr (Eng.) Joseph Siror	Member	10	10	100%
Ezekiel Saina	By invitation	10	2	—
Ruth Muiruri	By invitation	10	2	—
Eng. James Rege	By invitation	10	1	—
Joy Brenda Masinde	By invitation	10	2	—

Telecoms, SCADA, ICT & Innovation Committee

Director	Status	Held	Attended	Attendance
Ezekiel Saina	Member	5	5	100%
Eng. James Rege	Member	5	5	100%
Ruth Muiruri	Member	5	5	100%
Dr (Eng.) Joseph Siror	Member	5	5	100%

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

CORPORATE GOVERNANCE

Audit Committee

Director	Status	Held	Attended	Attendance
CPA Dr Caleb B. Manyaga	Member	7	7	100%
Ezekiel Saina	Member	7	7	100%
Logan Christi	Member	7	7	100%
Dr Stephen Ikikii	Member	7	6	85.7%
Ruth Muiruri	By invitation	7	1	—
Eng. Albert Mugo	By invitation	7	1	—
Eng. Isaac Kiva	By invitation	7	1	—

Joy Brenda Masinde
Chairman, Board of Directors

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

DIRECTORS' REPORT

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

BUSINESS REVIEW.

The year under review marked another year of execution of the Company's Corporate Strategy (2023/24–2027/28), with continued focus on financial sustainability, operational excellence, customer-centric service delivery and building organisational resilience. Despite operating within a dynamic business environment characterised by evolving macroeconomic conditions, regulatory developments and growing electricity demand, the Company maintained resilient operational and financial performance while continuing to invest in network modernisation, digital transformation and expansion of electricity access.

The following review provides a high-level overview of the Company's performance during the year.

Financial Performance

The Company recorded revenue of KSh. 238.24 billion for the year ended 30 June 2026, compared to KSh. 219.28 billion in the previous financial year. Revenue performance reflected continued growth in electricity demand and customer consumption, moderated by tariff and regulatory developments together with movements in foreign exchange recoveries.

Profit before tax amounted to KSh. 36.01 billion, while profit after tax stood at KSh. 24.99 billion, demonstrating the Company's continued financial resilience despite operating in a challenging business environment. The financial performance was supported by prudent cost management, continued improvements in operational efficiency and disciplined financial stewardship.

During the year, Management continued strengthening the Company's financial position through effective working capital management, optimisation of the debt portfolio and disciplined capital allocation. Total assets stood at KShs. 421.49 billion, while total borrowings amounted to KSh. 79.82 billion. The working capital deficit improved to KSh. 1.9 billion, reflecting continued progress in liquidity management and financial sustainability initiatives.

The Board remains committed to delivering sustainable shareholder value while maintaining appropriate investment in strategic infrastructure to support future growth. Subject to shareholder approval, the Directors recommend payment of a final dividend of KSh. 1.20 per ordinary share for the year ended 30 June 2026.

Operational Performance

The Company continued investing in strategic initiatives aimed at expanding electricity access, strengthening network reliability, improving operational efficiency and enhancing customer experience.

During the year, electricity sales increased to 12,777 GWh, supported by continued customer growth and increasing electricity demand across various customer segments. The Company connected 411,710 new customers, increasing the total customer base to 10.43 million, while continued investment in grid expansion and modernisation strengthened the reliability and resilience of the electricity network.

Operational performance also benefited from continued implementation of revenue assurance initiatives, smart metering, system automation and network reinforcement programmes, contributing to improvements in distribution efficiency, system reliability and reduction of technical and commercial losses.

Capital expenditure during the year amounted to KSh. 28.01 billion, reflecting continued investment in transmission and distribution infrastructure, substations, customer connections, digital technologies and system modernisation to support growing electricity demand and improve quality of supply.

Further discussion of the Company's operational performance is presented in the Management Discussion and Analysis section on page 20.

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

DIRECTORS' REPORT

Principal Risks and Future Outlook

The Company continues to operate within a dynamic environment characterised by evolving regulatory requirements, foreign exchange movements, changing electricity demand patterns, climate-related risks, cybersecurity threats and increasing infrastructure investment requirements.

Management continues to strengthen the Company's Enterprise Risk Management Framework through proactive identification, assessment and mitigation of strategic and operational risks. Key mitigation initiatives implemented during the year included optimisation of the debt portfolio, strengthening revenue assurance, investment in network resilience, enhancement of cybersecurity capabilities and continued engagement with key stakeholders.

Looking ahead, the Company remains focused on strengthening financial sustainability, modernising the electricity network, improving customer experience and supporting Kenya's growing demand for reliable, affordable and sustainable electricity. Continued investment in infrastructure, digital transformation and operational excellence positions the Company to create sustainable value for shareholders and other stakeholders.

Sustainability, Employees and Community

Sustainability remains integral to the Company's long-term strategy and business model. During the year, Kenya Power continued embedding environmental, social and governance (ESG) principles into its operations through implementation of the Sustainability Framework, continued support for Kenya's clean energy transition, climate resilience initiatives, environmental conservation programmes and responsible business practices.

The Company also continued investing in its people through talent development, employee engagement, occupational health and safety, leadership development and employee wellness initiatives. These investments continue to strengthen organisational capability while fostering a high-performing, innovative and customer-focused workforce.

Through the Kenya Power Foundation and strategic partnerships, the Company continued investing in education, environmental conservation, community development and expansion of electricity access, creating positive social and economic impact within the communities it serves.

A comprehensive discussion of the Company's sustainability strategy, environmental stewardship, social responsibility and governance initiatives is presented in the Sustainability Report on page 30.

Key Performance Indicators

The Board monitors a balanced set of financial and non-financial performance indicators to assess progress towards the Company's strategic objectives.

Indicator	FY 2025/26	FY 2024/25
Revenue (KSh. billion)	238.2	219.3
Profit before tax (KSh. billion)	36.01	35.37
Profit after tax (KSh. billion)	24.99	24.47
Electricity Sales (GWh)	12,777	11,403
New Customer Connections	411,710	401,848
Total Customers (Million)	10.43	10.05
Distribution Efficiency (%)	81.42	78.79
System Losses (%)	18.58	21.21
SAIDI (Hours)	27.33	2.57
SAIFI	4.98	44.07

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

DIRECTORS' REPORT

RESULTS FOR THE YEAR

	2026	2025
	KSh'000	KSh'000
Profit/(Loss)/ before income tax	36,014,067	35,374,684
Income tax (expense)/credit	<u>(11,025,453)</u>	<u>(10,908,159)</u>
Profit for the year	<u>24,988,614</u>	<u>24,466,525</u>

DIVIDEND

A dividend of KSh. 1.93 million (2025: KSh. 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.

An interim dividend of Ksh. 0.30 per ordinary shares was paid in the year (2024/25: KSh. 0.20). Subject to the approval of the shareholders, the Directors recommend payment of a final dividend of KSh. 1.20 per ordinary shares for the year ended 30 June 2026 (2025: KSh. 0.80)

DIRECTORS

The current Directors are as shown on page 4

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

- there is, so far as the Director is aware, no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that the Director ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Company's financial statements in accordance with article 229 of the Constitution of Kenya, the Public Finance Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary

17th September 2026

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

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

Statement of Company's policy on Directors' remuneration

During the year, there was no change to the Board remuneration. The current policy as guided by the Government through the State Corporations Advisory Committee (SCAC) will apply in subsequent years until the same is revised. The Company does not have any share options or long-term incentives plans. There was no compensation paid to former Directors other than bonuses earned in respect of the period during which they served in office. No sums were paid to third parties in respect of any Director's services.

The only executive Director is the Managing Director and Chief Executive Officer. His performance targets are set by 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).

Statement of voting at general meeting

During the last AGM held on 28 November 2025 the shareholders unanimously approved the Directors' fee of KSh. 1,000,000 per year per Director on a pro-rata basis for the year ended 30 June 2025.

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 (where applicable) 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 Director's fee of KSh. 1,000,000 per annum or on pro rata basis for period served.
5. The remuneration for executive Director is as per the negotiated employment contracts.
6. The Company does not propose to make any further 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.

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Honoraria (per month)	KSh. 80,000	N/A
Sitting allowance (per sitting)	KSh. 20,000	KSh. 20,000
Telephone – airtime for mobile phone (per month)	KSh. 20,000	N/A
Transport allowance/mileage	N/A*	Automobile Association of Kenya (AAK) rates
Lunch allowance	KSh. 2,000	KSh. 2,000
Director's fees per annum on prorata basis	KSh. 1,000,000	KSh. 1,000,000
Director's bonus	Subject to SRC approval	Subject to SRC approval
Accommodation allowance outside Nairobi	KSh. 18,200	KSh. 18,200

* The Chairman is provided with a Company car.

INFORMATION SUBJECT TO AUDIT

For the financial years ended 30 June 2026 and 30 June 2025, the Directors' fees and remuneration are as below:

Year ended 30 June 2026

	Salary/ honoraria	Gratuity	Fees	Bonus	Expense allowances	Total
	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000
Executive Director						
Dr. Eng. Joseph Siror- MD & CEO	23,065	12,436	-		10,517	46,018
Non-Executive Directors						
Joy Brenda Masinde - Chairman	960	-	1,000	1,773	6,435	10,168
PS, National Treasury	-	-	1,000		-	1,000
PS, Energy	-	-	1,000		-	1,000
CPA Dr. Caleb B. Manyaga	-	-	1,000	1,394	5,814	8,208
Ezekiel Saina	-	-	1,000	1,394	4,644	7,038
Eng. James Rege	-	-	1,000	1,394	2,512	4,906
Ruth Muiruri	-	-	1,000	1,394	3,827	6,221
Eng. Albert Mugo	-	-	1,000	1,773	3,020	5,793
Logan Christi Hambrick	-	-	1,000	1,773	4,568	7,341
Isaac Kiva	-	-	-	1,067	7,354	8,421
FA. Stephen Ikikii, PhD	-	-	-	479	3,169	3,648
Mr. Humphrey Muhu	-	-	-	1,294	-	1,294
Eng Benson Mwakina	-	-	-	577	-	577
Veska Kangogo	-	-	-	380	-	380
Kairo Thuo	-	-	-	380	-	380
Dr Duncan Ojwang	-	-	-	380	-	380
	<u>24,025</u>	<u>12,436</u>	<u>9,000</u>	<u>15,452</u>	<u>51,860</u>	<u>112,773</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

DIRECTORS' REMUNERATION REPORT

Year ended 30 June 2025

	Salary/ honoraria KSh'000	Fees KSh'000	Expense allowances KSh'000	Total KSh'000
Executive Director				
Dr. Eng. Joseph Siror- MD & CEO	17,367	-	6,770	24,137
Non-Executive Directors				
Joy Brenda Masinde - Chairman	960	1,000	3,846	5,806
PS, National Treasury	-	1,000	-	1,000
PS, Energy	-	1,000	-	1,000
CPA Dr. Caleb B. Manyaga	-	1,000	3,919	4,919
Ezekiel Saina	-	1,000	4,582	5,582
Eng. James Rege	-	1,000	1,666	2,666
Ruth Muiruri	-	1,000	2,619	3,619
Eng. Albert Mugo	-	1,000	1,898	2,898
Logan Christi Hambrick	-	1,000	2,601	3,601
Isaac Kiva	-	-	1,757	1,757
FA. Stephen Ikikii, PhD	-	-	1,230	1,230
Mr. Humphrey Muhu	-	-	658	658
	<u>18,327</u>	<u>9,000</u>	<u>31,546</u>	<u>58,873</u>

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary

17th September 2026

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

Approved by the Board of Directors on 17th September 2026 and signed on its behalf by:



Joy Brenda Masinde
Chairman, Board



CPA Dr. Caleb B. Manyaga
Chairman, Audit Committee



Dr. Eng. Joseph Siron, FIEK
Managing Director & CEO

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2026

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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, Cap.412A, and the Public Audit Act, Cap.412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 55 to 129 which comprise of the statement of financial position as at 30 June, 2026, and the statement of profit or loss and other comprehensive

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2026

income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap.412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Kenya Power and Lighting Company PLC as at 30 June, 2026 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, Cap.486, the Government Owned Enterprises Act, No. 25 of 2025 and the Public Finance Management Act, Cap.412A.

Basis for Opinion

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

Emphasis of Matter

Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.295,547,724,000 which, as disclosed in Note 17 to the financial statements, includes freehold land with a book value of Kshs.790,023,000. The land includes one hundred and eighteen (118) parcels at various locations valued at Kshs.79,459,032 for which the Company had no title deeds. Further, six (6) parcels of land are currently subject to ongoing court disputes. Management indicated that most of these parcels were allotted from trust land and provided evidence of efforts being undertaken to follow up with the relevant authorities on the demarcation and adjudication processes required to facilitate acquisition of title deeds. However, as at 30 June, 2026, the processes were still ongoing and title documents had not yet been obtained.

In addition, fifteen (15) parcels of land had been charged to a private company between 1970 and 1984. Five (5) of the parcels were charged for Kshs.33,950,080 while the other ten (10) were charged for unknown amounts. Further, five (5) parcels where power substations have been erected were under lien in favour of a law firm. Records at the Company further indicated that a suit was filed against the firm at the High Court, seeking to compel the release of the titles. However, the matter had not been concluded as at the time of audit.

In the circumstances, the ownership of the parcels of land valued at Kshs.79,459,032 could not be confirmed.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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. I do not provide a separate opinion on these matters and for each matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Revenue Recognition As disclosed in Note 7 to the financial statements, the Company derives revenue from various streams, including electricity sales, which are subject to different recognition requirements depending on the nature and timing of the transactions. Electricity sales revenue for post-paid customers is recognised based on electricity consumed as determined from meter readings or estimated consumption where meter readings are unavailable. Revenue from prepaid customers is recognised when electricity units are purchased and subsequently adjusted for estimated unconsumed electricity. The estimation of electricity consumption and unconsumed prepaid electricity involves assumptions and judgement by management. In addition, the Company operates multiple systems for customer management, metering, billing and revenue recording, increasing the complexity of the revenue recognition process. Given the magnitude of revenue, the high volume of transactions, reliance on automated systems and the estimation involved in determining certain revenue balances, I considered revenue recognition to be a Key Audit Matter.	The following audit procedures were performed: - Obtained an understanding of the revenue systems and evaluated the design and operating effectiveness of relevant controls over customer categorisation, metering, billing, tariff application and revenue recording; - Tested Information Technology (IT) general controls relevant to the integrity, completeness and accuracy of information generated from the systems used in revenue recognition; - Tested controls over changes to tariffs and other billing parameters to assess whether approved tariff rates were appropriately reflected in the billing systems; - Performed substantive testing of electricity sales revenue, including post-paid and prepaid electricity sales, to assess the accuracy and occurrence of revenue recognised; - Evaluated the methodology and assumptions applied in estimating electricity consumption for customers whose meter readings were unavailable;

Key Audit Matter	How the Audit Addressed the Key Audit Matter
	vi. Assessed the calculation and year-end adjustment relating to estimated unconsumed prepaid electricity units; vii. Performed cut-off procedures around the reporting date to assess whether revenue was recognised in the appropriate accounting period; and viii. Reconciled revenue reports from the billing systems to the general ledger and assessed the adequacy of related disclosures in the financial statements.

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 risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above provide the basis for my audit opinion on the accompanying financial statements.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2025/2026 revealed that the following twelve (12) issues remained unresolved as at 30 June, 2026:

No.	Audit Issue
1	Land without Ownership Documents
2	Cost of Power Purchased from Independent Power Producers
3	Variances between Electricity Receivables and County Governments Data
4	Non-Compliance with 30% Procurement Reservation for Disadvantaged Groups
5	Unauthenticated Employees' Academic Qualifications
6	Long Outstanding Receivables from Government and Other Entities
7	Delays in Customer Electricity Connections
8	Weaknesses in Project Management
9	Weaknesses in Electricity Consumption Billings

No.	Audit Issue
10	Network Inefficiencies related to Instabilities in Power Supply Network and Electricity Outage Reporting
11	Inefficiencies in Operations at Off Grid Power Stations
12	Weaknesses in Management of Fraud Risks

Other Information

The Directors are responsible for the Other Information set out on page 3 to 51 which comprise of Corporate Information, Board Profile, Executive Management, Statement by the Chairman, Message from the Managing Director and the Chief Executive Officer, Management Discussion and Analysis, Statement of Performance Against Pre-determined Objectives, Sustainability Report, Corporate Governance, Directors' Report, Directors Remuneration Report and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information 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 materially misstated. If based on the work I have performed, 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Irregular Procurement of Hired Off-Grid Thermal Generators

The Company entered into contracts for the hiring of generation capacity at Marsabit and Wajir Power Stations on 30 July, 2025 and 13 October, 2025, respectively, at a combined contract sum of Kshs.228,960,849. Review of the procurement records revealed that Management initiated the procurement process before expiry of the existing contracts by requesting funding from the Ministry of Energy and Petroleum on 30 September, 2024. However, delays in obtaining confirmation of the applicable funding source from the State Department of Energy and the lack of timely budgetary allocation for the off-grid power

stations, resulted in delays in concluding the contract before the existing contracts expired. Consequently, to maintain uninterrupted electricity supply, the existing suppliers continued providing generation services, after which the Company resorted to direct procurement and executed contracts with retrospective commencement dates to regularize the services already rendered. As a result, the procurements did not meet the competitive procurement requirements of Section 91(1) of the Public Procurement and Asset Disposal Act, Cap. 412C, while the retrospective commencement dates were inconsistent with Section 139(3) of the Act, which prohibits procurement approvals from operating retrospectively except as provided by law.

Further, on 1 March, 2026, the Marsabit contract was varied upwards from Kshs.99,029,949 to Kshs.123,787,437, representing an increase of Kshs.24,757,487, barely seven (7) months after execution of the contract on 30 July, 2025. The upward variation was made within twelve months of contract execution contrary to Section 139(3) of the Public Procurement and Asset Disposal Act, Cap. 412C.

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

2. Non-Compliance with 30% Procurement Reservation for Disadvantaged Groups

Review of the Company's approved Procurement Plan for the year under review revealed that only 6.4% of the procurement budget was reserved for disadvantaged groups. This was contrary to Section 157 (5) of the Public Procurement and Asset Disposal Act, Cap. 412C, which requires that an Accounting Officer of a procuring entity shall, when processing procurement, reserve a prescribed percentage of its procurement budget, which shall not be less than thirty per cent (30%) to the disadvantaged groups and comply with the provisions of this Act in respect of preferences and reservations.

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

3. Irregular Payment of Acting Allowances

Review of the Company's human resource and payroll records for the financial year under review revealed weaknesses in the administration of acting appointments and payment of acting allowances, resulting in irregular payments amounting to Kshs.38,153,911, as detailed below:

- i) Thirty-two (32) management employees remained in acting appointments for periods exceeding six (6) months and continued to draw acting allowances amounting to Kshs.16,140,608. In some cases, some employees had served in acting capacity for more than five (5) years contrary to Section 34(3) of the Public Service Commission Act, Cap.185 which provides that an officer may be appointed in acting capacity for a period of at least thirty days but not exceeding six months.
- ii) Ninety-six (96) employees were paid acting allowance amounting to Kshs.20,823,286 during the first two months of their acting appointments, contrary to the Company's Staff Regulations and Procedures which provides that no acting allowance will be paid in respect of the first two months during which one is acting.

- iii) Thirty-three (33) employees in management positions were paid acting allowances exceeding the recalculated amounts based on 25% of their basic salary, resulting in irregular overpayment of Kshs.1,190,017.

In the circumstances, Management was in breach of the law and the Company's Staff Regulations and Procedures.

4. Non-Compliance with the One-Third Basic Salary Rule

Analysis of the payroll data revealed that six hundred and four (604) employees received net salaries that were less than one-third ($\frac{1}{3}$) of their basic pay. This was contrary to Section 19(3) of the Employment Act, Cap. 226 which provides that all deductions made by an employer from the wages or salaries of employees at any one time shall not exceed two thirds of such wages or salaries.

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

5. Gender Inequality

Analysis of the Company's employee master listing revealed that out of a total workforce of eleven thousand, two hundred and three staff (11,203), eight thousand, seven hundred and thirty-three staff (8,733) representing 78% were male while two thousand, four hundred and seventy staff (2,470) translating to 22% were female. This was contrary to Article 27(8) of the Constitution of Kenya, and Paragraph B22 (2) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016, which provide that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than two thirds ($\frac{2}{3}$) of positions in its establishment are filled by either gender.

Further, comparison of the gender in senior executive management level revealed that out of the thirteen (13) senior executive management, ten (10) or 77% were male while three (3) or 23% are female. Although the Company increased the number of female employees in recent recruitments to address this inequality, the gender equality principle is yet to be achieved.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, Cap.412B, based on the audit procedures performed, except for the effect of the matters described in the Basis for

Conclusion on the 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 governance were not effective.

Basis for Conclusion

1. Long Outstanding Receivables from Government Entities and Other Entities

The statement of financial position reflects current trade and other receivables amounting to Kshs.96,477,556,000. As disclosed in Note 22(b) to the financial statements, the balance is net of gross receivables and provisions totaling Kshs.119,633,609,000 and Kshs.23,156,053,000 respectively. However, review of the balances revealed long outstanding receivables as detailed below:

- i) Receivables totaling Kshs.35,348,427,000 were in respect of Rural Electrification Scheme (RES) which the Company administers on behalf of the Government of Kenya. Management indicated that RES is funded by the National Government and implemented by the Company on behalf of Ministry of Energy and Petroleum (MOEP). The Schemes of RES are considered sub-economic, given that their operational and maintenance costs exceed their revenues, and it was agreed that the Government would reimburse the Company any deficit arising from the scheme. The resultant accumulated deficit is recoverable from the Government of Kenya (GoK) as stipulated in the 1973 Mercado Agreement signed between KPLC and the GoK through the MOEP. As at 30 June, 2026, no reimbursement had been made to cover the deficits despite a Cabinet resolution to disburse Kshs.19,400,000,000 to settle the RES losses.
- ii) The receivables balance includes an amount of Kshs.1,715,063,000 relating to Kenya Electricity Transmission Company (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 which was transferred to KETRACO in 2018 upon signing of the Novation agreement which remained unpaid for longer period. The amount includes Kshs.743,854,974 with respect to operations and maintenance of transmission assets that were invoiced between 2016 and 2022 which remained unpaid. However, KETRACO in a letter dated 6 March, 2025, acknowledges owing KPLC the amount with respect to operations and maintenance of transmission assets but attributed the delay in settlement to lack of supporting documentation to facilitate the payment.
- iii) The receivables balance includes an amount of Kshs.478,642,000 relating to amounts receivables from the Government in respect of expenditure incurred by the Company on behalf of the Ministry of Energy and Petroleum to improve electricity supply in off-grid stations which have remained outstanding for more than two (2) years.
- iv) An amount of Kshs.158,393,000 was due from the Ministry of Energy and Petroleum, Kenya Electricity Generating Company PLC (KenGen), Geothermal Development Company (GDC), Rural Electrification and Renewable Energy Corporation (REREC),

Energy and Petroleum Regulatory Authority (EPRA) and Nuclear Power and Energy Agency (NuPEA) which has been outstanding since 2015. The amount relates to media campaigns executed in November, 2014 through electronic, print, and online media to gauge demand for 5000+ MW from existing and potential investors as had been directed by the then Cabinet Secretary for Ministry of Energy and Petroleum. Records at the Company indicates that the Ministry and its parastatals had agreed to share the costs of the integrated media advertising for investors power plan data gathering campaign. However, no evidence was provided to indicate how the Company ended up paying all the costs on behalf of the other entities.

- v) The receivables balance includes an amount of Kshs.5,436,019,471 in respect of unpaid electricity bills from the forty-seven (47) County Governments, of which Kshs.3,472,876,974 had remained outstanding for more than one year. Further, an amount of Kshs.74,402,114 in respect of street lighting maintenance costs was due from several County Governments for works done between 2016 and 2017. Management efforts to recover the amounts had not yielded favourable results.
- vi) Receivables amounting to Kshs.1,569,944,628 owing from various debtors had remained static for several years with some dating back to 1999. Some of the receivables relate to staff who exited the Company in 2013. The prolonged lack of movement raises significant doubt regarding the recoverability of these receivables. Management did not demonstrate efforts taken to recover the debts.
- vii) An amount of Kshs.13,907,730 was due from thirty-eight (38) tenants who leased Company premises in Mombasa. However, the tenants vacated the premises without settling the outstanding rent, with some of the debts dating back to nine (9) years. Further, the rent security deposits paid by the tenants were not equivalent to three (3) months' rent and service charge as required by the lease agreements. Management indicated that part of the debt was subject to court proceedings, others had been referred to external debt collectors for follow-up, while the remaining had been forwarded to The National Treasury for write-off.

In the circumstances, the existence and effectiveness on controls on revenue collection from various entities could not be confirmed.

2. Delayed Implementation of Fully Paid Customer Connection Works

The statement of financial position and as disclosed in Note 29(a) to the financial statements reflect non-current trade and other payables of Kshs.26,959,927,000, which includes capital contributions for projects amounting to Kshs.982,557,000. However, review of sampled customer connection projects amounting to Kshs.11,580,451 revealed that the works had been fully paid for by customers but had not commenced, despite the related agreements having been signed approximately eight (8) years earlier. Management did not provide satisfactory justification for the prolonged delay or explain why the fully paid customer connection works had not been initiated within the Company's prescribed timelines.

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

3. Variances Between Meter Inventory Records and Physical Stock Count

Comparison of the system inventory records and physical stock counts conducted during the stock take exercise in the month of June, 2026 revealed meter variances totalling 9,106 units across various regional stores. The variances reflect both shortages and surpluses, indicating inconsistencies in stock management and record-keeping. Although Management explained that the system differences occurred during system migration from Integrated Customer Service (ICS) System to Integrated Customer Management System (InCMS), the variances have remained unreconciled since 2017.

In the circumstances, the long-outstanding inventory variances indicate weaknesses in inventory controls and record-keeping, which has resulted in inaccurate stock balances and exposes the Company to loss or misuse of meters.

4. Failure to Dispose Faulty Meters

Review of the faulty meters data in the Integrated Customer Management System (InCMS) revealed that the Company held 1,806,549 faulty meters across various regional stores. Out of these 1,107,727 units had remained in storage for periods ranging from three (3) to over nine (9) years. However, despite having been declared faulty, none of the meters had been disposed of or subjected to a formal process in accordance with the Company's asset and inventory management procedures.

Further, inspection of various stores during stock take exercise in June 2026 revealed that faulty meters were stored in sacks or containers, making physical verification of quantities difficult and increasing the risk of misstatement.

In addition, although faulty meters constitute electronic waste (e-Waste), Management had not demonstrated compliance with the applicable e-waste disposal requirements. Management indicated that the disposal process had been initiated but the e-waste material notification form, analytical assessment reports and approval by the Manager, Information and Communication Technology (ICT) were not provided for audit review.

In the circumstances, weaknesses in the management and disposal of faulty meters may result in inventory misstatement, loss of assets and non-compliance with e-waste disposal requirements.

5. Weaknesses in Tracking and Accounting Controls Over Faulty Distribution Transformers

Clause 6 of the Company's Operating Procedure on Distribution Transformer Repair provides that the Engineer Electrical Plant Workshop (EEPW) shall receive faulty transformer for repair from the stores officer or the County Operations and Maintenance (O&M) Engineer within a day through a Store Transaction Form (STF) or a memo respectively. The EEPW is required to pre-test, carry out transformer internal inspection at E/plant workshop and use the pre-test results to determine if the transformer is

repairable within 2 days and either proceed with repairs or, if deemed unrepairable, issue a Transformer Scrap Certificate and return it to the stores. These steps must be accompanied by formal documentation including memos, test certificates, and scrap certificates to support inventory recognition or disposal.

However, a physical stock take conducted in June, 2026 at Lanet, Molo and Kiganjo stores revealed weaknesses in the management of faulty distribution transformers as detailed below:

- i) Two hundred and seventy-four (274) faulty distribution transformers were physically available in the stores but had not been recorded in the inventory management system. The stores personnel explained that the transformers had not been supported by the mandatory faulty transformer reports and could not be officially received into the stores system. This was attributed to the Operations and Maintenance Department delivering the faulty transformers directly to the stores without engaging the Electrical Plant Department for inspection, technical assessment and processing contrary to the Company's prescribed operating procedures.
- ii) The transformers had not been subjected to technical assessment by the Electrical Plant Department to determine whether they were beyond economic repair or suitable for refurbishment and reuse, raising concerns over the technical accuracy of the scrap status assigned by the Operation and Maintenance team.
- iii) The Design and Construction, Operations and Maintenance, Stores and Geospatial teams operated separate and poorly integrated systems, resulting in weak asset tracking and accountability. The weaknesses noted included duplicate G-numbers, transformers without identification numbers, and the absence of dedicated field or store personnel responsible for monitoring equipment warranties and pursuing warranty claims.

In the circumstances, the effectiveness of internal controls over faulty distribution transformers could not be confirmed.

6. Active Meters with Nil Consumption Units

Analysis of billing data for the period under review identified two hundred and two thousand six hundred sixty-five (202,665) customer accounts classified as active in the billing system, despite recording no electricity consumption for five or more consecutive months.

In the circumstances, the adequacy and effectiveness of controls for customer connections and billing could not be confirmed.

7. Delayed and Inconsistent Supplier Registration Process

The Company uses an electronic system to register potential suppliers, issue tender documents, receive tender submissions and open the submitted tenders. Review of the electronic system registration data revealed that six hundred and twenty (620) unique applications were pending registration with the earliest application dating back to 11 February, 2023 which was three (3) years prior to the review. Management did not

provide explanations for the prolonged delay in registering these suppliers, particularly where suppliers who submitted applications at the same time or later had already been registered and included in the Company's list of registered suppliers. This raises concerns regarding the consistency and transparency of the supplier registration process.

Further review of the system revealed that no specific procurement officer had been assigned responsibility for processing and approving supplier registrations. Instead, all procurement officers were expected to participate in the approval process. Consequently, the process lacked clear individual accountability for monitoring pending applications, ensuring timely processing and following up on outstanding registrations.

In the circumstances, the existence of effective mechanisms for supplier registration to promote fairness, transparency and non-discrimination in the procurement process could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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

Conclusion

As required by the Companies Act, Cap. 486, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages 45 to 47 is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 48 to 50 has been properly prepared in accordance with the Companies Act, Cap.486.

Basis for Conclusion

The Companies Act, Cap.486 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether

due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 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, Cap. 412B.

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 comply 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap. 412B. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, Cap. 412B.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 September, 2026

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2026

	Notes	2026 KSh'000	2025 KSh'000
Revenue from contracts with customers	7(a)	238,239,968	219,284,568
Cost of sales	8	<u>(152,646,595)</u>	<u>(144,663,605)</u>
Gross profit		<u>85,593,373</u>	<u>74,620,963</u>
Net operating expenses			
Network management	9(a)	(27,343,389)	(24,348,121)
Commercial services	9(b)	(7,839,189)	(6,118,016)
Administration	9(c)	(18,011,755)	(16,388,444)
Net expected credit (losses) /reversal on financial assets	9(d)	<u>(556,021)</u>	<u>4,433,144</u>
		<u>(53,750,354)</u>	<u>(42,421,437)</u>
Operating income		31,843,019	32,199,526
Other income	7(b)	<u>6,724,272</u>	<u>7,266,559</u>
Operating profit		<u>38,567,291</u>	<u>39,466,085</u>
Finance income	11	527,913	625,218
Finance costs	12	(3,081,137)	(4,716,619)
Profit before income tax		36,014,067	35,374,684
Income tax expense	14(a)	<u>(11,025,453)</u>	<u>(10,908,159)</u>
Profit for the year		<u>24,988,614</u>	<u>24,466,525</u>
Basic and diluted earnings per share (KSh)	15	<u>12.81</u>	<u>12.54</u>
Profit for the year		<u>24,988,614</u>	<u>24,466,525</u>
Other comprehensive income:			
<i><u>Items that will not be subsequently reclassified to profit or loss</u></i>			
Remeasurement of the retirement benefit asset	33	(539,784)	(1,614,406)
Remeasurement of the employee gratuity benefits	34(c)	2,005	36,546
Deferred income tax relating to remeasurement of the retirement benefit asset and employee gratuity benefits	28	161,334	473,358
Other comprehensive income, net of taxes		(376,445)	(1,104,502)
Total comprehensive income for the year		<u>24,612,169</u>	<u>23,362,023</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2026

		2026 KSh'000	2025 KSh'000
ASSETS	Notes		
Non-current assets			
Property and equipment	17	295,547,724	287,476,703
Leasehold land	18	598,444	626,480
Intangible assets	19	2,132,961	2,052,797
Retirement benefit asset	33	--	--
Right of use asset	20	1,297,703	656,211
Trade and other receivables	22(a)	<u>6,000</u>	<u>10,267</u>
		299,582,832	290,822,458
Current assets			
Inventories	21	18,532,717	14,608,124
Trade and other receivables	22(b)	96,477,556	76,021,431
Short-term deposits	23(a)	138,408	274,935
Bank and cash balances	23(b)	<u>6,753,920</u>	<u>7,312,543</u>
		121,902,601	98,217,033
TOTAL ASSETS		<u>421,485,433</u>	<u>389,039,491</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Ordinary share capital	24	4,878,667	4,878,667
Share premium	25	22,021,219	22,021,219
Retained earnings	26	<u>104,901,236</u>	<u>82,435,680</u>
TOTAL EQUITY		131,801,122	109,335,566
Non-current liabilities			
Deferred income tax	28	46,813,867	43,063,649
Deferred income	27	24,523,314	19,142,491
Retirement benefit obligation	33	1,298,665	488,912
Trade and other payables	29(a)	26,959,927	29,049,961
Lease liabilities	30	856,761	350,832
Borrowings	31	69,182,663	70,138,830
Preference shares	32	<u>43,000</u>	<u>43,000</u>
		169,678,197	162,277,675
Current liabilities			
Trade and other payables	29(b)	98,156,248	89,937,802
Deferred income	27	5,652,131	4,402,750
Current income tax	14(c)	2,710,333	2,933,425
Provisions	34	1,141,817	765,061
Lease liabilities	30	415,547	259,016
Borrowings	31	10,635,958	17,496,348
Dividends payable	35	<u>1,294,080</u>	<u>1,631,848</u>
		120,006,114	117,426,250
TOTAL EQUITY AND LIABILITIES		<u>421,485,433</u>	<u>389,039,491</u>

The financial statements on pages 55 to 127 were approved and authorised for issue by the Board of Directors on 17th September 2026 and were signed on its behalf by:



Joy Brenda Masinde
Chairman, Board



CPA Dr. Caleb B. Manyaga
Chairman, Audit Committee



Dr. Eng. Joseph Siror, FIEK
Managing Director & CEO

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2026

	Ordinary share capital (Note 24) KSh'000	Share premium (Note 25) KSh'000	Retained earnings (Note 26) KSh'000	Total KSh'000
Year ended 30 June 2025				
Balance at 1 July 2024	4,878,667	22,021,219	60,414,276	87,314,162
Profit for the year	-	-	24,466,525	24,466,525
Other comprehensive income	-	-	(1,104,502)	(1,104,502)
Total comprehensive income for the year	=	=	<u>23,362,023</u>	<u>23,362,023</u>
Prior year adjustment- Net retirement obligation (Note 33)			415,701	415,701
Transactions with owners:				
Dividend:				
2024 Final dividend paid	-	-	(1,366,027)	(1,366,027)
2025 Interim dividend paid	-	-	(390,293)	(390,293)
At 30 June 2025	<u>4,878,667</u>	<u>22,021,219</u>	<u>82,435,680</u>	<u>109,335,566</u>
Year ended 30 June 2026				
Balance at 1 July 2025	4,878,667	22,021,219	82,435,680	109,335,566
Profit for the year	-	-	24,988,614	24,988,614
Other comprehensive income	-	-	(376,445)	(376,445)
Total comprehensive income for the year	=	=	<u>24,612,169</u>	<u>24,612,169</u>
Transactions with owners:				
Dividend:				
2025 Final dividend paid	-	-	(1,561,173)	(1,561,173)
2026 Interim dividend paid	-	-	(585,440)	(585,440)
At 30 June 2026	<u>4,878,667</u>	<u>22,021,219</u>	<u>104,901,236</u>	<u>131,801,122</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2026

		2026	2025
		KSh'000	KSh'000
Cash flows from operating activities	Notes		
Cash generated from operations	36(a)	47,745,753	48,233,138
Income tax paid	14(c)	(7,336,994)	(4,822,826)
Interest received	36(g)	548,583	590,608
Gratuity paid	34(c)	(43,276)	(176,001)
Repayment of interest portion of lease liabilities	30	(94,556)	(67,864)
Interest paid	36(e)	(2,596,207)	(3,989,117)
Net cash flows generated from operating activities		<u>38,223,303</u>	<u>39,767,938</u>
Cash flows from investing activities			
Purchase of property and equipment	36(h)	(28,011,300)	(29,512,680)
Purchase of intangible assets	19	(213,047)	(177,242)
Prepayment of lease relating to leasehold land	18	-	-
Proceeds from disposal of property and equipment	36(d)	96,358	92,865
Net cash flows used in investing activities		<u>(28,127,989)</u>	<u>(29,597,057)</u>
Cash flows from financing activities			
Repayment of borrowings	36(b)	(13,584,070)	(18,921,858)
Proceeds from borrowings	36(b)	5,525,460	7,364,956
Repayment of principal portion of lease liabilities	30	(294,181)	(437,668)
Dividends paid to owners of the Company	36(f)	(2,486,312)	(874,592)
Net cash flows used in financing activities		<u>(10,839,103)</u>	<u>(12,869,162)</u>
Net increase/(decrease) in cash and cash equivalents		(743,789)	(2,698,281)
Cash and cash equivalents at the beginning of year		7,685,439	10,353,440
Effect of foreign exchange rate changes on cash and cash equivalents		10,770	30,280
Cash and cash equivalents at end of year	36(c)	<u>6,952,420</u>	<u>7,685,439</u>

THE KENYA POWER AND LIGHTING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Power and Lighting Company Plc, a public company domiciled in the Republic of Kenya, was incorporated on 6 January 1922, as East Africa Power & Lighting Limited. The Company changed its name on 11 October 1983. The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Plc (KenGen), Independent Power Producers (IPPs), Ethiopian Electric Power (EEP), Uganda Electricity Transmission Company Limited (UETCL), Tanzania Electric Supply Company Limited (TANESCO) and Ethiopian Electric Utility (EEU). 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 (KSh'000), except where otherwise indicated.

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

(a) Going concern assessment

The Directors have assessed the Company's ability to continue as a going concern, taking into account the Company's financial position, cash flow projections, available financing facilities and expected future operating performance. Based on this assessment, the Directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

THE KENYA POWER AND LIGHTING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(b) Changes in accounting policy and disclosures

(i) New and amended standards and interpretations in issue and effective in the year ended 30 June 2026.

Title	Description	Effective Date
Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023)	The amendments clarify when a currency is exchangeable into another currency and how an entity determines the exchange rate to apply when exchangeability is lacking. The amendments require entities to estimate the spot exchange rate when a currency is not exchangeable and introduce additional disclosure requirements to enable users of financial statements to understand the impact of a currency not being exchangeable.	The amendments are effective for annual periods beginning on or after 1 January 2025. Earlier application is permitted.

The Directors have assessed the applicable standard and amendments. Based on their assessment of the impact of application of the above, they do not expect that there will be a significant impact on the Company's financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.

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:

Title	Description	Effective Date
Amendments to IFRS 9 and IFRS 7 titled Classification and Measurement of Financial Instruments	The amendments clarify the date of recognition and derecognition of certain financial assets and liabilities, including financial liabilities settled through electronic payment systems. They also provide guidance on assessing contractual cash flow characteristics of financial assets with contingent features and introduce additional disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features.	The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application is permitted.
Annual Improvements to IFRS Accounting Standards – Volume 11	The annual improvements introduce narrow-scope amendments to various IFRS Accounting Standards, including IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7, to clarify wording, correct unintended consequences and improve consistency in the Standards.	The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application is permitted.
Amendments to IFRS 9 and IFRS 7 titled Contracts Referencing Nature-dependent Electricity	The amendments clarify the application of the own-use requirements in IFRS 9 to contracts referencing nature-dependent electricity and introduce additional disclosure requirements for such contracts.	The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application is permitted.

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NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements for the presentation and disclosure of information in financial statements, including specified subtotals in the statement of profit or loss, disclosures on management-defined performance measures and enhanced principles on aggregation and disaggregation of information.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 permits eligible subsidiaries that do not have public accountability to apply IFRS Accounting Standards with reduced disclosure requirements, while continuing to apply the recognition, measurement and presentation requirements in other IFRS Accounting Standards.	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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, except for IFRS 18 Presentation and Disclosure in Financial Statements, which is expected to affect the presentation and disclosure of information in the Company's financial statements. The Company is currently assessing the impact of adopting IFRS 18.

(iii) *Early adoption of standards*

The Company did not early adopt any new or amended IFRS Accounting Standards during the financial year.

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES

(a) Revenue

(i) *Electricity sales*

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

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

(ii) *Fuel cost charge*

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

(iii) *Foreign exchange adjustment*

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

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the Regulator's target loss factor in transmission and distribution. For the year ended 30 June 2026, the target loss factor was 16.5% (2025: 17.5%).

(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 2025) data to obtain the revenue to be deferred.

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NOTES TO THE FINANCIAL STATEMENTS

(b) Other income

(i) *Finance revenue*

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

(ii) *Rental income*

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

(iii) *Capital contribution*

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

(iv) *Fibre optic income*

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

(c) Power purchase costs

Power purchase costs are recognised based on the actual amounts invoiced to the Company by power suppliers. These costs comprise the following components:

(i) **Power Purchase Costs – Renewable Generators**

These relate to non-thermal power purchase costs incurred from renewable energy producers. The costs include capacity charges, energy charges, steam charges, and foreign currency losses incurred by power producers which are charged to the Company in accordance with the PPAs.

(ii) **Power Purchase Costs – Thermal Power Plants**

These relate to power purchase costs incurred from thermal power producers. The costs include capacity charges, energy charges, fuel costs, and foreign currency losses incurred by power producers and recharged to the Company in accordance with the PPAs.

(iii) **Unrealised Foreign Exchange Costs**

These represent exchange differences arising from the revaluation of outstanding balances denominated in foreign currencies, payable to power suppliers, at the reporting date.

(iv) **Other Power Purchase Costs**

These comprise additional charges incurred in relation to imported power, including import declaration fees, railway development levies, and any other statutory charges associated with power procurement from foreign sources.

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

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NOTES TO THE FINANCIAL STATEMENTS

(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.

No depreciation is charged on freehold land. Leasehold land parcels have a finite useful life. The Company amortises the cost of leasehold land over the duration of the lease term. 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%
Aircraft- Aircraft frame & engine	8.33%, 25%
Furniture, equipment and fittings	6.66 – 20%
Computers and photocopiers	20%

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.

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NOTES TO THE FINANCIAL STATEMENTS

(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.

The company's intangible assets currently include software with both finite and indefinite useful lives.

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.

Software with indefinite useful lives is not amortised but is reviewed periodically to assess whether the indefinite life classification remains appropriate. If it is determined that the useful life is no longer indefinite, the reclassification to a finite life will be treated as a change in accounting estimate and amortised accordingly.

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

(g) Income tax expense (Continued)

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

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

(h) Leases

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

Company as a lessee

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

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

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

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

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

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

Company as a lessor

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

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

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

(i) Functional currency

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

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

(j) Financial instruments

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

The Company 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.

<i>Description of financial asset/financial liability</i>	<i>IFRS 9 Classification</i>
Short-term deposits (Note 23 (a))	Amortised cost
Cash and bank balances (Note 23 (b))	Amortised cost
Overdraft (Note 23 (b))	Amortised cost
Trade and other receivables (Note 22 (a) and (b))	Amortised cost
Lease liabilities (Note 30)	Amortised cost
Borrowings (Note 31)	Amortised cost
Dividends payable (Note 35)	Amortised cost
Trade and other payables (Note 29 (a) and (b))	Amortised cost
Preference shares (Note 32)	Amortised cost

Financial assets

Classification and measurement

The Company recognises financial assets when it becomes a party to the contractual rights and obligations in the contract. The classification requirements for debt instruments are described below;

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

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NOTES TO THE FINANCIAL STATEMENTS

(j) Financial instruments (continued)

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.

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 outstanding amount.

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.

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NOTES TO THE FINANCIAL STATEMENTS

(j) Financial instruments (continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

(j) Financial instruments (continued)

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

(j) Financial instruments (continued)

(iii) *Measurement and recognition of expected credit losses*

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

(j) Financial instruments (continued)

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

(k) Borrowing costs

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

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

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

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

(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.

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NOTES TO THE FINANCIAL STATEMENTS

(m) Impairment of non-financial assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of transmission and distribution lines

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

- (i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- (ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.
- (iii) Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.
- (iv) Evidence is available of the obsolescence or physical damage of an asset.
- (v) Significant changes with an adverse effect on the Company have taken place during the period or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure
- (vi) The operation to which an asset belongs to or an asset is disposed before the previously expected date.

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

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NOTES TO THE FINANCIAL STATEMENTS

(n) Employees' benefits

(i) *Company's defined contribution scheme*

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

(ii) *Company's defined benefit scheme*

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

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

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

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

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

(iii) *Statutory defined contribution pension scheme*

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

(o) Operating segments

The Company's business is organised by regions comprising : Nairobi, Coast, Central Rift, Mt Kenya, North-Eastern, Western, South Nyanza, and North Rift. These operating segments have been aggregated into four reportable segments: Nairobi, Coast, West Kenya, and Mount 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.

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NOTES TO THE FINANCIAL STATEMENTS

(o) Operating segments (continued)

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

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

(p) Earnings per share

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

(q) Dividends

Dividends on ordinary shares are charged to reserves in the period in which they are declared. Proposed dividends are not accrued 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.

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NOTES TO THE FINANCIAL STATEMENTS

(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.

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

- (i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised;
- (ii) Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest; and whether credit risk on financial assets has increased significantly since initial recognition.

(b) Key sources of estimation uncertainty

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

Deferred prepaid revenue

Revenue from prepaid customers is recognised when the customer purchases the tokens, before the customer actually consumes the electricity. The amount of unused tokens to be adjusted at year end is estimated based on historical customer trends.

Further details on deferred prepaid revenue are disclosed in Note 29(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 22(c).

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NOTES TO THE FINANCIAL STATEMENTS

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

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 29.

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 2026 are provided in Note 28.

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 2026 are provided in Note 33.

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 17.

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 31.

*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).

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NOTES TO THE FINANCIAL STATEMENTS

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

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 27.

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 21.

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NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS

The Company's internal reporting is based on eight administrative regions: Nairobi, Coast, Central Rift, Mt Kenya, North-Eastern, Western, South Nyanza, and North Rift. These regions represent the Company's operating segments, each managed by a Regional Manager who is responsible for monitoring performance, allocating resources, and driving operational decisions. However, for the purposes of external segment reporting, these operating segments have been aggregated into four reportable segments: Nairobi, Coast, West Kenya, and Mount Kenya. The aggregation is based on the similarity of economic characteristics, nature of services, and customer profiles across the regions.

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.

2026	Nairobi Region KSh'000	West Kenya Region KSh'000	Coast Region KSh'000	Mount Kenya Region KSh'000	Total KSh'000
Revenue	109,439,127	47,184,796	39,351,414	42,264,631	238,239,968
Energy purchases	(66,886,567)	(35,018,086)	(22,876,517)	(27,865,425)	(152,646,595)
Operating expenses	(18,396,517)	(17,757,635)	(6,613,997)	(10,982,205)	(53,750,354)
Other income	<u>2,924,427</u>	<u>1,521,475</u>	<u>876,374</u>	<u>1,401,996</u>	<u>6,724,272</u>
Operating profit	<u>27,080,470</u>	<u>(4,069,450)</u>	<u>10,737,274</u>	<u>4,818,997</u>	<u>38,567,291</u>
Finance income					527,913
Finance costs					(3,081,137)
Income tax expense					<u>(11,025,453)</u>
Profit for the year					<u>24,988,614</u>
Assets	<u>107,829,789</u>	<u>151,288,493</u>	<u>49,887,983</u>	<u>112,479,168</u>	<u>421,485,433</u>
Liabilities	<u>98,734,451</u>	<u>76,860,576</u>	<u>46,651,673</u>	<u>67,625,432</u>	<u>289,877,132</u>
Capital expenditure (including intangible assets)	<u>12,124,270</u>	<u>5,787,162</u>	<u>4,781,279</u>	<u>5,531,636</u>	<u>28,224,347</u>
Depreciation/amortisation	<u>7,574,618</u>	<u>5,834,670</u>	<u>2,321,339</u>	<u>4,001,342</u>	<u>19,731,969</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS (continued)

2025	Nairobi Region KSh'000	West Kenya Region KSh'000	Coast Region KSh'000	Mount Kenya Region KSh'000	Total KSh'000
Revenue	101,763,750	42,238,472	37,974,244	37,308,102	219,284,568
Energy purchases	(62,254,883)	(32,621,388)	(23,692,764)	(26,094,570)	(144,663,605)
Operating expenses	(14,411,617)	(14,393,234)	(5,048,637)	(8,567,949)	(42,421,437)
Other income	<u>2,684,116</u>	<u>1,793,362</u>	<u>1,036,300</u>	<u>1,752,781</u>	<u>7,266,559</u>
Operating profit	<u>27,781,366</u>	<u>(2,982,788)</u>	<u>10,269,143</u>	<u>4,398,364</u>	<u>39,466,085</u>
Finance income					625,218
Finance costs					(4,716,619)
Income tax expense					<u>(10,908,159)</u>
Profit for the year					<u>24,466,525</u>
Assets	<u>113,129,716</u>	<u>139,048,429</u>	<u>39,682,569</u>	<u>97,178,780</u>	<u>389,039,491</u>
Liabilities	<u>96,594,012</u>	<u>72,665,569</u>	<u>46,350,886</u>	<u>64,035,375</u>	<u>279,645,842</u>
Capital expenditure (including intangible assets)	<u>16,147,297</u>	<u>5,689,275</u>	<u>5,003,032</u>	<u>2,673,076</u>	<u>29,512,680</u>
Depreciation/amortization	<u>6,809,700</u>	<u>5,212,306</u>	<u>2,016,407</u>	<u>3,554,548</u>	<u>17,592,961</u>

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:

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS (continued)

2026	Land and buildings*	Lines	Machinery	Motor vehicles	Aircraft	Furniture equipment and other	Intangible assets	Total
	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000
Transmission	366,239	15,312,326	117,278	264	62,494	392,431	-	16,253,954
Distribution	<u>10,913,398</u>	<u>218,710,955</u>	<u>967,907</u>	<u>1,928,904</u>	-	<u>25,951,005</u>	<u>2,132,961</u>	<u>260,602,207</u>
Total	<u>11,279,637</u>	<u>234,023,281</u>	<u>1,085,185</u>	<u>1,929,168</u>	<u>62,494</u>	<u>26,343,436</u>	<u>2,132,961</u>	<u>276,856,161</u>
2025								
Transmission	361,859	16,193,191	3,910	264	32,692	315,608	-	16,907,525
Distribution	<u>11,142,523</u>	<u>211,982,813</u>	<u>768,815</u>	<u>1,647,882</u>	-	<u>22,192,440</u>	<u>2,052,797</u>	<u>249,787,270</u>
Total	<u>11,504,382</u>	<u>228,176,004</u>	<u>772,725</u>	<u>1,648,146</u>	<u>32,692</u>	<u>22,508,048</u>	<u>2,052,797</u>	<u>266,694,795</u>

* Includes freehold land and buildings and prepaid leases on leasehold land disclosed in Note 17 and Note 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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.

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NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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

	Notes	Gross carrying amount KSh'000	Loss allowance KSh'000	Net amount KSh'000
30 June 2026				
Electricity receivables	22(b)	41,495,458	(14,892,441)	26,603,017
Prepaid fixed charge receivable		2,363,817	(2,363,817)	-
Other receivables		55,715,873	(4,464,955)	51,250,918
Short-term deposits	23(a)	140,456	(2,048)	138,408
Bank balances	23(b)	<u>6,824,236</u>	<u>(58,044)</u>	<u>6,766,192</u>
		<u>106,539,840</u>	<u>- 21,781,305</u>	<u>84,758,535</u>
30 June 2025				
Electricity receivables	22(b)	39,032,248	(13,328,264)	25,703,984
Prepaid fixed charge receivable		2,407,357	(2,407,357)	-
Other receivables		44,923,900	(5,391,703)	39,532,197
Short-term deposits	23(a)	279,471	(4,536)	274,935
Bank balances	23(b)	<u>7,405,969</u>	<u>(93,426)</u>	<u>7,312,543</u>
		<u>94,048,945</u>	<u>(21,225,286)</u>	<u>72,823,659</u>

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.

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 as at 30 June 2026

	0-30 KSh'000	31-90 KSh'000	>90 KSh'000	KSh'000
Electricity receivables	15,786,848	5,301,326	20,407,284	41,495,458
Prepaid fixed charge receivable		-	2,363,817	2,363,817
Other receivables	10,480,708	3,383,247	41,852,044	55,715,999
Short term deposits	140,456	-	-	140,456
Bank balances	<u>6,824,236</u>	<u>-</u>	<u>-</u>	<u>6,824,236</u>
Total	<u>33,232,248</u>	<u>8,684,573</u>	<u>64,623,145</u>	<u>106,539,966</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Total exposure as at 30 June 2025

	0-30 KSh'000	31-90 KSh'000	>90 KSh'000	KSh'000
Electricity receivables	16,498,565	4,057,979	18,475,704	39,032,248
Prepaid fixed charge receivable		-	2,407,357	2,407,357
Other receivables	7,666,409	917,808	36,339,682	44,923,899
Short term deposits	279,471	-	-	279,471
Bank balances	<u>7,405,969</u>	<u>-</u>	<u>-</u>	<u>7,405,969</u>
Total	<u>31,850,414</u>	<u>4,975,787</u>	<u>57,222,743</u>	<u>94,048,944</u>

Total impairment as at 30 June 2026

	0-30 KSh'000	31-90 KSh'000	>90 KSh'000	KSh'000
Electricity receivables	136,389	290,473	14,465,579	14,892,441
Prepaid fixed charge receivable	-	-	2,363,817	2,363,817
Other receivables	158,767	22,664	4,283,524	4,464,955
Short term deposits	2,048	-	-	2,048
Bank balances	<u>58,044</u>	<u>-</u>	<u>-</u>	<u>58,044</u>
Total	<u>355,248</u>	<u>313,137</u>	<u>21,112,920</u>	<u>21,781,305</u>

Total impairment as at 30 June 2025

	0-30 KSh'000	31-90 KSh'000	>90 KSh'000	KSh'000
Electricity receivables	237,451	277,024	12,813,789	13,328,264
Prepaid fixed charge receivable	-	-	2,407,357	2,407,357
Other receivables	166,218	48,132	5,177,352	5,391,702
Short term deposits	4,536	-	-	4,536
Bank balances	<u>93,426</u>	<u>-</u>	<u>-</u>	<u>93,426</u>
Total	<u>501,631</u>	<u>325,156</u>	<u>20,398,498</u>	<u>21,225,285</u>

Expected credit loss rate (Electricity receivables) at:

	0-30 days	31-90 days	>90 days
30 June 2026	1%	8%	71%
30 June 2025	1%	7%	70%

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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

The Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice for disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the account's closure if the disconnection is done and there is no payment within three months. Any collateral, whether a cash deposit or bank guarantee, will be applied against the outstanding debt. 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 2026 was KSh 14,892 million (2025: KSh 13,328 million).

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

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

(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:

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

- 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.

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NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (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 KSh'000	Less than 3 months KSh'000	3 -12 months KSh'000	1-5 Years KSh'000	>5 years KSh'000	Total KSh'000
At 30 June 2026						
Borrowings	-	-	10,635,958	51,153,736	40,389,068	102,178,762
Trade and other payables	411,906	63,665,686	25,833,556	4,880,905	13,710,723	108,502,776
Lease liabilities	-	-	415,546	766,455	541,787	1,723,788
Dividends payable	<u>1,294,080</u>	-	-	-	-	<u>1,294,080</u>
	<u>1,705,986</u>	<u>63,665,686</u>	<u>36,885,060</u>	<u>56,801,096</u>	<u>54,641,578</u>	<u>213,699,406</u>
At 30 June 2025						
Borrowings	-	-	17,496,348	55,892,192	40,389,068	113,777,608
Trade and other payables	373,065	58,024,367	24,630,650	227,325	14,139,344	97,394,751
Lease liabilities	-	-	259,016	469,101	331,595	1,059,712
Dividends payable	<u>1,631,848</u>	-	-	-	-	<u>1,631,848</u>
	<u>2,004,913</u>	<u>58,024,367</u>	<u>42,386,014</u>	<u>56,588,618</u>	<u>54,860,007</u>	<u>213,863,919</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

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:

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/KSh 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).

	Appreciation/ (depreciation) of exchange rate	Effect on profit / (loss) before tax KSh million	Effect on equity KSh million
Year 2026			
US\$	+/-5%	+/- 810	+/- 567
Euro	+/-4%	+/- 732	+/- 513
Year 2025			
US\$	+/-5%	+/- 4,293	+/- 3,005
Euro	+/-4%	+/- 821	+/- 575

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (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 before tax KSh'000	Effect on equity KSh'000
2026			
	1%	<u>798,186</u>	<u>558,730</u>
	5%	<u>3,990,931</u>	<u>2,793,652</u>
2025			
	1%	<u>876,352</u>	<u>613,446</u>
	5%	<u>4,381,759</u>	<u>3,067,231</u>

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

d) *Capital Management*

Capital managed by the Company is the equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2025 and 30 June 2024.

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6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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.

	2026 KSh' million	2025 KSh' million
Interest-bearing loans and borrowings (Note 36 (b)(i))	79,818	87,635
Cash and cash equivalents (Note 36 (c))	<u>(6,952)</u>	<u>(7,685)</u>
Net debt	<u>72,866</u>	<u>79,950</u>
Equity	<u>131,801</u>	<u>109,336</u>
Gearing Ratio	<u>55%</u>	<u>73%</u>

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 31 (d).

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2026 and 30 June 2025.

(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.

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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 below using the nature of revenues is appropriate for its circumstances.

(a) Revenue from contracts with customers

	2026 KSh'000	2025 KSh'000
Electricity sales*		
• Post-paid	152,366,757	145,548,485
• Prepaid	42,361,744	37,565,704
• Exports	4,379,531	894,665
• Electric Mobility	185,303	65,555
Foreign exchange adjustment	13,994,377	10,412,662
Fuel cost charge	<u>27,311,343</u>	<u>27,168,969</u>
	240,599,055	221,656,040
Revenue apportioned to RES**	<u>(2,359,087)</u>	<u>(2,371,472)</u>
	<u>238,239,968</u>	<u>219,284,568</u>

* Revenue from the sale of electricity is recognised over time as electricity is supplied to customers. Revenue is measured based on electricity supplied during the reporting period at the applicable approved tariffs.

**Revenue apportioned to RES based on electricity retail tariff approved by EPRA.

(b) Other income

	2026 KSh'000	2025 KSh'000
Amortisation of capital contribution (Note 27)	2,324,848	2,804,165
Fibre optic leases	797,100	935,873
Miscellaneous revenue*	975,309	1,481,408
Pole leasing revenue	593,236	550,354
Connection charges	301,337	307,835
Capital contribution- KPLC last mile	128,168	135,700
Reconnection charges	1,430,049	930,607
Rent	174,225	120,617
	<u>6,724,272</u>	<u>7,266,559</u>

*Miscellaneous revenue comprises ancillary operating income arising in the ordinary course of business, including income from the Institute of Energy Studies and Research (tuition fees and capacity-building programmes), interest income on staff loans, and other miscellaneous operating income.

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8. COST OF SALES

	2026	2025
	KSh'000	KSh'000
Power purchases from renewable energy producers (8 (a))	107,625,248	100,031,199
Power purchases from thermal energy producers (8(b))	45,113,759	44,198,185
Unrealised foreign exchange costs (8 (d))	(92,732)	416,110
Other power purchase costs*	<u>320</u>	<u>18,111</u>
	<u>152,646,595</u>	<u>144,663,605</u>

(a) Power purchases from renewable energy producers

	2026	2025
	KSh'000	KSh'000
KenGen	48,173,842	45,311,778
Regen-Terem	321,779	275,802
Metumi Power Plant	138,701	150,105
Gura	155,356	132,461
Hydro Project Services Peters	26,036	43,686
Power Technology Solutions Limited	17,739	18,156
Chania Power Limited	11,476	1,166
Nyakwana Power Company Limited	39,014	-
Imenti Tea Factory	-	109
OrPower 4 Inc.	16,059,026	15,001,094
Sosian Menengai	2,124,051	2,212,644
Geothermal Development Company (GDC)	1,157,460	845,333
OrPower 22	757,822	-
Globeleq	140,863	-
Lake Turkana Wind Power	17,406,564	16,376,255
Kipeto Energy Plc	6,419,141	6,561,562
Strathmore University	972	1,157
Selenkei Solar Farm	1,499,928	1,511,124
Cedate Solar Farm	1,448,548	1,487,384
Malindi Solar Group	1,592,410	1,552,729
Alten Kenya	1,781,253	1,724,960
REREC Garissa Solar Plant	572,561	588,396
Biojoule Kenya Limited	-	47
Uganda Electricity Transmission Company Limited	3,767,544	2,692,854
Ethiopia Electricity Power Company (EEP)	13,902,830	11,480,474
Ethiopian Electric Utility (EEU) Moyale	187,462	163,858
TANESCO- 400kV	73,109	419,715
	<u>117,775,487</u>	<u>108,552,849</u>
Less:		
Recharged to RES	(10,150,239)	(8,521,650)
	<u>107,625,248</u>	<u>100,031,199</u>

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NOTES TO THE FINANCIAL STATEMENTS

8. COST OF SALES (continued)

(b) Power purchases from thermal energy producers

	2026	2025
	KSh'000	KSh'000
KenGen	13,576,415	13,057,178
Rabai Power Limited	11,830,605	12,094,691
Thika Power Limited	6,383,260	5,297,460
Iberafrica Power (E.A.) Company Limited	3,619,727	3,506,780
Gulf Power Limited	3,970,913	3,564,131
Triumph Power Generating Company Limited	4,125,544	4,515,009
Off grid power stations	3,708,247	4,017,883
	<u>47,214,711</u>	<u>46,053,132</u>
Less:		
Recharged to RES	<u>(2,100,952)</u>	<u>(1,854,947)</u>
	<u>45,113,759</u>	<u>44,198,185</u>

The detailed breakdown of the power purchase costs by generation technology and units generated is provided in Appendix II

(c) Unrealised foreign exchange costs

The unrealized foreign exchange costs according to source/ power producer were as follows:

	2026	2025
	KSh'000	KSh'000
KenGen	7,231	(3,640)
Lake Turkana Wind Power	(105,511)	252,545
OrPower 4 Inc.	19,836	(8,516)
Kipeto Energy Plc	3,308	(939)
Uganda Electricity Transmission Company Limited	1,636	(579)
Rabai Power Limited	(22,490)	85,971
Triumph Power Generating Company Limited	4,253	(2,846)
Thika Power Limited	(20,935)	75,003
Gulf Power Limited	(5,861)	53,871
Iberafrica Power (E.A.) Company Limited	2,592	(1,443)
Cedate	1,307	(588)
Selenkei Solar Farm	1,263	(589)
Malindi	638	(373)
Garissa Solar Power Plant	752	101
Tsavo Power Company Limited	169	(187)
Gura	(168)	(54)
Regen-Terem	132	(170)
Metumi Power Plant	-	(1,673)
Ethiopia Electricity Power Company (EEP)	8,476	(345)
Ethiopian Electric Utility (EEU)	(1,776)	(181)
Hydro Project Services Peters	(21)	(10)
Power Technology Solutions Limited	(7)	12
Chania Power Limited	-	(116)
Globeleq	(30)	-
Geothermal Development Company (GDC)	3,601	(179)

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NOTES TO THE FINANCIAL STATEMENTS

8. COST OF SALES (continued)

(c) Unrealised foreign exchange costs (continued)

	2026 KSh'000	2025 KSh'000
Sosian Menengai Geothermal	938	400
Orpower 22	(391)	-
Alten Kenya Solarfarm	886	420
Imenti Tea Factory	-	(1)
Tanzania Electric Supply Company Limited	21	(61)
Strathmore University	<u>2</u>	<u>(1)</u>
	(100,149)	445,832
Less:		
Recharged to RES	<u>7,417</u>	<u>(29,722)</u>
	<u>(92,732)</u>	<u>416,110</u>

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9. NET OPERATING EXPENSES

(a) Network management

	2026 KSh'000	2025 KSh'000
Salaries and wages	10,736,129	9,262,801
Depreciation of property and equipment	14,543,902	13,202,391
Impairment loss on WIP	17,114	22,544
Wheeling charges – KETRACO*	5,971,356	5,580,707
Loss on disposal of fixed assets	570,906	681,412
Losses on transformer repairs	-	9,282
Consumable goods	925,680	789,696
Staff welfare	683,726	649,531
Fleet operating costs**	801,260	965,919
Travelling	302,549	8,563
Office expenses	2,142	1,297
Net recharge of network costs to RES	<u>(7,211,375)</u>	<u>(6,826,022)</u>
	<u>27,343,389</u>	<u>24,348,121</u>

* 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.

** Fleet operating costs comprise expenses incurred in the operation and maintenance of the Company's motor vehicle fleet, including fuel, repairs and maintenance. The costs are presented net of transport mileage recoveries charged to capital projects in respect of fleet services attributable to the construction of qualifying assets.

	2026 KSh'000	2025 KSh'000
(b) Commercial services		
Salaries and wages	6,445,230	5,390,191
Depreciation of property and equipment	3,566,896	2,733,731
Advertising and public relations	-	3,073
Staff welfare	344,083	345,016
Transport and travelling	179,028	162,128
Consumable goods	1,732	2,228
Office expenses	3,336	2,484
Net recharge of customer service costs to RES	<u>(2,701,116)</u>	<u>(2,520,835)</u>
	<u>7,839,189</u>	<u>6,118,016</u>

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9. NET OPERATING EXPENSES (continued)

(c) Administration

	2026	2025
	KSh'000	KSh'000
Salaries and wages	6,245,406	6,149,195
Depreciation of property and equipment	1,146,149	1,077,866
Staff welfare	1,829,996	1,468,527
Depreciation- ROU asset (Note 20)	314,538	413,617
Amortisation of intangible assets (Notes 19, 36 (a))	132,883	137,750
Amortisation of operating lease prepayment (Notes 18,36 (a))	27,602	27,605
Repairs and maintenance	554,943	538,153
Security and surveillance	1,166,834	996,634
Transport and travelling	794,915	935,645
External services	1,611,507	1,364,298
Office expenses	91,868	100,851
Other financial expenses*	75,845	64,928
Licenses	1,285,631	1,360,253
Legal expenses	189,531	292,560
Insurance	688,200	574,247
Public relations	194,231	191,264
Company electricity expenses	666,200	370,711
Training expenses	234,976	147,606
Provision for legal and insurance claims	398,660	-
Other consumable goods	371,134	366,271
Movement in leave obligation (Note 34 (a))	137,157	(54,979)
Movement in gratuity provision (Note 34 (c))	230,695	223,926
Movement in leave allowance provision (Note 34 (b))	54,185	(46,501)
Consultancy fees	209,216	135,490
Directors' emoluments	39,286	23,525
Auditor's remuneration	20,509	20,509
Other Directors' expenses	27,588	25,263
Allowance for inventories (Note 21)	152,434	243,286
Expense relating to leases of low-value assets (Note 20)	21,741	19,978
Other costs**	(9,784)	205,350
Retirement benefit plan debits (Note 33)	<u>269,969</u>	<u>24,414</u>
	19,174,045	17,398,242
Recharge of administration costs to RES***	<u>(1,162,290)</u>	<u>(1,009,798)</u>
	<u>18,011,755</u>	<u>16,388,444</u>

*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, wayleaves, representation, AGM costs, local authority taxes, utilities and contracted services including 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.

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9. NET OPERATING EXPENSES (continued)

	2026	2025
	KSh'000	KSh'000
(d) Expected credit losses on financial assets		
Provision for electricity debtors* (Note 22(d))	1,564,177	(4,962,684)
(Write back)/ Provision for other receivables, bank deposits and bank balances and guarantees	(964,617)	582,751
Write back of provisions for prepaid fixed charge (Note 22(d))	(43,539)	(53,211)
Net expected credit (losses) /Reversal on financial assets	<u>556,021</u>	<u>(4,433,144)</u>

*The Company enhanced its IFRS 9 Expected Credit Loss (ECL) provisioning model in FY 2024/2025, replacing the model that had been in use since the adoption of IFRS 9 in FY 2018/2019 to better reflect evolving credit risk. The enhanced model reduced the ECL allowance by KSh. 4,962,684,000 in FY 2024/2025. In FY 2025/2026, the ECL allowance increased by KSh. 1,564,177,000, primarily due to higher outstanding receivable balances and the associated increase in credit risk exposure.

10. EMPLOYEE BENEFITS

	2026	2025
	KSh'000	KSh'000
Salaries and wages		
Salaries and allowances of permanent employees	22,418,384	19,291,138
Wages of temporary employees	652,340	1,522,489
Recharge of capital works supervision to capital jobs*	(1,211,981)	(1,296,723)
NSSF employer contributions	502,951	346,936
Pension costs – defined contribution	<u>1,065,070</u>	<u>938,346</u>
Salaries and wages	<u>23,426,764</u>	<u>20,802,186</u>
Pension credit - defined benefit scheme (Note 33)	269,969	24,414
	<u>23,696,733</u>	<u>20,826,600</u>
Movement in leave pay provision (Note 34 (a))	137,157	(54,979)
Movement in gratuity and leave allowance provisions (Note 34 (c) and Note 34 (b))	<u>284,880</u>	<u>177,425</u>
	<u>24,118,770</u>	<u>20,949,046</u>

The average number of employees at the end of the year was: 11,203 10,582

* Recharge of recurrent expenditure to capital jobs relates to labour costs attributable to the supervision and execution of capital projects, which are capitalised as part of the cost of the related property, plant and equipment.

11 FINANCE INCOME

	2026	2025
	KSh'000	KSh'000
Finance income		
Interest income on bank and other deposits (Note 36 (g))	<u>527,913</u>	<u>625,218</u>

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12 FINANCE COSTS

	2026 KSh'000	2025 KSh'000
Interest incurred on:		
• Loans	(2,696,516)	(3,459,567)
• Bank overdrafts	(27)	(271)
• Lease liabilities (Note 30)	(94,556)	(67,864)
Foreign exchange differences on loans*	159,382	(793,792)
Interest on late payment of invoices	(290,329)	(382,718)
Time value of money of RES receivable (Note 22 (b))	(157,161)	(10,477)
Dividends on cumulative preference shares	<u>(1,930)</u>	<u>(1,930)</u>
	<u>(3,081,137)</u>	<u>(4,716,619)</u>

* Foreign exchange differences on loans relate to unrealised exchange losses arising from the retranslation of foreign currency-denominated loans at the reporting date.

13. EXPENSES BY NATURE

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

	2026 KSh'000	2025 KSh'000
Employee benefits (Note 10)	24,118,770	20,949,046
Depreciation of property and equipment (Note 17)	19,256,946	17,013,988
Impairment loss on WIP (Note 17)	17,114	22,544
Finance costs (Note 12)	3,081,137	4,716,619
Expected credit losses on financial assets (Note 9 (d))	556,021	(4,433,144)
Amortisation of intangible assets (Note 19)	132,883	137,750
Loss on disposal/retirement of assets (Note 36 (d))	(570,906)	(681,412)
Movement in leave provision (Note 34 (a))	137,157	(54,979)
Movement in gratuity provision (Note 34 (c))	230,695	223,926
Movement in leave allowance provision (Note 34 (b))	54,185	(46,501)
Amortisation of leasehold land (Note 18)	27,602	27,605
Directors' emoluments:		
- Fees	9,000	9,000
- Other	30,346	14,305
Other Directors' expenses	27,528	25,483
Auditor's remuneration (Note 9 (c))	20,509	20,509
Movement in provision for inventories (Note 21)	152,434	243,286
Retirement benefit debit (Note 33)	<u>269,969</u>	<u>24,414</u>

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NOTES TO THE FINANCIAL STATEMENTS

14. (a) INCOME TAX EXPENSE

	2026 KSh'000	2025 KSh'000
<i>Statement of profit or loss</i>		
Income tax:		
Current income tax (Note 14 (c))	7,113,902	4,894,889
Deferred income tax:		
Adjustment in respect of deferred tax for previous year (Note 28)	-	93,074
Movement for the year (Note 28)	<u>3,911,551</u>	<u>5,920,196</u>
Tax charge	<u>11,025,453</u>	<u>10,908,159</u>

(b) RECONCILIATION OF INCOME TAX EXPENSE

Reconciliation of the income tax expense and the accounting profit multiplied by the statutory income tax rate for 2026 and 2025:

	2026 KSh'000	2025 KSh'000
Profit before income tax	36,014,067	35,374,684
Tax calculated at the statutory income tax rate of 30%	10,804,221	10,612,406
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	221,232	171,043
Prior year adjustment	-	<u>124,710</u>
Income tax expense	<u>11,025,453</u>	<u>10,908,159</u>

(c) CURRENT INCOME TAX RECOVERABLE

At start of year	(2,933,425)	(2,861,362)
Tax paid	7,336,994	4,822,826
Tax charge (Note 14 (a))	<u>(7,113,902)</u>	<u>(4,894,889)</u>
At end of year	<u>(2,710,333)</u>	<u>(2,933,425)</u>

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15. 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 2026 and 2025. 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:

	2026	2025
	KSh'000	KSh'000
Profit for the year attributable to owners of the Company	<u>24,988,614</u>	<u>24,466,525</u>

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:

	2026	2025
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.

	2026	2025
Basic earnings per share (Shs)	12.81	12.54
Diluted earnings per share (Shs)	12.81	12.54

16. DIVIDENDS PER SHARE

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. An interim dividend of KSh. 0.30 per ordinary shares was paid (2024/2025: KSh 0.20). At the Annual General Meeting to be held before 31 December 2026, the Directors will recommend a final dividend payment of Kshs 1.20 per ordinary share in respect of the year ended 30 June 2026 (2025: Kshs 0.80).

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17. PROPERTY AND EQUIPMENT

2026	Freehold land KSh'000	Buildings KSh'000	Transmission lines KSh'000	Distribution lines KSh'000	Machinery KSh'000	Motor Vehicles KSh'000	Aircraft KSh'000	Furniture equipment KSh'000	Work in Progress KSh'000	Total KSh'000
Cost										
At 1 July 2025	785,940	13,577,281	33,321,027	313,094,424	1,333,476	8,651,094	297,701	76,976,445	23,758,942	471,796,330
Work in progress additions	-	-	-	-	-	-	-	-	28,011,300	28,011,300
Transfers from work in progress	4,094	175,800	36,918	18,959,563	383,420	711,210	35,526	9,725,869	(30,032,400)	-
Retirements	(11)	-	-	(1,206,133)	-	(105,577)	-	-	-	(1,311,721)
At 30 June 2026	<u>790,023</u>	<u>13,753,081</u>	<u>33,357,945</u>	<u>330,847,854</u>	<u>1,716,896</u>	<u>9,256,727</u>	<u>333,227</u>	<u>86,702,314</u>	<u>21,737,842</u>	<u>498,495,909</u>
Depreciation										
At 1 July 2025	-	3,485,319	17,127,836	101,111,611	560,751	7,002,947	265,008	54,468,397	-	184,021,869
Charge for the year	-	376,593	917,784	11,575,771	70,960	419,630	5,725	5,890,483	-	19,256,946
Retirements	-	-	-	(550,483)	-	(95,019)	-	-	-	(645,502)
At 30 June 2026	<u>-</u>	<u>3,861,912</u>	<u>18,045,620</u>	<u>112,136,899</u>	<u>631,711</u>	<u>7,327,558</u>	<u>270,733</u>	<u>60,358,880</u>	<u>-</u>	<u>202,633,313</u>
Impairment										
At 1 July 2025	-	-	-	-	-	-	-	-	297,758	297,758
Impairment loss for the year*	-	-	-	-	-	-	-	-	17,114	17,114
At 30 June 2026	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,872</u>	<u>314,872</u>
Net book value										
At 30 June 2026	<u>790,023</u>	<u>9,891,169</u>	<u>15,312,325</u>	<u>218,710,955</u>	<u>1,085,185</u>	<u>1,929,169</u>	<u>62,494</u>	<u>26,343,434</u>	<u>21,422,970</u>	<u>295,547,724</u>

Included in property, plant and equipment are certain parcels of land subject to historical charges and liens amounting to KSh. 33,950,080 (2025: KSh. 33,950,080), the Company is actively pursuing release of these titles.

Included in property and equipment as at 30 June 2026 are assets with a gross value of KSh. 68,182,437,900 (2025: Shs 71,592,541,221) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been Shs 11,802,964,093 (2025: Shs 12,351,491,119)

*This relates to impairment loss on Work in Progress (WIP) relating to projects that have stalled for the last three years.

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17. PROPERTY AND EQUIPMENT (Continued)

2025	Freehold land KSh'000	Buildings KSh'000	Transmission lines KSh'000	Distribution lines KSh'000	Machinery KSh'000	Motor Vehicles KSh'000	Aircraft KSh'000	Furniture equipment KSh'000	Work in Progress KSh'000	Total KSh'000
Cost										
At 1 July 2024	785,710	13,378,925	33,320,201	298,737,190	1,330,906	8,266,258	297,701	67,130,164	20,275,415	443,522,470
Work in progress additions	-	-	-	-	-	-	-	-	29,512,680	29,512,680
Transfers from work in progress	230	198,356	826	15,560,308	2,570	420,582		9,846,281	(26,029,153)	-
Retirements	-	-	-	(1,203,074)	-	(35,746)	-	-	-	(1,238,820)
At 30 June 2025	<u>785,940</u>	<u>13,577,281</u>	<u>33,321,027</u>	<u>313,094,424</u>	<u>1,333,476</u>	<u>8,651,094</u>	<u>297,701</u>	<u>76,976,445</u>	<u>23,758,942</u>	<u>471,796,330</u>
Depreciation										
At 1 July 2024	-	3,114,304	16,086,346	90,658,544	499,095	6,641,919	261,820	50,210,395	-	167,472,423
Charge for the year	-	371,015	1,041,490	10,885,438	61,656	393,200	3,188	4,258,002	-	17,013,989
Retirements	-	-	-	(432,371)	-	(32,172)	-	-	-	(464,543)
At 30 June 2025	-	<u>3,485,319</u>	<u>17,127,836</u>	<u>101,111,611</u>	<u>560,751</u>	<u>7,002,947</u>	<u>265,008</u>	<u>54,468,397</u>	-	<u>184,021,869</u>
Impairment										
At 1 July 2024	-	-	-	-	-	-	-	-	275,214	275,214
Impairment loss for the year*	-	-	-	-	-	-	-	-	22,544	22,544
At 30 June 2025	-	-	-	-	-	-	-	-	<u>297,758</u>	<u>297,758</u>
Net book value										
At 30 June 2025	<u>785,940</u>	<u>10,091,962</u>	<u>16,193,191</u>	<u>211,982,813</u>	<u>772,725</u>	<u>1,648,147</u>	<u>32,692</u>	<u>22,508,048</u>	<u>23,461,184</u>	<u>287,476,703</u>

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18. LEASEHOLD LAND	2026 KSh'000	2025 KSh'000
Cost		
At start of year	866,532	866,532
Additions	-	-
Transfer to ROUA	-	-
Disposal	(1,252)	-
At end of year	<u>865,280</u>	<u>866,532</u>
Amortisation		
At start of year	(240,052)	(212,447)
Charge for the year	(27,602)	(27,605)
Transfer to ROUA	--	--
Charge on disposals	<u>818</u>	-
At end of year	<u>(266,836)</u>	<u>(240,052)</u>
Net book value	<u>598,444</u>	<u>626,480</u>
19. INTANGIBLE ASSETS		
Cost		
At start of year	9,784,072	9,879,759
Additions	213,047	177,242
Disposal	-	(272,929)
At end of year	<u>9,997,119</u>	<u>9,784,072</u>
Amortisation		
At start of year	(7,731,275)	(7,866,454)
Charge for the year	(132,883)	(137,750)
Charge on disposals	-	<u>272,929</u>
At end of year	<u>(7,864,158)</u>	<u>(7,731,275)</u>
Net book value	<u>2,132,961</u>	<u>2,052,797</u>

As at 30 June 2026, the Company continues to use certain intangible assets, primarily computer software, which have been fully amortised. The gross carrying amount of these assets is KSh 6,283,003,484 (2025: KSh 7,321,302,026).

In line with IAS 38, the useful lives of intangible assets are reviewed at each reporting date. Assets assessed to have no foreseeable limit to the period over which they will generate economic benefits are classified as having an indefinite useful life and are subject to annual impairment testing under IAS 36.

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20. RIGHT-OF-USE (ROU) ASSET

	2026 KSh'000	2025 KSh'000
Cost		
At start of year	1,534,398	1,238,581
Additions	956,641	406,031
Retirements	<u>(344,040)</u>	<u>(110,214)</u>
At end of year	<u>2,146,999</u>	<u>1,534,398</u>
Depreciation		
At start of year	(878,187)	(574,784)
Charge for the year	(314,538)	(413,617)
Charge on retirements	<u>343,429</u>	<u>110,214</u>
At end of year	<u>(849,296)</u>	<u>(878,187)</u>
Net book value	<u>1,297,703</u>	<u>656,211</u>

The following are the amounts recognized in profit or loss:

	2026 KSh'000	2025 KSh'000
Depreciation expense of right-of-use assets (Note 9 (c))	314,538	407,149
Interest expense on lease liabilities (Note 30)	94,556	67,864
Expense relating to leases of low-value assets ((Note 9 (c))	<u>21,741</u>	<u>19,978</u>
	<u>430,835</u>	<u>494,991</u>

The Company had total cash outflows for leases of KSh. 410,478,000 in 2026 (2025: KSh. 521,907,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of KSh. 956,641,000 in 2026 (2025: KSh. 406,031,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 40.

21. INVENTORIES

	2026 KSh'000	2025 KSh'000
General stores	10,532,738	8,686,052
Transformers	2,886,363	2,072,918
Conductors and cables	2,938,991	3,345,015
Metering accessories	3,413,629	1,955,109
Poles	439,377	795,062
Fuel and oil	956,215	347,998
Motor vehicle spares	149,839	145,535
Engineering spares	12,363	12,113
	<u>21,329,515</u>	<u>17,359,802</u>
Provision for impairment	<u>(2,796,798)</u>	<u>(2,751,678)</u>
	<u>18,532,717</u>	<u>14,608,124</u>

Movements in the provisions for inventories were as follows:

At start of year	(2,751,678)	(2,513,189)
Correction of incomplete good issues during system transition	-	-
Write off	107,314	4,797
Additional provision Note 9 (c))	<u>(152,434)</u>	<u>(243,286)</u>
At end of year	<u>(2,796,798)</u>	<u>(2,751,678)</u>

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22. TRADE AND OTHER RECEIVABLES

(a) Non-current - Trade and other receivables

	2026 KSh'000	2025 KSh'000
Prepayments-loan origination fee*	6,000	10,267

This relates to arrangement costs charged upfront on long-term loans extended by NCBA Kenya Bank Plc (2025: Standard Chartered Bank & NCBA Kenya Bank Plc). The fee is amortised over the tenure of the loan.

(b) Current - Trade and other receivables

	2026 KSh'000	2025 KSh'000
Electricity receivables -Postpaid customers (Note 22(c))	41,495,458	39,032,248
Receivable from Government of Kenya-RES recurrent losses***** (Note 37 (b))	35,348,427	34,770,199
RES – Intercompany	15,027,489	8,057,991
Prepayments- Loan origination fees	1,125	177,043
Receivable from Government of Kenya-Off grid subsidy***** (Note 37 (a))	478,642	478,642
Receivable from Government of Kenya-Hire of generation capacity Off grid stations ***** (Note 37 (a))	338,031	-
Last mile prepaid debtors	1,529,294	1,613,148
Sundry debtors & prepayments	365,978	84,429
Electricity receivables -Prepaid customers	10,313,287	2,836,697
Non-commercial debt*****	4,139,533	734,391
Last mile token contribution for RES	168,258	607,039
Mortgage and Car Loan Scheme Receivable	816,673	-
Prepaid fixed charge debt	2,363,818	2,407,357
VAT recoverable	2,075,163	2,110,772
Project funds****	587,592	587,592
Due from KETRACO**	1,715,063	1,715,063
Staff receivables	1,127,495	838,947
Stima loan deferred payment customers *	138,689	157,145
GPOBA prepaid debtors***	36,789	36,834
Other *****	<u>1,566,805</u>	<u>2,180,895</u>
Gross trade and other receivables	119,633,609	98,426,432
Provision for credit losses		
Electricity receivables	(14,892,441)	(13,328,264)
Prepaid fixed charge	(2,363,818)	(2,407,357)
Last mile debtors	(618,684)	(1,587,141)
Receivable from GOK-RES Recurrent	(152,657)	(150,545)
Staff debtors	(320,516)	(268,812)
Other receivables	(3,373,098)	(3,385,204)
	(21,721,214)	(21,127,323)
Impairment of RES receivable*****	<u>(1,434,839)</u>	<u>(1,277,678)</u>
Net trade and other receivables	<u>96,477,556</u>	<u>76,021,431</u>

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22. TRADE AND OTHER RECEIVABLES (continued)

Movement in impairment of RES receivable is as follows;

	2026 KSh'000	2025 KSh'000
At start of year	1,277,678	1,267,201
Increase during year (Note 12)	<u>157,161</u>	<u>10,477</u>
At end of year	<u>1,434,839</u>	<u>1,277,678</u>

Trade and other receivables are non – interest bearing.

* Deferred payment customers balances represent debts outstanding under the Stima Loan Revolving Fund Programme which was established in 2010 to facilitate credit access to the low-income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD).

**This represents amounts due from KETRACO for local costs incurred in the construction of Sondu Miriu transmission and distribution line and repayments in relation to 0.75% Japan Bank for International Corporation loan that was transferred to KETRACO in 2018 upon signing of the Novation agreement.

***GPOBA prepaid debtors represent outstanding balances due from customers connected under the Global Partnership on Output-Based Aid (GPOBA) project. The project was implemented to expand access to safe, legal, and affordable electricity services in informal settlements. The outstanding balances relate to amounts recoverable from beneficiaries under the terms of the programme.

**** The Company received funding from the World Bank through Credit No.5587-KE to support electrification projects. The total amount received as at 30 June 2026 was Shs 15,996,633,000 (2025: Shs 15,996,633,000) and Shs 15,409,041,000(2025: Shs 15,409,041,000) has been spent on the projects.

*****Relates to amounts receivable from the Government of Kenya (GoK) in respect of expenditure incurred to improve subsidise electricity supply in off-grid stations..

***** Included in other receivables are amounts due from various entities and parties, including deposits held with Imperial Bank Limited, which was placed under receivership in 2015; receivables from Uchumi Supermarkets PLC, Richardson & David Limited, and the Postal Corporation of Kenya; amounts due from County Governments in respect of street lighting maintenance; receivables from seven Ministry of Energy sector entities; insurance receivables relating to Group Personal Accident cover; car loan receivables; and other miscellaneous receivables.

***** 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 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.

***** The increase in the non-commercial clients' balance during the year is primarily attributable to costs incurred in the implementation of the Digital Super Highway (DSH) Project. These costs comprise materials and accessories deployed to the project, labour, transportation and other directly attributable implementation costs. Invoicing for the project is undertaken upon completion of specific project units, resulting in costs incurred being recognised in the clients' balance pending invoicing.

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22. TRADE AND OTHER RECEIVABLES (continued)

(c) Electricity receivables

	<30 days KSh'000	30-90 days KSh'000	>90 days KSh'000	Total KSh'000
2026				
Gross	15,786,848	5,301,326	20,407,284	41,495,458
Impairment	(136,389)	(290,473)	(14,465,579)	(14,892,441)
Net	<u>15,650,459</u>	<u>5,010,853</u>	<u>5,941,705</u>	<u>26,603,017</u>
2025				
Gross	16,498,565	4,057,979	18,475,704	39,032,248
Impairment	(237,451)	(277,024)	(12,813,789)	(13,328,264)
Net	<u>16,261,114</u>	<u>3,780,955</u>	<u>5,661,915</u>	<u>25,703,984</u>

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

(d) Movement in the expected credit losses for trade and other receivables is as follows;

	Electricity receivables KSh'000	Prepaid fixed charge KSh'000	Other receivables KSh'000	Total KSh'000
2026				
At start of year	(13,328,264)	(2,407,356)	(5,391,703)	(21,127,323)
Additional provision (Note 9 (d))	(1,564,177)	-	(343,320)	(1,907,497)
Write back (Note 9 (d))	-	43,539	1,012,121	1,055,660
At end of year (Note 21(b))	<u>(14,892,441)</u>	<u>(2,363,817)</u>	<u>(4,722,902)</u>	<u>(21,979,160)</u>
2025				
At start of year	(19,284,855)	(2,460,567)	(4,828,241)	(26,573,663)
Additional provision (Note 9 (d))	-	-	(960,321)	(960,321)
Write back (Note 9 (d))	4,962,684	53,211	396,859	5,412,754
Write off	993,907	-	-	993,907
At end of year (Note 21(b))	<u>(13,328,264)</u>	<u>(2,407,356)</u>	<u>(5,391,703)</u>	<u>(21,127,323)</u>

23. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

a) Short-term deposits

	2026 KSh'000	2025 KSh'000
Housing Finance Company of Kenya Limited	137,203	-
Short-term deposits – NCBA, KCB & STIMA SACCO	641	276,859
The Co-operative Bank of Kenya Limited	<u>2,612</u>	<u>2,612</u>
	140,456	279,471
Expected credit losses- charge for the year	<u>(2,048)</u>	<u>(4,536)</u>
	<u>138,408</u>	<u>274,935</u>

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NOTES TO THE FINANCIAL STATEMENTS

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

The average effective interest rate on the short-term deposits for the year ended 30 June 2026 was 6.62% (2025: 7.47%).

Movement in the expected credit losses is as follows;

	2026	2025
	KSh'000	KSh'000
At start of year	4,536	7,360
Movement during the year	<u>(2,488)</u>	<u>(2,824)</u>
At end of year	<u>2,048</u>	<u>4,536</u>

b) Bank and cash balances

	2026	2025
	KSh'000	KSh'000
Cash at bank	6,806,461	7,401,476
Cash on hand	<u>5,503</u>	<u>4,493</u>
	6,811,964	7,405,969
Expected credit losses	<u>(58,044)</u>	<u>(93,426)</u>
	6,753,920	7,312,543

Movement in the expected credit losses is as follows;

At start of year	93,426	71,313
Movement during the year	<u>(35,382)</u>	<u>22,113</u>
At end of year	<u>58,044</u>	<u>93,426</u>

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24. SHARE CAPITAL

Authorised:

2,592,812,000 ordinary shares of Shs 2.50 each	<u>6,482,030</u>	<u>6,482,030</u>
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Issued and fully paid:

1,951,467,045 ordinary shares of Shs 2.50 each	<u>4,878,667</u>	<u>4,878,667</u>
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25. 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.

26. 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 statement of changes in equity.

27. 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 five years of the related asset used in delivering the ongoing service.

	2026 KSh'000	2025 KSh'000
At start of year	23,545,239	19,541,124
Additional contributions	8,955,054	6,808,280
Recognised as income (Note 7(b))	<u>(2,324,848)</u>	<u>(2,804,165)</u>
At end of year	<u>30,175,445</u>	<u>23,545,239</u>
Maturity analysis:		
Non-current	24,523,314	19,142,489
Current	<u>5,652,131</u>	<u>4,402,750</u>
At end of year	<u>30,175,445</u>	<u>23,545,239</u>

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28. DEFERRED INCOME TAX

	2026 KSh'000	2025 KSh'000
At start of year	43,063,649	37,523,737
Credit to other comprehensive income	(161,333)	(473,358)
Prior year adjustment	-	93,074
Charge to profit or loss (Note 14 (a))	<u>3,911,551</u>	<u>5,920,196</u>
At end of year	<u>46,813,867</u>	<u>43,063,649</u>

Deferred income tax balance is analysed as follows:

	At July 2025 KSh'000	(Credited)/ Charged to profit or loss KSh'000	Credited to OCI KSh'000	At 30 June 2026 KSh'000
Deferred income tax liabilities				
Property and equipment	58,656,741	3,583,709	-	62,240,450
Unrealised foreign exchange loss	(6,871,203)	842,841	-	(6,028,362)
Right of use asset	196,865	192,448	-	389,313
Retirement benefit asset	<u>(146,672)</u>	<u>(80,991)</u>	<u>(161,935)</u>	<u>(389,598)</u>
	<u>51,835,731</u>	<u>4,538,007</u>	<u>(161,935)</u>	<u>56,211,803</u>
Deferred income tax assets				
Lease liabilities	(182,954)	(198,738)	-	(381,692)
Provisions	(8,589,128)	(427,718)	602	(9,016,244)
Tax losses	-	-	-	-
Prior year adjustments				
	<u>(8,772,082)</u>	<u>(626,456)</u>	<u>602</u>	<u>(9,397,936)</u>
Net deferred income tax liabilities	<u>43,063,649</u>	<u>3,911,551</u>	<u>(161,333)</u>	<u>46,813,867</u>

	At July 2024 KSh'000	Prior year adjustments KSh'000	(Credited)/ Charged to profit or loss KSh'000	Credited to OCI KSh'000	At 30 June 2025 KSh'000
Deferred income tax liabilities					
Property and equipment	54,922,605	41,085	3,693,051	-	58,656,741
Unrealised foreign exchange loss	(7,789,492)	-	918,289	-	(6,871,203)
Right of use asset	199,141	-	(2,276)	-	196,865
Retirement benefit asset	<u>220,264</u>	<u>51,989</u>	<u>65,397</u>	<u>(484,322)</u>	<u>(146,672)</u>
	<u>47,552,518</u>	<u>93,074</u>	<u>4,674,461</u>	<u>(484,322)</u>	<u>51,835,731</u>
Deferred income tax assets					
Lease liabilities	(192,445)	-	9,491	-	(182,954)
Provisions	(9,836,336)	-	1,236,244	10,964	(8,589,128)
Tax losses	-	-	-	-	-
Prior year adjustments					
	<u>(10,028,781)</u>	<u>93,074</u>	<u>1,245,735</u>	<u>10,964</u>	<u>(8,772,082)</u>
Net deferred income tax liabilities	<u>37,523,737</u>	<u>93,074</u>	<u>5,920,196</u>	<u>(473,358)</u>	<u>43,063,649</u>

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29. TRADE AND OTHER PAYABLES

	2026 KSh'000	2025 KSh'000
(a) Non-current trade and other payables		
Capital contribution - on-going projects*	12,902,539	12,724,014
Customer deposits**	7,548,027	7,312,118
Capital contributions-projects not commenced	982,557	3,128,826
RES current account - capital (Note 37 (b))	1,738,695	1,941,897
GOK/Donor funds held for ongoing projects	1,121,831	1,213,165
Kenya Off-Grid Solar Access Project (KOSAP)	49,430	91,981
Electrification of health facilities	116	116
Sub-Station Installation-GOK Funded Account	-	150,000
Nuclear electricity project	-	4,000
Other payables	<u>2,616,732</u>	<u>2,483,844</u>
	<u>26,959,927</u>	<u>29,049,961</u>

*Capital contributions for on-going projects relate to customer contributions for capital works not completed. Upon completion of these projects, the contributions are transferred to deferred income and recognised in profit or loss in accordance with the Company's accounting policy. At that point, the deferred income balance is allocated between current and non-current liabilities, as appropriate.

**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.

(b) Current trade and other payables

	2026 KSh'000	2025 KSh'000
KenGen (Note 37 (c))	18,153,283	17,708,072
Other suppliers' accounts	11,359,570	7,739,990
Other electricity suppliers	34,148,274	32,570,974
Other payables	14,456,174	13,412,236
RES current account - Last Mile Project (Note 37 (b))	1,139,671	1,496,093
Deferred Income - KPLC last mile	1,457,129	1,522,723
RES - EIB Project-LMCP	3,390	-
RES- AFD/EU Project -LMCP	1,140,246	2,393
Retention money	777,982	214,642
Rural Electrification Authority Levy** ((Note 37 (a))	11,161,583	10,414,792
KETRACO wheeling charge (Note 37 (d))	2,308,924	2,678,739
Ministry of Finance (Note 37 (a))	875,041	875,041
Prepaid revenue****	411,906	373,065
Street lighting project (Note 37 (a))	591,590	590,783
Energy Regulatory Levy	168,685	335,455
	98,153,448	89,934,998
Provision for impairment (Note 29 (c))	<u>2,804</u>	<u>2,804</u>
	<u>98,156,252</u>	<u>89,937,802</u>

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29. TRADE AND OTHER PAYABLES (continued)

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

	2026 KSh'000	2025 KSh'000
At start of year	2,804	2,804
Increase/(decrease) in provision	--	--
At end of year (Note 29 (b))	<u>2,804</u>	<u>2,804</u>

(d) Aging analysis for trade payables

	2026 KSh'000	% of the total	2025 KSh'000	% of the total
0-30 days	15,632,850	30%	14,340,100	29%
31 -60 days	14,946,015	29%	14,258,980	28%
61 -90 days	10,522,443	20%	10,187,840	20%
Over 90 days	11,200,251	21%	11,492,126	23%
Total	52,301,559		50,279,046	

30. LEASE LIABILITIES

Lease liabilities include the net present value of the fixed lease payments discounted using the incremental borrowing rate.

	2026 KSh'000	2025 KSh'000
Balance at start year	609,848	641,485
Additions for the year	956,641	406,031
Interest charge (Note 12)	94,556	67,864
Payment of interest	(94,556)	(67,864)
Payment of principal	<u>(294,181)</u>	<u>(437,668)</u>
	<u>1,272,308</u>	<u>609,848</u>

The carrying amount of the current portion is KSh. 415,546,000 (2025: KSh. 259,016,000) while the non-current portion is KSh. 856,762,000(2025:KSh. 350,832,000).

The maturity analysis of undiscounted lease liabilities is disclosed in Note 6 (b).

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31. BORROWINGS

(a) Borrowings summary

	Currency	Interest rate	Start date	End date	2026 KSh'000	2025 KSh'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	19/06/2016	23/06/2026	-	7,067,501
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2014	30/09/2025	--	--
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2018	26/09/2025	--	--
NCBA Bank Kenya Plc	Shs	7% (CBR +2%)	09/10/2020	03/10/2032	3,100,825	3,372,927
Accrued Interest (Note 36 (b))					<u>319,200</u>	<u>402,800</u>
					3,420,025	10,843,228
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	11/05/2011	01/03/2036	15,784,226	16,671,559
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2014	28/08/2035	15,836,020	17,216,269
GOK/IDA 3958 KE ESRP	USD	4.50%	28/06/2005	01/06/2029	1,482,313	9,579,696
GOK/IDA 4572 KE ESRP	USD	4.50%	01/03/2019	01/03/2034	8,591,343	1,967,248
GOK/NORDEA	EUR	3.00%	15/12/2014	15/09/2027	2,072,077	2,833,863
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	20/07/2026	1,784,944	2,356,278
GOK/Agence Francaise de Development	EUR	4.50%	23/05/2007	30/03/2026	1,076,397	1,420,589
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	22/05/2007	15/09/2027	472,308	589,867
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/12/2014	31/07/2035	2,791,580	3,095,685
GOK/IDA 7343-KE Kenya Green & Resilient Expansion for Energy program	Shs	2.50%			12,890,416	7,364,956
GOK/IDA 5587 KE LOAN	USD	2.00%	27/02/2016	15/11/2053	8,695,050	8,962,955
GOK/IDA 2966 KE loan	Shs	7.70%	30/06/2016	30/06/2023	188,349	188,349
GOK/AFD Transformer Densification	EUR	3.20%	31/12/2014	31/07/2035	1,010,812	1,131,267
Accrued interest (Note 36(b))					<u>3,722,761</u>	<u>3,413,369</u>
					76,398,596	76,791,950
Total borrowings					<u>79,818,621</u>	<u>87,635,178</u>

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31. BORROWINGS (continued)

Description	2026 KSh'000	2025 KSh'000
Commercial borrowings		
Balance at beginning of the year	10,843,228	23,851,669
Repayments of during the year	(7,363,509)	(12,768,259)
Revaluation (gain)/loss	23,907	(26,382)
Accrued Interest brought forward	(402,800)	(616,600)
Accrued Interest carried forward	319,200	402,800
Balance at end of the year	3,420,026	10,843,228

On Lent borrowings

Balance at beginning of the year	76,791,950	74,662,900
On lent borrowings during the year	5,525,460	7,364,956
Repayments during the year	(6,220,561)	(6,153,600)
Capitalised interest	164,873	--
Revaluation (gain)/loss	(172,519)	850,454
Accrued Interest brought forward	(3,413,369)	(3,346,129)
Accrued Interest carried forward	3,722,761	3,413,369
Balance at end of the year	76,398,595	76,791,950

Total borrowings at end of the period **79,818,621** **87,635,178**

	2026 KSh'000	2025 KSh'000
Total borrowings	79,818,621	87,635,178
Less: amounts repayable within 12 months	<u>(10,635,958)</u>	<u>(17,496,348)</u>
Non-current	<u>69,182,663</u>	<u>70,138,830</u>

(b) Analysis of borrowings by currency

	KSh KSh'000	USD KSh'000	Euros KSh'000	Total KSh'000
2026				
Loans	<u>16,937,782</u>	<u>44,804,951</u>	<u>18,075,888</u>	<u>79,818,621</u>
2025				
Loans	<u>14,742,401</u>	<u>61,465,227</u>	<u>11,427,550</u>	<u>87,635,178</u>

(c) Maturity of borrowings

	2026 KSh'000	2025 KSh'000
Due within 1 year	10,635,958	17,496,348
Due between 1 and 2 years	13,715,839	13,095,755
Due between 2 and 5 years	22,763,647	25,789,849
Due after 5 years	<u>32,703,177</u>	<u>31,253,226</u>
	<u>79,818,621</u>	<u>87,635,178</u>

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32. PREFERENCE SHARES

	2026 KSh'000	2025 KSh'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	<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.

33. RETIREMENT BENEFIT LIABILITY

The Company operates a funded defined benefit plan (the "DB Scheme") for its employees, established under an irrevocable trust. The DB Scheme was closed to new entrants and future accrual of benefits with effect from 30 June 2006. The Company established a separate defined contribution scheme (the "DC Scheme") with effect from 1 July 2006.

The assets of the DB Scheme are invested in a diversified portfolio comprising property, government securities, quoted and unquoted equities, private equity investments, term deposits and offshore investments. As at 30 June 2026, the Scheme assets amounted to KShs 14.475 billion. Contributions to the DC Scheme are accounted for separately in the Company's statement of profit or loss.

The benefits provided under the DB Scheme are based on the Scheme's Trust Deed and Rules and comprise benefits payable upon retirement and other qualifying events. The Scheme's benefit structure is based on pensionable service up to the closure date of 30 June 2006.

The DB Scheme is registered with the Retirement Benefits Authority and is managed by a Board of Trustees. The Scheme is funded, with the assets held by the Scheme being used to meet benefit payments as they arise. The Company is responsible for contributing the balance of cost required to meet members' benefits.

For purposes of IAS 19, the Company engaged Zamara Actuaries, Administrators & Consultants Limited to undertake an actuarial valuation of the DB Scheme as at 30 June 2026. The actuary carried out a full actuarial valuation using employee data as at the valuation date and determined the present value of the accrued benefits using the Projected Unit Method. The Scheme assets were taken at fair value at the reporting date.

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.

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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:

	2026	2025
Discount rate	12.3%	13.3%
Expected rate of return on assets	12.3%	13.3%
Future salary increases	5.0%	5.0%
Retirement age	50% @ 55, Balance @ 60	50% @ 55, Balance @ 60

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:

	2026 KSh'000	2025 KSh'000
Current service cost	180,886	191,759
Past service cost	-	(38,511)
Interest cost on defined benefit obligation	1,918,536	2,193,222
Interest income on plan assets	(1,829,453)	(2,485,407)
Interest on the effect of the asset ceiling	-	<u>163,351</u>
Net expense recognised in profit or loss (Note 10)	<u>269,969</u>	<u>24,414</u>

	2026 KSh'000	2025 KSh'000
Net actuarial loss/(gain)	387,392	1,800,266
Return on plan assets (excluding amount in interest cost)	152,392	642,590
Changes in effect of asset ceiling (excluding amounts in interest cost)	-	(1,070,854)
Recognised in other comprehensive income	<u>539,784</u>	<u>1,372,002</u>

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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:

	2026 KSh'000	2025 KSh'000
Fair value of plan assets	14,474,885	14,712,740
Present value of funded defined benefit obligation	<u>(15,773,550)</u>	<u>(15,201,652)</u>
Present value of funded defined benefit asset	<u>(1,298,665)</u>	<u>(488,912)</u>

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

	2026 KSh'000	2025 KSh'000
Net asset at the start of the year	(488,912)	734,207
Net expense recognised in profit or loss (Note 9 (c))	(269,969)	(24,414)
Prior year adjustment* – Net expense	-	415,701
Prior year adjustment* – Other comprehensive income	-	(242,404)
Amount recognised in other comprehensive income	<u>(539,784)</u>	<u>(1,372,002)</u>
Present value of funded defined benefit asset	<u>(1,298,665)</u>	<u>(488,912)</u>

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

	2026 KSh'000	2025 KSh'000
At start of year	15,201,652	13,277,293
Current service cost	180,886	191,759
Past service cost	-	(38,511)
Prior year adjustment*	-	(346,594)
Interest cost on obligation	1,918,536	2,193,222
Actuarial loss	387,392	1,800,266
Benefits paid	<u>(1,914,916)</u>	<u>(1,875,783)</u>
At end of year	<u>15,773,550</u>	<u>15,201,652</u>

*The adjustment relates to the recognition of updated past service cost.

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

	2026 KSh'000	2025 KSh'000
At start of year	(14,712,740)	(14,745,706)
Interest income on plan assets	(1,829,453)	(2,485,407)
Return on plan assets, excluding amount in interest income	152,392	642,590
Benefits paid	1,914,916	1,875,783
At end of year	<u>(14,474,885)</u>	<u>(14,712,740)</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

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

	2026 KSh'000	2025 KSh'000
Property	7,311,700	7,296,700
Debt instruments	3,423,600	4,321,500
Equity instruments	3,137,500	2,618,900
Others	<u>602,100</u>	<u>475,640</u>
Total scheme assets	<u>14,474,900</u>	<u>14,712,740</u>

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.

Sensitivity analysis

A sensitivity analysis was performed on the model and A 1% p.a. reduction in the discount rate will increase the actuarial liability estimated at 30 June 2026 from KShs 15.8 billion to KShs 15.9 billion (with all other assumptions remaining the same).

34. PROVISIONS

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

	2026 KSh'000	2025 KSh'000
(a) Leave pay obligation		
At start of year	442,989	497,968
Increase/(decrease) in provisions (Note 9 (c))	<u>137,157</u>	<u>(54,979)</u>
At end of year	<u>580,146</u>	<u>442,989</u>
(b) Leave allowance provision		
At start of year	148,962	195,463
Increase/(decrease) in provisions (Note 9 (c))	<u>54,185</u>	<u>(46,501)</u>
At end of year	<u>203,147</u>	<u>148,962</u>
(c) Gratuity provision		
Opening benefit obligation	173,110	161,731
Current service cost	180,677	180,677
Past service cost	17,501	-
Interest cost	32,517	43,249
Actuarial loss/(gain)	15,757	(73,491)
Actuarial (gain) / loss - due to changes in assumptions	(17,762)	36,945
Benefits and expenses paid	<u>(43,276)</u>	<u>(176,001)</u>
Net liability at end of year	<u>358,524</u>	<u>173,110</u>

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

Present value of the defined benefit obligation at start of year	173,110	161,731
Charge recognised in the profit or loss for the year (Note 9 (c))	230,695	223,926
Benefits paid to the outgoing employees during the year	(43,276)	(176,001)
Actuarial gain on the obligation recognised in other comprehensive income	<u>(2,005)</u>	<u>(36,546)</u>
Present value of the defined obligation at end of year	<u>358,524</u>	<u>173,110</u>
Total provisions	<u>1,141,817</u>	<u>765,061</u>

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NOTES TO THE FINANCIAL STATEMENTS

35. DIVIDENDS PAYABLE

	2026 KSh'000	2025 KSh'000
Dividends payable on ordinary shares	<u>1,294,080</u>	<u>1,631,848</u>

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2026 KSh'000	2025 KSh'000
At start of year	1,631,848	748,190
Declared during the year		
• 4% and 7% Preference shares dividends	1,930	1,930
• Ordinary shares dividends	2,146,614	1,756,320
Paid during the year	<u>(2,486,312)</u>	<u>(874,592)</u>
At end of year	<u>1,294,080</u>	<u>1,631,848</u>

36. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2026 KSh'000	2025 KSh'000
Profit before taxation	36,014,067	35,374,684
Depreciation of property and equipment (Note 17)	19,256,946	17,013,988
Impairment loss on Work in Progress (WIP) (Note 17)	17,114	22,544
Amortisation of intangible assets (Note 19)	132,883	137,750
Amortisation of leasehold land (Note 18)	27,602	27,605
Depreciation of ROU (Right-of-use) asset (Note 20)	314,538	413,617
Amortisation of capital contribution (Note 7 (b))	2,324,848	(2,804,165)
Loss on disposal of property and equipment (Note 36 (d))	570,295	681,412
Loss on retirement of ROU (Note 36 (d))	611	--
Finance income (Note 11)	(527,913)	(625,218)
Finance costs (Note 12)	2,975,811	4,679,035
Interest expense on lease liabilities (Note 12)	94,556	67,864
Movement in provision for leave pay, gratuity and leave allowance (Note 34)	422,037	122,446
Movement in provisions for credit losses on short-term deposits (Note 23 (a))	(2,488)	(2,824)
Movement in provisions for credit losses on bank balances ((Note 23 (b))	(35,382)	22,113
Movement in provisions for credit losses on trade and other receivables	593,891	(4,452,433)
Movement in provision for slow moving inventories (Note 21)	152,434	243,286
Retirement benefit plan credits (Note 9 (c))	269,969	24,414
Unrealised foreign exchange losses on cash and cash equivalents (Note 12)	10,770	(30,280)
Working capital changes:		
- Movement in inventories	(4,077,027)	(5,603,003)
- Movement in trade and other receivables	(21,223,576)	(12,832,333)
- Movement in deferred income	4,305,356	6,808,281
- Movement in trade and other payables	6,128,411	8,944,355
Cash generated from operations	<u>47,745,753</u>	<u>48,233,138</u>

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NOTES TO THE FINANCIAL STATEMENTS

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

(b) (i) Analysis of changes in borrowings	2026 KSh'000	2025 KSh'000
At start of year	87,635,178	98,514,569
Proceeds	5,525,460	7,364,956
Capitalised interest	164,873	-
Repayments	(13,584,070)	(18,921,858)
Repayment of previous year's accrued interest	(3,816,169)	(3,962,730)
Foreign exchange (gain)/losses	(148,612)	824,072
Accrued interest (Note 31 (a))	<u>4,041,961</u>	<u>3,816,169</u>
At end of year	<u>79,818,621</u>	<u>87,635,178</u>
(b) (ii) Net cash/(debt) reconciliation	2026 KSh'000	2025 KSh'000
Cash and bank balances (Note 23 (b))	6,811,964	7,405,969
Short-term deposits (Note 23 (a))	140,456	279,471
Borrowings (Note 31)	<u>(79,818,621)</u>	<u>(87,635,178)</u>
Net debt	<u>(72,866,201)</u>	<u>(79,949,738)</u>
Cash, bank balances and short-term deposits	6,952,420	7,685,440
Gross debt – fixed interest rates	(76,398,596)	(76,791,950)
Gross debt – variable interest rates	<u>(3,420,025)</u>	<u>(10,843,228)</u>
Net debt	<u>(72,866,201)</u>	<u>(79,949,738)</u>
(c) Analysis of cash and cash equivalents		
Short-term deposits (Note 23 (a))	140,456	279,470
Cash and bank balances (Note 23(b))	<u>6,811,964</u>	<u>7,405,969</u>
	<u>6,952,420</u>	<u>7,685,439</u>
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 proceeds from disposal of property and equipment		
Proceeds from disposal of property and equipment	96,358	92,865
Less: disposed assets at net book value	<u>(666,653)</u>	<u>(774,277)</u>
Loss on disposal of property and equipment	<u>(570,295)</u>	<u>(681,412)</u>
Proceeds of retirement of right of use assets (ROU)		
Proceeds from retirement of ROU	-	-
Less: retired assets at net book value	<u>(611)</u>	-
Loss on retirement of ROU	<u>(611)</u>	-
Loss on disposal/retirement of non-current assets (Note 9 (a))	<u>(570,906)</u>	<u>(681,412)</u>

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

(e) Analysis of interest paid	2026 KSh'000	2025 KSh'000
Interest on loans (Note 12)	2,696,516	3,459,567
Overdraft interest (Note 12)	27	271
Interest on late payment invoices (Note 12)	<u>290,329</u>	<u>382,718</u>
	2,986,872	3,842,556
Accrued interest brought forward (Note 31 (a))	3,816,169	3,962,730
Interest on loans capitalised	(164,873)	
Revaluation of Interest capitalised		
Accrued interest carried forward (Note 31 (a))	<u>(4,041,961)</u>	<u>(3,816,169)</u>
Interest paid	<u>2,596,207</u>	<u>3,989,117</u>
(f) Analysis of dividends paid	2026 KSh'000	2025 KSh'000
At start of year	1,631,848	748,190
Declared during the year		
4% and 7% Preference shares dividends	1,930	1,930
Ordinary shares dividends	2,146,614	1,756,320
At end of year	<u>(1,294,080)</u>	<u>(1,631,848)</u>
Dividends paid	<u>2,486,312</u>	<u>874,592</u>
(g) Analysis of interest received		
Interest received on bank and other deposits (Note 11)	527,913	625,218
Accrued interest brought forward	42,500	7,890
Accrued interest carried forward	<u>(21,830)</u>	<u>(42,500)</u>
Interest received	<u>548,583</u>	<u>590,608</u>
(h) Purchase of property and equipment		
Work in progress additions (Note 17)	28,011,300	29,512,680
Exchange loss on loans for on-going projects capitalised	-	-
Property and equipment purchased	<u>28,011,300</u>	<u>29,512,680</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder of The Kenya Power and Lighting Company PLC (the Company), holding a 50.1% equity interest.

The Company is a government-related entity for the purposes of IAS 24 Related Party Disclosures. In the ordinary course of business, the Company transacts with the Government of Kenya, Government ministries, departments and agencies, county governments, State corporations and other entities that are controlled, jointly controlled or significantly influenced by the Government. These transactions are undertaken in accordance with applicable legislation, Government policies, regulatory frameworks and commercial agreements.

The Company's significant government-related counterparties include the Ministry of Energy and Petroleum, The National Treasury, Kenya Electricity Generating Company PLC (KenGen), Kenya Electricity Transmission Company PLC (KETRACO), Rural Electrification and Renewable Energy Corporation (REREC), the Rural Electrification Scheme (RES), Geothermal Development Company PLC (GDC), county governments, and other Government ministries, departments, agencies and strategic State corporations.

The principal transactions undertaken with Government-related entities during the year included:

- Purchase of electricity and other energy-related services;
- Receipt of electricity transmission services;
- Sale of electricity to Government ministries, departments, agencies, county governments and State corporations;
- Implementation and management of Government-funded electrification and infrastructure programmes;
- Collection and remittance of the Rural Electrification Levy on behalf of REREC; and
- Other operational and infrastructure-related transactions undertaken in the ordinary course of business.

Outstanding balances at the reporting date comprise trade and other receivables, trade and other payables, project-related balances and other amounts arising from these transactions. Unless otherwise disclosed, these balances are unsecured, interest-free and are expected to be settled in accordance with the respective contractual arrangements or applicable Government policies.

The Company had no individually significant transactions with related parties that were undertaken on non-market terms and no material commitments with related parties other than those disclosed elsewhere in these financial statements. During the year, the following transactions were undertaken and the following outstanding balances existed with related parties in the ordinary course of business:

(a) Government Ministries, Departments, Agencies and Other State Entities

During the year, the Company transacted with Government ministries, departments, county governments and other Government-controlled entities through the sale of electricity, implementation of Government programmes and other routine business activities.

	2026 KSh'000	2025 KSh'000
Electricity sales		
Government Ministries	6,220,779	6,457,058
Strategic Parastatals	1,837,634	1,996,461

Outstanding balances at the year-end included in trade and other receivables:

Receivable from Government of Kenya- Off grid Stations subsidy (Note 22 (b))	478,642	478,642
Receivable from Government of Kenya- Hire of generation capacity Off grid Stations (Note 22 (b))	338,031	-
Ministries & County governments- Electricity sales receivable*	7,351,347	6,713,515
Strategic parastatals- Electricity sales receivable	588,028	417,639
Ministry of Energy- Investor power plan & media data gathering campaign	80,000	80,000
REREC- Investor power plan & media data gathering campaign	15,000	15,000
GDC- Investor power plan & media data gathering campaign	<u>22,000</u>	<u>22,000</u>

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES (continued)

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

	2026 KSh'000	2025 KSh'000
REREC-Rural Electrification Authority levy (Note 29 (b))	11,161,583	10,414,792
REREC Garissa Solar Plant	213,226	236,277
Ministry of Finance (Note 29 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 29 (b))	591,590	590,783
GDC- Power purchase	213,226	236,277

(b) Rural Electrification Scheme (RES)

The Company manages the Rural Electrification Scheme (RES) on behalf of the Government of Kenya under the Rural Electrification Programme. Under this arrangement, the Company undertakes the implementation, operation and maintenance of rural electrification infrastructure and recovers qualifying expenditure incurred in executing Government-funded projects.

Assets constructed under the Scheme remain the property of the Government of Kenya, while the Company acts as the implementing and operating agent. Outstanding balances represent amounts receivable from and payable to the Government in respect of the implementation and management of the Scheme and are disclosed in the tables below

	2026 KSh'000	2025 KSh'000
Outstanding balances at the year-end included in trade and other receivables:		
Receivable from Government of Kenya (RES recurrent losses) (Note 22 (b))	35,348,427	34,770,199
Intercompany Balance (Note 22 (b))	15,394,639	8,057,991
Last mile token contributions	168,258	607,039

Outstanding projects balances at the year-end included in trade and other payables:

	2026 KSh'000	2025 KSh'000
Last Mile Current Account (Note 29 (b))	1,139,671	1,496,093
RES- AFD/EU Project -LMCP (Note 29 (b))	1,140,246	2,393
RES - EIB Project-LMCP (Note 29 (b))	3,390	-
RES Capital Expenditure Account (Note 29 (a))	1,738,695	1,941,897

(c) Kenya Electricity Generating Company PLC (KenGen)

The Company is related to Kenya Electricity Generating Company PLC (KenGen) through common control by the Government of Kenya. KenGen is the Company's principal supplier of electricity, while the Company supplies electricity and fibre-optic infrastructure services to KenGen in the ordinary course of business. Transactions between the two entities are conducted in accordance with applicable contractual arrangements and regulatory requirements.

	2026 KSh'000	2025 KSh'000
Electricity sales to KenGen	251,840	336,260
Electricity purchases (before allocation to RES)	61,757,488	58,368,957
Amounts due to KenGen on electricity purchases (Note 29 (b))	18,153,283	17,708,072
Amounts due from KenGen;		
• Electricity sales	82,927	(251,336)
• KenGen- Investor power plan & media data gathering campaign	30,000	30,000
• Lease of fiber	8,371	41,004

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NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES (continued)

(d) Kenya Electricity Transmission Company (KETRACO)

The Company is related to Kenya Electricity Transmission Company PLC (KETRACO) through common control by the Government of Kenya. During the year, the following transactions were carried out with KETRACO;

	2026 KSh'000	2025 KSh'000
Wheeling charge KETRACO (Note 9 (a))	5,971,356	5,580,707
	<u>5,971,356</u>	<u>5,580,707</u>
Outstanding balances at the year-end included in trade and other payables:		
KETRACO wheeling charge (Note 29 (b))	<u>2,308,924</u>	<u>2,678,739</u>
Outstanding balances at the year-end included in trade and other receivables:		
KEEP/KETRACO 132KV Transmission lines	47,208	47,208
KEEP/KETRACO 132/33KV substations	107,391	107,391
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	<u>743,855</u>	<u>743,855</u>
	<u>1,715,063</u>	<u>1,715,063</u>

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu- Meru lines

(e) Information and Communications Technology Authority (ICTA)

The Government of Kenya, through the Information and Communications Technology Authority (ICTA), appointed the Company to implement the Digital Super Highway (DSH) Project, which aims to extend fibre-optic connectivity to Government institutions across the country. The Company's mandate includes the design, supply, and installation of fibre infrastructure nationwide. In line with the agreed project milestones and deliverables, the Company received a reimbursement of KSh. 695,077,388.65 from ICTA during the year ended 30 June 2026. This amount represents a partial settlement of the contract sum invoiced for works partially completed in accordance with the project agreement.

(f) KPLC Staff Retirement Benefits Scheme

The Company leases office accommodation from the Kenya Power Staff Retirement Benefits Scheme in the ordinary course of business. Rental expense recognised during the year amounted to KSh. 171 million (2025: KSh. 177 million). There were no outstanding balances with the Scheme at the reporting date (2025: Nil).

(g) Key Management Personnel Compensation

Key management personnel comprise the Non-Executive Directors, the Managing Director & Chief Executive Officer and members of the Executive Management Team who have authority and responsibility for planning, directing and controlling the activities of the Company.

The aggregate compensation recognised for key management personnel during the year was as follows:

	2026 KSh'000	2025 KSh'000
Short-term employee benefits	210,113	202,494
Post-employment benefits	-	-
Other long-term employee benefits	27,486	4,798
Termination benefits	-	-
Share-based payments	-	-
Total compensation	237,599	207,292

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NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES (continued)

Short-term employee benefits comprise Directors' fees, salaries, allowances, bonuses and other employee benefits payable within twelve months after the end of the reporting period.

Key management personnel are engaged on contractual terms and do not participate in the Company's post-employment pension arrangements. Accordingly, no post-employment benefits or contributions to defined contribution plans were recognised during the year.

Other long-term employee benefits comprise actuarially determined gratuity obligations recognised in accordance with the Company's employee benefit policy.

Termination benefits are recognised as an expense when the Company is committed to terminating the employment of key management personnel before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. No termination benefits were recognised during the year.

The Company did not grant any share-based payments to key management personnel during the year.

Details of the Directors' remuneration are presented in the Directors' Remuneration Report on page 33

38. CAPITAL COMMITMENTS

The capital commitments relate to the ongoing capital projects which have been approved and are at various stages of implementation.

	2026 KSh'000	2025 KSh'000
Authorised and contracted for	67,531,871	53,452,354
Less: amount incurred and included in work-in-progress	<u>(17,019,276)</u>	<u>(16,275,680)</u>
	<u>50,512,595</u>	<u>37,176,674</u>

39. CONTINGENT LIABILITIES

	2026 KSh'000	2025 KSh'000
Bank guarantees	683,249	740,002
Claims on the Company	47,382,212	8,565,518
	<u>48,065,461</u>	<u>9,305,520</u>

The Directors, based on professional advice and previous courts' pronouncements, are of the opinion that no provision is required in these financial statements as the liabilities are not expected to crystallize.

THE KENYA POWER AND LIGHTING COMPANY PLC
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NOTES TO THE FINANCIAL STATEMENTS

40. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessor:

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

	2026 KSh'000	2025 KSh'000
Not later than 1 year	108,109	107,819
Later than 1 year and not later than 5 years	258,388	333,183
More than 5 years	60,061	81,327
	<u>426,558</u>	<u>522,329</u>

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.

41. EVENTS AFTER THE REPORTING DATE

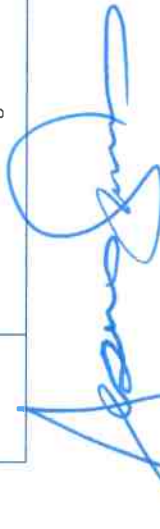
Events occurring after the reporting date have been evaluated up to the date the financial statements were authorised for issue. Other than the matters disclosed below, there were no adjusting or non-adjusting events that require adjustment to or disclosure in these financial statements.

The financial statements were authorised for issue by the Board of Directors on *17th September 2026*.

Appendix I: Progress on follow-up of prior years' Auditor General's recommendations

Reference No.	Issue/Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe:
	Financial Statements			
1	Land without ownership documents	Follow up on ownership documents ongoing.	Not Resolved	30 June 2027
2	Cost of power purchased from Independent Power Producers	Power purchase in accordance with agreements in place.	Resolved	
	Lawfulness & Effectiveness in the use of Public Resources			
1	Non-compliance with 30% procurement reservation for disadvantaged groups	Due to high technical nature of our business, constrained from achieving the 30% allocation to AGPO during Annual Procurement planning.	Resolved	
2	Unauthenticated employees' academic qualifications	Authentication completed.	Resolved	
	Effectiveness of Internal Controls, Risk Management & Governance			
1	Long outstanding receivables from Government and other entities	Management continues to actively engage the Government and other relevant entities to expedite the recovery of the long-outstanding receivables. Follow-up efforts are ongoing.	Not Resolved	30 June 2027
2	Delays in customer electricity connections	A total of 1572 schemes have been completed with 579 in progress. 68 schemes require action from the customer side to enable completion. Further updates to follow as we action on the pending ones.	Partially resolved	31 December 2026
3	Weaknesses in project management	Schemes have progressed. A total of 129 schemes had been commissioned, 450 have been completed pending commissioning, 180 completed but have system errors thus hindering any further action. 130 schemes are in progress while 31 require action from the customer side to enable project actualization. 6 schemes require additional funds top up, 4	Partially resolved	31 December 2026

Reference No.	Issue/Observation	Management Response	Status: (Resolved / Not Resolved)	Timeframe:
		have stalled and 1 scheme internal order has been closed. Further updates to follow as we action on the pending ones		
4	Weaknesses in electricity consumption billings	Deployed an AI based application using OCR in meter reading eliminating human errors & manual inputting data.	Partially resolved	31 December 2026
5	Network Inefficiencies			
5.1	Instabilities in the power supply network	Focus has been given on vegetation management and reinforcing the critical sub-transmission lines and the high-33kV and 11KV impact feeders.	Resolved	
5.2	Inconsistencies in electricity outage reporting	IMS Mobile was rolled out in all counties where work order allocation and resolution is happening in Mobile devices. Follow through is happening to ensure all incidences and complaints are done via IMS system. All feeder incidences are logged by System controllers.	Resolved	
6	Inefficiencies in operations at Off grid power stations operations	Procurement of generator spares and overhaul underway.	Not Resolved	30 June 2027
7	Weaknesses in management of fraud risks	Follow up on implementation of fraud cases ongoing.	Not Resolved	30 June 2027



Dr. Eng. Joseph Siror
Managing Director and CEO

THE KENYA POWER AND LIGHTING COMPANY PLC
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APPENDICES

Appendix II: Detailed breakdown of energy purchase costs by generation technology and units generated FY 2025/2026

(a) Renewable energy

The purchase costs from renewable energy sources, categorised by generation technology and power producer, were as follows:

(i) Hydro-electric

	Units GWh	Energy K Sh'000	Capacity K Sh'000	Forex K Sh'000	Steam K Sh'000	Total K Sh'000
KenGen						
Major hydros	2,339	134,710	7,963,767	581,865	-	8,680,342
Small hydros	1,152	1,430,895	-	(268)	-	1,430,627
	3,491	1,565,605	7,963,767	581,597	-	10,110,969
Independent Power Producers						
Regen-Terem	26	321,779	-	-	-	321,779
Metumi Power Plant	15	138,701	-	-	-	138,701
Gura	15	155,356	-	-	-	155,356
Hydro Project Services Peters	2	26,036	-	-	-	26,036
Power Technology Solutions Limited	1	17,739	-	-	-	17,739
Chania Power Limited	1	11,476	-	-	-	11,476
Nyakwana Power Company Limited	3	39,014	-	-	-	39,014
Imenti Tea Factory	-	-	-	-	-	-
	63	710,101	-	-	-	710,101
Hydro- electric Total	3,554	2,275,706	7,963,767	581,597	-	10,821,070

(ii) Geothermal

KenGen						
Olkaria II	709	94,682	3,164,763	213,207	-	3,472,652
Olkaria IV	1,103	1,412,364	4,132,965	373,151	2,757,587	8,676,067
Olkaria I AU (units4 & 5)	1,069	1,386,882	3,706,679	355,507	2,851,965	8,301,033
Olkaria V	1,225	1,631,887	7,645,005	97,174	-	9,374,066
Olkaria I	549	607,778	3,797,039	237,310	-	4,642,127
Eburru Hill	9	94,748	-	-	-	94,748
Wellheads	275	1,960,133	-	-	1,067,329	3,027,462
	4,939	7,188,474	22,446,451	1,276,349	6,676,881	37,588,155
Independent Power Producers						
OrPower 4 Inc	1,034	4,846,588	11,212,438	-	-	16,059,026
Socian Menangai	311	2,124,051	-	-	-	2,124,051
OrPower 22	116	757,822	-	-	-	757,822
Globeleq	20	140,863	-	-	-	140,863
GDC	-	-	-	-	1,157,460	1,157,460
	1,481	7,869,324	11,212,438	-	1,157,460	20,239,222
Geothermal Total	6,420	15,057,798	33,658,889	1,276,349	7,834,341	57,827,377

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(iii) Wind						
	Units GWh	Energy K Sh'000	Capacity K Sh'000	Forex K Sh'000	Steam K Sh'000	Total K Sh'000
KenGen						
Ngong	52	364,926	-	109,791	-	474,717
Independent Power Producers						
Lake Turkana Wind Power	1,466	17,406,564	-	-	-	17,406,564
Kipeto Energy Plc	414	6,419,141	-	-	-	6,419,141
	1,880	23,825,705	-	-	-	23,825,705
Wind Total	1,932	24,190,631	-	109,791	-	24,300,422
(iv) Solar						
Independent Power Producers						
Strathmore University	0.06	972	-	-	-	972
Selenkei Solar Farm	93	1,499,928	-	-	-	1,499,928
Cedate Solar Farm	90	1,448,548	-	-	-	1,448,548
Malindi Solar Group	98	1,592,410	-	-	-	1,592,410
Alten Kenya	111	1,781,253	-	-	-	1,781,253
	392	6,323,111	-	-	-	6,323,111
REREC Garissa Solar Plant	81	572,561	-	-	-	572,561
Solar Total	473	6,895,672	-	-	-	6,895,672
(v) Cogeneration						
Biojoule Kenya Limited	-	-	-	-	-	-
(vi) Imports						
Uganda Electricity Transmission Company Limited	322	3,767,544	-	-	-	3,767,544
Ethiopian Electricity Power Company(EEP)	1,578	13,902,830	-	-	-	13,902,830
Ethiopian Electric Utility (EEU)	7	187,462	-	-	-	187,462
TANESCO- 400Kv	7	73,109	-	-	-	73,109
Import Total	1,914	17,930,945	-	-	-	17,930,945
Total	14,293	66,350,752	41,622,656	1,967,737	7,834,341	117,775,486
Less: Recharged to RES	(1,059)					(10,150,239)
Total Power Purchase Costs from Renewable Energy Producers	13,234					107,625,247

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(b) Thermal energy

The purchase costs from thermal energy sources, categorised by power producer were as follows:

	Units GWh	Energy K Sh'000	Capacity K Sh'000	Fuel K Sh'000	Forex K Sh'000	Total K Sh'000
KenGen						
Kipevu Diesel PowerIII	452	486,378	2,361,591	7,879,208	252,146	10,979,323
Muhoroni GT	40	20,823	303,824	2,272,437	9	2,597,093
	492	507,201	2,665,415	10,151,645	252,155	13,576,416
Independent Power Producers						
Rabai Power Limited	468	706,202	3,264,868	7,859,534	-	11,830,604
Thika Power Limited	192	313,453	2,833,968	3,235,839	-	6,383,260
Iberafrica Power(E.A.) Co. Ltd	69	126,773	2,149,538	1,343,416	-	3,619,727
Gulf Power Limited	57	79,803	2,798,179	1,092,931	-	3,970,913
Triumph Power Company	31	46,491	3,531,507	547,546	-	4,125,544
	817	1,272,722	14,578,060	14,079,266	-	29,930,048
Off grid power stations	92	-	-	3,708,247	-	3,708,247
Total	1,401	1,779,923	17,243,475	27,939,158	252,155	47,214,711
Less						
Recharged to RES	(104)	-	-	-	-	(2,100,952)
Total Power Purchase Costs from Thermal Energy Producers	1,297					45,113,759

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APPENDIX III: The Program for Results (PforR) under Kenya Green and Resilient Expansion of Energy Program (GREEN Phase I) (P176698) - IDA Credit 73430 and 73440

The Green and Resilient Expansion of Energy Program (GREEN Program) is implemented under the *Program for Results (PforR)* financing arrangement between the Government of Kenya and the World Bank. The overall goal of the Program is to enhance access to affordable, reliable, and sustainable energy while strengthening the resilience and operational performance of the energy sector.

Expenditures under the GREEN Program are drawn from the approved Expenditure Framework and include eligible budget lines under the implementing entities. The expenditures are aimed at achieving the agreed results.

Name of PforR: THE KENYA GREEN AND RESILIENT EXPANSION OF ENERGY PROGRAMME - P176698				Name of Financing Partners: WORLD BANK IDA (International Development Association)			
Expenditure Details*		Adjusted Opening Cumulative for Previous Fys - 01.07.2025		Current FY 2025/26		Total Cumulative	
		Budget 'KES 000'	*Actual 'KES 000'	Budget 'KES 000'	**Actual 'KES 000'	Budget 'KES 000'	Actual 'KES 000'
Operating Costs		(a)	(b)	(c)	(d)	e = (a) + (c)	f = (b) + (d)
Power Purchase costs from Renewables							
510106 - Kengen energy purchases-Non-fuel		13,634,348.81	9,330,976	9,050,072	7,179,395	22,684,420	16,510,371
510108 - Fixed standing costs-Independent power		31,858,891.78	22,431,224	25,210,330	19,281,989	57,069,222	41,713,213
510112 - Energy purchased from Independent power		49,384,533.14	35,592,391	36,618,701	30,267,175	86,003,234	65,859,566
510118 - Kengen Capacity costs		41,322,569.61	33,768,705	31,332,712	24,924,902	72,655,282	58,693,607
510120 - Kenya power purchase steam charges		8,626,052.50	5,567,209	5,668,740	4,958,579	14,294,792	10,525,788
Sub-total		144,826,396	106,690,506	107,880,555	86,612,039	252,706,950	193,302,545
Capital Costs							
535402 - Meter Rollout		2,575,000.00	3,398,861	2,500,000	5,365,907	5,075,000	8,764,769
1152102700 - Last Mile Electrification		533,000	-	941,380	1,026,380	1,474,380	1,026,380
Subtotal		3,108,000	3,398,861	3,516,380	6,392,288	6,624,380	9,791,149
Total		147,934,396	110,089,367	111,321,935	93,004,327	259,256,330	203,093,694

* The opening balances ac have been adjusted and reported on a cash basis in accordance with the World Bank's Fiduciary Systems Assessment Guidance Note and the Financial Reporting under the Cash Basis of Accounting guidelines.

** The current financial year 2025/2026 Actuals are reported on cash basis.