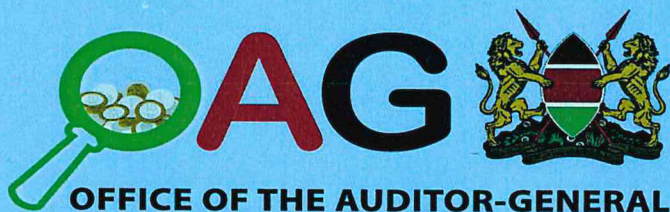


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT DATE: 01 OCT 2020	DAY: THURSDAY
TABLED BY:	Leader of the Majority Party
CLERK-AT THE TABLE:	R. K. Tugdi

THE AUDITOR-GENERAL

ON

RURAL ELECTRIFICATION SCHEME

**FOR THE YEAR ENDED
30 JUNE, 2019**

**KENYA POWER AND LIGHTING COMPANY
PLC**

THE KENYA POWER AND LIGHTING COMPANY PLC
RURAL ELECTRIFICATION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019



The Kenya Power and Lighting Company Plc - Rural Electrification Scheme
Scheme Information
For the year ended 30 June 2019

REGISTERED OFFICE	- Stima Plaza Kolobot Road P.O. Box 30099 - 00100 Nairobi
SCHEME ADMINISTRATOR	- Principal Secretary Ministry of Energy Nairobi Kenya
SCHEME MANAGER	- The Kenya Power and Lighting Company Plc Stima Plaza Kolobot Road P.O. Box 30099 - 00100 Nairobi
SCHEME COORDINATOR	- David Wainaina Acting Scheme Coordinator The Kenya Power and Lighting Company Plc Stima Plaza Kolobot Road P.O. Box 30099 - 00100 Nairobi
PRINCIPAL AUDITOR	- The Auditor General Anniversary Towers P.O. Box 30084 - 00100 Nairobi
DELEGATED AUDITOR	- PricewaterhouseCoopers Certified Public Accountants (Kenya) PwC Towers, Waiyaki Way/Chiromo Road Westlands P.O. Box 43963 - 00100 Nairobi

The Scheme Administrator submits his report together with the audited financial statements of the Rural Electrification Scheme ("RES" or "the Scheme") for the year ended 30 June 2019, which disclose the state of affairs of the Scheme.

BACKGROUND

The Rural Electrification Scheme 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.

The above agreement followed a previous agreement between the Government of Kenya and the Government of Sweden whereby Sweden agreed to finance rural electrification in Kenya with the Government of Kenya required to establish a Rural Electrification Fund. The Rural Electrification Fund was to be used to finance investments in new sub-economic rural electrification schemes and the operating losses of such schemes.

Currently, RES is funded by several donors through the Government of Kenya. Any property acquired by RES remains the property of the Government. KPLC only acts as a management agent for schemes financed by the Rural Electrification Fund, on behalf of the Government.

The Fund account is maintained by the Principal Secretary, Ministry of Energy and does not form any part of these financial statements. These financial statements only account for direct government contributions to the Scheme and contributions through KPLC on behalf of the Government.

The schemes of RES are generally referred to as sub-economic because their operational and maintenance costs exceed the revenues derived from them. This is because the activities are undertaken in the rural areas where income is low. The Government embarks on these activities to further its development plan.

At the outset of the agreement, it was stipulated that once a scheme ceases to be sub-economic, KPLC may, with consent from the Ministry of Energy, acquire the scheme for consideration as specified in the agreement. KPLC has not acquired any scheme to date.

BUSINESS REVIEW

The principal activities of the Scheme are:

- i) designing and construction of electricity lines from existing public electricity network comprising grid and isolated diesel systems;
- ii) installation of transformers and switchgears; and
- iii) service distribution to potential customers that include rural trade and production centers, social institutions, rural industries and peripheral domestic settlements.

MANAGEMENT

The Principal Secretary, Ministry of Energy is charged with the responsibility of overseeing the activities of RES and KPLC has been mandated as the management agent on behalf of the Ministry.

SCHEMES IN OPERATION

For management and administrative purposes, the Scheme is organized into counties. The following RES Schemes were in operation as at 30 June 2019:

- | | |
|--|--|
| 1. Nairobi County
Embakasi, Kasarani, Dagoretti, Ruaraka | 14. Kwale County
Msambweni, Kinango, Matunga, Lungalunga |
| 2. Marsabit County,
Marsabit, Moyale Saku, Laisamis | 15. Taita/Taveta County
Taveta, Wundanyi, Voi, Mwatate |
| 3. Mandera County,
Lafey, Bannisa, Mandera, Elwak | 16. Nakuru County
Naivasha, Rongai, Bahati, Itherero, Kinungi, Margishu, Olenguruone, Mangu, Kiamunyi Molo, |
| 4. Wajir County,
Wajir, Habasweni, Eldas, Tarbaj | 17. Nyandarua County
Kinangop, Oljororok, Kipipiri, Olkalau, Ndaragua |
| 5. Garissa County,
Garissa, Fafai, Ijara, Daadab, | 18. Narok County
Narok, Kilgoris, Nairegi-Enkare, Emurua, Dikirr |
| 6. Kiambu County
Limuru, Lari, Kikuyu, Kiambaa, Githunguri, Chura, Juja, Gatundu | 19. Samburu County
Maralal, Baragoi |
| 7. Makueni County
Makueni, Kibwezi, Kilome, Kalamba, Sultan Hamud, Mtito Andei, Kaiti | 20. Siaya County
Sawagongo, Awelo, Boro, Bondo, Ukwala, Gem, Ugunja, Ng'iya, Alego, Ugenya, Usonga, |
| 8. Machakos County
Machakos, Kathiani, Kangundo, Makutano, Konza, Changwithya, Yatta, Mavoko, Mwala, | 21. Kisumu County
Nyando, Maseno, Nyakach, Seme, Muhoroni |
| 9. Kajiado County
Kajiado, Ngong, Mashuru, Namanga, Kajiado Central, Loitoktok | 22. Homabay County
Ndhiwa, Mbita, Oyugis, Karachuonyo, Rangwe, |
| 10. Tana River County
Hola, Garsen, Galole, Bura, | 23. Migori County
Migori, Rongo, Kehancha, Suna, Uriri, Kuria |
| 11. Lamu County
Lamu, Mpeketoni, Mkowe | 24. Kisii County
Bosongo, Ogembo, Irianyi, Marani, Nyamache, Bobasi, Nyambari, Borabu |
| 12. Kilifi County
Ganze, Bura Kilifi, Magharini, Bahari, Kaloleni, Rabai, Mambrui, Malindi, Magarini, | 25. Nyamira County
Nyamira, Matutu, Ekerenyo, Manga, Chache, Bomachoge |
| 13. Mombasa County
Likoni, Kisauni, Changamwe, Jomvu, Mvita | |

SCHEMES IN OPERATION (continued)

- | | |
|---|---|
| <p>26. Bomet County
 Bomet, Buret, Chepalungu, Konoin, Sotik</p> <p>27. Kericho County
 Londiani, Belgut, Sosirot, Kipkelion, Bureti,</p> <p>28. Bungoma County
 Amagoro, Kapsokwany, Webuye,
 Kanduyi, Kimilili, Malakisi, Sirisia</p> <p>29. Busia County
 Busia, Nambale, Butula, Bunyala, Teso,
 Matayos, Funyula, Budalangi</p> <p>30. Kakamega County
 Lurambi, Lugari, Kabras, Shinyalu,
 Butere, Mumias, Ikolomani, Malava,
 Likuyani,</p> <p>31. Vihiga County
 Vihiga, Hamisi, Emuhaya, Lugulu,
 Luanda, Sabatia</p> <p>32. Nyeri County
 Kieni West, Tetu, Othaya, Mathira, Kieni
 East, Mukurueni</p> <p>33. Kirinyaga County
 Ndia, Mwea, Gichugu, Kimunye, Kirinyaga
 central</p> <p>34. Muranga County
 Makuyu, Kigumo, Kangema, Kiharu,
 Gatanga, Kandara, Maragua, Mathioya</p> <p>35. Kitui County
 Kitui, Mwingi</p> <p>36. Embu County
 Gachoka, Runyenjes, Karurumo, Siakago,
 Ishiara, Manyatta, Mbeere North</p> | <p>37. Tharaka-Nithi County
 Nithi, Tharaka, Materi, Chuka, Igamba</p> <p>38. Meru County
 Tigania, North Imenti, Central Imenti,
 Ntonyiri, Timau, South Imenti, Nkubu,
 Kanyakine, Maua, Igembe</p> <p>39. Isiolo County
 Isiolo, Garbartula, Merti</p> <p>40. Laikipia County
 Marmaret, Rumuruti, Mkongondo</p> <p>41. Baringo County
 Eldama Ravine, Tenges, Margat,
 Kabartonjo, Makutano, Kabarnet, Mogotio</p> <p>42. Elgeyo Marakwet County
 Kapsowar, Kapkenda, Chepkorio,
 Tambach, Kaptagat, Iten, Keiyo,
 Marakwet</p> <p>43. Uasin Gishu County
 Ainabkoi, Turbo, Soy, Moi's Bridge,
 Lessos, Moiben, Kesses</p> <p>44. Nandi County
 Aldai, Mosop, Tinderet, Moiben,
 Timboroa, Chesumei, Emgwen</p> <p>45. Turkana County
 Lodwar, Loima, Turkana</p> <p>46. West Pokot County
 Kapenguria, Kachiliba, Sigor, Pokot</p> <p>47. Trans Nzoia County
 Cheranganyi, Saboti, Kwanza, Kiminini,
 Endebess</p> |
|---|---|

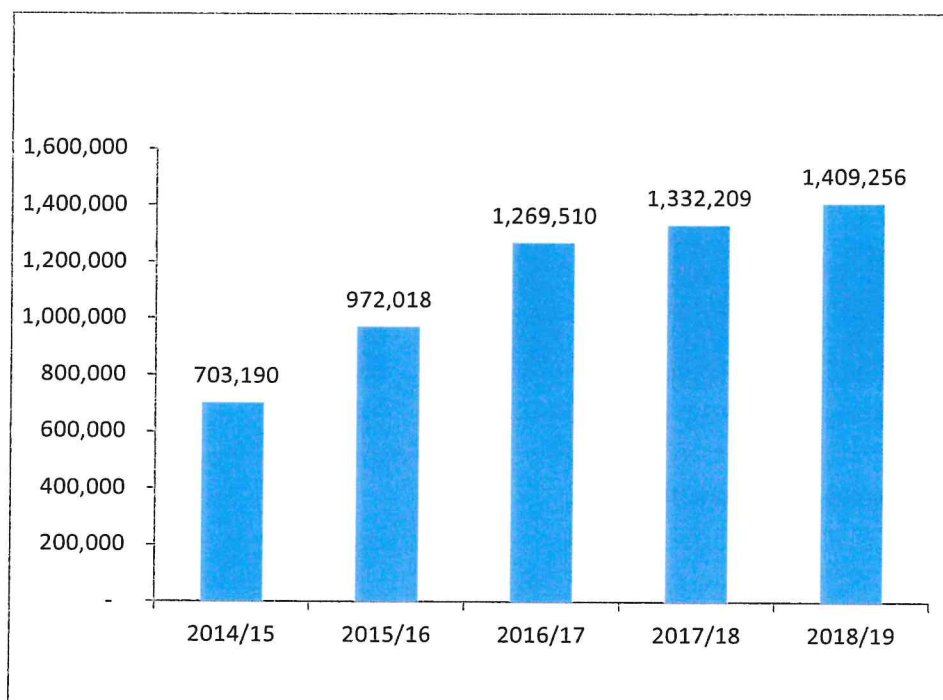
The Kenya Power and Lighting Company Plc- Rural Electrification Scheme
Report of the Scheme Administrator
For the year ended 30 June 2019

Five years financial and statistical information

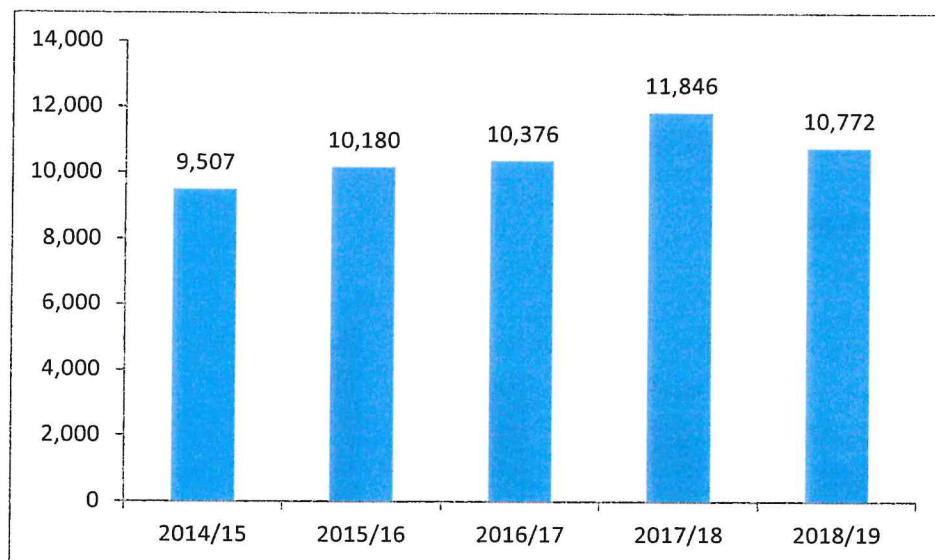
Year	2015	2016	2017	2018	2019
Units sold (GWh) Millions					
National Grid	471	497	549	565	554
Off-Grid Stations	36	30	28	33	41
Total units sold	507	527	577	598	595
Number of customers	703,190	972,018	1,269,510	1,332,209	1,409,256
% Increase in customers per year	33%	38%	31%	4.7%	5.8%
Summarised financial statements	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue	10,550,797	10,179,646	10,376,263	11,845,821	10,771,956
Operating expenses	(12,382,942)	(12,668,940)	(14,363,641)	(16,746,033)	(15,869,268)
Deficit for the year	(1,832,145)	(2,489,294)	(3,987,378)	(4,900,212)	(5,097,312)
CAPITAL EMPLOYED					
Fixed assets net of depreciation	23,356,550	23,278,656	32,302,416	42,054,470	53,792,861
Due from KPLC	643,602	817,598	3,743,116	6,106,984	5,518,654
Other receivables	1,157,368	966,977	1,454,054	893,933	3,626,080
	25,157,520	25,063,231	37,499,586	49,055,387	62,937,595
FINANCED BY					
Scheme balances	41,348,793	42,382,016	55,527,286	67,630,166	80,196,860
Accumulated deficit	(17,162,068)	(19,651,363)	(23,638,741)	(28,538,953)	(33,636,265)
Current liabilities	970,795	2,332,578	5,611,041	9,964,174	16,377,000
	25,157,520	25,063,231	37,499,586	49,055,387	62,937,595

Five years financial and statistical information (continued)

Customer base

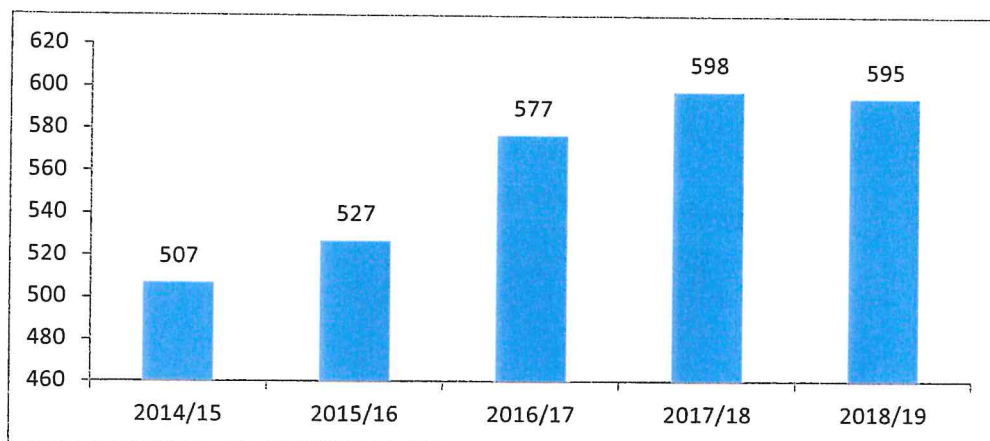


Revenue Million (Shs)

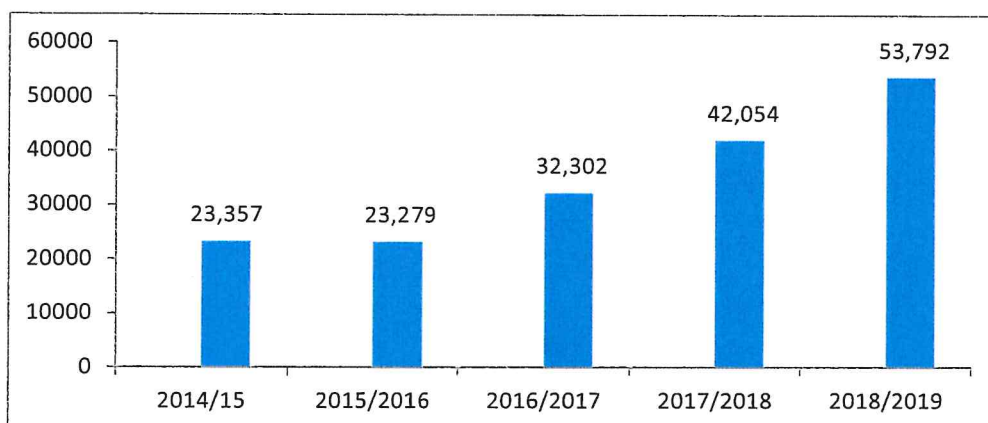


Five years financial and statistical information (continued)

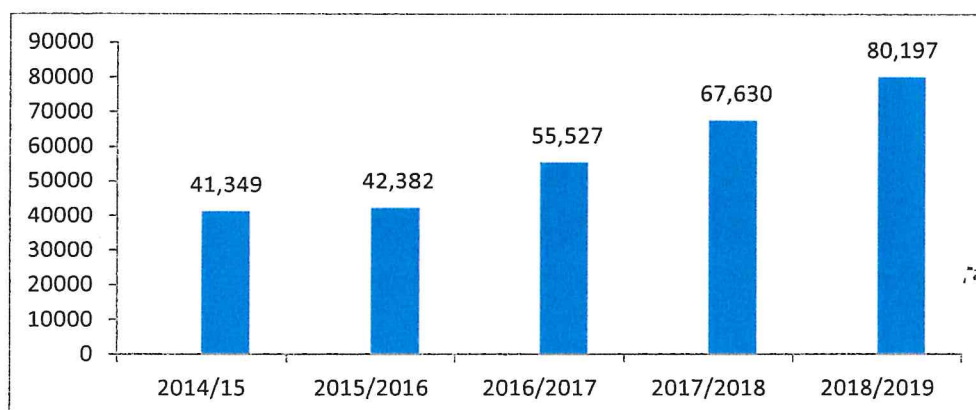
Units Sold in Million (Shs)



Fixed Assets Net of Depreciation in Millions (Shs)



Scheme Balances (Equity) in Million (Shs)



RESULTS FOR THE YEAR

	2019	2018
	Shs'000	Shs'000
Deficit for the year	5,097,312	4,900,212

PERFORMANCE REVIEW

The deficit for the year increased due to an increase in the RES network mainly through the Last Mile connectivity initiative.

CAPITAL EXPENDITURE

During the year, a total of Shs 13,048,386,000 (2018: Shs 10,971,731,000) was spent on capital works. The capital work-in progress as at 30 June 2019 amounted to Shs 29,906,293,000 (2018: Shs 17,331,333,000).

SCHEME ADMINISTRATOR

The Principal Secretary, Ministry of Energy. The position is currently held by Eng. Dr Joseph Njoroge.

SCHEME CO-ORDINATOR

David Wainaina is the Acting Scheme Coordinator.

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements only cover the Scheme's operations managed by KPLC. All cash related transactions are handled by KPLC through the intercompany current account or directly by the donor. Consequently, no statement of cash flows has been prepared under the Scheme's financial statements.

AUDITORS

The Auditor-General is responsible for the statutory audit of the Scheme's financial statements in accordance with section 35 of the Public Audit Act, 2015. Section 23 (1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, PricewaterhouseCoopers (PwC) were appointed to carry out the audit for the year ended 30 June 2019 and report to the Auditor-General.

By Order of the Scheme Administrator
Principal Secretary, Ministry of Energy

 22/4/2020

The Kenya Power and Lighting Company Plc - Rural Electrification Scheme
Statement of Scheme Administrator's and KPLC's Responsibilities
For the year ended 30 June 2019

It is the responsibility of the Scheme Administrator to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Scheme as at the end of the financial year and of its financial performance for the year then ended. Under the 1973 agreement, this responsibility was delegated to KPLC. This responsibility is based on the recommendations contained in the Mercado's report, the formula of which was adopted by KPLC Board of Directors during its meeting held on 19 August 2010 under minute No. SCS12/10.

The Scheme Administrator and KPLC are responsible for ensuring that the Scheme keeps proper accounting records that are sufficient to show and explain the transactions of the Scheme; disclose with reasonable accuracy at any time the financial position of the Scheme; and that enables them to prepare financial statements of the Scheme that comply with prescribed financial reporting standards. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Scheme Administrator and KPLC have accepted responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. 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 Scheme Administrator and KPLC have assessed the Scheme's ability to continue as a going concern and disclosed, as applicable, the matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Scheme Administrator and KPLC to indicate that the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

The Scheme Administrator and KPLC acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Scheme Administrator and KPLC on 23 April 2020 and signed on their behalf by:



Principal Secretary
Ministry of Energy



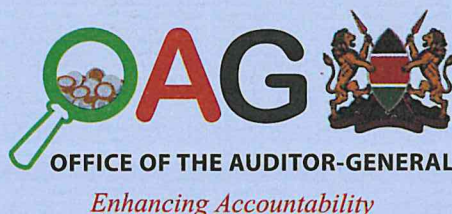
Managing Director & CEO,
The Kenya Power and Lighting Company Plc



General Manager, Finance
The Kenya Power and Lightning Company Plc

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION SCHEME FOR THE YEAR ENDED 30 JUNE, 2019 - KENYA POWER AND LIGHTING COMPANY PLC

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Rural Electrification Scheme - Kenya Power and Lighting Company PLC set out on pages 13 to 31, which comprise the statement of financial position as at 30 June, 2019, the statement of comprehensive income and statement of changes in scheme balances for the year ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Rural Electrification Scheme - Kenya Power and Lighting Company PLC as at 30 June, 2019, and of its financial performance for the year then ended, in accordance with International Financial Reporting Standards and comply with the Energy Act, 2019.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, were of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the period under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Scheme's financial reporting process, reviewing the effectiveness of Management's systems for monitoring 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

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

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

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

be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

04 September, 2020

STATEMENT OF COMPREHENSIVE INCOME


	Note	2019	2018
		Shs'000	Shs'000
Revenue			
Electricity sales	8	7,630,015	7,414,557
Fuel cost charge	8	1,780,214	2,466,055
Recoveries from KPLC	8	1,274,057	1,258,749
Foreign exchange adjustment	8	87,670	706,460
		<hr/>	<hr/>
		10,771,956	11,845,821
		<hr/>	<hr/>
Power purchase costs			
Non-fuel costs	6	5,275,835	4,564,987
Fuel costs	6	3,043,530	3,358,392
		<hr/>	<hr/>
		8,319,365	7,923,379
		<hr/>	<hr/>
Gross profit		2,452,591	3,922,442
		<hr/>	<hr/>
Net operating expenses			
Administration	7	2,388,413	4,235,043
Commercial services	7	2,344,453	1,870,180
Network management	7	2,817,037	2,717,431
		<hr/>	<hr/>
		7,549,903	8,822,654
		<hr/>	<hr/>
Operating deficit		(5,097,312)	(4,900,212)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive loss		(5,097,312)	(4,900,212)
		<hr/>	<hr/>


STATEMENT OF FINANCIAL POSITION

	Note	2019	2018
		Shs'000	Shs'000
ASSETS			
Non-current assets			
Property and equipment	13	53,792,861	42,054,470
Due from KPLC	15(d)	159,351	182,697
		<u>53,952,212</u>	<u>42,237,167</u>
Current assets			
Receivables	10	3,626,080	893,933
Due from KPLC	15(d)	5,359,303	5,924,287
		<u>8,985,383</u>	<u>6,818,220</u>
Total assets		<u>62,937,595</u>	<u>49,055,387</u>
Scheme balances and liabilities			
Scheme balances			
Government, donor and customer contributions	12	80,196,860	67,630,166
Accumulated deficit	14	(33,636,265)	(28,538,953)
Net scheme balances		<u>46,560,595</u>	<u>39,091,213</u>
Current liabilities			
Payables	11	4,663,693	612,116
Due to KPLC	15(d)	11,713,307	9,352,058
Total current liabilities		<u>16,377,000</u>	<u>9,964,174</u>
Total scheme balances and liabilities		<u>62,937,595</u>	<u>49,055,387</u>

The financial statements on pages 13 to 31 were approved for issue by the Board of Directors on 23 April 2020 and signed on its behalf by:


Principal Secretary
Ministry of Energy


Managing Director & CEO
The Kenya Power and Lighting Company Plc


General Manager, Finance

STATEMENT OF CHANGES IN SCHEME BALANCES

	Note	Government contributions Shs'000	Accumulated deficit Shs'000	Total Shs'000
Year ended 30 June 2018				
At start of year		55,527,286	(23,638,741)	31,888,545
Government, donor and customer contribution		12,102,880	-	12,102,880
Total comprehensive loss		-	(4,900,212)	(4,900,212)
At end of year		67,630,166	(28,538,953)	39,091,213
Year ended 30 June 2019				
At start of year		67,630,166	(28,538,953)	39,091,213
Government, donor and customer contribution	12	12,566,694	-	12,566,694
Total comprehensive loss		-	(5,097,312)	(5,097,312)
At end of year		80,196,860	(33,636,265)	46,560,595

NOTES

1 General information

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.

The address of the Scheme's registered office is included in page 1.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Scheme administrator and KPLC to exercise judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements are presented in Kenya Shillings thousands (Shs '000), the Scheme's Functional and Presentation currency.

Going concern

The Scheme reported a deficit of Shs 5,097,312,000 (2018: Shs 4,900,212,000) and was also in a net current liability position of Shs 7,391,617,000 (2018: Shs 3,145,954,000). However, the Scheme has significant positive net Scheme balances of Shs 46,560,595,000 (2018: Shs 39,091,213,000). The Scheme is currently funded by several donors through the Government of Kenya and the Scheme Administrator is confident this will continue in the foreseeable future.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Scheme

IFRS 9 - Financial Instruments

The Scheme adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Scheme elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments as IFRS 7 'Financial Instruments: Disclosures'.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Scheme (continued)

IFRS 9 - Financial Instruments (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Scheme's financial assets as at 1 July 2018:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Receivables	Loans and receivables	Amortised cost
Due from KPLC	Loans and receivables	Amortised cost

This standard did not have a significant impact on these financial statements on the transition date.

IFRS 15 – Revenue from contracts with customers

The Scheme adopted this standard on 1 July 2018. The standard sets out the requirements for recognising revenue that applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments. The core principle of the standard is that revenue recognised reflects the consideration to which the Scheme expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The Scheme identified and reviewed the contracts with customers that are within the scope of this standard and concluded that the adoption of IFRS 15 did not materially impact the Scheme's revenue recognition criteria and there were therefore no transition adjustments required.

(ii) New standards and interpretations not yet adopted

IFRS 16 Leases

The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 in 2020 will require right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Scheme is the lessee. Based on the Scheme Administrator's and KPLC's preliminary assessment, the standard will not result into a material impact on the financial statements of the Scheme.

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Scheme.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable taking into account contractually defined terms of payment and net of Value Added Tax and other Government levies. The following specific recognition criteria must be met before revenue is recognised:

(i) Electricity sales

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. 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 Scheme recovers fuel costs from customers in line with the gazetted tariffs. The amounts are billed to customers in the subsequent month as a charge per KWh after approval by the Energy and Petroleum Regulatory Authority.

(iii) Foreign exchange adjustment

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognised and charged to the consumers of power to recover the losses in the foreign exchange rates. The net foreign currency costs are passed on to the customers as a charge per KWh, which is approved each month by the EPRA.

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the EPRA's target loss factor in transmission and distribution.

(iv) Recoveries from KPLC

The electricity tariff rates billed to KPLC customers include a portion of revenue that goes towards funding the Scheme's activities. This is normally collected from KPLC customers and remitted to the Scheme.

(c) Power purchase costs

Power purchase costs comprise the actual costs of the isolated power stations operated by the Scheme. In addition, KPLC power purchase costs are apportioned to the Scheme based on units purchased by the Scheme's customers.

(i) Non-fuel costs

These include capacity charges, energy cost and steam charges.

(ii) Fuel costs

These comprise the cost of fuel incurred in the generation of electricity and invoiced by suppliers.

NOTES (Continued)

2 Summary of significant accounting policies (continued)

(d) Net operating expenses

The Scheme's expenses are computed as a percentage of KPLC costs based on the provisions contained in the 1973 agreement between KPLC and the Government of Kenya and the Mercados report of 2008. The main expenditure categories are:

Administrative expense – The expense relates to costs directly incurred by the Scheme such as depreciation, audit fees and provision for doubtful debt.

Commercial expenses – The expense is calculated as a proportion of RES metered customers to total number of metered customers countrywide.

Network management – The expense is calculated based on 2% and 4% of the total high voltage and low voltage assets, respectively, in the books of the Scheme and Rural Electrification and Renewable Energy Commission at the close of the financial year.

(e) Funding

Currently, the Scheme is funded by several donors through the Government of Kenya. Any property acquired by the Scheme remains the property of the Government. KPLC only acts as a management agent on behalf of the Government. Movements in the Government contributions account are accounted for in the statement of changes in Scheme balances. Contributions are accounted for on a receipts basis, either in cash or kind, where contributions in kind relate to capital costs contributed directly to the Scheme by a sponsor.

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the asset and are included in the operating surplus or loss.

In calculating depreciation, the cost of property and equipment is written down to residual values by equal annual installments over their expected useful lives. The annual depreciation rates are as follows:

Buildings	The greater of 2% and the unexpired period of the lease
Distribution lines	2.5 – 20%
Furniture, equipment & fittings	6.66 – 20%
Computer equipment	30%
Motor vehicles	25%

Capital work in progress

Capital work-in-progress is included under property and equipment and comprises costs incurred on ongoing capital works. The ongoing works are for the Last Mile electrification program funded directly by The Government of Kenya and by the donors. These costs include material, transport and labour costs incurred.

NOTES (Continued)

2 Summary of significant accounting policies (continued)

(g) Foreign currency

The financial statements are presented in Kenya shillings, which is the Scheme's Functional and Presentation currency. Transactions in foreign currencies are initially recognized at amounts arrived at using the Functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the Functional currency using the 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 surplus or deficit for the year.

(h) Financial instruments

Financial assets

Trade receivables

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.

Impairment of financial assets

The Scheme assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 Scheme 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 Scheme'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 Scheme 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 Scheme measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

NOTES (Continued)

2 Summary of significant accounting policies (continued)

(h) Financial Instruments (continued)

Impairment of financial assets (continued)

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 Scheme 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 Scheme 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 Scheme 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 Scheme, in full (without taking into account any collateral held by the Scheme).

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

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

(iii) Measurement and recognition of expected credit losses

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

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

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

The Scheme 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.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(h) Financial Instruments (continued)

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.

(i) Payables

Payables are stated at their nominal value.

(j) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Scheme's accounting policies, which are described in note 2 above, the Scheme Administrator and KPLC are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

There are no significant judgements applied by the Scheme Administrator and KPLC in applying the Scheme's accounting policies.

NOTES (Continued)

4 Financial risk management objectives and policies

The Scheme's activities expose it to a variety of financial risks; liquidity, market and operational risks.

The principal financial instruments comprise receivables and payables. These instruments arise directly from its operations. The Scheme does not enter into derivative transactions. The Scheme Administrator has overall responsibility for the establishment and oversight of the Schemes' risk management framework.

i) *Market risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Scheme is not exposed to interest rate risks as it has no borrowings or cash and cash equivalents.

Foreign Currency exchange risk

Foreign exchange risk arises from recognized financial assets and liabilities. The Scheme operates wholly within Kenya and its assets and liabilities are denominated in Kenya shillings. The Scheme has limited transactions in foreign currency. The Scheme Administrator believes there is minimal risk of significant losses due to exchange rate fluctuations.

ii) *Credit risk*

The Scheme has exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when they fall due. Credit risk arises mainly from trade receivables. The exposure to credit risk is monitored on an ongoing basis to ensure that the Scheme's exposure to bad debts is minimised.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is analysed as follows:

	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
At 30 June 2019				
Electricity receivables and last mile debtors	3,626,080	-	2,814,637	6,440,717
At 30 June 2018				
Electricity receivables and last mile debtors	893,933	-	2,940,397	3,834,330

NOTES (Continued)

4 Financial risk management objectives and policies (continued)

ii) Credit risk (continued)

The customers under the fully performing categories are paying their debts as they fall due. Past due amounts are those beyond the established credit period. Past due receivable balances continue to be serviced even though this is not done on contractual dates and the Scheme through KPLC (the managing agent) follows up these receivables.

Customer deposits collateral held by the Scheme as security amounted to Shs 1,524,643,000 (2018: Shs 185,474,000).

iii) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. The Scheme is fully funded by the Government and donor agencies and therefore faces minimal liquidity exposure.

The Scheme's financial liabilities disclosed under Note 11 are all due within one year based on the remaining period using 30 June 2019 as the base period to the contractual maturity date

iv) Fund management

The primary objective of the Scheme's fund management is to ensure that it is able to implement projects as they are projected and in line with the Government policy on rural electrification. To achieve this, the Scheme's Administrator ensures that all costs allocation is done as per Mercados report. Any excess losses are recovered from the Government.

5 Taxation

The Scheme is exempt from taxation on all its income for the purposes of these financial statements since the Scheme plus other schemes under the Ministry of Energy are consolidated and reported as one consolidated Scheme.

6 Power purchase costs	2019 Shs'000	2018 Shs'000
Non fuel costs:		
Recharge from KPLC	4,874,113	4,322,804
Off-grid costs	301,722	342,183
Government subsidy	100,000	(100,000)
	<hr/>	<hr/>
	5,275,835	4,564,987
	<hr/>	<hr/>
Fuel costs:		
Recharge from KPLC	3,043,530	3,358,392
	<hr/>	<hr/>
	8,319,365	7,923,379
	<hr/>	<hr/>

NOTES (continued)

7 Net operating expenses	2019 Shs'000	2018 Shs'000
<i>(a) Administration</i>		
(Decrease)/Increase in expected credit losses	(123,099)	2,010,933
Depreciation	1,309,994	1,219,678
Non-meter reading and billing (recharge from KPLC)	1,197,704	1,000,834
Auditor remuneration	3,814	3,598
	<u>2,388,413</u>	<u>4,235,043</u>
<i>(b) Commercial services</i>		
Recharge from KPLC: Meter reading and billing	2,344,453	1,870,180
	<u>2,344,453</u>	<u>1,870,180</u>
<i>(c) Network management expenses</i>		
Recharge from KPLC: HV Lines-costs	1,190,278	1,146,765
LV Lines-costs	1,626,759	1,570,666
	<u>2,817,037</u>	<u>2,717,431</u>

8 Recharges from KPLC

The Scheme continued to be managed by the KPLC on behalf of the Government of Kenya.

	2019 Shs'000	2018 Shs'000
Revenue allocation		
Tariff	7,630,015	7,414,557
Fuel	1,780,214	2,466,055
Forex	87,670	706,460
Recoveries from KPLC*	1,274,057	1,258,749
	<u>10,771,956</u>	<u>11,845,821</u>

*Included in the electricity tariff to KPLC customers is an amount that goes towards funding the Scheme's activities. This amount represents collection from KPLC customers.

NOTES (continued)

8 Recharges from KPLC (continued)

	2019	2018
	Shs'000	Shs'000
Cost allocation		
Power purchase costs	8,319,365	7,923,379
Net operating expenses	6,359,195	5,588,495
	<hr/>	<hr/>
	14,678,560	13,511,874
	<hr/>	<hr/>

9 Capital commitments

Net capital commitments on the various incomplete schemes	25,406,777	24,702,583
	<hr/>	<hr/>

10 Receivables

Electricity receivables	3,813,911	3,820,909
Expected credit losses	(2,814,637)	(2,940,397)
Net electricity receivables	<hr/> 999,274	<hr/> 880,512
VAT recoverable	21,041	13,421
Last Mile Pre-paid debtors	2,605,765	-
	<hr/>	<hr/>
	3,626,080	893,933
	<hr/>	<hr/>

Movements in the expected credit were as follows

At start of year	(2,940,397)	(929,465)
Decrease/(Increase) in provision for bad debts	152,048	(2,008,272)
Bad debts written off	(26,288)	(2,660)
	<hr/>	<hr/>
At end of year	(2,814,637)	(2,940,397)
	<hr/>	<hr/>

11 Payables

Customer deposits	1,524,643	185,475
Customer credit balances	405,261	355,109
Other deposits	110,282	46,573
Other payables	13,703	21,098
Audit fees	4,244	3,861
Last Mile Pre-Paid Creditors	<hr/> 2,605,560	<hr/> -
	4,663,693	612,116
	<hr/>	<hr/>

NOTES (continued)

12 Government, donor and customer contribution–cumulative

	2019 Shs'000	2018 Shs'000
Direct government contributions	34,626,121	34,594,224
Government Contribution – Last mile	12,560,837	11,418,337
African Development Bank Contribution – Last Mile	10,925,618	8,568,841
Spanish credit programme	3,269,502	3,269,502
World Bank Kemp IDA Last Mile	7,958,684	3,580,403
African Development Bank Contribution II – Last Mile	6,137,893	1,508,417
Nordic Development Bank-NDF Solar Lanterns	155,151	127,387
KPLC (2% contribution)	1,901,057	1,901,057
French credit programme	842,419	842,419
Interest on CIDA transmission lines loan	470,900	470,900
CIDA Kipevu Rehabilitation*	68,000	68,000
Token capital contributions	368,043	368,043
Finnish materials grant	269,808	269,808
Interest on Finnish loan	31,396	31,396
Stabex Development funds	266,893	266,893
Danish materials grant	155,306	155,306
SIDA material grant**	66,838	66,838
Overseas Development Agency	48,335	48,335
NCCK Project IV***	34,974	34,975
Norwegian material grant	25,733	25,733
Canadian material grant	13,352	13,352
	80,196,860	67,630,166
At start of year	67,630,166	55,527,286
New contribution	12,566,694	12,102,880
At end of year	80,196,860	67,630,166

Government contributions comprise the funds either in cash or in materials that the government releases to the Scheme to fund the rural electrification programme. Contributions to the Scheme are not regarded as revenue since the Scheme is a program of the Government and hence the Government invests its own resources to fund the rural electrification activities.

Contributions are accounted for on a receipt basis, either in cash or kind, where contributions in kind relate to capital costs contributed directly to the Scheme by a sponsor. These are accounted for through Scheme balances.

* CIDA – Canadian International Development Agency

**SIDA – Swedish International Development Agency

***NCCK – National Council of Churches of Kenya

NOTES (continued)

13 Property and equipment

	Land and buildings	Distribution lines	Furniture and equipment	Motor vehicles	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost						
At 1 July 2017	52,581	30,907,422	489,481	43,947	9,959,937	41,453,368
Work in progress additions	-	-	-	-	10,971,731	10,971,731
Transfer from work in progress	-	3,600,335	-	-	(3,600,335)	-
At 30 June 2018	52,581	34,507,757	489,481	43,947	17,331,333	52,425,099
Depreciation						
At 1 July 2017	45,521	8,727,695	374,440	3,296	-	9,150,952
Charge for the year	427	1,186,587	22,775	9,888	-	1,219,678
At 30 June 2018	45,948	9,914,282	397,216	13,184	-	10,370,630
Net Book Value at 30 June 2018	6,633	24,593,475	92,265	30,763	17,331,333	42,054,470
Cost						
At 1 July 2018	52,581	34,507,757	489,481	43,947	17,331,333	52,425,099
Work in progress additions	-	-	-	-	13,048,386	13,048,386
Transfer from work in progress	-	473,426	-	-	(473,426)	-
At 30 June 2019	52,581	34,981,183	489,481	43,947	29,906,293	65,473,485
Depreciation						
At 1 July 2018	45,948	9,914,282	397,216	13,184	-	10,370,630
Charge for the year	427	1,276,903	22,776	9,888	-	1,309,994
At 30 June 2019	46,375	11,191,185	419,992	23,072	-	11,680,624
Net Book Value at 30 June 2019	6,206	23,789,998	69,489	20,875	29,906,293	53,792,861

NOTES (continued)

14 Accumulated deficit

	Accumulated recoverable deficit- government Shs'000	Accumulated irrecoverable deficit Shs'000	Accumulated recoverable deficit-Tariff Shs'000	Total Shs'000
Year ended 30 June 2018				
At start of year	9,259,607	9,150,952	5,228,182	23,638,741
Depreciation charge for the year	-	1,219,678	(1,219,678)	-
Total comprehensive loss	-	-	4,900,212	4,900,212
At end of year	9,259,607	10,370,630	8,908,716	28,538,953
Year ended 30 June 2019				
At start of year	9,259,607	10,370,630	8,908,716	28,538,953
Depreciation charge for the year	-	1,309,994	(1,309,994)	-
Total comprehensive loss	-	-	5,097,312	5,097,312
At end of year	9,259,607	11,680,624	12,696,034	33,636,265

- (i) Recoverable deficit – Government comprises all expenditure net of revenue recoverable from the Government of Kenya under the previous cost recovery formula prior to 30th June 2008.
- (iii) Irrecoverable deficit comprises depreciation charged on the Scheme assets and is only recoverable when the respective asset is disposed. The amount relates to accumulated depreciation since 30 June 2008 before the Mercados calculated costs formula came into effect.
- (iv) Recoverable deficit – tariff charges comprises all expenditure net of revenue recoverable if the actual operation and maintenance costs for RES exceed the current available revenue as a result of the accelerated rural electrification programme.

NOTES (continued)

15 Related party disclosures

During the year, the following transactions were carried out with related parties:

(a) The Scheme had no individually significant transactions carried out on non-market terms.

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

	2019	2018
	Shs'000	Shs'000
(i) Government of Kenya Contributions	1,174,397	4,745,727
(ii) World Bank Kemp IDA Last Mile	4,378,281	3,580,403
(iii) AfDB Last Mile- Contributions	2,356,777	2,867,661
(iv) AfDB II Last mile- Contributions	4,629,476	1,508,417
(v) Nordic Development Bank- NDF Solar	27,763	127,387
(vi) MoE receipts for repairs in Marsabit Power	-	100,000
	<hr/>	<hr/>
	12,566,694	12,929,595
	<hr/>	<hr/>
(c) Transactions with KPLC during the year		
Power Purchase	8,319,365	7,923,379
Administration and Customer service	3,542,157	5,588,445
Operating Expenses	2,817,037	2,717,430
	<hr/>	<hr/>
	14,678,559	13,511,874
	<hr/>	<hr/>
Revenue and recoveries from KPLC	1,274,057	1,258,749
	<hr/>	<hr/>

- (i) Government of Kenya contributions comprise the amount of funds provided directly by the Government to fund the Scheme's activities in the year.
- (ii) These are contributions by World Bank KEMP IDA towards the Last Mile Electrification Program based on a Grant signed between the Government of Kenya and KPLC dated June 29, 2015.
- (iii) These are contributions by The African Development Bank (AfDB) I towards the Last Mile Electrification Program based on a loan signed between the Republic of Kenya and the African Development Fund. The loan is to be repaid by the Government of Kenya after a 5 years grace period dated Dec 18, 2014.
- (iv) These are contributions by The African Development Bank (AfDB) II towards the Last Mile Electrification Program based on a loan signed between the Republic of Kenya and the African Development Bank. The loan is to be repaid by the Government of Kenya after a 5year grace period dated Oct 17, 2016.
- (v) These are contributions by Nordic Development Bank - NDF towards the supply, installation and commissioning of solar lanterns in arid and semi-arid areas on a Grant signed between the Government of Kenya and Nordic Development Fund dated Oct 06, 2012.

NOTES (continued)

15 Related party disclosures

(d) Recording of transfers from other government entities

Name of transferring funds	Donor the bank statement	Date as per bank statement	Nature	Total amount	Capital fund	Total transfers
				Shs'000	Shs'000	Shs'000
MoE*		03.07.2018	Last Mile	692,500	692,500	692,500
MoE*		23.10.2018	Last Mile	200,000	200,000	200,000
			Grid Extension	31,897	31,897	31,897
MoE*		07.01.2019	Last Mile	200,000	200,000	200,000
MoE*		13.03.2019	Last Mile	50,000	50,000	50,000
AfDB I		Various	Donor Last Mile	2,356,777	2,356,777	2,356,777
AfDB II				4,629,476	4,629,476	4,629,476
World Bank Kemp IDA				4,378,281	4,378,281	4,378,281
Nordic Development Bank NDF			Solar Lanterns	27,763	27,763	27,763
Total				12,566,694	12,566,694	12,566,694

*MoE – Ministry of Energy

An amount of Shs 150,000,000 for 2018/2019 financial year was received by KPLC from the Government of Kenya on 2nd July 2019 on account of last mile connectivity Program.

(e) Outstanding balances with The Kenya Power and Lighting Company Plc:

	2019 Shs'000	2018 Shs'000
Due from KPLC		
KPLC current account	159,351	182,697
KPLC current account – Last Mile GOK	4,902,232	5,839,520
KPLC current account – Last Mile AfDB II	1,203	20,549
KPLC current account World Bank Kemp IDA Last Mile	455,868	64,218
	5,518,654	6,106,984
Due to KPLC		
KPLC current account – Rural Electrification Authority	248,564	248,564
KPLC Inter-company	11,464,743	9,103,494
	11,713,307	9,352,058

The 'due from KPLC' balance represents the amount received by KPLC for execution of the Schemes activities. The due to KPLC balance represents amounts owed to KPLC on account of the Scheme's activities executed on its behalf.