THE KENYA POWER AND LIGHTING COMPANY LIMITED
TRADING RESULTS FOR THE YEAR ENDED 30TH JUNE 2015

Kenya Power

The Directors of the Kenya Power and Lighting Company Limited announce the audited financial results of the Company for the year ended 30th June 2015 as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	2015 KShs. Million	2014 (Restated) KShs. Million
Revenue		
Non-fuel revenue	77,836	62,597
Foreign exchange losses recovered		
- Power purchase	2,820	3,008
- KPLC operations	524	1,414
Fuel cost recovery	25,584	38,377
	106,764	**105,396**
Power Purchases Costs		
Non fuel	44,460	30,659
Fuel costs	25,835	38,973
Foreign exchange	2,820	3,008
Total power purchase costs	**73,115**	**72,640**
Gross Margin	**33,649**	**32,756**
Other revenue	6,406	4,914
Transmission & distribution costs	(24,217)	(22,749)
Operating Profit	**15,838**	**14,921**
Interest income	1,381	104
Finance costs	(4,965)	(4,009)
Profit before tax	**12,254**	**11,016**
Income tax expense	(4,822)	(4,021)
Profit after tax	**7,432**	**6,995**
Other Comprehensive Income:		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit asset	356	1,414
Deferred tax relating to re-measurement of net defined benefit asset	(107)	(424)
Other comprehensive income	249	990
Total Comprehensive Income for the year	**7,681**	**7,985**
Earnings per share	**KShs. 3.81**	**KShs. 3.58**
Diluted earnings per share	**KShs. 3.81**	**KShs. 3.58**
Dividend per share	**KShs. 0.50**	**KShs. 0.50**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	2015 KShs. Million	2014 (Restated) KShs. Million
Non-Current Assets		
Land, property and equipment	197,852	164,256
Net retirement benefit asset	6,414	5,442
Recoverable foreign exchange adjustment	5,165	710
	209,431	**170,408**
Working Capital		
Current assets	66,062	50,519
Current liabilities	(40,198)	(48,848)
Net working capital	**25,864**	**1,671**
Total net assets	**235,295**	**172,079**
Shareholders' equity	61,449	54,744
Non-current liabilities	151,833	98,654
Deferred income	22,013	18,681
Total equity and non-current liabilities	**235,295**	**172,079**

Prior year restatement relates to change in the accounting policy for treatment of unrealised foreign currency exchange differences arising on retranslation of foreign currency denominated borrowings at the reporting date. Previously, due to immateriality of the amounts involved, the unrealised exchange differences were recognised through the statement of comprehensive income as an expense instead of the same being deferred until recovered from electricity customers. The electricity tariff allows the Company to bill and recover all qualifying realised foreign exchange fluctuations relative to the base rates approved by the Energy Regulatory Commission.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	2015 KShs. Million	2014 KShs. Million
Cash generated from operating activities	27,610	19,273
Net cash used in investing activities	(40,089)	(27,951)
Net cash used in financing activities	34,101	17,384
Increase in cash and cash equivalents	21,622	8,706
Cash and cash equivalents at beginning of year	6,609	(2,097)
Cash and cash equivalents at close of year	**28,231**	**6,609**

PERFORMANCE OVERVIEW

Trading Performance

During the year under review, the net profit before tax increased to Shs.12,254 million from Shs.11,016 million in the previous year. The rise is mainly attributed to increased sales, economic growth experienced in the country and tariff review which became effective from 1st December 2013.

Electricity sales grew by 5.0% from 6,790 million units the previous year, to 7,130 million units in the period under review. This, combined with the implementation of the second phase of the tariff calendar period in July 2014 and improved distribution efficiency, led to a 24.3% increase in sales revenue, from Shs.62,597 million the previous year to Shs.77,836 million.

The power purchase cost (excluding fuel cost and foreign exchange) increased by Shs.13,801 million from Shs.30,659 million the previous year, to Shs.44,460 million. The rise is attributable to additional capacity charges by KenGen and Independent Power Producers for new power plants, and the increase in energy charges as a result of growth in unit purchases from 8,254 GWh the previous year to 8,629 GWh, an increase of 4.5%.

The fuel cost dropped by Shs.13,138 million (or 33.7%) from Shs.38,973 million the previous year to Shs.25,835 million due to more usage of geothermal enegy as result of two additional plants which became operational during the year. The units generated from thermal plants decreased by 994 GWh or 35.7%, from 2,786 GWh the previous year to 1,792 GWh.

In addition, transmission and distribution expenditure increased from Shs.22,749 million incurred the previous year to Shs.24,217 million. The increase is mainly as a result of expansion of the Company's electricity network, implementation of power upgrade projects to improve the quality of service to customers and operational expenses in line with growth of the business in general. Depreciation charges also increased by Shs.1,146 million due to growth in capital investment.

Finance costs, foreign exchange gains and interest income

During the year under review, finance costs increased from Shs.4,009 million the previous year to Shs.4,965 million due to higher financing costs. These costs were as a result of additional medium and short term loans taken to supplement internally generated funds to finance network expansion and implement system reinforcement projects. As a result of these significant network improvement activities, our fixed assets grew by Shs.40 billion during the year under review.

Finance income amounted to Shs.1,381 million during the year compared to Shs.104 million realised the previous period due to increased bank balances.

Profit

The Company recorded a profit before tax of Shs.12,254 million compared to Shs.11,016 million the previous year. The net profit after tax was Shs.7,432 million compared to Shs.6,995 million the previous year after taking into account a tax charge of Shs.4,822 million.

Dividend

The Directors recommend that in addition to the interim dividend of Shs.0.20 paid for half year, a final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2015, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 22nd December 2015. This amounts to a total dividend of Shs.0.50 per share (previous year: Shs.0.50). If approved, the dividend will be paid on or about 29th February 2016. The register of shareholders will be closed for one day on 23rd December 2015.

Annual General Meeting

The ninety- fourth Annual General Meeting of the Company is scheduled to be held on Tuesday, 22nd December 2015 at 11 a.m. at Safari Park Hotel, Thika Road, Nairobi.

Future Outlook

The Company is on the right path to greater prosperity with numerous opportunities for business growth and expansion supported by bright economic growth prospects. We recognise that availability of adequate, reliable and competitively priced electricity is key in enhancing the country's attractiveness to investors. In this regard, in conjunction with our partners in the sector, we are investing heavily in projects aimed at providing adequate generation, transmission and distribution capacity. Towards this, we have mobilised resources to accelerate focused implementation of network upgrade projects including fixing the existing network through our Boresha Umeme programme, completion of the ongoing substation projects across the country to enhance system capacity for new connections as well as improve the quality and reliability of power supply. In addition, we have commenced implementation of the Last Mile Connectivity project to support our one million customer connections annual target and realise the government's goal of achieving 70% electricity access by 2017.

As we move into the future, we will remain focused on strategies that enable us take advantage of emerging opportunities for business growth and sustainability. Our immediate focus will be in four priority areas: system expansion, network upgrade, customer connectivity and loss reduction. In particular, we will fast-track the implementation of ongoing and planned substation projects and upgrade the existing network to provide capacity for the growing number of customers as well as adopt strategies to improve system efficiency. These strategies present opportunities to further grow our business and increase shareholder value.

Appreciation

I wish to thank the Board of Directors for their strategic support and guidance, and our employees for their dedicated service throughout the year. We are confident that with the continued support from our Board of Directors and other business partners in the implementation of these strategies, we shall achieve our overall goal of providing quality electricity and service to our customers, and the country at large.

BY ORDER OF THE BOARD

DR BEN CHUMO, OGW
MANAGING DIRECTOR & CEO

29th October 2015