Kenya Power

THE KENYA POWER AND LIGHTING COMPANY LIMITED
TRADING RESULTS FOR THE YEAR ENDED 30THJUNE 2014

The Directors of the Kenya Power & Lighting Company Limited announce the Audited Financial Results of the Company for the Year Ended 30th June 2014 as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013 (Restated)
	KShs. Million	**KShs. Million**
Revenue		
Non-fuel revenue	62,597	47,916
Foreign exchange losses recovered		
- Power purchase	3,008	5,120
- KPLC operations	1,414	4,102
Fuel cost recovery	38,377	31,771
	105,396	**88,909**
Power Purchase Costs		
Non-fuel	30,659	24,761
Fuel costs	38,973	32,297
Foreign exchange	3,008	5,120
Total power purchase costs	**72,640**	**62,178**
Gross Margin	**32,756**	**26,731**
Other revenue	4,914	3,192
Transmission & distribution costs	(22,683)	(20,984)
Operating Profit	**14,987**	**8,939**
Interest income	104	111
Finance costs	(4,009)	(2,495)
Net foreign exchange (losses)/gains	(884)	15
Profit before tax	**10,198**	**6,570**
Income tax expense	(3,742)	(3,125)
Profit after tax	**6,456**	**3,445**
Other Comprehensive Income:		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit asset	1,414	1,628
Deferred tax relating to re-measurement of net defined benefit asset	(424)	(488)
	990	1,140
Items that may be reclassified subsequently to profit or loss		
Cumulative fair value loss reclassified to equity on disposal of available for sale treasury bonds	-	127
Other comprehensive income	990	1,267
Total Comprehensive Income for the year	**7,446**	**4,712**
Earnings per share	**Shs.3.31**	**Shs.1.76**
Diluted earnings per share	**Shs.3.31**	**Shs.1.76**
Dividend per share	**Shs.0.50**	**Nil**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	2014	2013 (Restated)	2012 (Restated)
Non-Current Assets	**KShs. M**	**KShs. M**	**KShs. M**
Land, property and equipment	164,255	142,833	105,973
Net retirement benefit asset	5,442	3,651	1,877
	169,697	**146,484**	**107,850**
Working Capital			
Current assets	50,412	37,728	28,159
Current liabilities	(48,848)	(38,875)	(31,383)
Net working capital	**1,564**	**(1,147)**	**(3,224)**
Total net assets	**171,261**	**145,337**	**104,626**
Shareholders' equity	54,205	47,150	43,023
Non-current liabilities	98,375	82,100	49,241
Deferred income	18,681	16,087	12,362
Total equity and non-current liabilities	**171,261**	**145,337**	**104,626**

Prior year restatement relates to the adoption of the International Accounting Standard (IAS 19) which changed the accounting treatment for the defined benefit plans and termination benefits and this became effective for annual periods beginning on or after 1 January 2013. All actuarial gains and losses are recognized immediately through other comprehensive income statement in order to reflect the full value of the plan deficit or surplus.

The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. Consequently, the Company has presented the statement of financial position as at the beginning of the preceding period (1 July 2012), in line with IAS 1.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	KShs. M	**KShs. M**
Cash generated from operating activities	19,339	15,906
Net Cash used in investing activities	(27,951)	(42,684)
Net Cash used in financing activities	17,318	23,881
Increase/(decrease) in cash and cash equivalents	8,706	(2,897)
Cash and cash equivalents at beginning of year	(2,097)	800
Cash and cash equivalents at close of year	**6,609**	**(2,097)**

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TRADING RESULTS FOR THE YEAR ENDED 30TH JUNE 2014 (CONTINUED)

PERFORMANCE OVERVIEW

Trading Performance

During the year under review, the net profit before tax increased to Shs.10,198 million from Shs.6,570 million in the previous year. The rise is mainly attributed to increased sales, tariff review and enhanced system effeciency.

Electricity sales grew by 9.8% from 6,184 million units the previous year, to 6,789 million units in the period under review. This, combined with improved average yield, led to a 30.6% increase in sales revenue, from Shs.47,916 million the previous year to Shs.62,597 million.

Tariff yield was intended to meet additional purchase costs which increased from Shs.24,761 million the previous year, to Shs.30,659 million (excluding fuel costs and foreign exchange surcharge). This increase is attributed to additional generation capacity charges and increase in energy charges resulting from the rise in unit purchases from 7,562 GWh the previous year to 8,254 GWh, an increase of 9.2%.

Although the fuel cost recoveries grew from Shs.31,771 million the previous year to Shs.38,377 million during the year, the average unit cost dropped from 16.48 to 15.38, attributable to decline in fuel prices during the year.

In addition, transmission and distribution expenditure increased from Shs.20,984 million incurred the previous year to Shs.22,683 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.1,165 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.2,495 million the previous year to Shs.4,009 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.23 billion during the year under review.

The exchange loss on loans for completed projects and the dollar deposit accounts during the year was Shs.884 million compared to a gain of Shs.15 million in the previous year due to the unfavorable exchange rate of the Shilling against the Dollar and Euro in the current year compared to the previous year.

Finance income amounted to Shs.104 million during the year compared to Shs.111 million realized the previous period due to reduced bank balances.

Profit

The Company recorded a profit before tax of Shs.10,198 million compared to Shs.6,570 million the previous year. The net profit after tax was Shs.6,456 million compared to Shs.3,445 million the previous year, after taking into account a tax charge of Shs.3,742 million.

Dividend

The Directors recommend that in addition to the interim dividend of Shs.0.20 paid earlier, a final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2014, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 19th December 2014. This amounts to a total dividend of Shs.0.50 per share (previous year - nil). If approved, the dividend will be paid on or about 27th February 2015. The register of members will be closed for one day on 22nd December 2014.

Annual General Meeting

The ninety-third Annual General Meeting of the Company is scheduled to be held on Friday, 19th December 2014 at 11 a.m. at Safari Park Hotel, Thika Road, Nairobi.

Future Outlook

A robust and expanded network is a critical pre-requisite for off-take and distribution of the 5000+ MW additional generation capacity expected over the next three years to serve the growing economy. The Company will continue to pursue strategies aimed at improving the reliability and quality of power supply as well as expansion of the customer base. These strategies are crucial for transformative and sustainable growth of our business while enabling the country to achieve its social and economic goals.

The Company has set an ambitious target to connect one million customers in the current financial year as part of our growth strategy and in line with the Government's plan to achieve over 70% electricity access by 2020. This high rate of connectivity will be sustained in the subsequent years and will grow our customer numbers exponentially, and provide new revenue streams for the Company.

During the year under review, we developed and implemented the ***Boresha Umeme Viwandani*** programme with the aim of refurbishing the power distribution network to enhance system reliability, improve service delivery and secure our revenue. In recognition of counties as the next growth frontiers, the ***Boresha Umeme Viwandani*** programme will be extended to all the 47 counties in the current financial year.

At the same time, we have developed a new corporate structure aligned to our business strategy and in line with the devolved system of Government. We have reviewed our plans to optimise on the emerging business opportunities to improve our corporate performance and maximise shareholder value. In addition, we will continue to implement strategies aimed at ensuring prudent management of resources for sustainable growth of our business.

Appreciation

On behalf of the Management I would like to thank our shareholders, the Government, customers, development partners and all other stakeholders for their continued support throughout the period. I also wish to thank the members of the Board of Directors for their strategic support and guidance, and our employees for their dedicated service during the year.

BY ORDER OF THE BOARD,

DR. BEN CHUMO, OGW
MANAGING DIRECTOR & CEO
22 October 2014