THE KENYA POWER AND LIGHTING COMPANY LIMITED UNAUDITED TRADING RESULTS FOR SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

The Directors are pleased to announce the unaudited trading results of the Company for six months period ending 31 December 2017 as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31.12.2017 KShs. Million	31.12.2016 KShs. Million
Revenue		
Non-fuel revenue	46,931	45,795
Foreign exchange adjustment	4,492	2,531
Fuel cost recharge	11,637	6,183
Other operating income	4,043	3,961
Total Revenue	**67,103**	**58,470**
Operating Expenditures		
Power purchase costs (non-fuel)	27,429	26,109
Foreign exchange costs	3,793	3,156
Fuel costs	12,294	6,226
Transmission & distribution costs	15,814	15,058
Total Operating Costs	**59,330**	**50,549**
Operating Profit	**7,773**	**7,921**
Finance income	52	-
Finance costs	(3,257)	(2,281)
Profit Before Tax	**4,568**	**5,640**
Income tax expense	(1,641)	(1,439)
Profit for the year	**2,927**	**4,201**
Basic and diluted earnings per Share	**KShs.1.50**	**KShs.2.15**

STATEMENT OF FINANCIAL POSITION

Assets	31.12.2017 KShs. Million	31.12.2016 KShs. Million
Property and equipment	271,224	244,460
Other non-current assets	12,563	11,728
Current assets	73,280	43,037
	357,067	**299,225**
Equity and Liabilities		
Shareholders' Equity	71,914	69,231
Non-current liabilities	196,326	179,786
Current liabilities	88,827	50,208
	357,067	**299,225**

STATEMENT OF CASH FLOWS

	2017 KShs. Million	2016 KShs. Million
	31.12.2017	**31.12.2016**
	KShs. Million	KShs. Million
Cash generated from operating activities	9,927	12,083
Net Cash used in investing activities	(14,159)	(13,730)
Net Cash generated from financing activities	(2,361)	(2,931)
Decrease in cash and cash equivalents	(6,593)	(4,578)
Cash and cash equivalents at 1st July	(1,150)	5,503
Cash and cash equivalents at 31st December	**(7,743)**	**925**

REVIEW OF TRADING RESULTS

During the period under review, profit before tax decreased by 19% from KShs.5,640 million in the previous year to KShs.4,568 million. The decrease was attributed to the general slowdown of the economy and an increase in financing costs.

Electricity sales grew by 2.3% from 3,805 GWh the previous year, to 3,893 GWh in the period under review. The growth resulted to a 2.5% increase in sales revenue, from KShs.45,795 million in the previous year to KShs.46,931 million.

The power purchase costs (excluding fuel and foreign exchange costs) increased by KShs.1,320 million to KShs.27,429 million from KShs.26,109 million incurred in the previous period. The rise is attributed to increase in unit purchases from 4,786 GWh the previous period to 4,882 GWh, representing an increase of 96 GWh or 2%.

During the period under review, there was increased usage of thermal generation as a result of poor hydrology. The units generated from thermal plants increased by 416 GWh or 47%, from 885 GWh the previous year to 1,301 GWh. This raised the fuel costs by KShs.6,068 million (or 97.4%) from KShs.6,226 million the previous period to KShs.12,294 million.

Transmission and distribution costs increased by 5% from KShs.15,058 million to KShs.15,814 million in the period under review. The rise was attributed to higher operational and maintenance costs on the expanded electricity network facilities and depreciation due to increased capital investment.

Finance costs rose to KShs.3,257 million during the period under review compared to KShs.2,281 million the previous year as a result of utilisation of short term facilities.

Cash balances decreased significantly due to aggressive implementation of capital projects.

Profit after Tax

The Company recorded a net profit after tax of KShs.2,927 million for the period compared to KShs.4,201 million realised the previous period.

Dividend

The Directors do not recommend payment of interim dividend for the period.

FUTURE PROSPECTS

The Company is seeking to leverage on the need to spur a 24-hour economy that will increase revenue from electricity sales. In the period under review, we introduced the Time of Use tariff targeting commercial and industrial customers. The tariff is designed to encourage increased production during off-peak hours. The Time of Use tariff implies that manufacturers who increase their night production will benefit from much lower tariff, leading to lower electricity bills while increasing their consumption of electricity.

We have adopted a Feeder Based approach to network management in an endeavor to enhance service delivery to customers and improve our bottom line. The new approach is geared towards ensuring that both human and capital resources are aligned and optimised to enhance accountability, efficiency and productivity. The approach involves mapping and grouping of meters and assigning them to feeder clusters for maintenance, connectivity and customer care operations. This concept complements the devolved business structure at the regional and county levels that is designed to take our services closer to customers.

During the period under review, the Company implemented a new Integrated Customer Management System (InCMS) to enhance service delivery. The system is an upgrade from the previous Integrated Customer Service (ICS) system which has served the company for more than twenty years. The InCMS will enhance revenue collection through accurate and timely billing, deploy additional bill payment options such as use of debit and credit cards, empower our customers to query their bills, make payments and apply for new connections among others. The new system has both mobile and web-applications which is expected to enhance customer satisfaction.

We are focused on advancing the country's socio-economic agenda by ensuring that Kenyans enjoy the full benefits associated with access to electricity. The implementation of the national electrification projects including the Last Mile Connectivity Project increased the national access rate to 71% by December 2017. With these initiatives, we are on course to achieving universal access to electricity by 2020.

The Company endeavours to play a critical role in supporting the economy. Towards this, we will ride on the enabling role that electricity plays in driving growth in the sectors that the Government has prioritised as key pillars for economic prosperity of the nation in the medium term.

In order to sustain the overall performance of the Company, we will work diligently with the support of our stakeholders to continue enhancing service delivery to our customers.

BY ORDER OF THE BOARD

KENNETH TARUS, PhD
MANAGING DIRECTOR & CEO
22 February 2018