THE KENYA POWER AND LIGHTING COMPANY LIMITED
TRADING RESULTS FOR THE YEAR ENDED 30TH JUNE 2016

The Directors of the Kenya Power & Lighting Company Limited announce the audited financial results of the Company for the year ended 30th June 2016 as follows:

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	2016 KShs.Million	2015 KShs.Million
Revenue		
Non-fuel revenue	87,081	77,836
Foreign exchange losses recovered	8,782	3,344
Fuel cost recovery	12,512	25,584
	108,375	**106,764**
Power Purchases Costs		
Non fuel	51,400	44,460
Foreign exchange	6,175	2,820
Fuel costs	12,690	25,835
Total power purchase costs	**70,265**	**73,115**
Gross Margin	**38,110**	**33,649**
Other revenue	7,470	6,406
Transmission & distribution costs	(28,651)	(24,217)
Operating Profit	**16,929**	**15,838**
Interest income	965	1,381
Finance costs	(5,811)	(4,965)
Profit before tax	**12,083**	**12,254**
Income tax expense	(4,526)	(4,822)
Profit after tax	**7,556**	**7,432**
Other Comprehensive Income:	(169)	(1,996)
Total Comprehensive Income for the year	**7,387**	**5,436**
Earnings per share		
-Basic	**Shs. 3.87**	**Shs. 3.81**
-Diluted	**Shs. 3.87**	**Shs. 3.81**
Dividend per share	**Shs. 0.50**	**0.50**

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	2016 KShs. Million	2015 KShs.Million
Non-Current Assets		
Land, property and equipment	235,599	196,433
Intangible assets	2,602	1,419
Net retirement benefit asset	3,263	3,207
Recoverable foreign exchange adjustment	6,068	5,165
	247,532	**206,224**
Working Capital		
Current assets	50,010	66,062
Current liabilities	(50,773)	(45,599)
Net working capital	**(763)**	**20,463**
Total net assets	**246,769**	**226,687**
Shareholders' equity	65,616	59,204
Non-current liabilities	181,153	167,483
Total equity and non-current liabilities	**246,769**	**226,687**

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016 KShs. Million	2015 KShs. Million
Cash generated from operating activities	25,677	27,610
Net Cash used in investing activities	(48,843)	(40,089)
Net Cash generated from financing activities	438	34,101
Increase in cash and cash equivalents	(22,728)	21,622
Cash and cash equivalents at beginning of year	28,231	6,609
Cash and cash equivalents at close of year	**5,503**	**28,231**

PERFORMANCE OVERVIEW

Trading Performance

During the year under review, the net profit before tax was Shs.12,083 million compared to Shs.12,254 million the previous year. This level of profitability has been achieved as a result of the sustained favourable business environment.

Electricity sales grew by 3.6% from 7,130 million units the previous year to 7,385 million units in the period under review. This, combined with an improved average yield, led to 11.9% increase in sales revenue, from Shs.77,836 million the previous year to Shs.87,081 million.

The power purchase cost (excluding fuel cost and foreign exchange) increased by Shs.6,940million from Shs.44,460million the previous year to Shs.51,400 million. The rise is attributable to the increase in energy charges as a result of the growth in unit purchases from 8,629 GWh the previous year to 9,159 GWh, an increase of 6.1% and additional capacity charges by Orpower4 and Biojoule for new power plants.

The fuel cost decreased by Shs. 13,145 million (or 50.8%) from Shs.25,835 million the previous year to Shs.12,690 million due to increased usage of geothermal and hydro sources during the year. The units generated from thermal plants decreased by 495 GWh or 27.6%, from 1,792 GWh the previous year to 1,297 GWh.

The transmission and distribution expenditure increased by 18.3% from Shs.24,217 million incurred in 2015 to Shs.28,651 million in 2016. The increase is due to growth of the Company's electricity network which led to increased operational expenses. Depreciation and amortisation increased by Shs.1,491 million in the year. In addition, wheeling charges rose by Shs.1,276 million due to expansion of the transmission network by the Kenya Electricity Transmission Company (KETRACO).

Finance costs, foreign exchange gains and interest income

The finance costs increased by Shs.846 million during the year under review from Shs4,965 million the previous year to Shs.5,811 million due to higher financing costs as a result of increased borrowings taken to supplement internally generated funds to finance network expansion and implement system reinforcement projects. This is represented by growth of fixed assets by Shs.41 billion during the year.

The foreign exchange losses recovered increased by Shs.5,438 million or 162.6% from Shs.3,344 million in the previous year to Shs.8,782 million. The increase is mainly due to the rise in foreign currency denominated payments to power suppliers during the period and an increased deviation of the exchange base rate allowed in the retail tariff.

Finance income amounted to Shs.965 million during the year compared to Shs.1,381 million realised the previous period due to reduced bank balances.

Profit

The Company recorded a profit before tax of Shs.12,083 million compared to Shs.12,254 million the previous year. The net profit after tax was Shs.7,556 million compared to Shs.7,432 million the previous year after taking into account a tax charge of Shs.4,526 million.

Dividend

The Directors recommend that, in addition to the interim dividend of Shs.0.20 paid at half year, a full and final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2016, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 30th November 2016. This brings the total dividend to Shs.0.50 per share (previous year: Shs.0.50) for the year. If approved, the dividend will be paid on or about 31st January 2017. The register of members will be closed for one day on 1st December 2016.

Annual General Meeting

The ninety- fifth Annual General Meeting of the Company is scheduled to be held on 23rd December 2016 at 11 a.m. at Safari Park Hotel, Thika Road, Nairobi.

Future Outlook

The Company has started to realise gains from heavy investments made in the years to grow and sustain our business as evidenced by an expanded footprint across the country, improved customer experience and growth in asset base besides enhanced reliability and quality of supply. We anticipate continued growth in electricity demand catalysed by increased economic activities and improved business environment as our power supply network expands.

Building on the high customer growth rate averaging 30% annually over the last three years, we will endeavour to sustain the rapid connectivity pace to secure our future revenue streams through increased sales and to retain a lead position in the power market. Other immediate priority areas to grow shareholder value include improving system efficiency, managing operational costs and maximising asset usage for increased profitability.

We will also leverage on the goodwill extended by the Government, development partners and other stakeholders to propel our business and remain well positioned for the substantial growth opportunity ahead, to the benefit of our customers, shareholders and other stakeholders, and enable progress of our nation.

Appreciation

On behalf of the Management, I wish to extend our gratitude to the Board of Directors for the guidance and support throughout the year and to the members of staff for their commitment in serving our customers.

BY ORDER OF THE BOARD

DR BEN CHUMO, OGW

MANAGING DIRECTOR & CEO

28 October 2016

www.kplc.co.ke