Kenya Power

THE KENYA POWER AND LIGHTING COMPANY PLC
THE AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2023

The Board of Directors of the Kenya Power and Lighting Company Plc announce the audited financial results of the Company for the year ended **30 June 2023** as follows:

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	2023 Kshs Million	2022 Restated Kshs Million
Revenue from contracts with customers	190,975	157,353
Cost of sales	(143,576)	(117,347)
Gross Margin	**47,399**	**40,006**
Other income	9,096	13,296
Operating costs	(37,282)	(36,156)
Operating Profit	**19,213**	**17,147**
Interest income	507	397
Finance costs	(24,154)	(12,760)
(Loss)/Profit Before Tax	**(4,434)**	**4,784**
Income tax (Credit)/expense	1,241	(1,521)
(Loss)/Profit After Tax	**(3,193)**	**3,263**
Other comprehensive income	403	(499)
Total comprehensive income for the year	**(2,790)**	**2,764**
Basic and diluted earnings per share (Kshs)	**(1.64)**	**1.67**

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	2023 Kshs Million	2022 Restated Kshs Million	2021 Restated Kshs Million
Assets			
Property, plant and equipment	267,974	272,361	277,333
Other Non-current assets	4,709	3,276	5,318
Current assets	81,042	54,832	49,549
	353,725	**330,469**	**332,200**
Equity and Liabilities			
Shareholders' Equity	56,843	59,633	56,869
Non-current liabilities	164,607	159,468	158,844
Current liabilities	132,275	111,368	116,487
	353,725	**330,469**	**332,200**

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	2023 Kshs Million	2022 Kshs Million
Cash generated from operating activities	32,651	28,553
Net Cash used in investing activities	(13,760)	(12,252)
Net Cash generated from financing activities	(8,593)	(14,376)
Increase in cash and cash equivalents	**10,298**	**1,925**
Cash and cash equivalents at beginning of year	8,081	6,053
Effect of foreign exchange rate changes on cash and cash equivalents	51	103
Cash and cash equivalents at close of year	**18,430**	**8,081**

PERFORMANCE OVERVIEW

Trading Performance

The Company recorded a 12% growth in operating profit during the financial year, from KShs.17.15 billion posted the previous year to KShs.19.21 billion. Revenue from electricity sales grew by 21% from KShs.157.35 billion to KShs.190.98 billion, mainly attributed to improved electricity sales which increased from 9,163 GWh to 9,566 GWh.

The sales growth was largely driven by a 5.9% increase in consumption in the commercial and industrial customer segments, supported by an additional 318,217 new customers connected to the grid during the year. Our customer base stood at 9.2 million as of the end of June 2023.

Power purchase costs increased during the year from KShs.117.35 billion to KShs.143.58 billion due to a rise in units purchased from 11,815GWh to 12,425GWh to meet the growing demand for electricity. The unrealised foreign exchange losses on power purchase increased to KShs.5.32 billion from KShs.1.12 billion. This increase was primarily a result of the depreciation of the Kenyan shilling against the US Dollar and Euro, the currencies in which most of the power purchase agreements are denominated.

The country's energy mix includes thermal power, whose consumption has been minimised over the years, in favour of cheaper and cleaner sources of energy such as geothermal, hydro, wind and solar. Thermal power is necessary to steady the grid and enhance generation capacity, especially during the drought season when poor rains reduces generation from hydropower plants. In the year, the Company dispatched less thermal energy mainly due to an increase in generation from geothermal, wind, and imports from Ethiopia. However, the gains from the reduced thermal dispatch were eroded by an increase in fuel prices in the year, leading to an increase in the fuel power purchase costs, which rose by 6% to KShs.28.09 billion from KShs.26.49 billion the previous year.

Due to prudent cost management measures, operating costs reduced by KShs.2.08 billion from KShs.36.99 billion to KShs.34.91 billion. However, provisions for electricity debt and other receivables rose by KShs.3.2 billion primarily due to an increase in unsettled customer debts during the year under review.

The positive performance above was eroded by exceptionally high finance costs which increased significantly by 89% from KShs.12.76 billion to KShs.24.15 billion mainly driven by the depreciation of the Kenya shilling against major international currencies. In the period, the Kenya Shilling depreciated by 19% from KShs. 118 per USD in June 2022 to KShs.140 per USD in June 2023.

The impact of the currency fluctuation as reflected in the finance costs and cost of power purchase eroded our business performance in the year, resulting in a net loss of KShs.3.2 billion.

Dividend

Given the Company's financial performance for the year, the Board does not recommend payment of dividends for ordinary shares for the year ended 30 June 2023.

Future Outlook

The Company will sustain the implementation of strategic initiatives aimed at enhancing operational and business performance. The initiatives are aimed at growing sales and revenue, enhancing operational excellence, increasing business efficiency and ensuring financial sustainability.

To boost electricity sales, we are implementing a Rapid Results Initiative to connect all pending customers totaling 320,000 in the next three months. The Company will extend the deployment of smart meters across all customer segments including domestic customers for improved operational efficiency.

The Company will work with Commercial and Industrial customers to encourage the uptake of Time of Use tariff to drive electricity consumption during off-peak period and support the growth of the manufacturing sector. The Company has also commenced bulk metering targeting informal settlement areas as a strategic measure to enhance operational efficiency and improve revenue growth. In addition, we are also tapping into emerging business growth areas such as e-mobility to bolster our sales and revenues.

Recognising that sales growth hinges on adequate and reliable supply, the Company is making strategic grid investments in system reinforcement and expansion projects to enhance reliability of the network. Additionally, we are working with the Government and key stakeholders to enhance the generation capacity to meet the growing electricity demand.

To improve the working capital and further consolidate our achievements, the Board is spearheading a balance sheet restructuring to improve the Company's financial position. This will entail commercial transfer of part of the transmission assets to the Kenya Electricity Transmission Company (KETRACO) with the equivalent market value netted off from the Company's on-lent loan portfolio denominated in foreign currencies. Upon implementation, the balance sheet restructuring will significantly reduce the Company's forex exposure and ease cash flow pressure in the short term.

Appreciation

We thank our shareholders, customers, management team, employees and all stakeholders for their continued support.

BY ORDER OF THE BOARD

IMELDA BORE
COMPANY SECRETARY
OCTOBER 26, 2023