

THE AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2014

The Board of Directors of Kenya Electricity Generating Company Ltd (KenGen) announces the audited results for the year ended 30th June 2014.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2014

Condensed statement of comprehensive income for the year ended 30th June 2014

	2014	2013
	Shs'000	(Restated) Shs'000
Revenue	17,423,771	16,451,195
Interest income	416,154	676,109
Other income	650,896	594,888
Total revenue	18,490,821	17,722,192
Other gains/(losses)	67,119	(53,107)
Expenses	(11,812,473)	(10,641,359)
Finance costs	(2,587,519)	(3,000,802)
Profit before taxation	4,157,948	4,026,924
Taxation (charge)/credit	(1,331,625)	1,197,780
Profit for the year	2,826,323	5,224,704
Other Comprehensive Income	1,234,851	(16,722)
Total comprehensive income for the year	4,070,174	5,207,982
Earnings per share		
Basic and diluted (Shs)	1.29	2.38

Condensed statement of cash flows for the year ended 30th June 2014

	2014	2013
	Shs '000	Shs '000
Net cash generated by operating activities	12,107,020	22,962,649
Net cash used in investing activities	(59,959,223)	(34,494,843)
Net cash generated from financing activities	48,483,756	15,092,902
Net increase in cash and cash equivalents	631,552	3,560,708
At the beginning of the year	3,996,427	435,719
Cash and cash equivalents at the end of the year	4,627,979	3,996,427

Condensed statement of financial position as at 30th June 2014

	2014	2013	1 July 2012
	Shs'000	(Restated) Shs'000	(Restated) Shs'000
ASSETS			
Property, plant and equipment	209,235,821	153,201,471	120,664,699
Other non-current assets	13,339,060	10,344,001	20,192,108
Current assets	27,630,643	25,127,810	22,288,066
Total assets	250,205,524	188,673,282	163,144,873
EQUITY AND LIABILITIES			
Share capital and reserves	76,709,673	73,958,516	70,069,551
Borrowings	122,324,111	73,934,313	61,850,220
Other non-current liabilities	25,975,511	23,107,824	16,224,145
Current liabilities	25,196,229	17,672,629	15,000,957
Total equity and liabilities	250,205,524	188,673,282	163,144,873

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.

Condensed statement of changes in equity for the year ended 30th June 2014

	Share Capital & Share premium	Capital reserve	Investments revaluation reserve	Property revaluation reserve	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 July 2013	10,535,722	8,579,722	(192,424)	17,306,770	37,898,949	74,128,739
At 1 July 2013 (restated)	10,535,722	8,579,722	(192,424)	17,306,770	37,728,726	73,958,516
Comprehensive income for the year	-	-	57,352	-	4,012,822	4,070,174
Net transfer of excess depreciation	-	-	-	(648,708)	648,708	-
Dividend declared – 2013	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2014	10,535,722	8,579,722	(135,072)	16,658,062	41,071,239	76,709,673
At 1 July 2012	10,535,722	8,579,722	(210,490)	17,954,954	33,319,646	70,179,554
As at 1 July 2012 (restated)	10,535,722	8,579,722	(210,490)	17,954,954	33,209,643	70,069,551
Comprehensive income for the year	-	-	18,066	-	5,189,916	5,207,982
Net transfer of excess depreciation	-	-	-	(648,184)	648,184	-
Dividend declared – 2012	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2013 (restated)	10,535,722	8,579,722	(192,424)	17,306,770	37,728,726	73,958,516

The Board of Directors is pleased to announce the results of another year that the Company has continued to perform well.

ECONOMIC OVERVIEW

The country's Gross Domestic Product (GDP) expanded by 4.7% in 2013 compared to 4.6% in 2012. This performance was buoyed up by a stable macroeconomic environment for the better part of the year, a low inflation and a stable exchange rate.

FINANCIAL PERFORMANCE OVERVIEW

Generation capacity grew by 7.7% from 1,239MW in 2013 to 1,335MW in 2014 following the connection to the national grid of 70MW, which is part of the Olkaria 280MW geothermal project, and 25.6MW from Wellhead Units.

The total revenue grew by 4.3% - from Shs 17,722 million in 2013 to Shs 18,491 million in 2014. The increase is attributable to improved electricity revenue from new capacity.

Expenditure increased by 11% from Shs 10,641 million in 2013 to Shs 11,812 million in 2014. This is attributable to increased operational and maintenance costs due to the rising cost of spare parts, additional staff to support new plants and an increase in depreciation and insurance expenses due to new plants.

Financing costs declined by 13.8% from Shs 3,001 million in 2013 to Shs 2,588 million in 2014, mainly due to lower interest expenses on loans related to completed projects.

Profit before tax increased by 3.3% from Shs 4,027 million to Shs 4,158 million as a result of increased electricity revenue. However, profit after tax declined to Shs 2,827 million from Shs 5,225 million due to tax expense in the current year compared to tax credit in the previous year. The tax credit last year arose from higher capital allowances enjoyed at 150% for investments in power projects outside major cities.

Asset base increased by 32.6% from Shs 188,673 million to Shs 250,206 million due to investment in new projects, namely; Olkaria I & IV power plants, Geothermal Wellheads, drilling of wells, purchase of land for future projects in Olkaria and the Ngong Wind Project.

DIVIDEND

The Board of Directors is recommending for approval by shareholders a final dividend of 40 cents per ordinary share.

GROWTH STRATEGY

The company is on course to delivering 844MW as part of the Government goal to increase generation capacity by over 5000MW by 2016. Towards this end, His Excellency, the President, officiated the commissioning of 140MW Olkaria IV, which is part of the 280MW project on 17th October 2014. The remaining 140MW will be commissioned by 31st December 2014.

The 20.4MW Ngong wind project was completed in September 2014 while additional 50MW from the Wellhead units are being installed and 25MW will be completed in the current financial year, 2014/2015. The full benefits of these plants will be realised in the 2014/2015 financial year.

During the year, KenGen drilled a 30MW well, the largest in Africa. Drilling continues in preparation for the 140MW Olkaria V, 70MW Olkaria 1 unit 6 and 140MW Olkaria VI. In addition, the company is implementing the 100MW Meru wind project.

To finance these projects, the Company will continue to explore possible ways of raising funds through equity and debt capital markets, Development Financial Institutions (DFIs), Public Private Partnerships (PPP) and off-balance sheet initiatives.

Our focus is to increase capacity through reliable, affordable and renewable energy, especially geothermal, in order to reduce the cost of power.

CLOSURE OF REGISTER AND DATE OF DIVIDEND PAYMENT

The Register of Members will be closed from Wednesday, 17th December 2014 to Thursday 18th December 2014, both days inclusive.

If approved, the dividend will be paid, less withholding tax where applicable, on or about Friday, 20th February 2015 to the shareholders whose names appear in the Register of Members at the close of business on Tuesday, 16th December 2014.

ANNUAL GENERAL MEETING

The Sixty-Second Annual General Meeting of the Company is scheduled for Tuesday, 16th December 2014 at 11.00 a.m. at Safaricom Indoor Arena at Moi Sports Centre Kasarani on Thika Road, Nairobi.

BY ORDER OF THE BOARD

ALBERT MUGO
MANAGING DIRECTOR & CEO

23rd October 2014