

THE AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The Board of Directors of the Kenya Electricity Generating Company PLC (KenGen) is pleased to announce the financial results for the year ended 30 June 2019. Further to our press release dated 27 February 2020 on the half year results and full year unaudited results for the year ended 30 June 2019, the results are now audited following the appointment of the Auditor-General. This is therefore a repeat publication of the same results.

Condensed statement of profit or loss and other comprehensive income for the year ending 30 June 2019

	30 June 2019 KShs Million	30 June 2018 KShs Million
Revenue	45,966	45,290
Reimbursable expenses (Fuel and water costs)	(10,192)	(9,406)
Revenue less reimbursable expenses	35,774	35,884
Other income	619	275
Other (losses)/gains-net	3,179	(1,050)
	39,572	35,109
Depreciation & amortisation	(10,360)	(10,148)
Operating expenses	(10,571)	(9,970)
Steam Costs	(3,357)	(3,549)
Operating Profit	15,284	11,442
Finance income	1,423	3,341
Finance costs	(5,054)	(3,037)
Profit Before Tax	11,653	11,746
Income tax expense	(3,769)	(3,855)
Profit After Tax	7,884	7,891
Other Comprehensive Income	(62)	(623)
Total comprehensive income	7,822	7,268
Basic and diluted earnings per share (KShs)	1.20	1.20
Dividend per share (KShs)	0.25	0.40

Condensed statement of financial position as at 30 June 2019

	30 June 2019	30 June 2018
	KShs Million	KShs Million
ASSETS		
Property, plant and equipment	346,737	328,082
Other non-current Assets	21,056	19,859
Current assets	33,629	31,412
	401,422	379,353
EQUITY AND LIABILITIES		
Share capital	16,488	16,488
Share premium	22,151	22,151
Reserves and retained earnings	156,326	151,465
Non-current liabilities	180,860	168,370
Current liabilities	25,597	20,879
	401,422	379,353

Condensed statement of cash flows for the year ended 30 June 2019

	30 June 2019 KShs Million	30 June 2018 KShs Million
Balance at 1 July	3,383	7,831
Net cash generated from operating activities	30,585	17,510
Net cash used in investing activities	(28,808)	(14,843)
Net cash (used in)/generated from financing activities	4,094	(7,144)
Effects of exchange rate changes on cash and cash equivalents	70	29
Balance at June	9,324	3,383

Performance Review

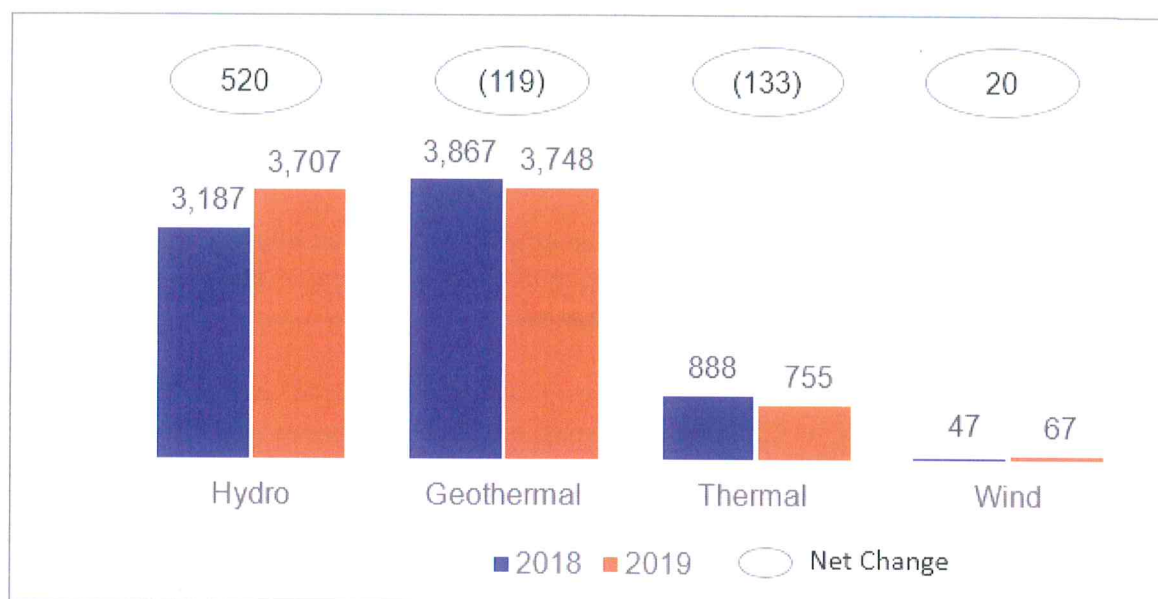
During the period, the business remained resilient despite challenging economic conditions in the country and the world.

Energy sales grew from 7,989 GWh in 2018 to 8,277 GWh despite the dilution of our market share due to new market entrants. This translated into relatively level total revenue at KShs 45,966 million, up by 1.5% from KShs 45,290 million in 2018. The performance is attributable to enhanced capacity revenues from hydro and thermal installations.

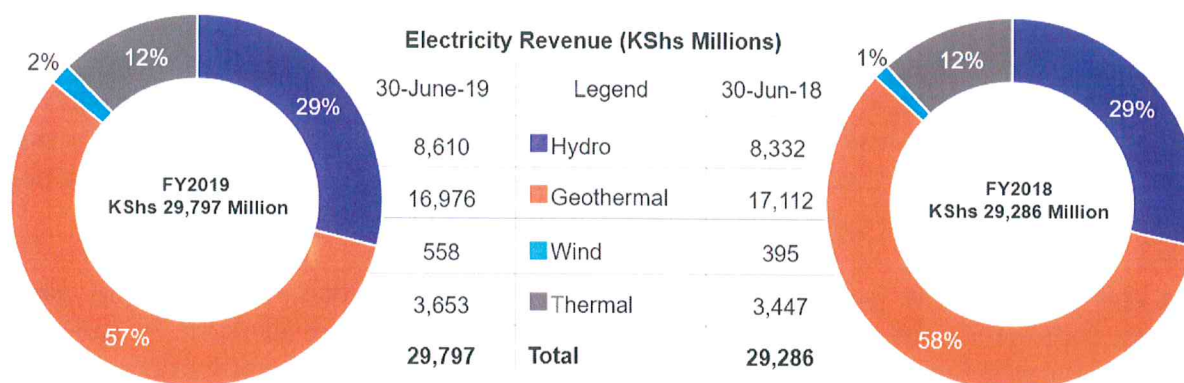
During the period, no power plant was commissioned, and the Company could not benefit from tax credits that would normally be realized from commissioning of new power plants. The 165.4 MW Olkaria V geothermal plant was under construction during the year. It was completed and connected to the national grid in November 2019.

In the period under review, we supplied energy from the following primary sources:

Unit sales (GWhs)



Electricity revenue grew by 1.7% from KShs 29,286 million in 2018 to KShs 29,797 for the period ended 30 June 2019. The charts below outline revenue contribution from the various generation modes.



Steam revenue, however, declined by 5.6% from KShs 6,222 million in 2018 to KShs 5,872 million in 2019 owing to reduced geothermal dispatch. Consequently, revenue net of reimbursable expenses declined marginally from KShs 35,884 million in the year ending 30 June 2018 to KShs 35,774 million for the period ended 30 June 2019.

Other income increased from KShs 275 million to KShs 619 million compared to previous year, driven by consultancy services, insurance compensation and tax refund.

Other gains/(losses) relate to foreign exchange valuations and fair value measurements of financial assets. The amount increased from a loss of KShs 1,050 million in 2018 to a gain of KShs 3,179 million in 2019, mainly attributable to fair value gain on a financial asset through profit or loss attributed to weakening of the Shilling against major currencies.

During the year, the Company capitalized new assets amounting to KShs 3,065 million which generated additional depreciation expenses, resulting in an increase from KShs 10,147 million to KShs 10,360 million charge to the income statement.

Operating expenses increased from KShs 9,970 million to KShs 10,571 million, due plant operation and maintenance and provisions arising from the adoption of IFRS 9.

Steam costs are incurred in respect to steam supply to geothermal plants. The costs declined from KShs 3,549 million to KShs 3,357 million due to lower dispatch from geothermal wells connected to Olkaria I AU, Olkaria IV and Wellheads.

Finance income declined from KShs 3,341 million in 2018 to KShs 1,423 million in 2019 due to a foreign exchange gain of KShs 1,848 million recognised in the previous year. Finance expenses increased from KShs 3,037 million to KShs 5,054 million as a result of a foreign exchange loss.

Profit before tax declined from KShs 11,745 million to KShs 11,654 million while profit after tax dropped marginally from KShs 7,891 million to KShs 7,884 million.

Future Outlook

KenGen will continue to implement the Revamped Horizon III Good-to-Great (G2G) Strategy.

The Company progressed the capacity expansion projects totalling 439MW, all of which are sourced from sustainable geothermal resources.

Implementation of Olkaria I Unit 6 is progressing well, and the plant scheduled to bring to the grid 83.3MW by 2021. Contract processes for the 140MW Olkaria VI plant and Olkaria I Rehabilitation (from 45MW to 51MW) are at advanced stages. The implementation of these projects will ensure the Company's continued growth in line with the demand for competitively priced, safe, reliable, and quality electric energy in the Eastern Africa Region.

On diversification, the Company has developed new business lines. These include, among others consultancy and drilling services. We have secured various contracts in Kenya and Ethiopia for geoscientific studies and drilling of geothermal wells. We are also progressing with the development of an energy park, operationalization of a materials testing laboratory and an electronic instruments calibration centre among other business lines.

We are also pursuing our next model for growth through partnerships and collaborations with the private sector and other development partners and agencies.

The Tax Laws (Amendment) Act, 2020 re-introduced compensating tax on distribution of dividends by power producers effective from 25th April 2020.

The medium term macro-economic environment is projected to be difficult, exuberated by the economic shocks arising from the Covid-19 pandemic. KenGen recognizes that the ongoing Covid-19 pandemic may have an impact on its business. The short-term impact of COVID-19 on the Company's performance is likely to be reflected in the 2019/2020 earnings. However, in the long term, the current conditions present opportunities to diversify as the economy recovers from the crisis. The Company remains financially robust with the Directors' reiterating their commitment and confidence in the Company's ability to continue navigating the COVID-19 with the associated macro and socio-economic challenges.

Dividend

The Board is recommending a final dividend of KShs 0.25 for the year (2018: KShs 0.40) for every ordinary share of KShs 2.50 which amounts to KShs 1,649 million for the year (2018: KShs 2,638 million).

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 22nd October 2020.

Closure of Register and Date of Payment

The Directors propose to recommend to Members at the forthcoming Annual General Meeting payment of a first and final dividend for the year ended 30th June 2019 of KShs. 0.25 per ordinary share held.

If approved at the Annual General Meeting as aforesaid, the dividend will be paid on or about Thursday, 17th December 2020 to Members whose names appear in the Company's Register as at the close of business on Thursday, 22nd October 2020.

To facilitate payment of the dividend, the Register of Members will remain closed from Friday, 23rd October 2020 to Monday, 26th October 2020, both days inclusive.

Gratitude to Stakeholders

We would like to thank all our stakeholders, particularly the Government of Kenya, for continued support which has not only bolstered KenGen's development agenda but also enabled it to access concessionary funding for power infrastructure development.

Lastly, we thank all KenGen employees for their dedication and invaluable contribution to the Company's successes.

BY ORDER OF THE BOARD

REBECCA MIANO (MRS.), MBS
MANAGING DIRECTOR & CEO

31 August 2020

KENYA ELECTRICITY GENERATING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Statement of profit or loss and other comprehensive income

	Note	2019 Shs'000	2018 Shs'000
Revenues from contracts with customers			
Electricity revenue	4 (a)	29,796,983	29,285,691
Steam revenue	4 (a)	5,871,921	6,222,057
Fuel charge	4 (a)	10,111,516	9,622,740
Water charge	4 (a)	185,226	159,172
Total revenue		45,965,646	45,289,660
Reimbursable expenses			
Fuel costs	5	(10,006,336)	(9,246,855)
Water costs	5	(185,226)	(159,172)
		(10,191,562)	(9,406,027)
Revenue less reimbursable expenses		35,774,084	35,883,633
Other income	6	618,822	274,771
Other gains/(losses) – net	7	3,179,185	(1,049,948)
		39,572,091	35,108,456
Expenses			
Depreciation and amortisation	8 (a)	(10,360,330)	(10,147,886)
Employee expenses	8 (b)	(6,800,376)	(6,132,305)
Steam costs	8 (c)	(3,357,126)	(3,549,428)
Plant operation and maintenance expenses	8 (d)	(1,512,278)	(1,669,068)
Other expenses	8 (e)	(2,257,402)	(2,168,131)
Operating profit		15,284,579	11,441,638
Finance income	9	1,423,062	3,341,383
Finance costs	10	(5,053,924)	(3,037,554)
Profit before income tax		11,653,717	11,745,467
Income tax expense	11(a)	(3,769,382)	(3,854,834)
Profit for the year		7,884,335	7,890,633
Earnings per share: Basic and diluted (Shs per share)	12	1.20	1.20
Dividends per share - (Shs)	31	0.25	0.40

Statement of profit or loss and other comprehensive income (continued)

	Note	2019 Shs'000	2018 Shs'000
Profit for the year		7,884,335	7,890,633
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit asset	27(a(ii))	(106,804)	(897,155)
Deferred income tax thereon	24	32,041	269,147
		(74,763)	(628,008)
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Net gains on revaluation on investments in financial instruments measured at FVOCI	18	18,147	-
Deferred income tax thereon	24	(5,444)	-
Fair value changes in available for sale assets	18	-	5,087
		12,703	5,087
Other comprehensive income for the year, net of income tax		(62,060)	(622,921)
Total comprehensive income for the year		7,822,275	7,267,712

Statement of financial position

		2019	2018
		Shs'000	Shs'000
ASSETS			
Non-current assets	Note		
Property, plant and equipment	13	346,737,310	328,082,460
Leasehold land	14	4,110,583	4,170,183
Intangible assets	15	1,524,693	1,477,691
Non-current receivable	16	-	987,875
Held to maturity investments	16	-	2,407,047
Financial asset at amortised cost	16	3,319,106	-
Financial asset at fair value through profit or loss	17	11,958,359	10,490,414
Retirement benefit asset	27(b)	143,025	325,268
		367,793,076	347,940,938
Current assets			
Inventories	19	1,324,294	1,149,180
Trade receivables	20	18,855,494	21,842,958
Financial asset at amortised cost	16	41,061	40,321
Financial asset at fair value through profit or loss	17	1,116,274	815,682
Other receivables and prepayments	21	2,597,941	3,359,793
Non – current assets held for sale	32	-	344,053
Current income tax recoverable	11(c)	150,942	126,988
Available for sale investments	18	-	349,690
Financial asset at fair value through other comprehensive income (FVOCI)	18	367,837	-
Cash and bank balances	22	9,175,330	3,383,402
		33,629,173	31,412,067
TOTAL ASSETS		401,422,249	379,353,005
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	23	16,487,710	16,487,710
Share premium	23	22,151,131	22,151,131
Other reserves	24	69,696,451	71,805,994
Retained earnings	25	86,629,244	79,658,790
		194,964,536	190,103,625
Non- current liabilities			
Borrowings	26	128,771,882	121,287,608
Deferred income tax	28	48,868,799	45,496,036
Trade and other payables	29	3,219,566	1,586,258
		180,860,247	168,369,902
Current liabilities			
Borrowings	26	12,463,018	10,620,761
Trade and other payables	29	9,127,256	7,927,695
Provision for compensating tax	30	2,161,022	2,331,022
Dividends payable	31	1,846,170	-
		25,597,466	20,879,478
TOTAL EQUITY AND LIABILITIES		401,422,249	379,353,005

The financial statements on pages 17 to 100 were approved and authorised for issue by the Board of Directors on 2020 and were signed on its behalf by:

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Joshua Choge
Chairman

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Kairu Bachia
Director

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Rebecca Miano
Managing Director & CEO

Statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
As at 30 June 2018	16,487,710	22,151,131	71,805,994	79,658,790	190,103,625
Transition adjustment initial application of IFRS 9 (Note 2(b))	-	-	-	(462,221)	(462,221)
Deferred tax thereon	-	-	-	138,666	138,666
	16,487,710	22,151,131	71,805,994	79,335,235	189,780,070
Profit for the year	-	-	-	7,884,335	7,884,335
Other comprehensive income;	-	-	-	-	-
-Net gains on revaluation on investments in financial instruments measured at FVOCI	-	-	18,147	-	18,147
- Deferred income tax thereon	-	-	(5,444)	-	(5,444)
-Remeasurement of retirement benefit asset	-	-	(106,804)	-	(106,804)
-Deferred income tax relating to remeasurement of defined benefit asset	-	-	32,041	-	32,041
Total comprehensive for the year	-	-	(62,060)	7,884,335	7,822,275
Transfer of excess depreciation	-	-	(2,924,976)	2,924,976	-
Deferred tax on excess depreciation	-	-	877,493	(877,493)	-
Transactions with owners;	-	-	-	(2,637,809)	(2,637,809)
Dividends declared to equity holders (Note 31)	-	-	-	-	-
As at 30 June 2019	16,487,710	22,151,131	69,696,451	86,629,244	194,964,536
Note	23	23	24	25	

Kenya Electricity Generating Company Plc
Financial Statements
For the year ended 30 June 2019

Statement of changes in equity (continued)

	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1 July 2018	16,487,710	22,151,131	74,588,305	69,608,767	182,835,913
Profit for the year	-	-	-	7,890,633	7,890,633
Other comprehensive income;	-	-	-	-	-
-Net gains on revaluation on investments in financial instruments measured at FVOCI	-	-	5,087	-	5,087
-remeasurement of defined benefit	-	-	(897,155)	-	(897,155)
- Deferred income tax relating to remeasurement of defined benefit asset	-	-	269,147	-	269,147
Total comprehensive for the year			(622,921)	7,890,633	7,267,712
Transfer of excess depreciation	-	-	(3,084,843)	3,084,843	-
Deferred tax on excess depreciation	-	-	925,453	(925,453)	-
As at 30 June 2018	16,487,710	22,151,131	71,805,944	79,658,790	190,103,625
Note	23	23	24	25	

Notes (continued)

Statement of cash flows

		2019	2018
	Note	Shs '000	Shs '000
Cash flows from operating activities			
Cash generated from operations	33(a)	30,305,160	17,452,461
Income tax paid	11(c)	(255,310)	(333,679)
Finance income received	33(b)	704,921	491,039
Payment of compensating tax	30	(170,000)	(100,000)
Net cash generated from operating activities		30,584,771	17,509,821
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(24,502,879)	(9,950,462)
Staff cost capitalised	13	(2,906,505)	(3,054,368)
Interest cost capitalised	13	(1,463,181)	(1,616,582)
Purchase of intangible assets	15	(135,554)	(240,500)
Proceeds from non-current asset held for sale	32	200,000	-
Proceeds from disposal of assets		-	19,364
Net cash used in investing activities		(28,808,119)	(14,842,548)
Cash flows from financing activities			
Repayment of borrowings	26(d)	(8,780,842)	(8,953,636)
Proceeds from borrowings	26(d)	16,424,322	4,948,566
Finance costs paid	33(c)	(2,757,969)	(3,138,467)
Dividends paid	31	(791,639)	-
Net cash generated from/ (used in) financing activities		4,093,872	(7,143,537)
Net increase/(decrease) in cash and cash equivalents		5,870,524	(4,476,264)
Cash and cash equivalents at the beginning of the year	22	3,383,402	7,831,103
Effects of exchange rate changes on cash held	33	70,264	28,563
Cash and cash equivalents at the end of the year	22	9,324,190	3,383,402

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