

KENYA PIPELINE COMPANY
RETIREMENT BENEFITS SCHEME
REGISTERED TRUSTEES



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2022

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

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KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

ADVISORS TO THE SCHEME AND OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES

Ms. Joyce Mutungi	Chairperson	Sponsor nominated	4th February 2021
Mr. Jesse Wahome	Member	Member elected	Term ended-4 th July 2022
Mr. Jonah Aiyabei	Member	Sponsor nominated	4th February 2021
Ms. Beryl Nalo	Member	Sponsor nominated	4th February 2021
Mr. Wilkinson Ntwiga	Member	Member re-elected	15 th September 2022
Mr. Fredrick Ogano	Member	Member elected	17th September 2020
Mr. Evans Nyangaya	Member	Member elected	17th September 2020
Mr. Henry Lenairoshi	Member	Sponsor nominated	4th February 2021
Mr. Joseph Muchigi	Member	Sponsor nominated	4th February 2021
Ms. Elizabeth Kinyua	Member	Member elected	15 th September 2022

SCHEME ADMINISTRATOR AND REGISTERED ADDRESS

Sammy Njeru
In-house Pension Administration
Kenya Pipeline Company Retirement Benefits Scheme
P.O. Box 13633 - 00800
Nairobi

INVESTMENT MANAGERS

GenAfrica Asset Managers Limited
Arlington Block, 14 Riverside Business Park
Off Riverside Drive
P.O. Box 79217-00100
Nairobi, Kenya

Sanlam Investment (East Africa) Limited
Liberty House, Nyerere Road
P.O. Box 30550-00100
Nairobi, Kenya

CUSTODIAN

Standard Chartered Bank of Kenya Limited
48 Westlands Road
P. O. Box 40984 – 00100
Nairobi, Kenya

FINANCIAL ADVISORS

Zamara Actuaries, Administrators and Consultants Limited
Landmark Plaza, Argwings Kodhek Road
P. O. Box 52439 – 00200
Nairobi, Kenya

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

ADVISORS TO THE SCHEME AND OTHER INFORMATION (Continued)

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P. O. Box 40092 - 00100
Nairobi.

LEGAL ADVISORS

Robson Harris & Company Advocates
Transnational Plaza, 6th Floor, City Hallway
P.O Box 67845-00200
Nairobi, Kenya

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

REPORT OF THE TRUSTEES

The Trustees present their annual report and financial statements for the year ended 30 June 2022 for Kenya Pipeline Company Retirement Benefit Scheme Registered Trustees ("the Scheme").

PRINCIPAL ACTIVITY

The main purpose of the Scheme is the provision of cash benefits and pensions to members upon their retirement and relief for the dependents of deceased members as defined in the rules and regulations governing the Scheme.

REGISTRATION

The Scheme is registered under the Retirement Benefits Act. The address of its registered office is P.O. Box 13633, 00800 Nairobi, Kenya. The registration number of the Scheme is RBA/SC/INT2/00632.

MEMBERSHIP

The following changes occurred during the year:

	2022	2021
a) Members in service	835	893
Pensioners	747	693
Deferred	80	82
	<hr/>	<hr/>
Total members	1,662	1,668
	<hr/> <hr/>	<hr/> <hr/>
b) Members in service at the start of the year	893	943
Less: Members who left during the year:		
Retired with pension	(49)	(37)
Death in service	(7)	(8)
Other leavers	(2)	(5)
	<hr/>	<hr/>
Members in service at the end of the year	835	893
	<hr/>	<hr/>
c) Pensioners and beneficiaries		
At the start of the year	693	642
Ceased Pension	(14)	(22)
Entrants	68	73
	<hr/>	<hr/>
At the end of the year	747	693
	<hr/>	<hr/>
Total Members	1,662	1,668
	<hr/> <hr/>	<hr/> <hr/>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

REPORT OF THE TRUSTEES (continued)

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The Scheme was established on 1 January 1977, and is governed by a trust deed dated 26 August 2002, and amended severally with the latest amendment on 9 November 2021. It is a defined benefit Scheme and provides under the rules of the Scheme, retirement benefits for the staff of Kenya Pipeline Company Limited. Income from the registered Scheme is tax exempt under the Income Tax Act. The Scheme is registered with Retirement Benefits Authority (RBA).

The Scheme ceased to admit new members in 2006, when the defined contributions Scheme was formed, and all the members of the defined benefits Scheme were transferred to and began to contribute to the defined contributions Scheme.

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 11 shows a decrease in net assets of the Scheme for the year of KShs. 694,854,607 (2021: increase of KShs. 212,799,728) and the statement of net assets available for benefits on page 12 shows the Scheme's net assets at KShs. 7,439,131,492 (2021: KShs. 8,133,986,099).

INVESTMENT OF SCHEMES

Under the terms of their appointment, investment managers, Sanlam Investment (East Africa) Limited and GenAfrica Asset Managers Limited, are responsible for the investment of Schemes. The overall responsibility for investment and performance however lies with the Trustees.

ACTUARIAL VALUATION

The last actuarial valuation was done as at 30 June 2020 by an independent firm of actuaries, Kenbright Financial Services Limited. The Scheme was 98.5% funded (deficit KShs. 117.3 million). Regulation Number 4 of Retirement Benefits (minimum funding level and winding-up of schemes) regulations, 2000 requires that a deficit be funded by the Founder. The Scheme has not received special contributions to fund the deficit.

SCHEME GOVERNANCE

1. Trustees in office.

The Trustees who served during the year and up to the date of this report were as follows:

Name of Trustee	Age	Category (Member – Elected/ Sponsor Nominated)	Number of Meetings Attended	Certified	Highest Qualification	Membership of other boards
Fredrick Ogano	58	Member Elected	14/14	Yes	Master's Degree	None
Wilkinson Ntwiga	60	Member Elected	14/14	Yes	Bachelor's Degree	None
Joyce Mutungi	63	Sponsor Nominated	14/14	Yes	Bachelor's Degree	None
Dr. Jonah Aiyabei	51	Sponsor Nominated	14/14	Yes	PhD	None
Evans Nyangaya	64	Member Elected	14/14	Yes	Bachelor's Degree	None
Jesse Wahome	53	Member Elected	12/14	Yes	Bachelor's Degree	None
Beryl Nalo	33	Sponsor Nominated	7/14	Yes	Master's Degree	None
Henry Lenairoshi	52	Sponsor Nominated	11/14	Yes	Bachelor's Degree	None
Joseph Muchigi	74	Sponsor Nominated	13/14	Yes	Bachelor's Degree	None

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

REPORT OF THE TRUSTEES (continued)

SCHEME GOVERNANCE (Continued)

2. The Board of Trustees held 14 meetings during the year ending the 30 June 2022. The meetings were held on the dates set out hereunder:

i.	15/6/2022 - BOT	viii.	5/11/2021 – BOT
ii.	3/6/2022 – BOT	ix.	15/10/2021 – BOT
iii.	26/5/2022 – BOT	x.	23/9/2021 – BOT
iv.	16/3/2022 – Joint BOT (DB & DC)	xi.	22/9/2021 – BOT
v.	18/2 /2022 - BOT	xii.	8/8/2021 – BOT
vi.	10/2/2022 – BOT	xiii.	11/8/2021- BOT
vii.	6/12/2022 – BOT	xiv.	27/7/2021 – BOT

3. The composition of the Board of Trustees is as hereunder:

- Gender balance: Two (2) female and Seven (7) male
- Skills mix: No of Trustees with financial skills – Four (4)
- Age mix: number of Trustees who are younger than 35 years – one (1)
- Number of Trustees who are older than 35 years – Eight (8)

4. Committees of the Board

Committee Name	No. of meetings held	Any external allowances (KShs) paid advisors, invitees to meetings (Yes/No) (if yes, mention the purpose)	Allowances (KShs) advisors, invitees to
Investment Committee	8	No	No
Audit & Risk Committee	2	No	No
Property Disposal and Evaluation Committee	5	No	No
Administration & Governance Committee	3	No	No

5. Fiduciary responsibility statement

The Board of Trustees is the governing body of the Kenya Pipeline Company Retirement Benefits Scheme Registered Trustees and is responsible for the corporate governance of the Scheme.

The Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interests of the Scheme's members and the sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- Acting honestly and did not improperly use inside information or abuse their position.
- Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- Performing their duties with the requisite degree of skill.

The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits Schemes and the Scheme's business operations.

The Trustees have ensured that the fund manager has carried out all Scheme investments and that all Scheme assets and funds are held by the custodian. The board charter for the Scheme has been developed.

REPORT OF THE TRUSTEES (continued)

SCHEME GOVERNANCE (Continued)

6. Responsible corporate citizenship

The Scheme has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.

7. Key outcomes

The Board of Trustees seeks to achieve the following:

- a) Building trust with the members and sponsor of the Scheme so that they are satisfied with the administration of the Scheme.
- b) Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- c) Ensuring that the Scheme's administrative processes remain transparent and accessible to members and the sponsor.

The Board of Trustees will measure the progress towards these outcomes through regular reports and feedback from the sponsor.

8. Annual general meeting

The Board of Trustees held the main annual general meeting on 12th November 2021 at which 117 members attended. The Board adequately addressed the members' concerns.

9. Members' sensitization

The board conducted the following sensitization activities

(Name of sensitization forum)	Date held
Member Education days	28 th March to 4 th April 2022

During the sensitization activity, members were reminded of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of Scheme affairs.

10. Trustees' remuneration policy

During the year under review, the Trustees were paid a gross sum of KShs. 1,945,000. A Trustee is paid KShs. 10,000 gross per meeting. The payments complied with the Trustees' remuneration policy of the Scheme which was approved by members at the annual general meeting held on 12th November 2021.

11. Board of trustees' evaluation

No evaluation was done during the year under review.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

BY ORDER OF THE BOARD OF TRUSTEES



Sammy Njeru
Trust Secretary

26 September 2022

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefits Scheme Regulations require the Trustees to prepare financial statements for each financial year which give a true and fair view of the disposition of the Scheme's assets and liabilities as at the end of the financial year and of the financial transactions of the Scheme for that year. The Regulations also require the Trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme. They are also responsible for safeguarding the assets of the Scheme.


The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and the Retirement Benefits Act, and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees also accept responsibility for:

- designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to meet its obligations, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to meet its obligations.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.



.....
Joyce Mutungi
Trustee

26 September 2022



.....
Evans Nyang'aya
Trustee

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

Report on the Financial Statements

Opinion

We have audited the financial statements of Kenya Pipeline Company Retirement Benefits Scheme Registered Trustees, set out on pages 11 to 32, which comprise the statement of net assets available for benefits as at 30 June 2022, the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2022 and of the disposition at that date of its assets and liabilities, other than liabilities to pay retirement and other benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Trustees are responsible for the other information, which comprises the Report of the Trustees which was obtained prior to the date of the auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES (Continued)

Responsibilities of Trustees for the Financial Statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Retirement Benefits Act, and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

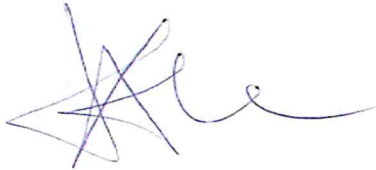
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees;
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF KENYA PIPELINE COMPANY RETIREMENT BENEFITS
SCHEME REGISTERED TRUSTEES (Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fred Aloo, Practising certificate No. 1537**

A handwritten signature in blue ink, appearing to read 'Fred Aloo', with a stylized initial 'F' and 'A'.

**For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi**

29 September 2022

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME
REGISTERED TRUSTEES

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 KShs	2021 KShs
CONTRIBUTIONS AND BENEFITS PAYABLE			
Pensions and benefits withdrawals	4	(518,278,815)	(493,742,255)
		<u>(518,278,815)</u>	<u>(493,742,255)</u>
ADMINISTRATIVE EXPENSES	5	(54,932,661)	(43,758,093)
		<u>(573,211,476)</u>	<u>(537,500,348)</u>
RETURN ON INVESTMENT			
Investment income	6	648,099,984	619,516,832
Changes in market value of investments	7	(749,348,143)	151,571,234
Investment management expenses	8	(21,282,659)	(21,750,566)
		<u>(122,530,818)</u>	<u>749,337,500</u>
OTHER INCOME	9	887,687	962,576
(DECREASE)/ INCREASE IN NET ASSETS FOR THE YEAR BEFORE TAX		<u>(694,854,607)</u>	<u>212,799,728</u>
NET ASSETS OF THE SCHEME AT THE START OF THE YEAR		<u>8,133,986,099</u>	<u>7,921,186,371</u>
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR		<u><u>7,439,131,492</u></u>	<u><u>8,133,986,099</u></u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

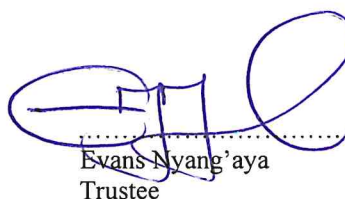
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 JUNE 2022

	Note	2022 KShs	2021 KShs
ASSETS			
FIXED ASSETS			
Equipment	10	9,480,080	10,735,451
Intangible assets	11	3,908,472	5,857,279
		<hr/>	<hr/>
		13,388,552	16,592,730
		<hr/>	<hr/>
INVESTMENTS			
Investment properties	12	2,039,900,000	2,220,000,000
Treasury bonds	13(b)	3,701,238,212	3,725,521,508
Treasury bills	13(a)	120,444,192	219,543,986
Corporate bonds	14	30,641,153	-
Quoted equity investments	15	1,366,201,725	1,722,464,722
Offshore investments	16	91,021,218	-
Call and fixed deposits	17	71,086,654	194,442,101
		<hr/>	<hr/>
		7,420,533,154	8,081,972,317
		<hr/>	<hr/>
TOTAL FIXED ASSETS AND INVESTMENTS		7,433,921,706	8,098,565,047
		<hr/>	<hr/>
OTHER ASSETS AND RECEIVABLES			
Other receivables	18	32,487,436	67,192,336
Cash and bank balances		10,285,067	4,983,637
		<hr/>	<hr/>
		42,772,503	72,175,973
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other payables	19	37,562,717	36,754,921
		<hr/>	<hr/>
NET CURRENT ASSETS		5,209,786	35,421,052
		<hr/>	<hr/>
NET ASSETS AVAILABLE FOR BENEFITS		7,439,131,492	8,133,986,099
		<hr/>	<hr/>
REPRESENTED BY:			
FUND BALANCE		7,439,131,492	8,133,986,099
		<hr/>	<hr/>

The financial statements on pages 11 to 32 were approved and authorised for issue by the Board of Trustees on 26 September 2022 and were signed on their behalf by:



Joyce Mutungi
Trustee



Evans Nyang'aya
Trustee

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	2022 KShs	2021 KShs
CASH FLOWS FROM OPERATING ACTIVITIES		
Benefits paid	(518,931,471)	(489,910,903)
Investment expenses paid	(22,324,803)	(18,830,502)
RBA levy paid	(5,000,000)	(5,000,000)
Rent deposits received	3,322,260	-
Administrative and service charge expenses paid	(47,597,395)	(58,674,272)
	<hr/>	<hr/>
Net cash used in operating activities	(590,531,409)	(572,415,677)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	682,657,045	563,047,802
Purchase of property and equipment	(960,416)	-
Purchase of intangible asset	-	(2,412,901)
Purchase of treasury bills	(141,565,645)	(306,890,200)
Purchase of treasury bonds	(1,299,618,578)	(1,250,859,327)
Purchase of corporate bonds	(33,591,129)	-
Purchase of quoted equities	(176,117,798)	(214,033,374)
Purchase of offshore investments	(95,162,500)	-
Proceeds from sale of treasury bills	242,710,630	543,270,120
Proceeds from sale of treasury bonds	1,122,080,293	885,947,111
Proceeds from sale of corporate bonds	2,949,976	90,844,735
Proceeds from sale of equities	169,095,514	188,491,163
	<hr/>	<hr/>
Net cash generated from investing activities	472,477,392	497,405,129
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(118,054,017)	(75,010,548)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	199,425,738	274,436,286
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>81,371,721</u>	<u>199,425,738</u>
	<hr/>	<hr/>
REPRESENTED BY:		
Bank balance	10,195,857	4,938,876
Cash in hand	89,210	44,761
Fixed and call deposits	71,086,654	194,442,101
	<hr/>	<hr/>
	<u>81,371,721</u>	<u>199,425,738</u>
	<hr/>	<hr/>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

(a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Several new and revised standards and interpretations became effective during the year. The Trustee has evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Scheme's financial statements.

(b) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the Scheme.

(c) Early adoption of standards

The Scheme did not early-adopt any new or amended standards in 2022.

Basis of preparation

The financial statements have been prepared on a going concern basis with compliance with International Financial Reporting Standards (IFRS) under the historical cost basis except for investment properties, financial assets and financial liabilities which are accounted for at fair value. The financial statements comprise a statement of changes in net assets (profit and loss account), statement of net assets (balance sheet), statement of cashflows and notes. They are presented in Kenya Shillings (KShs), which is also the functional currency.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) Contributions receivable

Under the rules of the Scheme, Kenya Pipeline Company Limited shall contribute to the Scheme at such a rate or rates as the Trustees shall determine from time to time with the advice of the actuary. Ordinary contributions are included on the accrual basis as they fall due. Special contributions are accounted for when received.

b) Benefits payable

Pensions and other benefits payable are taken into account in the period in which they fall due.

c) Investment income

Investment income includes interest and dividends receivable and net exchange gains/ (losses) in the year.

Interest income is accrued in the financial statements when earned, taking into account the effective yield rate of the assets or an applicable floating rate. Interest income includes the amortization of any discount or premium or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognized when the shareholders right to receive payment is established.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENT (continued)

1. ACCOUNTING POLICIES (continued)

Basis of Preparation (Continued)

d) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the end of each reporting period. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the statement of changes in net assets.

e) Equipment

Equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on the reducing balance basis and straight-line for equipment and computers respectively, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates are as follows:

Equipment	12.5%
Computers	50%

The carrying values of the equipment are assessed annually and adjusted for impairment where it is considered necessary.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of net assets available for benefits in the year the asset is derecognised.

f) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

g) Investment property

Investment properties comprising land and buildings held to earn rentals and for capital appreciation are carried at fair values based on valuations performed by external independent valuers. Surplus and deficits arising from changes in the fair value are reflected in the statement of net assets available for benefits.

h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Scheme in the management of its short-term commitments.

i) Corporate bonds

Corporate bonds are classified as fair value through profit or loss and are stated at market value as at 30 June.

j) Equity shares

Quoted investments are classified as fair value through profit or loss and are stated at market value as at 30 June.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

k) Unquoted equity investments

Unquoted equity investments are classified as fair value through profit or loss and are stated at market value as at 30 June.

l) Off-shore investments

The off-shore investments represent pooled investments in global stock markets. These investments are classified as fair value through profit or loss and are stated at market value.

m) Financial instruments

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Impairment of financial assets

The Scheme recognises a loss allowance for expected credit losses on, bank balances, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Scheme always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Scheme's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Scheme recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Scheme measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

m) Financial instruments

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Scheme compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Scheme considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Definition of default

The Scheme considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Scheme, in full (without taking into account any collateral held by the Scheme).

Irrespective of the above analysis, the Scheme considers that default has occurred when a financial asset is more than 90 days past due unless the Scheme has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Scheme write-offs debt only when there objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Scheme, are measured in accordance with the specific accounting policies set out below.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

n) Taxation

The Fund is a registered pension fund and is exempt from income tax.

o) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES

In the process of applying the Scheme's accounting policies, Trustees have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Impairment losses on financial assets

At each reporting period end, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the statement of changes in net assets whenever the carrying amount of the asset exceeds its recoverable amount.

When measuring expected credit losses (ECL), the Fund uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The loss rate is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

Equipment

Critical estimates are made by the Scheme management in determining depreciation rates for equipment.

Fair value of investment properties

Management estimates the fair value of investment properties by discounting expected net rentals at market yields.

3 CONTRIBUTIONS RECEIVABLE

The Scheme is not receiving any more contributions from members; thus, contributions are nil. The Defined Benefits Scheme ceased to admit new members in 2006, when the Defined Contributions Scheme was formed, and all the members of the Defined Benefits Scheme were transferred to and began to contribute to the Defined Contributions Scheme.

4 PENSIONS AND BENEFITS WITHDRAWALS

Retirees benefits	518,278,815	493,742,255
	=====	=====

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 KShs	2021 KShs
5 ADMINISTRATIVE EXPENSES		
Staff salaries	16,343,402	14,264,369
RBA levy	5,000,000	5,000,000
Tax arrears	4,135,445	-
Training expenses	3,682,730	1,994,587
Depreciation of equipment (note 10)	2,215,787	2,567,508
Amortization of intangible assets (note 11)	1,948,807	1,952,426
Trustees' allowances	1,945,000	1,535,000
Trustee expenses	1,870,915	752,355
Professional/Scheme advisors fees	1,795,672	1,897,722
Staff medical expenses	1,652,911	627,397
Property maintenance and security expenses	1,644,267	2,434,020
Insurance	1,581,501	1,060,871
Audit fees	1,397,661	1,369,837
Software maintenance (Microsoft NAV)	1,166,781	1,400,137
E-Board software subscriptions	1,116,621	838,639
Travelling and subsistence	1,113,733	453,006
Office expenses and maintenance	1,072,111	1,173,187
Member welfare, education, and post-retirement medical Scheme	904,458	62,225
Meeting expenses	913,048	351,493
AGM expenses	818,899	247,840
Rent Commission	508,892	61,000
Staff and Scheme professional membership subscriptions	432,600	195,364
Computers and website maintenance	354,350	377,722
Printing and stationery	310,585	242,430
Leave days accrual	300,149	-
Investment policy review	255,200	-
Bank charges	246,235	157,325
Tendering expenses	161,625	480,926
Telephone and postage expenses	22,276	42,663
Land search, rent and rates expenses	21,000	5,000
Impairment of unquoted equity (note 16)	-	1,184,928
Legal fees	-	831,760
Advertising	-	196,356
	<u>54,932,661</u>	<u>43,758,093</u>
6 INVESTMENT INCOME		
Dividend income	81,989,812	54,441,337
Interest income:		
- Treasury bonds	509,943,350	450,581,029
- Treasury bills	13,599,997	23,638,529
- Corporate bonds	2,227,421	6,315,478
- Call and fixed deposits	4,708,787	11,162,887
Rent income	71,429,101	80,439,916
- Provision for bad debts	(36,221,659)	(28,335,017)
Gain on disposal of equity investments	8,288,944	16,886,389
(Loss)/gain on disposal of government securities	(7,865,769)	4,386,284
	<u>648,099,984</u>	<u>619,516,832</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 KShs	2021 KShs
7 CHANGES IN MARKET VALUE OF INVESTMENTS		
Change in fair value of investment property (note 12)	(180,100,000)	(162,500,000)
Change in fair value of treasury bonds (note 13(b))	(201,821,581)	(30,154,749)
Change in fair value of quoted equity investment (note 15)	(363,285,280)	344,225,983
Change in fair value of offshore investments (note 16)	(4,141,282)	-
	<u>(749,348,143)</u>	<u>151,571,234</u>
8 INVESTMENT MANAGEMENT EXPENSES		
Management fees - Investment Managers	11,865,424	12,495,476
Custody fees	9,417,235	9,255,090
	<u>21,282,659</u>	<u>21,750,566</u>
9 OTHER INCOME		
Reversal of previously accrued expenses	498,600	759,217
Recovery of impaired Imperial bank provision	140,402	140,402
Interest from staff loans	248,685	62,957
	<u>887,687</u>	<u>962,576</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Computers KShs	Equipment & Fixtures KShs	Total KShs
10 EQUIPMENT COST			
At 1 July 2021	8,810,072	19,321,819	28,131,891
Additions	955,863	138,000	1,093,864
At 30 June 2021	9,765,935	19,459,819	29,225,755
At 1 July 2021	9,765,935	19,459,819	29,225,754
Additions	938,416	22,000	960,416
At 30 June 2022	10,704,351	19,481,819	30,186,170
DEPRECIATION			
At 1 July 2019	7,604,268	8,318,528	15,922,796
Charge for the year	1,168,948	1,398,559	2,567,508
At 30 June 2021	8,773,216	9,717,087	18,490,304
At 1 July 2021	8,773,216	9,717,087	18,490,303
Charge for the year	996,800	1,218,987	2,215,787
At 30 June 2022	9,770,016	10,936,074	20,706,090
NET BOOK VALUE			
At 30 June 2021	992,719	9,742,732	10,735,451
At 30 June 2022	934,335	8,545,745	9,480,080

Included in equipment are assets with an original cost of KShs 8,810,072 (2021: KShs 6,952,020) which are fully depreciated and whose normal depreciation charge for the year would have been KShs 4,405,036 (2021: KShs 3,476,010). Based on an impairment review performed by the Trustees as at 30 June 2022, no indications of impairment of equipment were identified (2021: Nil).

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 KShs	2021 KShs
11 INTANGIBLE ASSETS		
COST		
At 1 July	7,809,705	6,933,341
Additions	-	876,364
At 30 June	<u>7,809,705</u>	<u>7,809,705</u>
AMORTISATION		
At 1 July	1,952,426	-
Charge for the year	1,948,807	1,952,426
At 30 June	<u>3,901,233</u>	<u>1,952,426</u>
NET BOOK VALUE		
At 30 June	<u><u>3,908,472</u></u>	<u><u>5,857,279</u></u>

At 30 June 2022, intangible assets with a cost of KShs 3,585,042 (2021 - KShs 3,585,042) had been fully. Included in intangible assets are assets with an original cost of KShs 3,585,042 (2021 - KShs 3,585,042) which are fully depreciated and whose normal depreciation charge for the year would have been KShs 896,261 (2021: KShs 896,261). Based on an impairment review performed by the directors as at 30 June 2022, no indications of impairment of intangible assets were identified (2021: Nil).

	2022 KShs	2021 KShs
12 INVESTMENT PROPERTIES		
At 1 July	2,220,000,000	2,382,500,000
Valuation loss	(180,100,000)	(162,500,000)
At 30 June	<u><u>2,039,900,000</u></u>	<u><u>2,220,000,000</u></u>
Comprising of:		
Leasehold land and building	<u><u>2,039,900,000</u></u>	<u><u>2,220,000,000</u></u>

The fair value of the Scheme's investment properties as at 30 June 2022 has been arrived at on the basis of valuation carried out at that date by Opti-Real Consultants Limited and Icon Valuers Limited, registered and independent valuers not connected with the Scheme. Opti-Real Consultants Limited and Icon Valuers Limited are members of the Institute of Surveyors of Kenya and they have appropriate qualifications, relevant and recent experience in the fair value measurement of property in various locations in Kenya.

The fair value of investment properties was determined by reference to market evidence of recent transactions for similar properties. The valuations were based on both discounted cash flows method and comparable sales approach. There has been no change on the valuation technique during the year.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 INVESTMENT PROPERTIES (Continued)

Details of the Company's investment properties and information about the fair value hierarchy at the end of the reporting period are as follows:

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
30 June 2022				
Crescent Business Center	-	-	1,150,000	1,150,000
Valley road land	-	-	500,000	500,000
Athi river land	-	-	389,900	389,900
	<u>-</u>	<u>-</u>	<u>2,039,900</u>	<u>2,039,900</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
30 June 2021				
Crescent Business Center	-	-	1,250,000	1,250,000
Valley road land	-	-	560,000	560,000
Athi river land	-	-	410,000	410,000
	<u>-</u>	<u>-</u>	<u>2,220,000</u>	<u>2,220,000</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Property	Valuation technique	Significant observable inputs
Crescent Building		The direct comparison approach has been used to assess the value of the land while the Depreciated Replacement Cost approach has been used to assess the value of the buildings.
	Direct comparison approach/market value & Depreciated Replacement Cost (DRC).	The market approach is based upon a direct comparison of the subject property with other comparable properties, which are recently sold or offered for sale in the same neighborhood. The DRC method is defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as: 'The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.'
Valley Road & Athi River land	Comparable sales approach	Comparable sales approach is based on analysis of comparable property sales in the neighborhood assuming that a typical buyer will not pay more for the subject property than they would have paid for a similar property in the same area. Adjustments were made to reflect the status of the property vis-à-vis comparables.

The income generated from the property is as follows:

	2022 KShs'000	2021 KShs'000
Rental income from investment properties (note 6)	71,429	80,440
Direct operating expense arising from rented out investment property	(1,623)	(4,954)
	<u>69,806</u>	<u>75,486</u>
	<u>=====</u>	<u>=====</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
13 GOVERNMENT SECURITIES		
Treasury bills	120,444,192	219,543,986
Treasury bonds	3,701,238,212	3,725,521,508
	<u>3,821,682,404</u>	<u>3,945,065,494</u>
(a) Treasury bills - <i>At amortised cost</i>		
The movement of treasury bills is as follows:		
At the beginning of the year	219,543,986	432,285,377
Purchases during the year	141,565,645	317,950,703
Maturity	(242,710,630)	(534,877,179)
Accrued interest	2,045,191	4,185,085
	<u>120,444,192</u>	<u>219,543,986</u>
At the end of the year	<u>120,444,192</u>	<u>219,543,986</u>
The maturity dates of the treasury bills are as follows:		
maturing within 3 months	-	-
maturing within 4-12 months	120,444,192	219,543,986
	<u>120,444,192</u>	<u>219,543,986</u>
(b) Treasury bonds- <i>At fair value through profit or loss</i>		
The movement of treasury bonds is as follows:		
At the beginning of the year	3,725,521,508	3,343,880,469
Purchases during the year	1,299,618,578	1,836,655,242
Disposals	(1,122,080,293)	(1,424,859,454)
Change in fair value	(201,821,581)	(30,154,749)
	<u>3,701,238,212</u>	<u>3,725,521,508</u>
At the end of the year	<u>3,701,238,212</u>	<u>3,725,521,508</u>
The maturity dates of the treasury bonds are as follows:		
Maturing within one year	-	137,176,473
Maturing in the second year	5,347,302	194,021,491
Maturing in 3-5 years	212,895,497	298,401,455
Maturing after 5 years	3,482,995,413	3,095,922,089
	<u>3,701,238,212</u>	<u>3,725,521,508</u>

The weighted average interest rate as at 30 June 2022 was 12.23% (2021: 12.23 %).

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
14 CORPORATE BONDS - <i>At fair value through profit or loss</i>		
At the beginning of the year	-	89,644,193
Purchases during the year	33,591,129	-
Disposals during the year	(2,949,976)	(89,644,193)
	<u>30,641,153</u>	<u>-</u>
At the end of the year	<u>30,641,153</u>	<u>-</u>
15 QUOTED EQUITY INVESTMENTS		
- <i>At fair value through profit or loss</i>		
At the beginning of the year	1,722,464,722	1,339,397,815
Purchases during the year	176,117,798	205,790,985
Disposals during the year	(169,095,515)	(166,950,061)
Change in market value	(363,285,280)	344,225,983
	<u>1,366,201,725</u>	<u>1,722,464,722</u>
At the end of the year	<u>1,366,201,725</u>	<u>1,722,464,722</u>
16 OFFSHORE INVESTMENTS		
At fair value through profit or loss		
Franklin U.S Opportunities Fund Class	78,487,826	-
Blk Developed W Index	12,533,392	-
	<u>91,021,218</u>	<u>-</u>
At the beginning of the year	-	-
Purchases during the year	95,162,500	-
Change in market value	(4,141,282)	-
	<u>91,021,218</u>	<u>-</u>
At the end of the year	<u>91,021,218</u>	<u>-</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 KShs	2021 KShs
17 CALL AND FIXED DEPOSITS - <i>At amortised cost</i>		
NCBA Bank Kenya Limited	11,072,134	-
Co-operative Bank of Kenya Limited	23,005,671	49,039,177
Equity Bank Kenya Limited	19,008,849	126,315,784
Imperial Bank Limited	19,602,206	19,742,608
Kenya Commercial Bank	18,000,000	-
Stanbic Bank Kenya Limited	-	19,087,140
	<hr/>	<hr/>
	90,688,860	214,184,709
Less: provision for impairment call and fixed deposits	(19,602,206)	(19,742,608)
	<hr/>	<hr/>
	71,086,654	194,442,101
	<hr/> <hr/>	<hr/> <hr/>
The weighted average interest rate as at 30 June 2022 was 7.2% (2021: 8%).		
18 OTHER RECEIVABLES		
Rent receivable	76,986,889	61,986,307
Provision for bad debts	(64,556,676)	(28,335,017)
	<hr/>	<hr/>
Net rent receivable	12,430,213	33,651,290
Due from KPC Retirement Benefit Scheme 2006 (D.C) Registered Trustees	6,557,375	19,521,337
Other receivables	11,990,958	11,762,056
Prepaid insurance	1,409,320	859,414
Medical Fund	99,570	1,398,239
	<hr/>	<hr/>
	32,487,436	67,192,336
	<hr/> <hr/>	<hr/> <hr/>
19 OTHER PAYABLES AND ACCRUED EXPENSES		
Rent deposit refundable	16,982,625	13,660,365
Accrued expenses	5,443,377	4,303,889
Retirement Benefit Authority (RBA) levy	5,000,000	5,000,000
Management fees	3,624,361	4,998,388
Prepaid rent	2,709,066	4,286,925
Gratuity	1,455,020	3,026,709
Custody fees	1,128,769	796,886
Financial Advisory-Scheme Actuary	919,350	469,800
Leave accruals	300,149	211,959
	<hr/>	<hr/>
	37,562,717	36,754,921
	<hr/> <hr/>	<hr/> <hr/>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 CONCENTRATIONS OF INVESTMENTS

No.	Opening		Acquisition		Disposals			Gain/ (Loss) on disposals	Shares	Unrealized loss	Market Value 30/06/2022
	Shares	Mkt Value 01/07/2021	Shares	Cost	Shares	Cost of Sales	Proceeds				
		KShs		KShs		KShs	KShs			KShs	KShs
CFC Stanbic Holdings Plc	432,600	35,040,600	-	-	-	-	-	-	432,600	7,678,650	42,719,250
Absa Bank Kenya Plc	5,808,612	57,621,431	-	-	-	-	-	-	5,808,612	3,078,564	60,699,995
Centum Investment Plc	805,515	14,015,961	-	-	-	-	-	-	805,515	(6,138,024)	7,877,937
Co-operative Bank Plc	4,580,540	63,211,452	-	-	1,200,000	(15,914,206)	15,914,206	475,794	3,380,540	(10,925,154)	36,847,886
East African Breweries Plc	1,001,700	181,057,275	72,600	10,624,228	-	-	-	-	1,074,300	(44,233,828)	147,447,675
Equity Group Holdings Plc	6,473,500	289,689,125	150,000	7,572,727	1,635,000	(79,980,204)	86,886,076	6,905,873	4,988,500	(2,776,148)	214,505,500
I&M Holdings Plc	104,000	2,272,400	-	-	-	-	-	-	104,000	(504,400)	1,768,000
KCB Group Plc	6,888,753	293,805,315	200,000	8,903,136	-	-	-	-	7,088,753	(28,728,148)	273,980,303
Kenya Power and Lightning Plc	5,022,950	7,032,130	-	-	-	-	-	-	5,022,950	150,689	7,182,819
MTN Uganda	-	-	5,805,450	36,491,400	-	-	-	-	5,805,450	(4,096,989)	32,394,411
NCBA Group Plc	569,329	14,517,890	-	-	-	-	-	-	569,329	(1,081,725)	13,436,164
Nation Media Group Plc	213,875	5,346,880	-	-	-	-	-	-	213,875	(1,700,308)	3,646,572
Safaricom Plc	17311000	717,540,950	18,186,500	88,730,387	17,111,000	(73,676,899)	74,584,177	907,277	18,386,500	(273,851,263)	458,743,175
Stanbic Bank Uganda Limited	6,095,000	4,899,771	-	-	-	-	-	-	6,095,000	(694,221)	4,205,550
Standard Chartered Bank Plc	208,254	27,020,957	-	-	-	-	-	-	208,254	(1,041,270)	25,979,687
Umeme Limited	1,289,795	7,532,403	-	-	-	-	-	-	1,289,795	1,341,387	8,873,790
Umeme Uganda	280,000	1,860,292	-	-	-	-	-	-	280,000	236,908	2,097,200
Total		1,722,464,832	24,414,550	152,321,878	19,946,000	(169,571,309)	177,384,459	8,288,944	61,553,973	(363,285,280)	1,342,405,914

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 TAX

The Registered Scheme is registered under the Income Tax Act and its income is exempt from tax.

22. CONTINGENT LIABILITIES

There were no contingent liabilities of the Scheme as at 30 June 2022 and as at 30 June 2021.

23. FINANCIAL RISK MANAGEMENT

The Scheme generates revenues for the members by investing in various income generating activities, which involve trading in the stock exchange, trading in government securities and offshore investments. These activities expose the Scheme to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers and the Trustees under policies approved by the Trustees. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks.

The Trustees provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

(i) Foreign exchange risk

The Scheme invests internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from investment in offshore investments.

The Scheme's currency risk is evaluated as low because the foreign investments are long term and any currency losses are expected to be recouped through dividend income earned and which comprises the value of the Scheme. The Scheme manages foreign exchange risk by limiting offshore investments to the strategic range of 5% of total portfolio. The Scheme did not have any offshore investment in the year under review.

Since the above do not constitute trading activities, the Scheme does not manage foreign exchange risk arising from future commercial activity but only revalues the assets and liabilities at the prevailing exchange rates at the end of the year.

(ii) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through the statement of changes in net assets. The Scheme is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. Diversification of the portfolio is done in accordance with statement of investment policy, which is reviewed every three years. Most quoted shares held by the Scheme are traded on the Nairobi Securities Exchange (NSE).

		2022 KShs	2021 KShs
Effect on returns from investment	5% appreciation	35,000,000	85,700,000
	5% depreciation	(35,000,000)	(85,700,000)
Effect on Scheme balance	5% appreciation	35,000,000	85,700,000
	5% depreciation	(35,000,000)	(85,700,000)
		<u>=====</u>	<u>=====</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

(iii) Interest rate risk

The Scheme's interest-bearing assets are investments in treasury bills and fixed deposits, which bear a fixed coupon rate except for some corporate bonds which earn interest at a floating rate.

At 30 June 2022, an increase/decrease of 100 basis points would have resulted in an increase or decrease respectively in net returns on investments of approximately KShs 6,948,546 (2021: KShs 4,125,000).

b) Credit risk

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks, and receivables. As part of the credit risk management system, the investment manager and the Trustees monitor and review information on significant investments, Trustees have approved larger portfolio investments with the Government of Kenya which has a low credit rating and has the lowest default record.

The amount that best represents the Scheme's exposure to credit risk as at 30 June 2022 and 30 June 2021 is made up as follows:

	Fully performing KShs	Past due KShs	Impaired KShs	Total KShs
At 30 June 2022				
Treasury bills	120,444,192	-	-	120,444,192
Rent receivable	76,986,889	-	64,556,676	12,430,213
Due from KPC DC Scheme	6,557,375	-	-	6,557,375
Call and fixed deposits	90,688,860	-	19,602,206	71,086,654
Cash and Bank Balances	10,285,067	-	-	-
	<u>304,962,383</u>	<u>-</u>	<u>84,158,882</u>	<u>210,518,434</u>
At 30 June 2021				
Treasury bills	219,543,986	-	-	219,543,986
Rent receivable	61,986,307	-	28,335,017	33,651,290
Due from KPC DC Scheme	19,521,337	-	-	19,521,337
Call and fixed deposits	194,442,101	-	19,742,608	174,699,493
Cash and Bank Balances	4,983,637	-	-	4,983,637
	<u>500,477,368</u>	<u>-</u>	<u>48,077,625</u>	<u>452,399,743</u>

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENT (continued)

23 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (Continued)

The table below analyses the Scheme's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

30 June 2022

	Up to 3 Months KShs	4-12 Months KShs	1-5 Years KShs	Over 5 years KShs	Total KShs
<i>Financial assets</i>					
Government securities	-	120,444,192	218,242,800	3,482,995,412	3,821,682,404
Other receivables	32,487,436	-	-	-	32,487,436
Call and fixed deposits	71,086,654	-	-	-	71,086,654
Bank balance	10,285,067	-	-	-	10,285,067
					-
<i>Financial liabilities</i>					
Other payables	37,562,717	-	-	-	37,562,717
NET LIQUIDITY GAP	76,296,440	120,444,192	218,242,800	3,482,995,412	3,897,978,844

30 June 2021

<i>Financial assets</i>					
Government securities	-	352,535,373	492,422,946	3,100,107,175	3,945,065,494
Other receivables	67,192,336	-	-	-	67,192,336
Call and fixed deposits	194,442,101	-	-	-	194,442,101
Bank balance	4,983,637	-	-	-	4,983,637
					-
<i>Financial liabilities</i>					
Other payables	33,257,785	-	-	-	33,257,785
NET LIQUIDITY GAP	233,360,289	352,535,373	492,422,946	3,100,107,175	4,178,425,783

d) Fair Value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Scheme

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENT (continued)

23 FINANCIAL RISK MANAGEMENT (continued)

d) Fair value of financial assets and liabilities (Continued)

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
30 June 2022				
<i>Financial assets at fair value through profit or loss:</i>				
Equity investments	1,366,201,725	-	-	1,366,201,725
Treasury bonds	-	3,701,238,212	-	3,701,238,212
	<u>1,366,201,725</u>	<u>3,701,238,212</u>	<u>-</u>	<u>5,067,439,937</u>

There were no transfers between levels 1, 2 and 3 in the year (2021: none).

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
30 June 2021				
<i>Financial assets at fair value through profit or loss:</i>				
Equity investments	1,722,464,722	-	-	1,722,464,722
Treasury bonds	-	3,725,521,508	-	3,725,521,508
	<u>1,722,464,722</u>	<u>3,725,521,508</u>	<u>-</u>	<u>5,447,986,230</u>

There were no transfers between levels 1, 2 and 3 in the year (2021: none).

The following table provides information about how the fair values of these financial assets and liabilities are determined (in, valuation technique(s) and inputs used).

Financial assets	Fair values as at		Fair value hierarchy	Valuation techniques and key inputs
	2022 KShs	2021 KShs		
Financial assets at fair value through profit or loss:				
- Treasury bonds	3,701,238,212	3,945,065,494	Level 1	Quoted bid prices in an active market
- Quoted equity investments	1,366,201,725	1,722,464,722	Level 1	Quoted bid prices in an active market
Corporate bonds	-	-	Level 1	Quoted bid prices in an active market
- Unquoted equity investments	-	-	Level 2	Discounted cash flow approach
	<u>=====</u>	<u>=====</u>		

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME REGISTERED
TRUSTEES

NOTES TO THE FINANCIAL STATEMENT (continued)

24 EVENTS AFTER PERIOD END

The Trustees are not aware of any matters or circumstances arising since the end of the financial year which significantly affect the financial position of the company or the results of its operations