

**KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.)  
REGISTERED TRUSTEES**



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**30 JUNE 2022**

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES  
ADVISORS TO THE SCHEME AND OTHER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES

Martin Wanyama	Chairman	Member re-elected	15 <sup>th</sup> September 2022
Benson Muange	Member	Member elected	17th September 2020
Brigid Cherono	Member	Sponsor nominated	4th February 2021
Fredrick Ogano	Member	Member elected	17th September 2020
John Chege	Member	Member elected	17th September 2020
Nancy Rono	Member	Sponsor nominated	4th February 2021
Pamela Ondago	Member	Sponsor nominated	4th February 2021
Thomas Ngira	Member	Sponsor nominated	4th February 2021

SCHEME ADMINISTRATOR

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

INVESTMENT MANAGERS

Sanlam Investment (East Africa) Limited  
Africa Re Centre, Hospital Rd  
P.O. Box 67262- 00200  
Nairobi.

CUSTODIAN

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

AUDITORS

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

LEGAL ADVISORS

Professor Albert Mumma & Company  
Advocates  
5th Avenue Suites, 5th Ngong Avenue  
P. O. Box 10481 - 00100  
Nairobi.

FINANCIAL ADVISORS

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

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 30 JUNE 2022

The Trustees have the pleasure of presenting their report together with the audited financial statements for the year ended 30 June 2022 for KPC Retirement Benefits Scheme 2006 (DC) Registered Trustees ("the Scheme").

## ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The Scheme was established on 1 July 2006, and is governed by a trust deed dated 02 November 2006, and amended severally with latest amendment 8 November 2021. It is a defined contribution 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 whereas income from the unregistered Scheme is taxable. The Scheme is registered with Retirement Benefits Authority (RBA).

## 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.

## FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 9 shows an increase in net assets of the Scheme for the year of KShs. 161,401,512 (2021: KShs 533,870,669) and the statement of net assets available for benefits on page 10 shows the Scheme's net assets at KShs 8,022,505,285 (2021: KShs 6,659,910,753).

## INVESTMENT OF FUNDS

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

## REGISTRATION

The Scheme is registered under the Retirement Benefits Act. The address of its registered office is P.O. Box 13633, 00800 Nairobi. The registration number of the Scheme is RBA/SC/INT2/01692.

## MEMBERSHIP

The following changes occurred during the year:

	2022	2021
Members at the start of the year	1,409	1,424
New members joining during the year	84	43
Less: Members who left during the year:		
Retirees	(51)	(38)
Death in service	(8)	(8)
Other leavers	(11)	(12)
	<hr/>	<hr/>
Members at the end of the year	1,423	1,409
	<hr/>	<hr/>
Deferred members	125	125
	<hr/>	<hr/>



# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES REPORT OF THE TRUSTEES (Continued)

## 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	8/9	Yes	Masters	None
Martin Wanyama	54	Member Elected	8/9	Yes	Masters	None
John Chege	55	Member Elected	8/9	Yes	Masters	None
Brigid Cheron	45	Sponsor Nominated	7/9	Yes	Masters	None
Benson Muange	56	Member Elected	8/9	Yes	Bachelors	None
Thomas Ngira	55	Sponsor Nominated	8/9	Yes	Masters	None
Pamela Ondago	53	Sponsor Nominated	7/9	Yes	Masters	None
Nancy Rono	51	Sponsor Nominated	8/9	Yes	Masters	None

### 2. The Board of Trustees held 9 meetings during the year ending the 30 June 2022. The meetings were held on the dates set out hereunder:

- (i) 17/6 /2022
- (ii) 23/5/2022
- (iii) 15/2/2022
- (iv) 2/12/2021
- (v) 9/11/2021
- (vi) 24/9/2021
- (vii) 17/9/2021
- (viii) 13/8/2021
- (ix) 16/3/2022 – Joint BOT (DB &DC)

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

- a) Gender balance: Female 37.5% Male 62.5%
- b) Skills mix: No of Trustees with financial skills – One (1)
- c) Age mix: Number of Trustees who are younger than 35 years – None.
- d) 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 paid advisors, invitees to (KShs)
Audit Risk and Governance Meeting	1	None	None
Investment Committee	4	None	None

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES REPORT OF THE TRUSTEES (Continued)

## SCHEME GOVERNANCE (Continued)

### 5. Fiduciary responsibility statement

The Board of Trustees is the governing body of the KPC Retirement Benefits Scheme 2006 (D.C.) 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:

- a) Acting honestly and did not improperly use inside information or abuse their position;
- b) 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
- c) 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.

### 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 a virtual annual general meeting on 12<sup>th</sup> November 2021 via MS Teams at which 208 members attended. The board adequately addressed the members' concerns.

### 9. Members' sensitization

The Board of Trustees conducted the following sensitization activities.

Name of sensitization forum	Date held
Member Education days	28 <sup>th</sup> March to 4 <sup>th</sup> 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.

KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES  
REPORT OF THE TRUSTEES (Continued)

SCHEME GOVERNANCE (Continued)

10. Trustees' remuneration policy

During the year under review, the Trustees were paid a gross sum of KShs. 935,000. The payments complied with the Trustees' remuneration policy of the Scheme which was approved by members at the annual general meeting held on 12<sup>th</sup> 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



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Sammy Njeru  
Trust Secretary

26 September 2022

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES FOR THE YEAR ENDED 30 JUNE 2022

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

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 (IFRSs) 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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Retirement Benefits Act.

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.



.....  
Martin Wanyama  
Trustee

26 September 2022



.....  
Nancy Rono  
Trustee



## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

### Report on the Financial Statements

#### Opinion

We have audited the accompanying financial statements of KPC Retirement Benefits Scheme 2006 (D.C) Registered Trustees (the "Scheme"), set out on pages 9 to 31, 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 (IFRSs) 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 KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.)  
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 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**

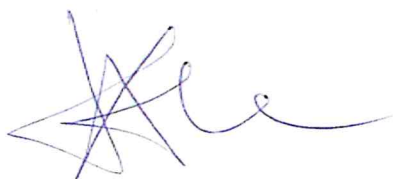
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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.

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**



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

**29 September 2022**

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

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

	Notes	2022 KShs	2021 KShs
<b>CONTRIBUTIONS AND BENEFITS PAYABLE</b>			
Contributions receivable	3	769,004,663	629,541,441
Pensions and benefits withdrawals	4	(471,950,310)	(327,790,289)
		<hr/>	<hr/>
		297,054,353	301,751,152
<b>ADMINISTRATIVE EXPENSES</b>			
	5	(52,378,553)	(42,637,597)
		<hr/>	<hr/>
		244,675,800	259,113,555
<b>RETURN ON INVESTMENT</b>			
Investment income	6	647,770,850	535,003,410
Changes in market value of investments	7	(707,113,803)	429,113,396
Income from Kenpipe Gardens	8	42,521,266	29,976,578
Investment management expenses	9	(25,773,028)	(22,840,416)
		<hr/>	<hr/>
		(42,594,715)	971,252,968
<b>OTHER INCOME</b>			
	10	1,283,456	354,520
<b>INCREASE IN NET ASSETS FOR THE YEAR BEFORE TAX</b>			
TAX EXPENSE	11	203,364,541 (41,963,029)	1,230,721,042 (29,528,022)
		<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FOR THE YEAR AFTER TAX</b>			
		161,401,512	1,201,193,020
<b>NET ASSETS OF THE SCHEME AT THE START OF THE YEAR</b>			
		7,861,103,773	6,659,910,753
		<hr/>	<hr/>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR</b>			
		<u>8,022,505,285</u>	<u>7,861,103,773</u>



# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

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

	Notes	2022 KShs	2021 KShs
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Equipment	12	5,083,098	5,311,305
Intangible assets	13	3,908,472	5,857,279
		<hr/>	<hr/>
		8,991,570	11,168,584
		<hr/>	<hr/>
<b>INVESTMENTS</b>			
Investment property	14	1,601,957,725	1,666,533,236
Treasury bonds	15(b)	3,959,816,767	3,473,146,743
Treasury bills	15(a)	364,208,043	605,599,333
Corporate bonds	16	83,711,216	-
Quoted equity investments	17(a)	1,358,657,674	1,649,642,676
Unquoted equity investments	23(b)	21,744,000	21,744,000
Offshore equity	17(b)	206,979,894	179,551,060
Call and term deposits	19	250,754,520	290,266,918
REITS investments	18	209,991,092	-
		<hr/>	<hr/>
		8,057,820,931	7,886,483,966
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS AND INVESTMENTS</b>		8,066,812,501	7,897,652,550
<b>CURRENT ASSETS</b>			
Other receivables	20	12,840,640	21,574,834
Bank balance		6,112,682	7,999,795
		<hr/>	<hr/>
		18,953,322	29,574,629
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Current tax	11(b)	5,566,900	3,731,189
Benefits payable		12,005,000	13,036,642
Other payables	21	45,688,638	49,355,575
		<hr/>	<hr/>
		63,260,538	66,123,406
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(44,307,216)	(36,548,777)
		<hr/>	<hr/>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		8,022,505,285	7,861,103,773
<b>REPRESENTED BY:</b>			
FUND BALANCE	22	8,022,505,285	7,861,103,773
		<hr/>	<hr/>

The financial statements on page 9 to 31 were approved and authorized for issue by the Board of Trustees on 26 Sept 2022 and signed on its behalf by:-



Martin Wanyama  
Trustee



Nancy Rono  
Trustee



KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
		KShs
Contributions received	769,004,204	628,500,642
Benefits paid	(472,981,953)	(401,472,690)
Investment expenses paid	(25,615,599)	(20,291,628)
RBA levy paid	(5,000,000)	(5,000,000)
Rent/ deposit received	43,441,245	77,939,015
Administrative expenses paid	(87,595,279)	(74,514,064)
Net cash used in operating activities	221,252,618	205,161,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	660,264,787	469,987,148
Purchase of equipment	(711,616)	-
Improvements to investment properties	(4,823,195)	(50,647,848)
Purchase of treasury bills	(635,817,690)	(595,353,700)
Purchase of treasury bonds	(1,584,741,636)	(1,326,969,867)
Purchase of quoted equities	(191,801,945)	(560,562,011)
Purchase of offshore	(89,292,379)	-
Purchase of corporate bonds	(81,410,035)	-
Purchase of REITS	(204,726,014)	-
Proceeds from sale of treasury bills	871,527,340	602,000,000
Proceeds from sale of treasury bonds	909,124,586	956,733,949
Proceeds from sale of corporate bonds	-	40,396,368
Proceeds from sale of equities	89,755,668	100,976,755
Net cash generated from investing activities	(262,652,129)	(363,439,206)
INCREASE IN CASH AND CASH EQUIVALENTS	(41,399,511)	(158,277,931)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	298,266,713	456,544,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	256,867,202	298,266,713
REPRESENTED BY:		
Bank balance	6,095,512	7,999,795
Cash in hand	17,170	-
Fixed and call deposits	250,754,520	290,266,918
	256,867,202	298,266,713

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) 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 authorisation 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.

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENT (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### Basis of Preparation (Continued)

##### d) Equipment

Equipment is 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.

##### e) 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.

##### f) 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.

##### g) 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.

##### h) Corporate bonds

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

##### i) Equity shares

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

##### j) 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.

##### k) Off-shore investments

The offshore 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.

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### j) 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.

#### (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.

#### (i) 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

KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

j) Financial instruments (Continued)

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

(ii) Definition of default (Continued)

- 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.

k) Taxation

The Scheme is a registered pension Scheme and is exempt from income tax. Income on unregistered portion has been taxed as per Note 11

l) 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.

m) Comparatives

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

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:

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES (Continued)

#### *Impairment losses on financial assets*

At each reporting period end, the Scheme 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.

	2022 KShs	2021 KShs
<b>3 CONTRIBUTIONS RECEIVABLE</b>		
Received from employer – normal	507,624,750	410,221,632
Received from employees – normal	253,815,722	205,061,276
Received from employees - AVC	5,078,828	4,676,842
Transfer in	2,485,363	9,581,691
	<u>769,004,663</u>	<u>629,541,441</u>
	=====	=====
<b>4 PENSIONS AND BENEFITS PAYABLE</b>		
Retirees	362,124,691	235,184,884
Early Exits	60,546,463	54,738,950
Deceased	49,279,156	37,866,455
	<u>471,950,310</u>	<u>327,790,289</u>
	=====	=====



# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
5 ADMINISTRATIVE EXPENSES		
Staff salaries and allowances	9,628,604	9,529,938
Training expenses	5,842,886	1,722,186
RBA levy (Note 19)	5,000,000	5,000,000
Tax arrears on consultancy fees	3,195,637	-
Travelling and subsistence	2,629,800	463,244
Commission on rent and sale of Kitengela houses	2,534,456	3,587,482
Meeting expenses	2,118,450	682,102
Amortization of intangible assets (Note 12(b))	1,948,807	1,952,426
Audit fees	1,943,403	1,849,098
Security services	1,804,140	3,939,668
Legal fees	1,676,720	1,882,000
Professional/Scheme advisors fees	1,624,776	961,148
General insurance	1,496,109	1,181,240
Staff medical expenses	1,194,550	419,514
Software maintenance	1,166,781	933,424
Subscriptions-Eboard	1,084,450	908,496
Depreciation on property and equipment (Note 12(a))	939,823	741,635
Trustees' allowances	935,000	1,215,000
Member education	885,258	49,025
Property maintenance expenses	795,552	1,036,664
Office expenses	674,915	487,795
AGM expenses	612,860	244,840
Land rates/valuation cost	458,400	700,000
Property insurance	440,988	189,871
Subscriptions	396,700	100,236
Printing and stationery expenses	310,585	201,472
Leave accrual	300,149	-
Repairs & Maintenance	181,191	85,499
Advertising and tendering costs	170,875	628,584
Property advertising	166,054	1,202,456
Bank charges	116,482	116,151
Website maintenance	81,038	374,722
Telephone and postage	23,114	14,386
Trustees' elections	-	237,295
	<u>52,378,553</u>	<u>42,637,597</u>
6 INVESTMENT INCOME		
Dividend income	73,732,656	43,132,089
Interest income		
Treasury bonds	514,347,991	431,337,482
Treasury bills	46,498,095	35,345,322
Corporate bonds	5,401,043	2,654,811
Call and fixed deposits	12,793,084	18,215,215
Gain on sale of equity investments	2,557,567	4,035,652
(Loss)/gain on disposal of treasury bonds	(7,412,922)	279,646
Gain on disposal of corporate bonds	-	3,193
Exchange losses	(146,664)	-
	<u>647,770,850</u>	<u>535,003,410</u>

KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
<b>7 CHANGES IN MARKET VALUE OF INVESTMENTS</b>		
Changes in fair value of equity investments (note 17(a))	(402,069,943)	287,193,985
Changes in fair value of property (note 13)	(35,883,561)	171,194,760
Changes in fair value of offshore investments (note 17(b))	(61,863,544)	19,182,906
Changes in fair value of treasury bonds (note 14(b))	(212,561,831)	(48,458,255)
Changes in fair value REITS investments (note 18)	5,265,076	-
	<u>(707,113,803)</u>	<u>429,113,396</u>
<b>8 RENTAL INCOME</b>		
Rental income	19,969,000	17,815,000
Provision for bad debts	(802,877)	-
Income from Tenant Purchase Scheme	23,355,143	11,343,023
Gain from disposal of property- Kenpipe Gardens	-	818,555
	<u>42,521,266</u>	<u>29,976,578</u>
<b>9 INVESTMENT MANAGEMENT EXPENSES</b>		
Management fees	15,253,928	12,966,270
Custody fees	10,519,100	9,874,146
	<u>25,773,028</u>	<u>22,840,416</u>
<b>10 OTHER INCOME</b>		
Miscellaneous income	1,283,456	354,520
	<u>1,283,456</u>	<u>354,520</u>
<b>11 TAXATION</b>		
(a) Statement of changes in net assets:		
Total investment income	697,380,468	560,197,463
Less: Interest from infrastructure bonds	(9,683,174)	(31,157,728)
Gain/loss on investments disposals	(5,002,019)	5,137,044
Less: Administration expenses	(52,378,553)	(42,637,597)
Investment management expenses	(25,773,028)	(22,840,416)
Add back: Depreciation	2,888,630	-
Gratuity	727,510	-
	<u>608,159,834</u>	<u>468,698,766</u>
Taxable income due to Unregistered. Fund at 23% (2020: 21%) of the taxable Scheme income	139,876,762	98,426,741
Tax thereon at 30%	41,963,029	29,528,022



# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
11 TAXATION (Continued)		
(b) Statement of net assets:		
Tax payable as at 1 July	3,731,189	(1,758,694)
Tax provision for the year (11 (a))	41,963,029	29,528,022
Instalment tax paid during the year	(40,127,318)	(24,038,139)
Tax payable as at 30 June	<u>5,566,900</u>	<u>3,731,189</u>

The registered Scheme is registered under the Income Tax Act and its income is exempt from tax. Investment income attributable to Unregistered Scheme is subject to corporation tax under the Income Tax Act at corporation tax rate.

	2022 KShs	2021 KShs
12.(a) PROPERTY AND EQUIPMENT		
COST		
At the beginning of the year	10,518,379	10,286,737
Additions	711,616	231,642
At the end of the year	<u>11,229,995</u>	<u>10,518,379</u>
DEPRECIATION		
At the beginning of the year	5,207,074	4,465,439
Charge for the year	939,823	741,635
At the end of the year	<u>6,146,897</u>	<u>5,207,074</u>
NET BOOK VALUE		
At the end of the year	<u>5,083,098</u>	<u>5,311,305</u>
Amount of fully depreciated assets	-	-
13 INTANGIBLE ASSETS		
COST		
At the beginning of the year	7,809,705	6,750,123
Additions	-	1,059,582
At the end of the year	<u>7,809,705</u>	<u>7,809,705</u>
AMORTISATION		
At the beginning of the year	1,952,426	-
Charge for the year	1,948,807	1,952,426
At the end of the year	<u>3,901,233</u>	<u>1,952,426</u>
NET CARRYING AMOUNT		
At the end of the year	<u>3,908,472</u>	<u>5,857,279</u>

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 INVESTMENT PROPERTY

	Kajiado/ Kitengela/ 76600-76872 KShs	Kajiado/ Kitengela/ 76873 (Kenpipe Gardens) KShs	Kitengela Rangers KShs	Kogony, Kisumu KShs	Total KShs
<b>30-Jun-22</b>					
At the beginning of the year	561,670,000	973,063,236	112,000,000	19,800,000	1,666,533,236
Additions	-	4,823,195	-	-	4,823,195
Tenant Purchase Scheme Payments	-	(33,515,145)	-	-	(33,515,145)
Change in Fair Value	(7,270,000)	(41,413,561)	12,800,000	-	(35,883,561)
	<u>554,400,000</u>	<u>902,957,725</u>	<u>124,800,000</u>	<u>19,800,000</u>	<u>1,601,957,725</u>
At the end of the year	<u>554,400,000</u>	<u>902,957,725</u>	<u>124,800,000</u>	<u>19,800,000</u>	<u>1,601,957,725</u>

	Kajiado/ kitengela/ 76600-76872 KShs	Kajiado/ kitengela/ 76873 (Kenpipe Gardens) KShs	Tenant Purchase Scheme KShs	Kitengela Rangers KShs	Kogony, Kisumu KShs	Total KShs
<b>30 June 2021</b>						
At the beginning of the year	383,600,000	920,276,059	52,226,780	117,750,000	19,800,000	1,493,652,839
Additions	-	50,647,849	-	-	-	50,647,849
Sales	-	(20,466,445)	-	-	-	(20,466,445)
Tenant Purchase Scheme	-	(102,332,223)	102,332,223	-	-	-
Tenant Purchase Scheme Payments	-	-	(28,495,767)	-	-	(28,495,767)
Change in Fair Value	178,070,000	(1,125,240)	-	(5,750,000)	-	171,194,760
	<u>561,670,000</u>	<u>847,000,000</u>	<u>126,063,236</u>	<u>112,000,000</u>	<u>19,800,000</u>	<u>1,666,533,236</u>
At the end of the year	<u>561,670,000</u>	<u>847,000,000</u>	<u>126,063,236</u>	<u>112,000,000</u>	<u>19,800,000</u>	<u>1,666,533,236</u>

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

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
<b>30 June 2022</b>				
Kajiado/Kitengela/ 76600-76872	-	-	554,400,000	554,400,000
Kajiado/Kitengela/ 76873 (Kenpipe Gardens)	-	-	902,957,725	902,957,725
Kitengela Rangers	-	-	124,800,000	124,800,000
Kogony, Kisumu	-	-	19,800,000	19,800,000
	<u>-</u>	<u>-</u>	<u>1,601,957,725</u>	<u>1,601,957,725</u>
<b>30 June 2021</b>				
Kajiado/kitengela/ 76600-76872	-	-	561,670,000	561,670,000
Kajiado/kitengela/ 76873 (Kenpipe Gardens)	-	-	973,063,236	973,063,236
Kitengela Rangers	-	-	112,000,000	112,000,000
Kogony, Kisumu	-	-	19,800,000	19,800,000
	<u>-</u>	<u>-</u>	<u>1,666,533,236</u>	<u>1,666,533,236</u>

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14 INVESTMENT PROPERTY (Continued)

The income generated from the property is as follows:

	2022 KShs	2021 KShs
Rental income from investment properties (note 8)	19,969,000	17,815,000
Rental income from Tenant Purchase Agreement	23,355,143	11,343,023
Direct operating expense arising from Kenpipe Gardens	(7,254,042)	(9,164,444)
	<u>36,070,101</u>	<u>19,993,579</u>

The Scheme's investment property consists of 40 quarter acre plots located in Rangers, Kitengela and 50.2-acre plot in Milimani, Kitengela and in Kisumu (LR NO Kisumu-Kogony 7100 to 7109).

The fair value of the Company's investment properties as at 30 June 2022 has been arrived at on the basis of valuation carried out at that date by Crystal Valuers Ltd, Phynix Valuers Ltd and Fair Valuers Ltd independent valuers not connected with the Scheme. The Valuers 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 were determined by reference to market evidence of recent transactions for similar properties. The valuations were based on both discounted cash flows and Comparable sales methods. There has been no change on the valuation technique during the year.

### 15 GOVERNMENT SECURITIES

	2022 KShs	2021 KShs
Treasury bills	364,208,043	605,599,333
Fixed treasury bonds	3,959,816,767	3,473,146,744
	<u>4,324,024,810</u>	<u>4,078,746,077</u>

#### a) Treasury bills- *At amortised cost*

The movement of treasury bills is as follows:

At the beginning of the year	605,599,333	576,900,311
Purchases during the year	434,353,810	587,123,361
Maturity	(680,309,093)	(568,669,972)
Accrued interest	4,563,993	10,245,633
	<u>364,208,043</u>	<u>605,599,333</u>

The maturity dates of the treasury bills are as follows:

Maturing within 3 months	-	-
Maturing within 4-12 months	364,208,043	605,599,333
	<u>364,208,043</u>	<u>605,599,333</u>

The weighted effective average interest rate on the treasury bills at 30 June 2022 was 9.86% (2021: 11.02%)

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
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### 15 GOVERNMENT SECURITIES(Continued)

#### b) Treasury bonds- *At fair value through profit or loss*

The movement of treasury bonds is as follows;

At the beginning of the year	3,473,146,744	3,115,821,872
Purchases during the year	1,702,016,683	1,759,282,650
Maturity	(1,002,784,829)	(1,353,499,523)
Change in fair value	(212,561,831)	(48,458,255)
	<hr/>	<hr/>
At the end of the year	3,959,816,767	3,473,146,744
	<hr/>	<hr/>

The maturity dates of the treasury bonds are as follows:

Maturing within one year	-	21,014,082
Maturing in the second year	-	240,713,886
Maturing in 2-5 years	118,672,134	1,053,908
Maturing after 5 years	3,841,144,633	3,210,364,868
	<hr/>	<hr/>
	3,959,816,767	3,473,146,743
	<hr/>	<hr/>

The weighted effective average interest rate on the treasury bonds at 30 June 2022 was 12.23% (2021:11.89%).

	2022 KShs	2021 KShs
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### 16 CORPORATE BONDS- *At fair value through profit or loss*

The movement of corporate bonds as follows;

At the beginning of the year	-	39,736,334
Purchases during the year	83,711,216	-
Disposals	-	(39,736,334)
Change in fair value	-	-
	<hr/>	<hr/>
At the end of the year	83,711,216	-
	<hr/>	<hr/>

The maturity dates of the corporate bonds are as follows:

Maturing within one year	-	-
Maturing in the 2-5 year	51,663,139	-
Maturing after 5 years	32,048,077	-
	<hr/>	<hr/>
	83,711,216	-
	<hr/>	<hr/>

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs	2021 KShs
17 EQUITY INVESTMENTS		
a) Quoted Equity Investments- <i>at fair value through profit or loss</i>		
At the beginning of the year	1,649,642,676	980,480,066
Purchases during the year	198,283,042	477,970,416
Disposals during the year	(87,198,101)	(98,417,791)
Change in market value	(402,069,943)	289,609,985
	<hr/>	<hr/>
At the end of the year	1,358,657,674	1,649,642,676
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Offshore Equity - At fair value through profit or loss

## 18. REITS investments

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# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 CALL AND TERM DEPOSITS

	2022 KShs	2021 KShs
Equity Bank Kenya Limited	55,000,000	210,031,644
Kenya Commercial Bank Limited	160,737,260	-
The Co-operative Bank of Kenya Limited	35,017,260	-
I&M Bank	-	30,086,301
Diamond Trust Bank	-	50,148,973
Imperial Bank Limited	19,272,039	19,412,441
	<u>270,026,559</u>	<u>309,679,359</u>
Less: provision for impairment of fixed and call deposits	(19,272,039)	(19,412,441)
	<u>250,754,520</u>	<u>290,266,918</u>

The weighted effective average interest rate on the short-term deposits as at 30 June 2022 was 6.56% (2021: 6.53%).

	2022 KShs	2021 KShs
20 OTHER RECEIVABLES		
Rent receivable	1,720,487	1,197,976
Less: provision for bad debts	(802,877)	-
	<u>917,610</u>	<u>-</u>
Net rent receivable	917,610	-
Kitengela sales receivable	-	10,000,000
Insurance prepaid	1,310,030	816,733
Staff Loans	6,234,832	5,514,053
Service charge	4,278,598	3,113,913
Medical fund	99,570	932,159
	<u>12,840,640</u>	<u>21,574,834</u>

### 21 OTHER PAYABLES

Prepaid tenant purchase Scheme	15,430,564	7,107,913
Due to KPC Retirement Benefit Scheme	6,557,375	19,521,337
Rent deposit refundable	5,545,600	5,684,600
RBA levy payable	5,000,000	5,000,000
Management fees	3,593,955	3,480,114
Income tax on pension benefits	2,391,053	1,255,239
Audit fees	1,942,501	1,849,098
Security service payable	1,856,955	-
General creditors	993,704	1,218,794
Custody fees	882,366	838,779
Legal fees	695,060	968,640
Accrued leave days	300,149	141,306
Contribution refundable	248,053	248,513
Tax payable	195,303	21,000
Trustee allowance payable	56,000	-
Accrued gratuity	-	2,020,242
	<u>45,688,638</u>	<u>49,355,575</u>

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 ACCUMULATED FUND

<b>2022</b>	Registered Fund KShs	Unregistered Fund KShs	Total KShs
As at 1 July 2021	6,272,718,480	1,588,385,294	7,861,103,773
Members contribution	340,720,946	428,283,717	769,004,664
	<u>6,613,439,426</u>	<u>2,016,669,011</u>	<u>8,630,108,437</u>
Percentage on total fund	77%	23%	100%
Net income for the year	470,081,148	143,344,185	613,425,333
Benefits payable	(361,665,767)	(110,284,543)	(471,950,310)
Investment holdings gain	(541,876,656)	(165,237,147)	(707,113,803)
	<u>(433,461,275)</u>	<u>(132,177,505)</u>	<u>(565,638,780)</u>
Tax (Unregistered Scheme)	-	(41,963,029)	(41,963,029)
As at 30 June 2022	<u>6,179,978,151</u>	<u>1,842,528,477</u>	<u>8,022,506,628</u>
<b>2021</b>			
As at 1 July 2021	5,450,527,520	1,209,383,233	6,659,910,753
Members contribution	344,278,609	285,262,833	629,541,441
	<u>5,794,806,129</u>	<u>1,494,646,066</u>	<u>7,289,452,195</u>
Percentage on total fund	79%	21%	100%
Net income for the year	397,366,676	102,492,219	499,858,894
Benefits payable	(260,579,413)	(67,210,876)	(327,790,289)
Investment holdings gain	338,997,670	90,113,324	429,110,994
	<u>475,784,933</u>	<u>125,394,667</u>	<u>601,179,600</u>
Tax (Unregistered Scheme)	-	(29,528,022)	(29,528,022)
As at 30 June 2022	<u>6,270,591,062</u>	<u>1,590,512,711</u>	<u>7,861,103,773</u>



KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENT (continued)

23(a) QUOTED EQUITY INVESTMENTS

Description	At 1 July 2021	Addition	Disposal	At 30 Jun 2022	Market value at 1 July 2021	Cost of additions	Proceeds on disposal	Gain/ (loss) on disposals	Unrealised gain/(loss)	Dividends receivable	Market value at 30 Jun 2022
	Units	Units	Units	Units	KShs	KShs	KShs	KShs	KShs		KShs
Absa Bank Kenya Plc	7,896,708	200,000	-	8,096,708	78,335,342	2,023,448	-	-	4,251,807	-	84,610,597
CFC Stanbic Holdings Plc	1,136,800	-	-	1,136,800	92,080,800	-	-	-	20,178,200	-	112,259,000
Co-operative Bank of Kenya Plc	2,351,060	-	-	2,351,060	32,444,628	-	-	-	(6,818,074)	-	25,626,554
Diamond Trust Bank Kenya Plc	150,686	-	150,686	-	8,928,146	140,232	8,783,040	(140,232)	-	-	-
East African Breweries Plc	1,049,338	120,000	-	1,169,338	189,667,844	21,488,933	-	-	(50,665,136)	-	160,491,641
Equity Group Holdings Plc	5,030,800	-	-	5,030,800	225,128,300	-	-	-	(8,803,900)	-	216,324,400
I&M Holdings Plc	1,135,800	-	279,200	856,600	24,817,230	(132,630)	5,995,694	132,630	(4,391,965)	-	14,562,200
Kenya Commercial Bank Plc	4,224,332	295,000	-	4,519,332	180,167,760	14,922,694	-	-	(20,418,272)	9,038,664	174,672,182
MTN Uganda	-	5,805,450	-	5,805,450	-	36,491,400	-	-	(4,096,989)	-	32,394,411
Safaricom Plc	18,833,500	3,285,000	929,000	21,189,500	780,648,575	115,122,620	40,259,900	1,752,850	(330,338,970)	-	528,678,026
Standard Chartered Bank Plc	288,432	-	288,432	-	37,424,052	(812,319)	37,269,728	812,319	(966,644)	-	-
<b>TOTAL</b>	<b>42,097,456</b>	<b>9,705,450</b>	<b>1,647,318</b>	<b>50,155,588</b>	<b>1,649,642,677</b>	<b>189,244,378</b>	<b>92,308,362</b>	<b>2,557,567</b>	<b>(402,069,943)</b>	<b>9,038,664</b>	<b>1,349,619,011</b>

23(b) UNQUOTED INVESTMENT

UAP Old Mutual Holdings	151,000	-	-	-	151,000	21,744,000	-	-	-	-	21,744,000
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# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENT (Continued)

### 24 CONTINGENT LIABILITIES

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

### 25 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 fund 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 minimise 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 provide 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.

#### a) Market risk

##### (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 fund. The Scheme manages foreign exchange risk by limiting offshore investments to the strategic range of 5% of total portfolio.

Since the above do not constitute trading activities, the Scheme does not manage foreign exchange risk arising from future commercial activity but only revalue 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 and unquoted 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	8,070,000	82,482,134
	5% depreciation	(8,070,000)	(82,482,134)
Effect on Fund balance	5% appreciation	8,070,000	82,482,134
	5% depreciation	(8,070,000)	(82,482,134)
		=====	=====

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENT (Continued)

### 25 FINANCIAL RISK MANAGEMENT (Continued)

#### a) Market risk (Continued)

##### (iii) Interest rate risk

The Scheme's interest-bearing assets are investments in treasury bills, commercial papers 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 1,614,015 (2021: KShs 3,169,110).

#### b) Credit risk

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks and other 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:

At 30 June 2022	Fully performing KShs	Past due KShs	Impaired KShs	Total KShs
Treasury bills	364,208,043	-	-	364,208,043
Other receivables	12,840,640	-	(802,877)	13,643,517
Call and fixed deposits	250,754,520	-	19,272,039	270,026,559
	<u>627,803,203</u>	<u>-</u>	<u>20,074,916</u>	<u>647,878,119</u>
At 30 June 2021				
Treasury bills	605,599,333	-	-	605,599,333
Other receivables	21,574,834	-	-	21,574,834
Call and fixed deposits	290,266,918	-	19,412,441	309,819,761
	<u>917,441,085</u>	<u>-</u>	<u>19,412,441</u>	<u>936,853,528</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.

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENT (Continued)

### 25 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.

	Up to 3 Months	4-12 Months	1-5 Years	Over 5 years	Total
30 June 2022	KShs	KShs	KShs	KShs	KShs
<i>Financial assets</i>					
Government securities	-	364,208,043	1,012,450	3,958,804,317	4,324,024,810
Call and term deposits	250,754,520	-	-	-	250,754,520
Bank balance	6,112,682	-	-	-	6,112,682
	<u>256,867,202</u>	<u>364,208,043</u>	<u>1,012,450</u>	<u>3,958,804,317</u>	<u>4,580,892,012</u>
<i>Financial liabilities</i>					
Benefits payable	12,005,000	-	-	-	12,005,000
Other payables	51,255,538	-	-	-	51,255,538
	<u>63,260,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,260,538</u>
NET LIQUIDITY GAP	<u>193,606,664</u>	<u>364,208,043</u>	<u>1,012,450</u>	<u>3,958,804,317</u>	<u>4,517,631,474</u>
<b>30 June 2021</b>					
<i>Financial assets</i>					
Government securities	-	626,613,415	241,767,794	3,210,364,868	4,078,746,077
Call and term deposits	290,266,918	-	-	-	290,266,918
Bank balance	7,999,795	-	-	-	7,999,795
	<u>319,841,547</u>	<u>626,613,415</u>	<u>241,767,794</u>	<u>3,210,364,868</u>	<u>4,398,587,623</u>
<i>Financial liabilities</i>					
Benefits payable	13,036,642	-	-	-	13,036,642
Other payables	49,355,575	-	-	-	49,355,575
	<u>62,392,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,392,217</u>
NET LIQUIDITY GAP	<u>257,449,330</u>	<u>626,613,415</u>	<u>241,767,793</u>	<u>3,210,364,868</u>	<u>4,336,195,406</u>

# KPC RETIREMENT BENEFITS SCHEME 2006 (D.C.) REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENT (continued)

### 25 FINANCIAL RISK MANAGEMENT (continued)

#### 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.

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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- 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
<b>30 June 2022</b>				
Quoted equity investments	1,358,657,674	-	-	1,358,657,674
Unquoted equity investments	21,744,000	-	-	21,744,000
Offshore equity	-	206,979,894	-	206,979,894
Treasury bonds	-	3,959,816,767	-	3,959,816,767
	<u>1,380,401,674</u>	<u>4,166,796,661</u>	<u>-</u>	<u>5,547,198,335</u>
<b>30 June 2021</b>				
Quoted equity investments	1,649,642,677	-	-	1,649,642,677
Unquoted equity investments	-	21,744,000	-	21,744,000
Offshore equity	-	179,551,060	-	179,551,060
Treasury bonds	-	3,473,146,743	-	3,473,146,743
	<u>1,649,642,677</u>	<u>3,674,441,803</u>	<u>-</u>	<u>5,324,084,480</u>

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

### 26. 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.