

ANNUAL REPORTS & FINANCIAL STATEMENTS 2023



**KENYA PIPELINE COMPANY RETIREMENT BENEFITS
SCHEME 2006 (D.C) REGISTERED TRUSTEES**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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REGISTERED OFFICE

The Crescent Business Centre
Off Parklands Road, Parklands
P.O Box 13633-00800
Nairobi, Kenya.

CUSTODIAN

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

SCHEME ADMINISTRATOR

Sammy Njeru
In-house Pension Administration,
Kenya Pipeline Company
Retirement Benefit Scheme,
Nairobi, Kenya.

INDEPENDENT AUDITOR

Ronalds LLP,
Certified Public Accountants (K)
136 Manyani East Road, Off Waiyaki Way
P.O Box 41331-00100,
Nairobi, Kenya.

FUND MANAGERS

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

FINANCIAL ADVISORS

Zamara Actuaries, Administrators and
Consultants Limited
Chiromo Road/ Waiyaki Way
P.O. BOX 52439-00200
Nairobi, Kenya

LAWYERS

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



CHAIRPERSON'S STATEMENT

THE SCHEME'S PERFORMANCE FOR THE YEAR ENDED JUNE 2023

Preamble

Welcome all to the 17th Annual General Meeting. As trustees, we are obliged to report to you members the operations of the scheme that we have undertaken over the last financial year.

Compliance

The scheme is compliant with all the Retirement Benefits Authority (RBA) and other statutory requirements. Within the financial statements, we have reported on good governance practices within the scheme with regard to board composition, meetings held within the year, policies in place and other good practices in our operations. This has ensured the scheme remains anchored on its vision and mission.

The scheme revised its Strategic Plan within the financial year with the vision to financially secure members in retirement. This will be achieved by prudently investing the scheme's funds by sustaining the trust.

Scheme Growth

The fund increased by KES 1.2 billion from KES 8.1 billion in June 2022 to close the year at KES 9.2 billion this financial year. The membership increased from 1,409 to 1,423 members at the end of June 2023. We appreciate members that have continued to improve their retirement savings by contributing through Additional Voluntary Contributions (AVC).

The scheme has diversified its portfolio by investing in the Alternative Asset Class which provides opportunities for both higher returns and diversification by allowing for investment in economic sectors not represented in the Nairobi Securities Exchange (NSE) such as healthcare, manufacturing, education and warehousing solutions. This will help cushion the scheme against the cyclical market movements experienced in the Traditional Asset Classes which include investments listed in the NSE such as Government securities and listed shares. The scheme is currently invested in Private Equity through Adenia Capital Fund V, a generalist fund focusing on sectors with high entry barriers and attractive growth capacity; Real Estate Investment Trusts (REITs) through the Acorn REITs which specializes in Purpose Built Student Accommodation (PBSA); and Infrastructure through the Lot 3 Annuity Program through a guaranteed medium-term note which will see the construction of 143km of road network in Northern Kenya.

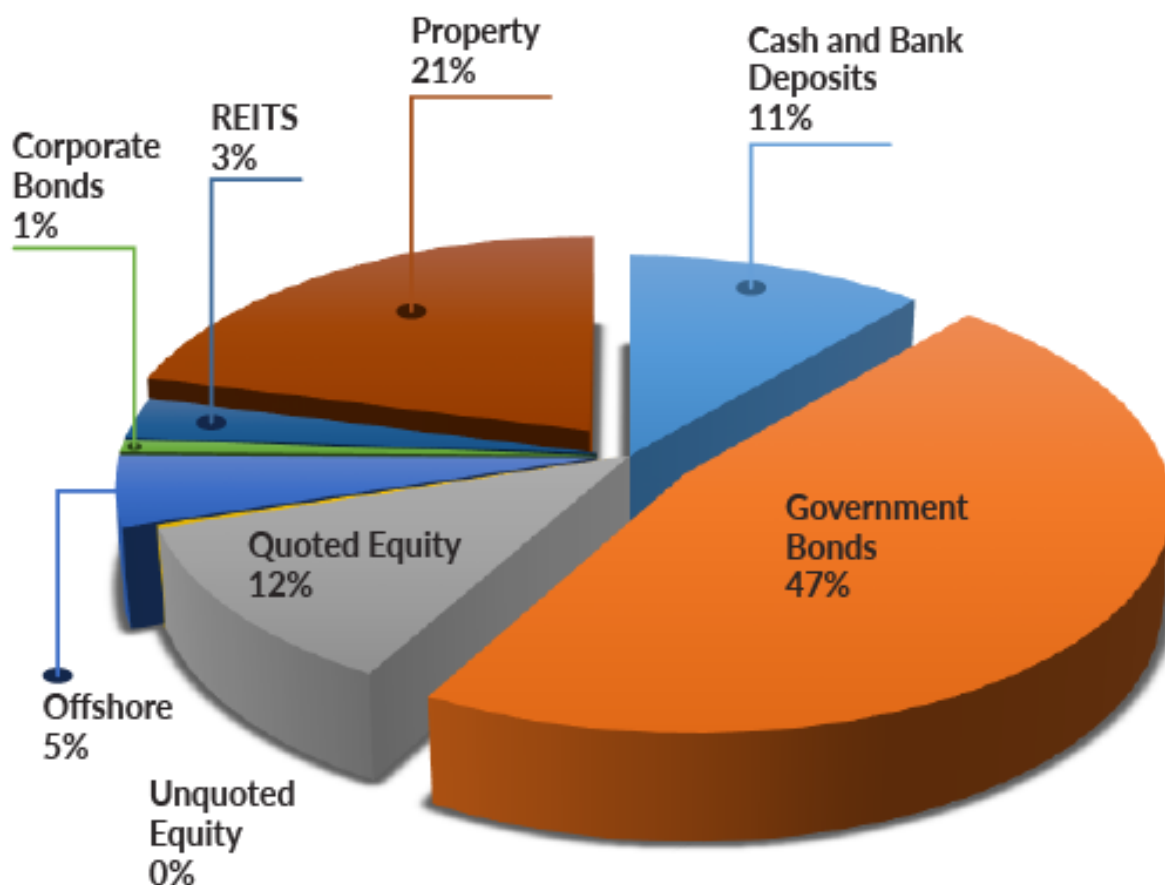
Additionally, the Scheme has increased its allocation to offshore investments which will further cushion the scheme from the macroeconomic risks currently facing local investments such as the depreciation of the Kenya Shilling. The scheme's property portfolio includes Kenpipe Gardens which is located in Kitengela with almost half of the 101 houses sold and the rest earning rental income.

We remain focused on establishing a Post Retirement Medical Fund for the members. The discussions are going on with the Sponsor.

Scheme Investment

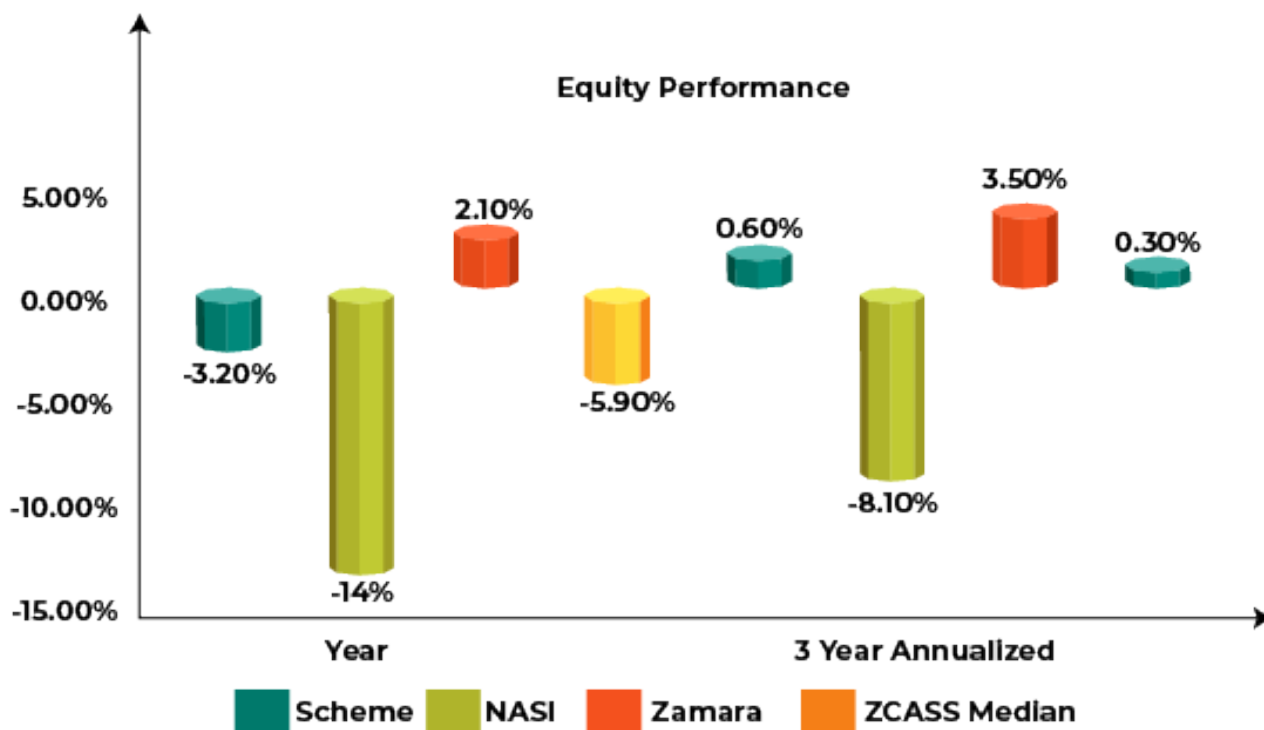
The scheme's investments are in compliance with the Retirement Benefits Act and Investment Policy Statement. The scheme is currently invested in traditional asset classes, property, offshore and REITS.

Investment Portfolio Holding (KES 9.15Billion)



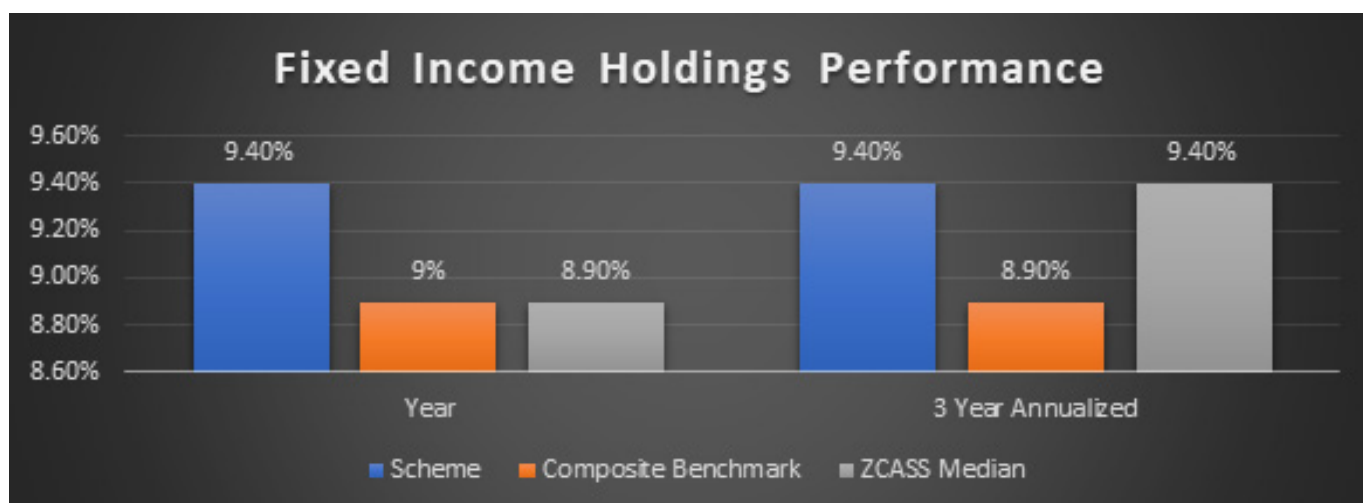
Equity Performance

The scheme's equity performance was negative 3.2% against NASI performance of negative 14% and negative 5.9% by peer schemes for the year under review. This was occasioned by the ongoing uncertainty caused from macro factors including high interest rates, sustained inflation and the continued depreciation of the Kenya Shilling.



Fixed Income Securities

The fixed income performance experienced a moderate increase in returns due to aggressive Government borrowing to refinance upcoming loan maturities to meet its budgetary obligations. The tight monetary policy contributed to the high interest rate therefore with the effect of reducing the value of the scheme's existing bond portfolio. The fixed income portfolio return during the year was 9.4% against a market and peer performance of 9% and 8.9% respectively.

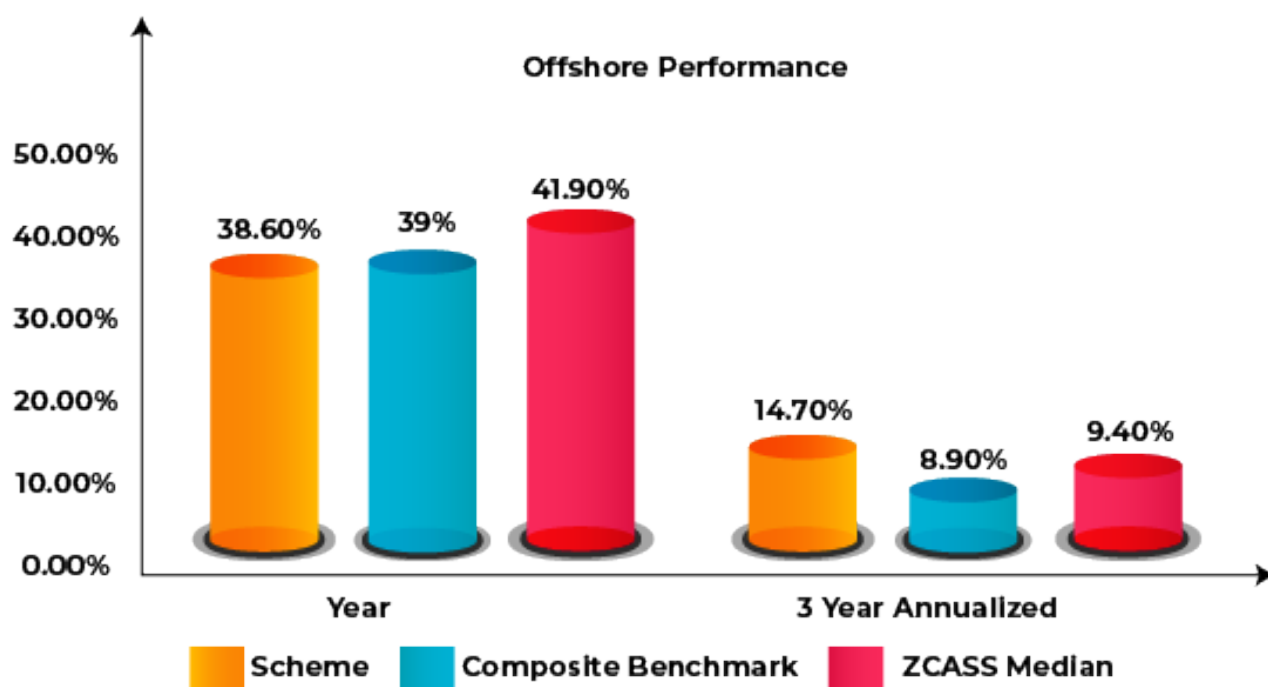


Property

Rent in commercial real estate continues to decline with most experiencing rental reduction driven mainly by oversupply, tough economic times and the shift to hybrid working arrangements. Residential real estate on the other hand saw a moderate increase in demand driven by a rise in home ownership demand which began during COVID-19 and resulting response by developers to avail well priced housing solutions to homeowners.

Offshore Investment

The stabilization of interest rates in the global market renewed investor confidence in global equities. Offshore performance for the year was 38.6% against a global market index of 39% and peer schemes performance of 41.9%.



Appreciation

Finally, I would like to appreciate the KPC Board of Directors and the entire management of the Company and members for the continued support. I also take this opportunity to appreciate the professional service providers who continued to offer commendable service during the year:

- The Secretariat
- The Board of Trustees
- The scheme investment managers - Sanlam East Africa and Co-optrust Investment Services.
- External Auditors - Ronalds LLP
- Custodian - Standard Chartered Bank and
- The Scheme Financial Advisors Consultant - Zamara Actuaries, Administrators and Consultants Ltd
- The Scheme Legal Advisors – Prof. Mumma & Co. Advocates.

Thank you all and God Bless You.

ENG.MARTIN WANYAMA
CHAIRMAN, BOARD OF TRUSTEES



TAARIFA YA MWENYEKITI

MATOKEO YA HAZINA HII YA MWAKA ULIOKAMILIKA 30 JUNI 2023

Utangulizi

Ninawakaribisha nyote katika Mkutano Mkuu wa 17 wa Kila Mwaka (AGM). Ni jukumu letu sisi kama wadhamini kuwapa taarifa wanachama wetu kuhusu utendakazi wetu katika hazina hii katika mwaka wa kifedha uliopita.

Uzingatiaji Sheria

Hazina hii inazingatia kanuni za Mamlaka ya Kusimamia Malipo ya Uzeeni (RBA) pamoja na mahitaji mengine ya kisheria. Katika taarifa hizi za kifedha, tumetoa taarifa kuhusu utendakazi bora katika hazina hii kwa kuzingatia muundo wa bodi, mikutano iliyofanyika katika mwaka huo, sera zilizowekwa na kanuni nyinginezo nzuri katika utendakazi wetu. Hii imehakikisha kuwa hazina hii inaendelea kuzingatia maono na malengo yake.

Hazina hii iliboresha Mpango wake wa Kimkakati katika mwaka huo wa kifedha ili kuwahakikishia wanachama uthabiti wao wa kifedha wanapostaafu. Hili litafanikishwa kwa uwekezaji wa fedha za hazina hii kwa umakinifu na uaminifu.

Ukuaji wa Hazina

Hazina hii ilikua kwa KES 1.2 bilioni, kutoka KES 8.1 bilioni mnamo Juni 2022 hadi KES 9.2 bilioni mwaka huu wa kifedha ulipokamilika. Wanachama waliongezeka kutoka 1,409 hadi 1,423 kufikia mwishoni mwa Juni 2023. Tunawashukuru wanachama ambao wameendelea kuongeza akiba zao za uzeeni kwa kuchangia kupitia kwa Michango ya Ziada Isiyo ya Lazima (AVC).

Hazina hii imepanua nyenzo zake kwa kuwekeza katika Makundi ya Mbadala Rasilimali ambayo huzalishamapatomakubwa na mseto kwa kuruhusu uwekezaji katika sekta za kiuchumi ambazo hazijawakilishwa katika Soko la Hisa la Nairobi (NSE) kama vile huduma za afya, utengenezaji wa bidhaa, elimu na huduma za maghala ya kuhifadha bidhaa. Hii italinda hazina hii dhidi ya mabadiliko ya masoko yanayotokana na hali za kiuchumi yanayoshuhudiwa katika Makundi ya Kawaida ya Uwekezaji yanayojumuisha uwekezaji ulioorodheshwa katika NSE kama vile hati za dhamana za Serikali na hisa zilizoorodheshwa.

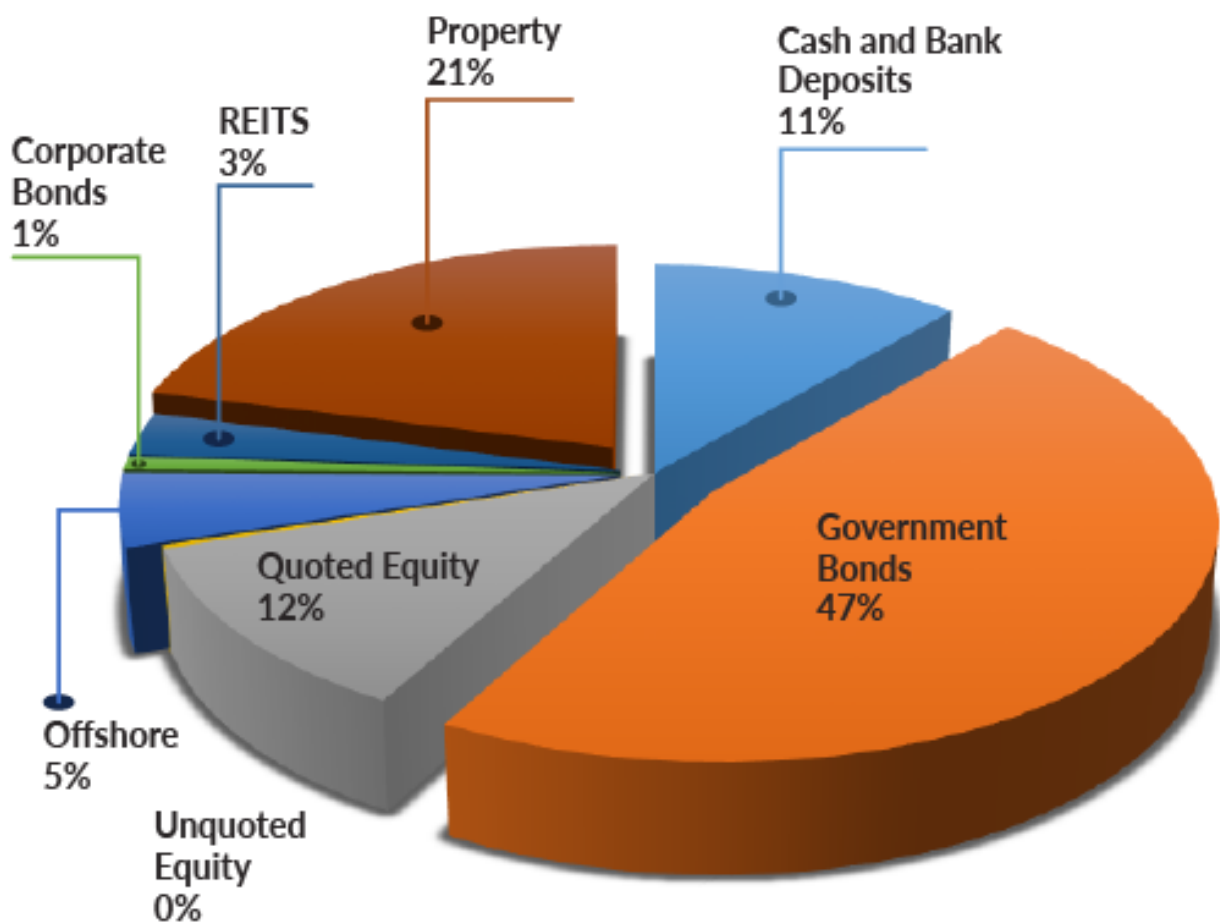
Hazina hii kwa sasa imewekeza katika Hisa za Kibinafsi kupitia kwa madalali wa Adenia Capital Fund V, ambayo ni hazina ya jumla inayolenga sekta zenye vizuizi vikubwa vya kujiunga nazo na nafasi za ukuaji zinazovutia; Kampuni za Kununua na Kuuza Majumba na Mashamba (REITs) kupitia kwa Acorn REITs inayojihusisha na Ujenzi wa Makao ya Malazi ya Wanafunzi (PBSA); na Miundomsingi kupitia kwa Mpango wa Malipo ya Bima wa Lot 3 Annuity Program unaohakikisha faida baada ya kipindi cha wastani ambao utawezesha ujenzi wa barabara zenye urefu wa kilomita 143 eneo la Kaskazini mwa Kenya. Aidha, Hazina hii imeongeza mgao wake kwa uwekezaji wa nje ya nchi ambao utatoa ulinzi zaidi kwa Hazina hii dhidi ya hatari za kiuchumi ambazo zinakabili uwekezaji wa humu nchini kwa sasa kama vile kudorora kwa thamani ya Shilingi ya Kenya. Rasilimali au nyenzo za hazina hii zinajumuisha Kenpipe Gardens ambayo iko Kitengela na inayojumuisha karibu nusu ya nyumba 101 zilizouzwa huku nyingine zikiendelea kuleta mapato kupitia kwa malipo ya kodi.

Bado tunalenga kuanzisha Bima ya Matibabu ya Uzeeni kwa wanachama. Tunaendelea kufanya Majadiliano na Mfadhili.

Uwekezaji

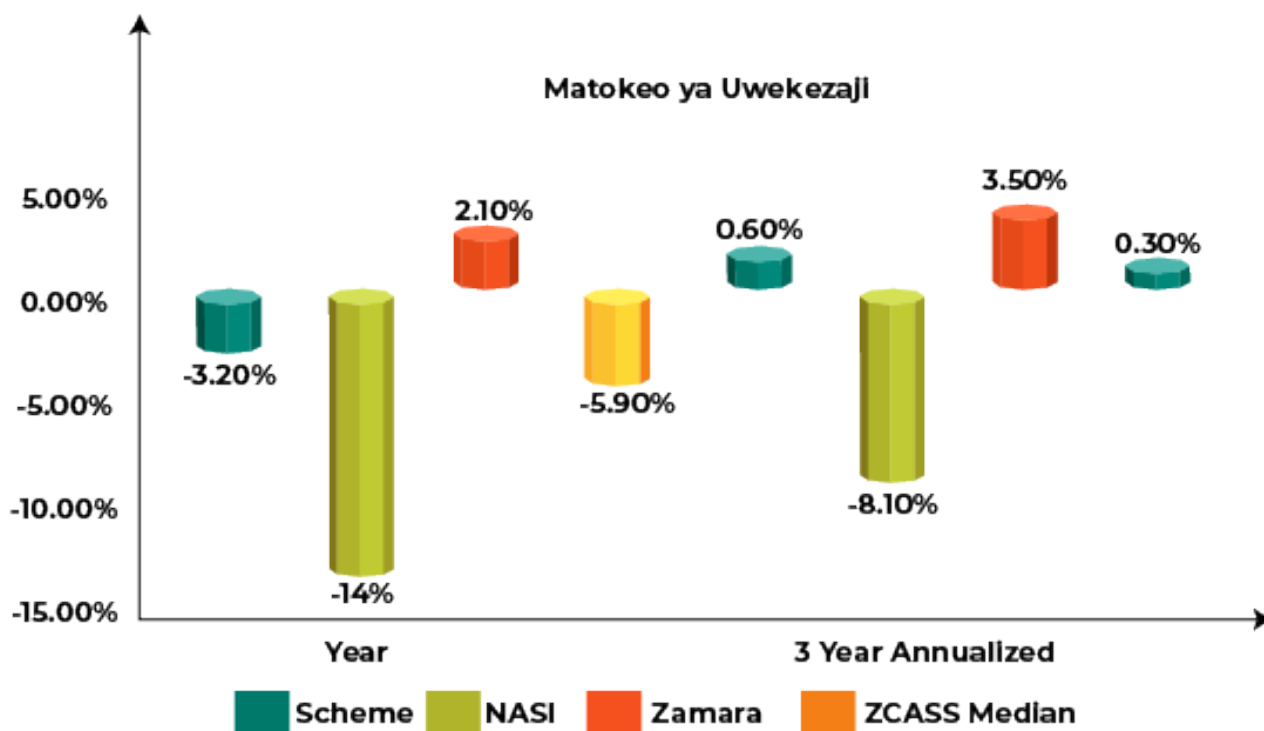
Uwekezaji wa hazina hii unazingatia Sheria ya Malipo ya Uzeeni na Taarifa ya Sera ya Uwekezaji. Kwa sasa hazina hii imewekeza katika kundi la kawaida la uwekezaji wa nyenzo, milki kama vile majumba na ardhi, uwekezaji wa nje ya nchi na REITS.

Investment Portfolio Holding (KES 9.15Billion)



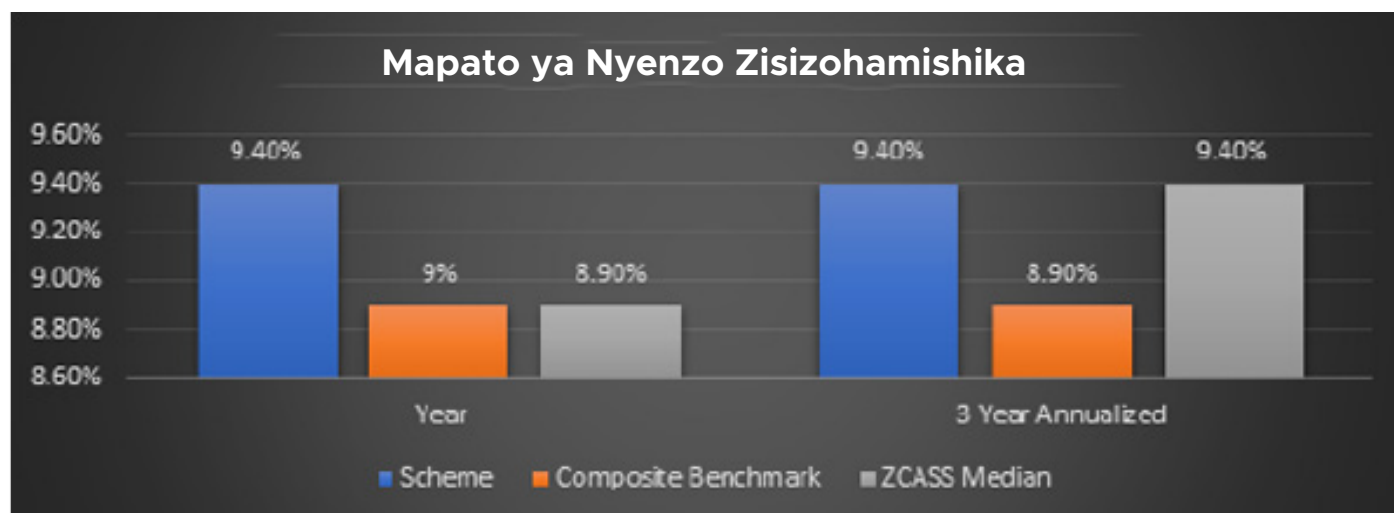
Ukuaji wa Hazina

Matokeo ya uwekezaji wa hazina hii yalikuwa -3.2% ambayo ni bora kuliko matokeo ya NASI ya -14% na -5.9% ya hazina nyingine katika mwaka huo. Hii ilichangiwa na msukosuko uliopo unaotokana na sababu za kiuchumi vikiwemo viwango vya juu vya riba, mfumuko wa bei unaoendelea kushuhudiwa na thamani ya Shilingi ya Kenya kuendelea kudorora.



Mapato ya Mali au Nyenzo Zisizobadilika Mara kwa Mara

Mapato ya mali zisizobadilika yaliimarika kwa kiwango cha kadri kutokana na ukopaji mkubwa wa Serikali ili kulipia mikopo yake na kukidhi majukumu yake ya bajeti. Sera mbaya ya kifedha ilichangia kiwango cha juu cha riba hivyo basi kupunguza thamani ya mali za hazina hii. Mapato hayo yalikua kwa 9.4% katika mwaka huo ikilinganishwa na matokeo ya 9% ya soko na 8.9% ya hazina nyingine.

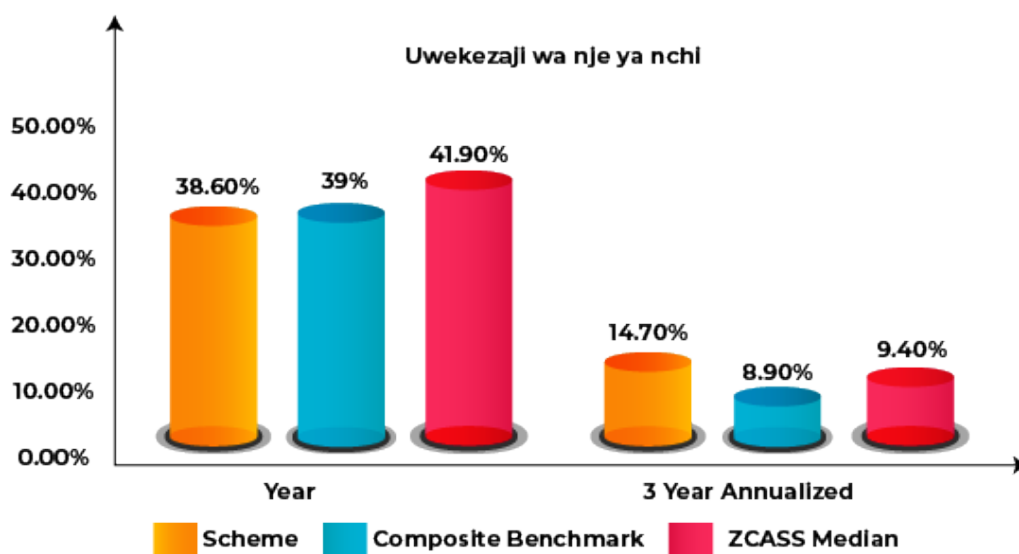


Milki/Mali

Kodi kutoka kwa majumba ya kibiashara inaendelea kupungua huku majumba mengi yakikosa wakodishaji kutokana na idadi yake kubwa, hali ngumu za kiuchumi na mabadiliko katika mipangilio ya kufanya kazi. Kwa upande mwingine, idadi ya watu wanaotaka majumba ya kuishi iliongezeka kwa kiwango cha wastani kutokana na kuongezeka kwa haja ya kumiliki nyumba ambayo ilianza wakati wa COVID-19 na kusababisha wajenzi kubuni mitindo ya nyumba za bei nzuri kwa wamiliki wa nyumba.

Uwekezaji wa Nje ya Nchi

Kuimarika kwa viwango vya riba katika soko la kimataifa kulifufua imani ya wawekezaji katika hisa za kimataifa. Matokeo ya uwekezaji wa nje ya nchi yaliimarika kwa 38.6% dhidi ya viwango vya soko la kimataifa vya 39% na matokeo ya hazina nyingine ya 41.9%.



Shukrani

Hatimaye, ningependa kushukuru Bodi ya Wakurugenzi ya KPC na usimamizi wa Kampuni pamoja na wanachama kwa jumla kwa kuendelea kutuunga mkono. Pia ninachukua fursa hii kuwashukuru wataalamu ambao waliendelea kutoa huduma nzuri katika mwaka huo:

- Afisi kuu
- Bodi ya Wadhamini
- Mameneja wa uwekezaji wa hazina hii - Sanlam East Africa na Co-optrust Investment Services.
- Wakaguzi wa ndani - Ronalds LLP
- Mdhamini - Standard Chartered Bank na
- Washauri wa Kifedha wa Hazina hii - Zamara Actuaries, Administrators and Consultants Ltd
- Washauri wa Kisheria wa Hazina hii – Prof. Mumma & Co. Advocates.

Asanteni nyote na Mungu Awabariki.

ENG. MARTIN WANYAMA
MWENYEKITI, BODI YA WADHAMINI

TRUSTEES



Martin Wanyama



Benson Muange



Brigid Cherono



Fredrick Ogano



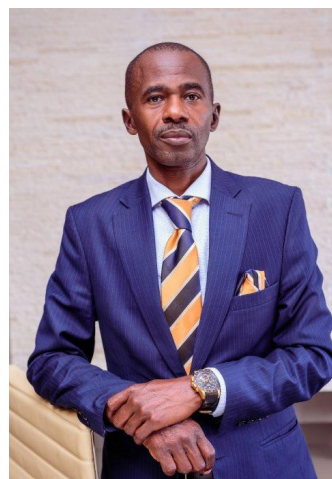
John Chege



Nancy Rono

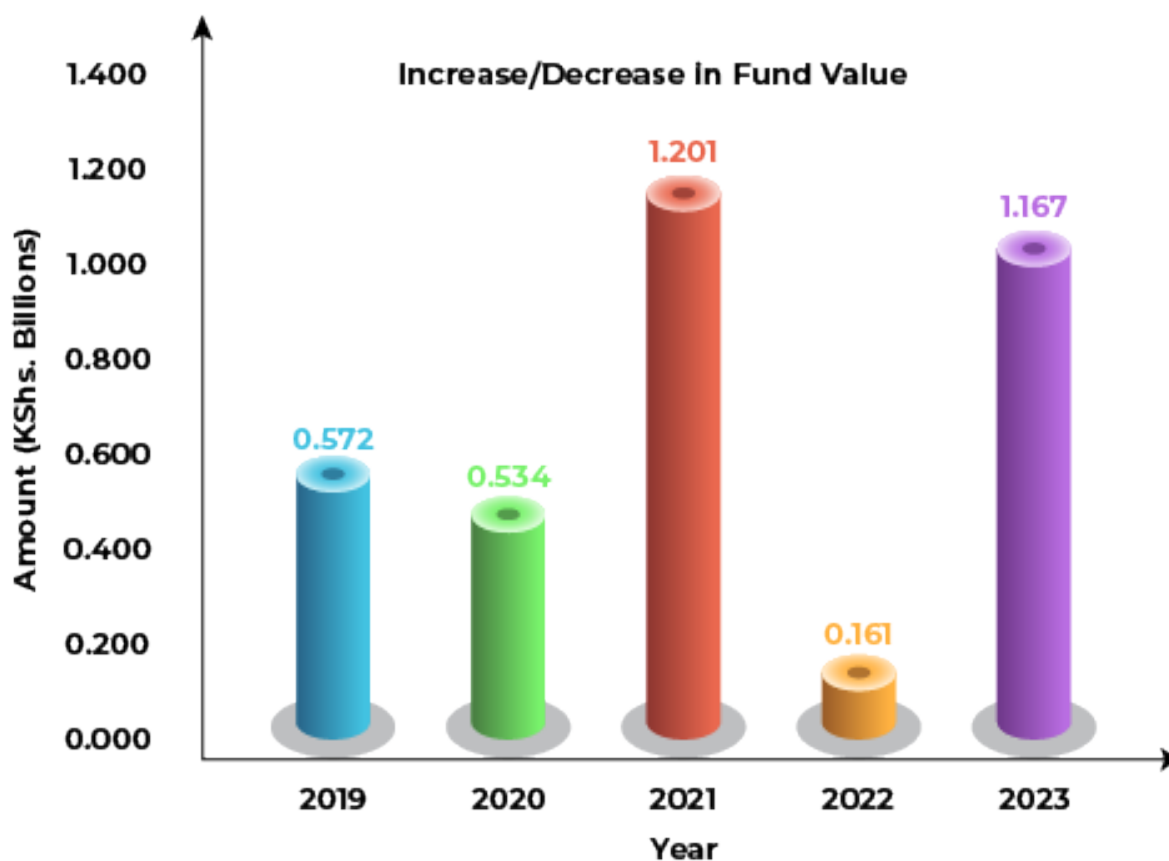


Pamela Ondago



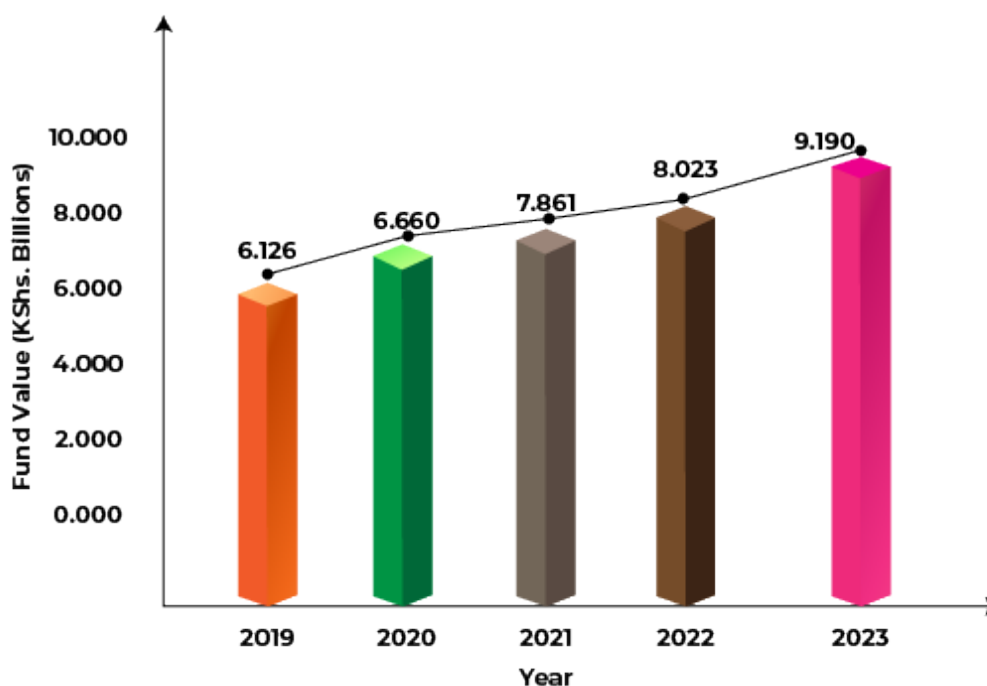
Thomas Ngira

FUND HIGHLIGHTS



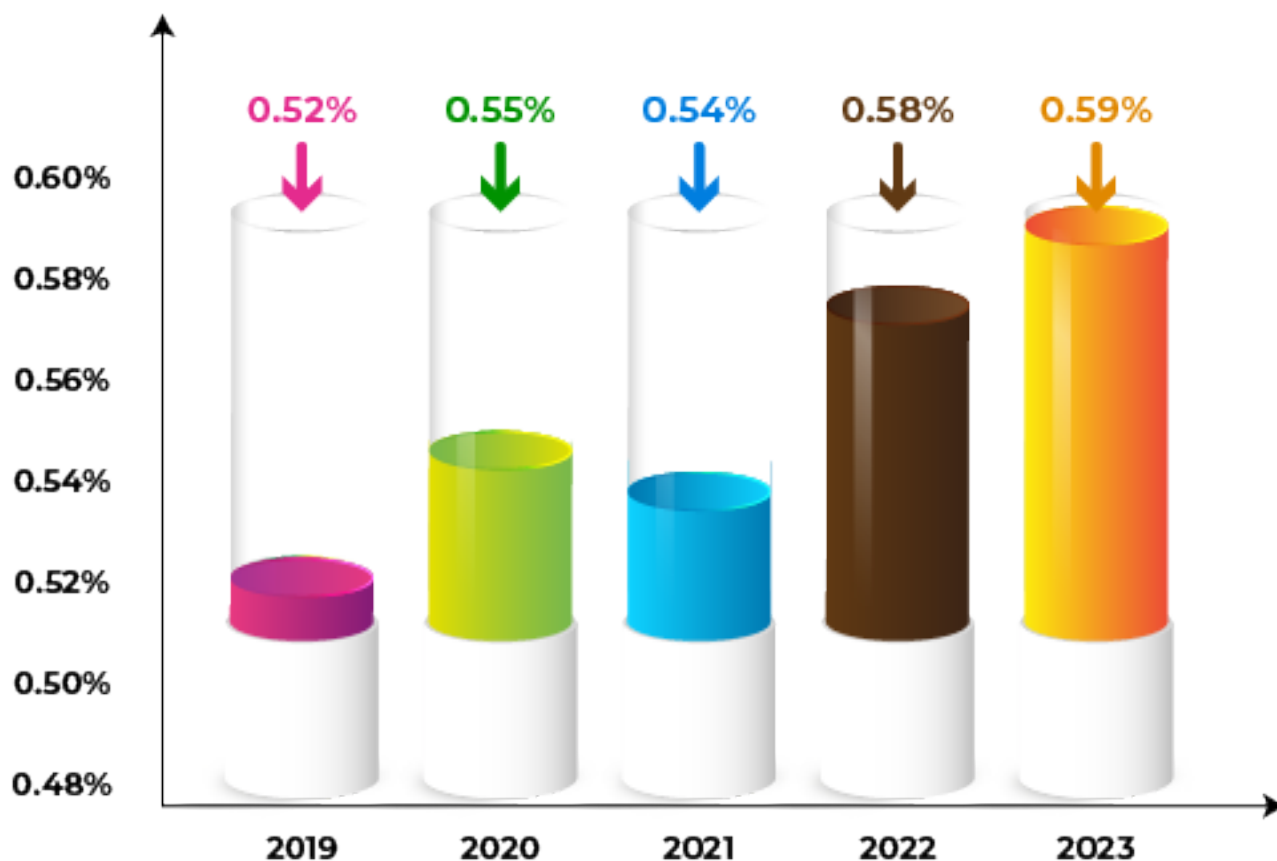
The net increase in fund value is the net movement of investment returns and contributions and payouts of benefits to members, investment and administration expenses. The scheme is on the path to recover from the negative marginal increase in fund value witnessed in the year ended June 2022 that had resulted from the effects of Covid-19 and the Russia-Ukraine war. The scheme has put in place strategies to mitigate volatility of investment valuation as we move towards investment in alternative assets.

Fund Value Movement



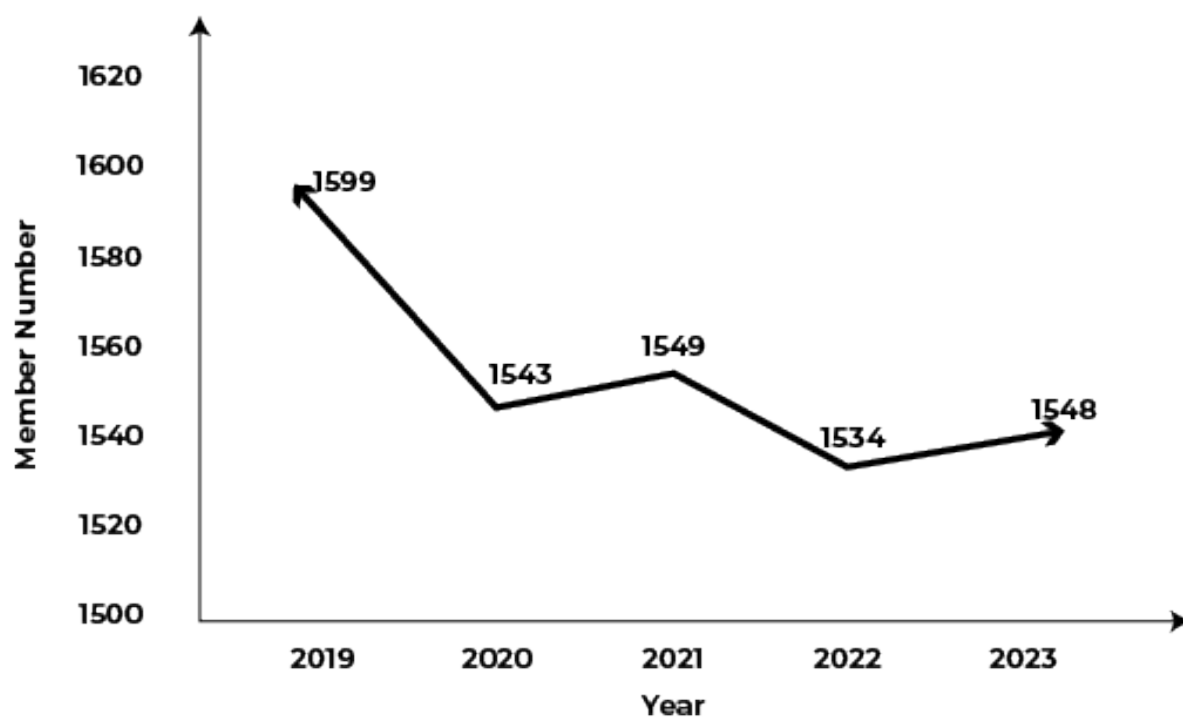
The growth of fund is due to positive net investment returns, increase in contributions and reduced payouts of benefits to leavers.

Percentage of Administrative Expenses vs Fund Value



In 2023, administrative expenses stood at 0.59% of fund value.

Member Movement



FUND HIGHLIGHTS 5-YEAR SUMMARY

STATEMENT OF CHANGES IN NET ASSETS DEALINGS WITH MEMBERS

	2019 KShs	2020 KShs	2021 KShs	2022 KShs	2023 KShs
Contributions	484,689,908	599,684,566	629,541,441	769,004,663	759,194,118
Pensions and benefits withdrawals	(250,270,718)	(288,043,409)	(327,790,289)	(471,950,310)	(349,396,861)
Net surplus from dealing with members	234,419,190	311,641,157	301,751,152	297,054,353	409,797,257

RETURN ON INVESTMENT

Investment income	403,492,677	477,527,505	564,979,987	690,292,118	848,375,911
Changes in market value	(3,670,509)	(180,260,304)	429,113,396	(707,113,803)	54,073,444
Investment management expenses	(18,009,921)	(20,619,374)	(22,840,416)	(31,972,618)	(32,910,319)
Net Return on Investments	381,812,247	276,647,827	971,252,967	(48,794,303)	869,539,036

OTHER INCOME

ADMINISTRATIVE EXPENSES	4,364,021	-	354,520	1,283,455	1,338,935
	(32,078,605)	(36,693,062)	(42,637,597)	(46,178,964)	(54,415,433)

INCREASE IN NET ASSETS TAX EXPENSE

	588,516,853	551,595,922	1,230,721,042	203,364,541	1,226,259,795
	(16,884,128)	(17,725,253)	(29,528,022)	(41,963,029)	(58,822,363)

INCREASE IN NET ASSETS

	571,632,725	533,870,669	1,201,193,020	161,401,512	1,167,437,432
	=====	=====	=====	=====	=====

STATEMENT OF NET ASSETS ASSETS AND INVESTMENTS

Investment properties	1,509,400,000	1,493,652,839	1,540,470,000	1,368,632,233	1,608,003,000
Tenant Purchase Scheme	-	-	126,063,236	233,325,492	309,568,863
Treasury bonds	2,752,058,511	3,115,821,872	3,473,146,743	3,959,816,767	4,167,143,875
Treasury bills	288,104,217	576,900,311	605,599,333	364,208,043	118,535,833
Corporate bonds	178,226,121	39,736,334	-	83,711,216	80,592,769
Quoted equity investments	1,123,007,299	980,480,066	1,649,642,676	1,358,657,674	1,082,056,726
Unquoted equity investments	24,160,000	24,160,000	21,744,000	21,744,000	21,744,000
Offshore investments	471,862	368,154	179,551,060	206,979,894	460,479,951
Call and fixed deposits	160,000,000	456,544,644	290,266,918	250,754,520	1,033,543,467
REITS investments	-	-	-	209,991,092	269,663,008
Equipment	6,646,819	5,821,298	5,311,305	5,083,098	4,164,765
Intangible assets	-	6,750,123	5,857,279	3,908,472	1,954,236

	6,042,074,829	6,700,235,641	7,897,652,550	8,066,812,501	9,157,450,493
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CURRENT ASSETS

Other receivables	141,002,325	7,189,291	21,574,834	12,840,640	98,823,271
Cash and bank balances	6,192,572	3,425,368	7,999,795	6,112,682	1,704,746

	147,194,897	10,614,659	29,574,629	18,953,322	100,528,017
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	6,189,269,726	6,710,850,300	7,927,227,179	8,085,765,823	9,257,978,510
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CURRENT LIABILITIES

Benefits payable	28,654,881	5,396,120	13,036,642	12,005,000	20,009,443
Other payables	34,574,761	45,543,427	53,086,764	51,255,538	48,026,350

TOTAL LIABILITIES	63,229,642	50,939,547	66,123,406	63,260,538	68,035,793
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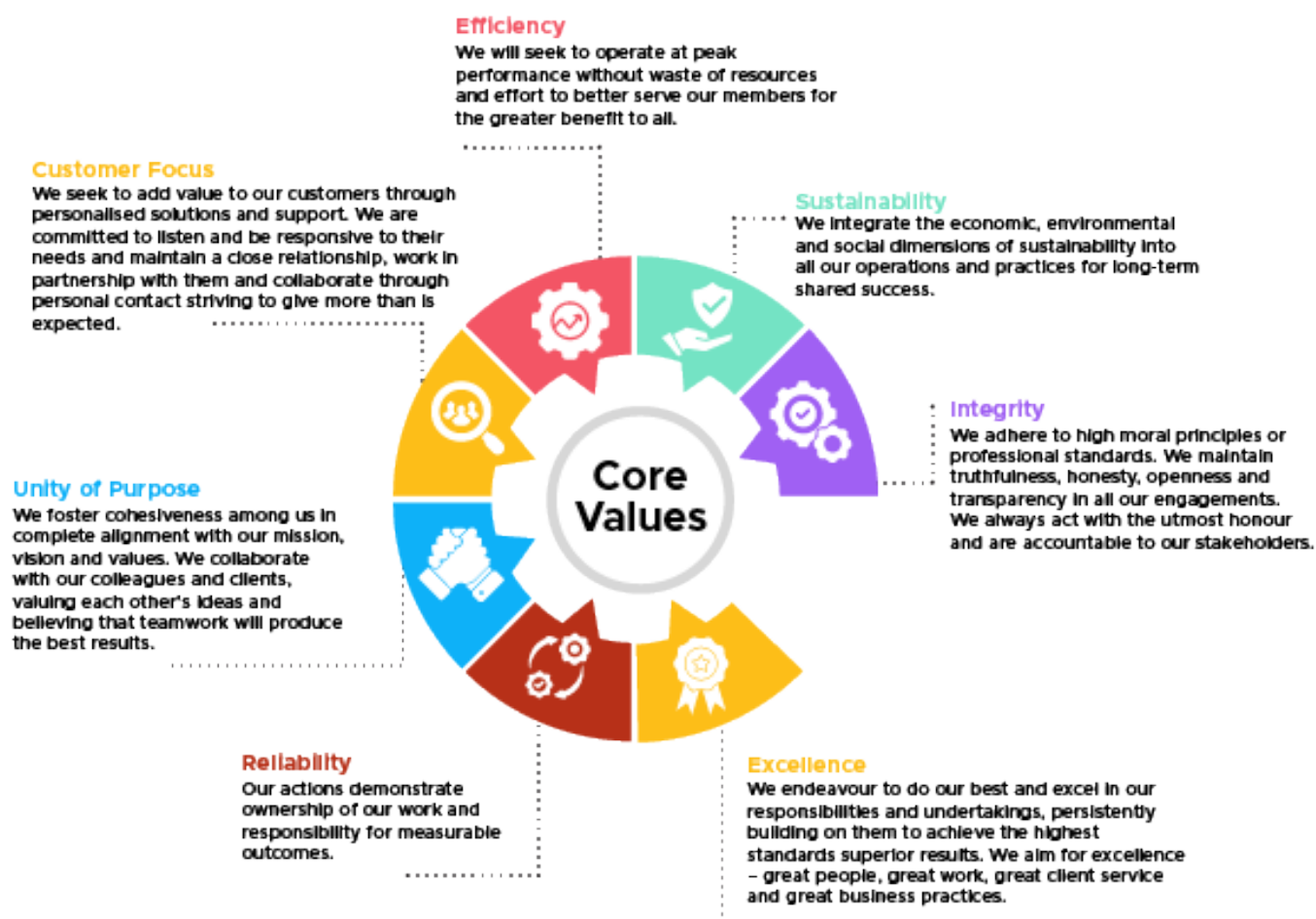
NET ASSETS AVAILABLE FOR BENEFITS	6,126,040,084	6,659,910,753	7,861,103,773	8,022,505,285	9,189,942,717
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STRATEGY AND INVESTMENTS

STRATEGY



Core Values



INVESTMENTS

Asset Classes We Invest In



Investment Guidelines



REPORT OF TRUSTEES FOR THE YEAR ENDED 30TH JUNE 2023

The Trustees have the pleasure in submitting their annual report together with the audited accounts for the year ended 30 June 2023, which disclose the state of affairs of the Scheme.

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME.

The Scheme was established on 1st July 2006, and is governed by the Trust Deed and Rules dated 2nd November 2006, and amended severally, the latest amendment on 8th November 2021. It is a defined contribution scheme and provides, under its rules, retirement benefits for the staff of Kenya Pipeline Company. It is an exempted approved Scheme under the Income Tax Act. The Scheme is registered with the Retirements Benefits Authority (RBA). The address of its registered office is P.O. Box 13633, 00800 Nairobi, Kenya. The registration of the Scheme is RBA/SC/INT2/01632.

OBJECTIVE OF THE SCHEME

The main purpose of the Scheme is the provision of Pension and other retirement benefits for members upon their retirement from the Employer's service and relief for the Dependents of deceased Members.

	2023	2022
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)
Deferred members	125	125
Members at the end of the year	1,548	1,534

CONTRIBUTIONS

As per the rule of the Scheme, employees contribute 7.5% of their respective Pensionable salary and the employer shall contribute to the Scheme an amount equal to 15% of the Members Pensionable salary. However, members may voluntarily increase their contributions in addition to those prescribed above.

INVESTMENT OF FUNDS

The Scheme's funds are invested as provided under the Retirement Benefits Authority Act and Regulations and schemes investment policy statement.

Under the terms of their appointment, investments manager, Sanlam Investment (East Africa) Limited responsible for the investment of the funds.

The overall responsibility for the investment and performance of the Schemes' funds lies with the trustees.

Below is the breakdown of the investments as carried out during the year;

ASSET TYPE	Actual Allocation as of 30th June 2023		RBA Limits
	KES.	%	%
Unquoted Equity	21,744,000	0.24%	5%
Quoted Equity	1,082,056,725	11.82%	70%
Government Bonds	4,285,679,708	46.83%	90%
Commercial Paper & Corporate Bonds	80,592,769	0.88%	30%
Fixed and Call Deposits	1,033,543,468	11.29%	30%
Property	1,917,571,863	20.95%	30%
Offshore	460,479,951	5.03%	15%
REITS	269,663,008	2.95%	10
Total	9,151,331,492	100%	

PRINCIPAL RISKS AND UNCERTAINTIES

The Scheme's strategic focus is to enhance contribution growth whilst maintaining the increase in net assets, the success of which remains dependent on overall market conditions and other factors, such as the impact of the volatility in fair value changes in the financial markets, the rapid decline of the Kenyan shilling against the dollar and the ripple effect of the international markets affected by Russia – Ukraine war. The trustees continue to monitor this situation closely with a view to assessing and mitigating its impact on the scheme.

TRUSTEES

The Trustees who served during the year are as shown on page 1.

INDEPENDENT AUDITOR

The Auditors Ronalds LLP, Certified Public Accountants (K), who were appointed during the year have expressed their willingness to continue in office in accordance with Section 29(1) of the Retirement Benefits Act, 1997.

BY ORDER OF THE TRUSTEE

A handwritten signature in black ink is written over a horizontal dashed line. The signature is stylized and appears to be a cursive representation of the letters 'AEO'.

REPORT ON GOOD GOVERNANCE

1. Trustees and the nature of appointment

	Name of Trustee	Designation	Nature of Appointment	Date of Appointment
1	Martin Wanyama	Chairman	Member re-elected	15th September 2022
2	Benson Muange	Member	Member elected	17th September 2023
3	Brigid Cherono	Member	Sponsor Nominated	4th February 2021
4	Fredrick Ogano	Member	Member re-elected	14th September 2023
5	John Chege	Member	Member Elected	14th September 2023
6	Nancy Rono	Member	Sponsor Nominated	4th February 2021
7	Pamela Ondago	Member	Sponsor Nominated	4th February 2021
8	Thomas Ngira	Member	Sponsor Nominated	4th February 2021
9	Tom Ong'onge	Member	Member Elected	14th September 2023

2. Trustees in office.

Name of Trustee	Age	Category (Member-elected/Sponsor-nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest Qualification	Membership of other Boards
Martin Wanyama	55	Member Elected Trustee	11/13	Yes	Masters Degree	None
Fredrick Ogano	59	Member Elected Trustee	12/13	Yes	Masters Degree	1
John Chege	56	Member Elected Trustee	13/13	Yes	Masters Degree	1
Benson Muange	57	Member Elected Trustee	10/13	Yes	Bachelors Degree	None
Thomas Ngira	56	Sponsor Nominated Trustee	10/13	Yes	Bachelors Degree	None
Nancy Rono	52	Sponsor Nominated Trustee	13/13	Yes	Masters Degree	None
Brigid Cherono	46	Sponsor Nominated Trustee	8/13	Yes	Masters Degree	None
Pamela Ondago	54	Sponsor Nominated Trustee	12/13	Yes	Bachelors Degree	None

Kenya Pipeline Company Retirement Benefits Scheme 2006 (D.C)

3. The board of trustees held 13 meetings during the year ending the 30th June 2023

The meetings were held on the dates set out hereunder:

Number	Type of meeting	Date
10	Regular Board	26/05/2023,22/05/2023,6/04/2023 9/03/2023,3/03/2023,17/02/2023, 28/11/2022,11/11/2022,22/09/2022, 26/08/2022
3	Joint Board of Trustees	19/08/2022, 05/9/2022, 06/4/2023

4. The composition of the board of trustees is as hereunder:

- (a) Gender balance: 37.5% female and 62.5% male
- (b) Skills mix: Number 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)

5. Committees of the board

Committee Name	Members	No. of Meetings Held	Any external advisors, invitees to meetings (Yes/No) (if yes, mention the purpose)	Allowances paid (Ksh.)	Allowances paid to advisors, invitees (Kshs.)
Investments Committee	4	5	No	15,000 per trustee per meeting.	-
Audit and Risk & Governance Committee	4	4	No	15,000 per trustee per meeting.	-
Full Board of Trustees	8	13	Yes–Board Evaluation Consultant- Nyachoti & Partners Advocates	15,000 per Member per meeting, 25,000 for the Chairperson per meeting	20,000

6. Fiduciary responsibility statement

The board of trustees is the governing body of the Kenya Pipeline Company 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. The board charter for the Scheme has been developed.

The Board charter has been developed and ratified by the Board of Trustees.

7. Implementation of the Good Governance Guidelines Policies

In the year under review, the Scheme has been able to review and approve the following governance policies in the Scheme.

POLICY	DATE DEVELOPED REVIEWED	DATE APPROVED
Code of Conduct and Conflict of Interest Policy	January 2021	July 2021
Election Policy	September 2022	January 2023
Remuneration Policy	June 2022	March 2023
Communication Policy	November 2022	March 2023`
Risk Management Policy	November 2022	March 2023
Board Performance Evaluation	November 2022	March 2023
Customer Service Charter	November 2022	March 2023
Audit Assurance & Management Policy	November 2022	March 2023
ICT Policy	November 2022	March 2023
Interest Declaration Policy	March 2023	August 2023

8. 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.

9. 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;
- c. Ensuring that the Scheme's administrative processes remain transparent and accessible to members and the Sponsor; and
- d. Ensure that the nomination of Trustees to the Board is staggered to achieve continuity.

The board of trustees will measure the progress towards these outcomes through.

- a) Triennial members' survey score. The latest score was 67.3%
(Where the Scheme has carried out members' satisfaction survey, indicate the score)
- b) Quarterly reports and feedback to the sponsor. (No. of reports 4)

10. Annual general meeting

The board of trustees held the annual general meeting on the 18th November 2022 at Kenpipe Plaza Canteen in Nairobi. A total of 61 members attended the AGM. The board adequately addressed the members' concerns.

11. Members' sensitization

The board conducted the following sensitization activities	Date Held	No. of members who attended	Remarks
Annual General Meeting	18th November 2022	52	
Members' education day	17th – 24th April 2023	283	

12. Trustees' remuneration policy

During the year under review, the Trustees were paid a gross sum of Kshs. 15,000 per trustee per meeting, which was approved by members at the annual general meeting held on the 18th of November 2022. The payments complied with the Scheme's Trustees remuneration policy.

During the year under review, the trustees were paid a gross sum of Kshs. 1,492,500. The payments complied with the trustee's remuneration policy of the Scheme. The Trustees attended other events for capacity building to represent the Scheme in industry forums, Member engagements and other activities during execution of their responsibilities. The expenses paid for the events was Kshs. 4,870,260.

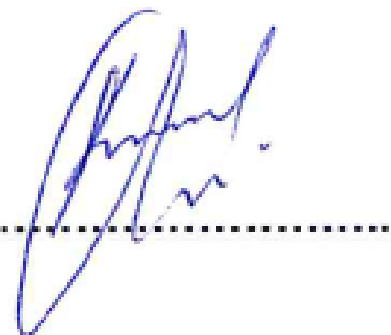
Board of trustee's evaluation

The board and individual Trustees undertook board evaluation in the year under review. The board review process was facilitated externally by Nyachoti & Partners Advocates and the process took the form of a Questionnaire. This assessment encompassed various aspects of Board effectiveness, including mandate and strategy, board structure and responsibilities and, accountability and stakeholder management, among other critical areas. The results of the evaluation yielded an overall rating score of 82.24% as detailed in the table below.

Mean scores of the performance of the Board of Trustees

SCOPE OF EVALUATION		PERCENTAGE SCORE
1	Mandate and strategy	83.61
2	Performance management and independence	71.88
3	Board and secretariat	82.04
4	Board structure and responsibilities	90.36
5	Procedure of board meetings	89.58
6	Accountability and risk management	85.94
7	Communications and stakeholder management	65.71
Overall mean score rating		77.14

Signed



Dated **29/09/2023**

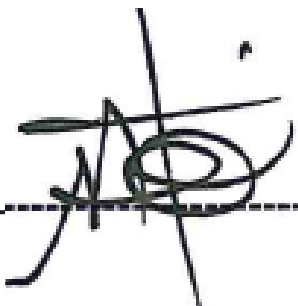
STATEMENT OF TRUSTEES RESPONSIBILITIES


The Retirement Benefit Act, (Occupational Retirement Benefits Schemes) Regulations 2000 requires the Trustees to prepare financial statements which give a true and fair view of the state of affairs of the Scheme as at the end of each financial year and of its operating results for that year. It also requires the Trustees to ensure that the Scheme keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Scheme. They are also responsible for safeguarding the assets of the Scheme.

The Trustees accept responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Retirement Benefit Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 (IFRS) and the manner required by the Retirement Benefit Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Scheme and of its operating results as at 30th June 2023. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The statement was approved by the Trustees on29/09..... 2023 and signed on its behalf by:


TRUSTEE


TRUSTEE

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES

Opinion

We have audited the accompanying financial statements of Kenya Pipeline Retirement Benefits Scheme 2006 (D.C) Registered Trustees as set out on page 16 to 39 which comprise the statement of Net Assets available for benefits as at 30 June 2023, Statement of Cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the scheme as at 30 June 2023 and of the disposition of the assets and liabilities other than liabilities to pay benefits falling after the end of the year in accordance with International Financial Reporting Standards (IFRS) and requirements of the Retirement Benefit Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Management, and evaluating the overall financial statement presentation.

We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other 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 to our opinion.

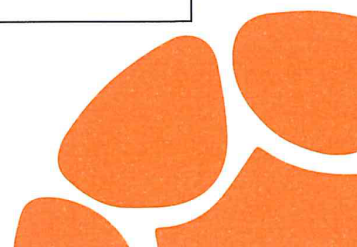
Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the organization's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

Key audit matter	How the audit addressed the key audit matter
IFRS 9- Financial Instruments The Scheme has financial instruments in form of treasury bonds, corporate bonds, tenancy purchase Scheme and rent receivables totaling to Kshs 7,530,670,649. However, there is no IFRS model and supporting workings in place used to compute the expected credit loss and provision for the same. Therefore, there is complexity in determining the level of accuracy and reasonableness of the management estimates with regards to expected credit loss.	We relied on management representation regarding the provisions accuracy. We reviewed and assessed the reasonableness of management's estimates provided. We assessed the sufficiency of the provisions made against the RBA guidelines for the same

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES (CONT'D)

Key audit matters (continued)

Key audit matter	How the audit addressed the key audit matter
IFRS 13 - Fair Value Measurement The recognition and valuation of amounts recorded as investments at fair value is an inherent risk due to complexities arising from changes in basis of management estimates. The complexity is compounded by the valuation of assets based on unobservable inputs (level 3 hierarchy). There was a significant change in fair value of the investment property of Kshs 337,957,417 within a span of one year. We therefore considered assets carried at fair value to be a significant matter in the conduct of our audit.	We assessed the appropriateness of the Scheme's valuation models and benchmarked against common market models, taking into consideration the product characteristics and industry practice. We considered that the judgements and assumptions used by the management in valuing investments properties. We relied on management representation and the Scheme's independent property valuers report.

Trustees' Responsibility for the Financial Statements.

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Retirement Benefits Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

As part of an audit in accordance with International Standards on Auditing, 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.

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Ronalds LLP

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**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA PIPELINE
COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
(CONT'D)**

Auditors' Responsibility (Continued)

- 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.
- 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on other legal requirements

As required by the Retirement Benefit Act we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion, proper books of accounts have been kept by the Scheme, so far as appears from our examination of those books;
- The scheme's Net Assets Statement and Scheme Account are in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Noah O. Ndakala – P/No 2039.

For and on behalf of,
Ronalds LLP.
Certified Public Accountants (K)



KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED 30TH JUNE 2023


	Notes	2023 KSHS	2022 KSHS
Income from dealing with members			
Contributions from employer	4	759,194,118	769,004,663
Retirees' benefits	5	(349,396,861)	(471,950,310)
Net surplus from dealings with members		409,797,257	297,054,353
Less: Administrative expenses	6	(54,415,433)	(46,178,964)
		355,381,824	250,875,389
Returns on investments			
Investment income	7(a)	758,464,540	652,772,870
Realised gain on sale of investment	7(b)	17,648,512	(5,002,019)
Changes in market value of investments	7(c)	54,073,444	(707,113,803)
Income from kenpipe gardens	8	72,262,860	42,521,266
Less: Investment management expenses	9	(32,910,319)	(31,972,618)
Net returns on investments		869,539,037	(48,794,304)
Other income	10	1,338,935	1,283,455
Increase in net assets for the year before tax		1,226,259,795	203,364,541
Tax expense	11	(58,822,363)	(41,963,029)
Increase in net assets for the year after tax		1,167,437,432	161,401,512
Net assets of the scheme at the start of the year		8,022,505,285	7,861,103,773
Net assets available for benefits at the end of the year		9,189,942,717	8,022,505,285

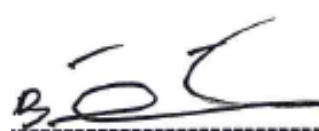
KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 30TH JUNE 2023

	Notes	2023 KSHS	2022 KSHS
Assets:			
Investment properties	12	1,608,003,000	1,368,632,233
Tenant Purchase Scheme-Kenpipe Gardens	13	309,568,863	233,325,492
Other investments	14	7,233,759,629	6,455,863,206
Intangible assets	15	1,954,236	3,908,472
Equipment	16	4,164,765	5,083,098
		9,157,450,493	8,066,812,501
Current assets			
Other receivables	17	98,823,271	12,840,640
Cash and bank balances	18	1,704,746	6,112,682
		100,528,017	18,953,322
Total assets		9,257,978,510	8,085,765,823
Less: Liabilities			
Current tax	11(b)	8,747,732	5,566,900
Benefits payable		20,009,443	12,005,000
Other payables	19	39,278,618	45,688,638
		68,035,793	63,260,538
Net assets available for benefits		9,189,942,717	8,022,505,285
Represented By:			
Member balances	20	9,189,942,717	8,022,505,285
		9,189,942,717	8,022,505,285

The financial statements were approved and authorised for issue by the board of Trustees on 29/09 2023 and were signed on its behalf by:

.....

 TRUSTEE

.....

 TRUSTEE

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
STATEMENT OF CASHFLOWS**

FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	2023 KSHS	2022 KSHS
Cash flows from operating activities			
Contributions received		696,918,107	769,004,204
Benefits paid		(336,981,445)	(472,981,953)
Investment expenses paid		(26,496,795)	(25,615,599)
Rent deposits		28,633,157	43,441,245
RBA levy paid		(5,000,000)	(5,000,000)
Administrative and service charge expenses paid		(132,570,580)	(87,595,279)
Net cash used in operating activities		224,502,444	221,252,618
Investing activities			
Investment income received		830,729,615	660,264,787
Purchase of equipment		(124,701)	(711,616)
improvement to investment properties		(1,997,964)	(4,823,195)
Purchase of treasury bills		(226,278,257)	(635,817,690)
Purchase of treasury bonds		(771,610,026)	(1,584,741,636)
Purchase of corporate bonds		-	(81,410,035)
Purchase of REITS		(50,000,013)	(204,726,014)
Purchase of quoted equities		(21,950,232)	(191,801,945)
Purchase of offshore investments		(143,444,878)	(89,292,379)
Proceeds from sale of treasury bills		476,213,500	871,527,340
Proceeds from sale of treasury bonds		347,430,049	909,124,586
Proceeds from sale of corporate bonds		3,118,479	-
Proceeds from sale of equities		111,792,996	89,755,668
Net cash generated from investing activities		553,878,567	(262,652,129)
Net (decrease)/ increase in cash and cash equivalents		778,381,010	(41,399,511)
Cash and cash equivalent at beginning of period		256,867,202	298,266,713
Cash and cash equivalent at end of period		1,035,248,212	256,867,202
REPRESENTED BY:			
Bank balance		1,701,172	6,095,512
Cash in hand		3,574	17,170
Fixed and call deposits		1,033,543,466	250,754,520
		1,035,248,212	256,867,202

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED
TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and comply with the International Financial Reporting Standards (IFRSs) and the Retirement Benefit Acts, 1997 as amended, and the guidelines set out in the Accounting Guidelines - Financial Reports of Retirement Benefit Schemes and are prepared in Kenya Shillings.

Going concern

The financial performance of the Scheme is set out in the Trustees' report and in the statement of comprehensive income. The financial position of the Scheme is set out in the statement of financial position.

Based on the financial performance and position of the Scheme and its risk management policies, the Trustees are of the opinion that the Scheme is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and as the requirements of the Kenya Retirement Benefits Act. The principal accounting policies adopted are as set below:

c) Changes in accounting policies and disclosures on new standards

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

i. New and amended standards adopted by the Scheme

The following standards and amendments have been applied by the Scheme for the first time for the financial year beginning 1 July 2022:

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFR S16 Interest Rate Benchmark reform – Phase 2

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the Scheme.

The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognizing or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis.

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

1 ACCOUNTING POLICIES (CONTINUED)

c) Changes in accounting policy and disclosures(continued)

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFR S16 Interest Rate Benchmark reform – Phase 2(continued)

The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to ARR. The Scheme is not affected by this amendment.

Amendments to IFRS 16- Covid 19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. This amendment had no impact on the Society. The Scheme has not to adopted IFRS 16.

ii. Standards, interpretations and amendments issued and effective.

Title	Key requirements	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30TH JUNE 2023

1 ACCOUNTING POLICIES (CONTINUED)

d) Revenue recognition

Contributions

Contributions are accounted for in the period in which they fall due. Contributions are generally accounted for on an accrual basis in the period to which they relate.

Investments income

Investment income includes interest and dividends receivable and net exchange (gains/(losses)) in the Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividend income from investments is recognized when the Scheme's rights to receive payment as a shareholder have been established.

e) Benefits payable

Benefits to members are accounted for in the period in which they fall due.

f) Investment Properties (IAS 40: Investment Property)

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

g) Taxation

The fund is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority. However, income on contributions in excess of Kshs 240,000 per annum is subjected to income tax.

h) 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.

i) 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. Cash and cash equivalents are carried at amortized cost in the statement of net assets available for benefits.

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

1 ACCOUNTING POLICIES (CONTINUED)

j) Investment property

Investment property is long-term investments in land and buildings that are not occupied substantially for own use. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date. Changes in fair value are recorded in statement of comprehensive income.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment property is determined by reference to their carrying amount and are taken into account in determining operating surplus.

k) Financial Instruments

Classification

All recognised financial assets 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 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 at fair value through other comprehensive income (FVTOCI).

Other debt instruments and equity investments are measured subsequently at fair value through profit and loss (FVTPL) instruments that are held within a business model whose objective is both to collect the contractual cash.

Despite the foregoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset.

The scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

The scheme may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

1 ACCOUNTING POLICIES (CONTINUED)

Impairment of Financial assets

In relation to the impairment of financial assets ,IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39.The expected credit loss model requires the scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.In other words, it is no longer necessary for a credit event to have occurred before losses are recognized.

In particular ,IFRS 9 requires the scheme to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or the financial instrument is a purchased or originated credit-impaired financial asset.

However ,if the credit risk on a financial instrument has not yet increased significantly since initial recognition (except for a purchased or originated credit-impaired financial instrument at an amount equal to 12 months ECL.IFRS 9 also requires a simplified approach for measuring the loss allowance at an equal amount to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

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 specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified 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 at FVTPL.

A financial liability is classified as held for trading if:

- i. It has been acquired principally for the purpose of repurchasing it in the near term.
- ii. On its recognition it is part of a portfolio of identified financial instruments that the Scheme manages together and has a recent actual pattern of short -term profit-taking ;or it is a derivative ,except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if :

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii The financial liability forms part of a group of financial assets or financial liabilities or both ,which is managed and its performance is evaluated on a fair value basis ,in accordance with the Scheme's documented risk management or investment strategy ,and information about the grouping is provided internally on that basis; or
- iii. It forms part of a contract containing one or more embedded derivatives ,and IFRS 9 permits the entire combined contract to be designated at FVTPL.

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

1 ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities (continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporated any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Short term deposits

Short terms deposits are stated at amortised cost.

Government Securities

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Government of Kenya. Treasury bills are stated at amortised cost while treasury bonds are classified as fair value through profit or loss stated at fair value.

Corporate Bonds

Corporate bonds are classified as fair value through profit or loss and are stated at market value as at 30th June 2023.

Equity shares

Quoted investments are classified as fair value through profit and loss and are stated at market value as at 30 June 2023.

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 2023.

Impairment of assets

The carrying amounts of the Scheme's assets are reviewed annually at the end of each reporting period to determine if there is any indication of impairment. If such a condition is identified, the asset's net recoverable amount is estimated. Where the asset's carrying amount exceeds its net recoverable amount, it's written down immediately to the recoverable amount and the resulting impairment loss is treated as an expense in the statement of changes in net assets available for benefits.

Fair Value

For financial instruments traded in an organised financial market, fair value is determined by reference to quoted market prices.

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

In the process of applying the Scheme's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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;

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

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

Impairments losses on financial assets

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

3 FINANCIAL RISK MANAGEMENT

The scheme generates revenues for the members by investing in various income generating activities which involve investing in the equity shares quoted on the Nairobi Securities Exchange and Investing in Government securities. 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 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. The Investment manager 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.

Market Risk

(i) Foreign exchange risk

The scheme does not invest internationally and is not exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from investment in offshore investments.

(ii) Price risk

The scheme is exposed to equity securities price risk because of investments in quoted shares and treasury bonds classified at fair value through the statement of changes in net assets. To manage its price risk arising from investments in equity and debt securities, the Schemes diversifies its portfolio.

Diversification of the portfolio is done in accordance with statement of investment policy which is reviewed after every three years. All quoted shares and government securities held by the Scheme are traded on the Nairobi Securities Exchange (NSE).

(iii) Cash flow and fair value interest rate risk

The Scheme does not have interest rate risks as the interest bearing assets which are investments in treasury bonds, corporate bonds, treasury bills, and fixed deposits are at fixed interest rates.

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management

The Scheme is required to make periodic payments in respect of pension payments when members retire from the Scheme and is therefore exposed to risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Schemes liquidity on a regular basis. However, all financial assets can be disposed of at any time before maturity should the need arise.

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.

The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a lower credit risk and no default record. For the other investments , Trustees ensure that they invest solely in large companies with good reputation.

The amount that best represents the Schemes maximum exposure to credit risk as at 30 June 2023 is made up as follows:

	Fully Performing KSHS	Past due KSHS	Impaired KSHS	Total KSHS
At 30 June 2023				
Treasury bills	118,535,833	-	-	118,535,833
Rent receivable	997,700	-	-	997,700
Call and fixed deposits	1,052,815,506	-	19,272,039	1,033,543,467
Cash and Bank balance	1,704,746	-	-	1,704,746
	1,174,053,784	-	19,272,039	1,154,781,746
At 30 June 2022				
Treasury bills	364,208,043	-	-	364,208,043
Rent receivable	12,840,640	-	(802,877)	12,037,763
Call and fixed deposits	250,754,520	-	19,272,039	270,026,559
Cash and Bank balance	6,112,682	-	-	6,112,682
	633,915,885	-	18,469,162	652,385,047

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED
TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

4 Contributions

	2023 KSHS	2022 KSHS
Received from employer – normal	499,445,010	507,624,750
Received from employees – normal	249,688,793	253,815,722
Received from employees - AVC	8,839,176	5,078,828
Transfer in	1,221,139	2,485,363
	759,194,118	769,004,663

5 Benefits expense

Retirees' benefits	289,826,401	362,124,691
Early exits	20,967,335	60,546,463
Deceased	36,642,172	49,279,156
Transfers out	1,960,954	-
	349,396,861	471,950,310

6 Administrative Expenses

Governance expenses

Board evaluation	301,525	-
Meeting and Trustees annual retreat	1,255,001	1,982,999
Training expenses	4,870,260	4,232,812
Travel and subsistence	1,169,301	1,836,184
Trustee election	147,588	-
Trustee indemnity insurance	622,875	586,235
Trustees allowances	1,492,500	935,000
E-Board software subscription	1,219,997	1,084,451
Trustees expenses	115,969	135,452
	11,195,016	10,793,133

Staff expenses

Insurance	1,192,705	909,874
Leave accrual	219,793	300,149
Staff medical expenses	887,251	1,194,550
Staff Salaries	14,347,352	9,452,044
Professional subscriptions	83,522	77,765
Team building	-	335,208
Training expenses-staff	1,502,934	1,610,075
	18,233,557	13,879,665

**KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED
TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2023

	2023 KSH	2022 KSH
Administrative expenses (continued)		
<u>General Administrative costs</u>		
RBA levy	5,000,000	5,000,000
Amortization of intangible assets (Note 15)	1,954,236	1,948,807
Depreciation of equipment (Note 16)	1,043,034	939,823
Professional/scheme advisors fees	979,696	1,624,776
Strategic plan and investment policy review	2,223,283	-
Software maintenance (microsoft NAV)	1,483,345	1,166,781
Audit fees	1,237,020	1,943,403
Office expenses and maintenance	592,913	436,414
Internet	501,120	421,776
Legal fees	4,386,000	1,676,720
Tendering expenses	15,000	170,875
Travelling and subsistence	453,392	458,407
Computers and website maintenance	213,610	237,949
AGM expenses	1,711,315	612,860
Printing and stationery	335,181	310,585
Scheme membership subscriptions	62,500	336,500
Bank charges	161,409	116,480
Member welfare, education and post retirement medical scheme	1,018,469	885,258
Rent secretariat office	1,612,980	-
Telephone and postage expenses	2,355	23,114
Tax arrears	-	3,195,637
	24,986,860	21,506,165
 Total Administrative costs	 54,415,433	 46,178,964
 7(a) Realised Investment income		
Dividend income	99,398,281	73,732,657
Treasury bonds	562,656,851	514,347,991
Treasury bills	40,049,533	46,498,095
Corporate bonds	9,954,486	5,401,043
Call and fixed deposits	46,405,389	12,793,084
	758,464,540	652,772,870

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

7(b) Realised gain/(loss) on sale of investment

(Loss)/Gain on disposal of equity investments
(Loss)/gain on disposal of government securities
Exchange gain /(loss)

2023
KSH

30,059,483
(12,134,595)
(276,376)

17,648,512

2022
KSH

2,557,567
(7,412,922)
(146,664)

(5,002,019)

7(c) Fair value Adjustment

Equity investments
Investment property
Offshore investments
treasury bonds
REITS investments

(186,758,185)
337,957,417
110,055,178
(216,852,870)
9,671,903

54,073,444

(402,069,943)
(35,883,561)
(61,863,544)
(212,561,831)
5,265,076

(707,113,803)

8 Rental income

Interest from tenant purchase scheme
Gain from disposal of property-Kenpipe
Rent income
Provision for bad debts

29,874,187
29,097,539
13,346,000
(54,867)

72,262,860

23,355,143
-
19,969,000
(802,877)

42,521,266

9 Investment Management Expenses

Management fees - investment managers
Custody fees
Property management fees

16,155,701
11,081,332
5,673,286

32,910,319

15,253,927
10,519,100
6,199,591

31,972,618

10 Other income

Miscellaneous income

1,338,935

1,338,935

1,283,455

1,283,455

Miscellaneous income include interest on staff loans and penalties levied on Tenant Purchase Scheme

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

	2023	2022
	KSH	KSH
11 Taxation		
(a) Statement of changes in net assets:		
Total investment income	848,375,911	697,380,468
Less: Interest from infrastructure bonds	(28,335,086)	(9,683,174)
Gain/loss on investments disposals	17,648,512	(5,002,019)
Less: Administration expenses	(54,415,434)	(46,178,962)
Investment management expenses	(32,910,320)	(31,972,618)
Add back: Depreciation	2,997,270	2,888,630
Gratuity	772,006	727,510
	754,132,860	608,159,834
Taxable income due to Unregistered. Fund at 26% (2022: 23%) of the taxable Scheme income		
	196,074,543	139,876,762
Tax thereon at 30%	58,822,363	41,963,029
(b) Statement of net assets:		
Tax payable as at 1 July	5,566,900	3,731,189
Tax provision for the year	58,822,363	41,963,029
Tax paid during the year	(55,641,531)	(40,127,318)
	8,747,732	5,566,900
Tax payable as at 30 June		

The scheme is registered under the Income Tax Act and is Tax exempt on income within the exempt limit (240,000). Income on the excess amount is taxable at 30%.

12 Investment property

At 1 July	1,368,642,856	1,540,470,000
Additions	1,997,965	4,823,195
Kenpipe garden sales	(100,595,238)	(140,766,778)
Valuation gain(loss)	337,957,417	(35,883,561)
At 30 June	1,608,003,000	1,368,642,856
Comprising of:	1,608,003,000	1,368,642,856
Leasehold land and building	1,608,003,000	1,368,642,856

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

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

12 Investment Property (continued)

	Level 1 KSH	Level 2 KSH	Level 3 KSH	Total KSH
30-Jun-23				
Kajiado/Kitengela/ 76600-76872	-	-	819,000,000	819,000,000
Kajiado/Kitengela/ 76873				
(Kenpipe Gardens)	-	-	632,800,000	632,800,000
Kitengela Rangers	-	-	131,203,000	131,203,000
Kogony, Kisumu			25,000,000	25,000,000
	<u>-</u>	<u>-</u>	1,608,003,000	1,608,003,000
	Level 1 KSH	Level 2 KSH	Level 3 KSH	Total KSH
30-Jun-22				
Kajiado/Kitengela/ 76600-76872	-	-	554,400,000	554,400,000
Kajiado/Kitengela/ 76873				
(Kenpipe Gardens)	-	-	669,632,233	669,632,233
Kitengela Rangers	-	-	124,800,000	124,800,000
Kogony, Kisumu			19,800,000	19,800,000
	<u>-</u>	<u>-</u>	1,368,632,233	1,368,632,233
The income generated from the property is as follows:			2023 KSHS	2022 KSHS
Rental income from investment properties (Note 8)			13,286,000	19,969,000
Rental income from tenant purchase			58,971,727	23,355,143
Direct operating expense arising from Kenpipe			(5,673,286)	(7,254,042)
			66,584,441	36,070,101

The fair value of the Company's investment properties as at 30 June 2023 has been arrived at on the basis of valuation carried out at that date by Fair Valuers Ltd, Planet Valuers Ltd independent valuers who are independent of 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 Comparable sales methods. There has been no change on the valuation technique during the year.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

13 Tenant Purchase Scheme -Kenpipe Gardens

	2023 KSH	2022 KSH
At 1 July	233,314,868	126,063,236
Issued TPS	120,333,321	140,766,778
Repayments	(44,079,326)	(33,515,145)
	309,568,863	233,314,869

14 Other investments (Note 21)

Treasury bonds	4,167,143,875	3,959,816,767
Treasury bills	118,535,833	364,208,043
Corporate bonds	80,592,769	83,711,216
Quoted equity investments	1,082,056,725	1,358,657,674
Unquoted equity investments	21,744,000	21,744,000
Offshore investments	460,479,951	206,979,894
Call and fixed deposits	1,033,543,467	250,754,520
REITS investments	269,663,008	209,991,092
	7,233,759,629	6,455,863,206

15 Intangible assets

Cost

At 1 July	7,809,705	7,809,705
Additions	-	-
At 30 June	7,809,705	7,809,705

Amortization

At 1 July	3,901,233	1,952,426
Charge for the year	1,954,236	1,948,807
At 30 June	5,855,469	3,901,233

Net book value

At 30 June	1,954,236	3,908,472
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KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
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FOR THE YEAR ENDED 30TH JUNE 2023

16 Equipment

COST

At 1 July 2021

Additions

At 30 June 2022

At 1 July 2022

Additions

At 30 June 2023

DEPRECIATION

At 1 July 2021

Charge for the year

At 1 July 2022

Charge for the year

At 30 June 2023

NET BOOK VALUE

At 30 June 2022

At 30 June 2023

17 Other receivables

Rent receivable

Provision for bad debts

Contributions

Insurance prepaid

Staff Loans

Service charge

Medical Fund

	KSHS Computers	KSHS Equipment & Fixtures	KSHS Total
At 1 July 2021	231,642	10,286,737	10,518,379
Additions	689,616	22,000	711,616
At 30 June 2022	921,258	10,308,737	11,229,995
At 1 July 2022	921,258	10,308,737	11,229,995
Additions	124,700	-	124,700
At 30 June 2023	1,045,958	10,308,737	11,354,695
At 1 July 2021	19,304	5,230,418	5,249,722
Charge for the year	263,990	633,186	897,176
At 1 July 2022	283,293	5,863,604	6,146,897
Charge for the year	487,392	555,642	1,043,034
At 30 June 2023	770,685	6,419,246	7,189,931
At 30 June 2022	637,964	4,445,133	5,083,097
At 30 June 2023	275,273	3,889,491	4,164,764
		2023	2022
		KSH	KSH
Rent receivable		1,057,700	1,720,487
Provision for bad debts		(857,744)	(802,877)
Contributions		62,027,958	-
Insurance prepaid		1,802,814	1,310,030
Staff Loans		18,585,816	6,234,832
Service charge		16,104,157	4,278,598
Medical Fund		102,571	99,570
		98,823,271	12,840,640

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FOR THE YEAR ENDED 30TH JUNE 2023

	2023	2022
	KSH	KSH
18 Cash & cash equivalents		
Equity bank	1,170,256	1,338,661
Petty cash	274,894	17,170
Standard Chartered - 9244B	259,596	4,756,852
	1,704,746	6,112,682
For the purposes of cashflow, cash and cash equivalents include:		
Bank balance	1,429,852	6,095,512
Cash in hand	274,894	17,170
Fixed and call deposits	1,033,543,466	250,754,520
	1,035,248,212	256,867,202
19 Other payables		
Prepaid tenant purchase scheme	-	15,430,564
Due to KPC retirement benefit scheme	6,193,117	6,557,375
Rent deposit refundable	3,585,000	5,545,600
RBA levy payable	5,000,000	5,000,000
Management fees	2,786,164	3,593,955
Income tax on pension benefits	4,184,851	2,391,053
Audit fees	1,200,020	1,942,501
Security service payable	537,080	1,856,955
General creditors	9,773,240	993,704
Custody fees	949,919	882,366
Legal fees	1,265,140	695,060
Accrued leave days	519,942	300,149
Contribution refundable	-	248,053
Tax payable	58,185	195,303
Trustee allowance payable	-	56,000
Rent-scheme offices	3,225,960	-
	39,278,618	45,688,638

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
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FOR THE YEAR ENDED 30TH JUNE 2023

20 Accumulated Fund

	Registered Fund	Unregistered Fund	Total
2023	KSHS	KSHS	KSHS
As at 1 July 2022	6,179,977,122	1,842,528,163	8,022,505,285
Members contribution	330,029,949	429,164,169	759,194,118
	6,510,007,071	2,271,692,332	8,781,699,403
Percentage on total fund	74%	26%	100%
Net income for the year	565,170,607	197,218,485	762,389,093
Benefits payable	(259,013,197)	(90,383,664)	(349,396,861)
Investment holdings gain	40,085,465	13,987,981	54,073,444
	346,242,875	120,822,802	467,065,677
Tax (unregistered scheme)	-	(58,822,363)	(58,822,363)
As at 30 June 2023	6,856,249,946	2,333,692,771	9,189,942,717
2022			
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
	6,613,439,426	2,016,669,011	8,630,108,437
Percentage on total fund	77%	23%	100%
Net income for the year	470,080,119	143,343,871	613,423,990
Benefits payable	(361,665,767)	(110,284,543)	(471,950,310)
Investment holdings gain	(541,876,656)	(165,237,147)	(707,113,803)
	(433,462,304)	(132,177,819)	(565,640,123)
Tax (unregistered scheme)	-	(41,963,029)	(41,963,029)
As at 30 June 2022	6,179,977,122	1,842,528,163	8,022,505,285

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

21 Investments

a) Quoted Equity Investments

At fair value through profit or loss

	2023 KSHS	2022 KSHS
At the beginning of the year	1,358,657,674	1,649,642,676
Purchase during the year	21,950,232	198,283,042
Disposals during the year	(111,792,996)	(87,198,101)
Change in market value	(186,758,185)	(402,069,943)
At the end of the year	<u>1,082,056,725</u>	<u>1,358,657,674</u>

b) Treasury bonds - At amortized cost

The movement of the treasury bills is as follows:

At the beginning of the year	3,959,816,767	3,473,146,744
Purchases during the year	771,610,026	1,702,016,683
Maturity	(347,430,049)	(1,002,784,829)
Accrued interest	(216,852,870)	(212,561,831)
At the end of the year	<u>4,167,143,874</u>	<u>3,959,816,767</u>

The maturity dates of the treasury bonds are as follows:

Maturing within one year	-	-
Maturing in the second year	985,295	-
Maturing in 3-5 years	245,738,307	118,672,134
Maturing after 5 years	3,920,420,273	3,841,144,633
	<u>4,167,143,875</u>	<u>3,959,816,767</u>

The weighted average interest rate as at 30 June 2023 was 13.09% (2022: 12.23 %).

c) Call and fixed deposits- *At amortised cost*

Equity Bank Kenya Limited	223,700,959	55,000,000
Kenya Commercial Bank Limited	62,802,740	160,737,260
The Co-operative Bank of Kenya Limited	203,049,315	35,017,260
Absa Bank	168,531,452	-
Diamond Trust Bank	150,513,699	-
NCBA Bank	224,945,301	-
	<u>1,033,543,466</u>	<u>250,754,520</u>

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

21 Investments (continued)

d) Treasury bills- At amortised cost

The movement of treasury bills is as follows:

	2023 KSHS	2022 KSHS
At the beginning of the year	364,208,043	605,599,333
Purchases during the year	226,278,257	434,353,810
Maturity	(476,213,500)	(680,309,093)
	4,263,033	4,563,993
At the end of the year	118,535,833	364,208,043

The maturity dates of the treasury bills are as follows:

maturing within 3 months	80,740,149	-
maturing within 4-12 months	37,795,683	364,208,043
	118,535,832	364,208,043

e) Investment properties (continued)

Corporate bonds -*At fair value through profit or loss*

At the beginning of the year	83,711,216	-
Purchases during the year	-	83,711,216
Disposals during the year	(3,118,479)	-
At the end of the year	80,592,737	83,711,216

Maturing within one year	-	-
Maturing in the 2-5 year	51,663,103	51,663,139
Maturing after 5 years	28,929,634	32,048,077
	80,592,737	83,711,216

f) Offshore Investments- At fair value through loss

Franklin U.S Opportunities Fund Class	88,783,838	78,487,826
Blk Developed W Index	17,710,354	12,533,392
	106,494,192	91,021,218

At the beginning of the year	91,021,218	-
Purchases during the year	-	95,162,500
Change in market value	15,472,974	(4,141,282)
At the end of the year	106,494,192	91,021,218

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023

21 a) QUOTED INVESTMENT

d) Description	At 1 July 2022		Addition		Disposal		At 30 Jun 2023		Market value at 1 July 2022		Cost of additions		Proceeds on disposal		Gain/ (loss) on disposals		Unrealised gain/(loss)		Market value at 30 Jun 2023	
	Units		Units		Units		Units		Units.	KSH	Units.	KSH	Units.	KSH	Units.	KSH	Units.	KSH	Units.	KSH
Absa Bank Kenya Plc	8,096,708		-		-		8,096,708		84,610,597		-		-		-		10,930,556		95,541,153	
CFC Stanbic Holdings Plc	1,136,800		-		-		1,136,800		112,259,000		-		-		-		14,210,000		126,469,000	
Co-operative Bank of Kenya Plc	2,351,060		-		2,351,060		-		25,626,554		-		28,968,075		3,341,532		-		-	
East African Breweries Plc	1,169,338		-		465,820		703,518		160,491,641		-		89,437,440		25,503,645		12,487,445		109,045,291	
Equity Group Holdings Plc	5,030,800		-		-		5,030,800		216,324,400		-		-		-		(23,896,300)		192,428,100	
I&M Holdings Plc	856,600		-		856,600		-		14,562,200		-		14,408,301		1,214,306		(1,368,206)		-	
Kenya Commercial Bank Plc	4,519,332		-		-		4,519,332		174,672,182		-		-		-		(42,255,754)		132,416,428	
MTN Uganda	5,805,450		-		-		5,805,450		32,394,411		-		-		-		5,446,093		37,840,504	
Safaricom Plc	21,189,500		1,000,000		-		22,189,500		528,678,026		21,950,232		-		-		(162,312,008)		388,316,250	
TOTAL	50,155,588		1,000,000		3,673,480		47,482,108		1,349,619,011		21,950,232		132,813,816		30,059,483		(186,758,175)		1,082,056,725	

b) UNQUOTED INVESTMENT

UAP Old Mutual Holdings	151,000	-	-	-	-	-	151,000	21,744,000	-	-	-	-	-	-	-	-	-	-	21,744,000
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21 EQUITY INVESTMENTS

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

No.	July 1, 2022		Additions		June, 30 2023	
	Shares	Mkt Value KES.	Shares	Cost KES.	Shares	Unrealised gain KES.
Franklin U.S Opportunities Fund	30,802	206,442,782	-	-	30,802	9,657
Pinebridge Us Large Cap (Class Y)	13	537,112	-	-	13	58,312
Ishares Msci World ETF			9,274	143,444,878	9,274	17,498
	30,815	206,979,894	9,274	143,444,878	40,089	85,467
						110,055,179
						460,479,951

b) REITS Investment

No.	July 1, 2022		Additions		Cost	Dividend Earned	Dividend Received	Units	Unrealised gain	Market Value
	Shares	Market Value	Units							
ACORNREIT	9,675,987	209,991,092	2,233,387		50,000,013	5,375,233	5,375,233	11,909,374	9,671,903	269,663,008

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

22 REGISTRATION

The Scheme is registered under the Retirement Benefits Act.

23 CURRENCY

The financial statements are presented in Kenya Shillings rounded to the nearest (Kshs 000)

24 CONTINGENCIES

There are four court cases the scheme is involved three against tenants and one against Ivory

1.ELC No. E091 OF 2022 - K.P.C versus Eric Ng'ang'a Mburu

2.ELC NO. E086 OF 2022 - K.P.C versus Kay Thrice Limited

3.MC. ELC No. E015 of 2023 - K.P.C versus Rose Jeptum

4.Civil Suit No. E49888 of 2020 - K.P.C and Epco builder versus Ivory Consult Limited and Clive Wafukho.

25 EVENTS AFTER REPORTING PERIOD

The Trustees are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt within the financial statements, which would significantly affect the financial position of the Scheme and results of its operation as laid out in these financial statements.

KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME 2006 (D.C) REGISTERED TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

	<u>ACTUAL</u> YTD	<u>BUDGET</u> YTD	VARIANCE	<u>%VARIANCE</u>
CONTRIBUTIONS AND BENEFITS				
Contributions	759,194,118	731,591,979	27,602,139	3.8%
Pensions and benefits withdrawals	(349,396,861)	(359,377,968)	9,981,107	-3%
Administrative expenses	(54,415,434)	(68,994,298)	14,578,864	-21%
RETURN ON INVESTMENT				
Investment income	902,449,355	804,454,645	97,994,711	12%
Investment management expenses	(32,910,320)	(40,832,195)	7,921,875	-19%
Other Income	1,338,935	1,184,071	154,865	13%
Increase in net assets before tax	1,226,259,794	1,068,026,233	158,233,560	15%
Tax	(58,822,363)	(32,480,825)	(26,341,538)	81%
Increase in net assets after tax	<u>1,167,437,431</u>	<u>1,035,545,409</u>	<u>131,892,022</u>	13%



KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME

**The Crescent Business Centre
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