2022 ANNUAL REPORT & FINANCIAL STATEMENTS



Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

Corporate Information

BACKGROUND INFORMATION

Kenya Pipeline Company Limited (KPC) is a State Corporation wholly owned by the Government of Kenya (GoK) with 99.9% shareholding by The National Treasury and less than 0.1% by the Ministry of Petroleum and Mining. KPC was incorporated in 1973 under the Companies Act, Cap 486 of the Laws of Kenya, and commenced commercial operations in February 1978. At cabinet level, KPC is represented by the Cabinet Secretary for Ministry of Petroleum and Mining who is responsible for the company's general policy and strategic direction.

The main objective of the Company is to provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland. In pursuit of this objective, the Company has constructed a pipeline network, storage and loading facilities for transportation, storage, and distribution of petroleum products. The current installed system consists of 1,342 kilometres of pipeline with current capacity to handle about 14 billion litres of petroleum products.

The pipeline infrastructure plays a key role in spurring economic growth and development in the East African region. To this end KPC, has developed a Corporate Strategic Plan (CSP) dubbed KPC Vision 2025, with the aim of transforming the Company into Africa's Premier Oil and Gas hub. The mission of the company is to transform lives through safe and efficient delivery of quality oil and gas from source to customer. A mid-term strategy refocusing was done in August 2022 intended to **Review, Refocus** and **Re-plan** the strategy based on the current realities. The CSP is anchored on four key pillars: -

- **Business leadership** – Winning and leading the market in Kenya.
- **People -** Amazing performance by all KPC employees.
- **Systems and processes** - Reliable and best in the world technology and systems.
- **Image and reputation** - Amazing relationships with all our stakeholders.

Board of Directors

Faith Bett Boinett (Mrs)
Chairman – Appointed 23 December 2022

Rita Okuthe
Immediate former Chairman

Joe K Sang
Managing Director – Appointed 25 April 2023

Mr. Liban Mohamed
Principal Secretary, State Department for Petroleum

Prof. Njuguna Ndungu, EGH
Cabinet Secretary, National Treasury

Hon. Justine Muturi
The Attorney General

Frank Ireri
Appointed on 5 August 2022

Caroline Mugadi
Appointed on 5 August 2022

Elsie Mbugua
Re-Appointed on 6 October 2021

Jimmy Shiganga
Re-Appointed on 6 October 2021

Kenneth Wathome
Re-Appointed on 6 October 2021

Sharon Irungu-Asiyo
Alternate Director, State Law Office

Amos Cheptoo
Alternate Director to Cabinet Secretary National Treasury

Mohamed Birik Mohamed
Alternate Director to PS State Department for Petroleum

COMPANY SECRETARY

Flora Okoth
P.O. Box 73442 - 00200
Nairobi, Kenya

REGISTERED OFFICE & HEADQUARTERS

Kenpipe Plaza
Sekondi Road
Off Nanyuki Road
Industrial Area
P. O. Box 73442 - 00200
Nairobi, Kenya

CORPORATE CONTACTS

Telephone: (254) 020 2606500-4
Email: info@kpc.co.ke
Website: www.kpc.co.ke

INDEPENDENT AUDITORS

Auditor General,
The Office of the Auditor General,
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi, Kenya

PRINCIPAL ADVOCATES

Attorney General
Office of the Attorney General,
Department of Justice
Harambee Avenue
P. O. Box 40112 – 00200
Nairobi, Kenya

Mohammed Muigai Advocates
MM Chambers 4th Floor, K-Rep Centre
P.O. Box 613323 - 00200
Nairobi, Kenya

PRINCIPAL BANKERS

Equity Bank
Kenpipe Plaza, Sekondi Road
Off Lunga Lunga Road
P. O. Box 78569 – 00507
Nairobi, Kenya

Co-operative Bank of Kenya
Co-operative House Branch
Nanyuki Road
P.O. Box 67881 - 00200
Nairobi, Kenya

Stanbic Bank Limited
Stanbic Bank Centre - Chiromo road
P. O Box 72833 - 00200
Nairobi, Kenya

Standard Chartered Bank
Stanchart Chiromo
P.O. Box 30003-00100
Nairobi, Kenya

Citibank, N.A.
Citibank House
Upper Hill Road
P. O. Box 30711 - 00100
Nairobi, Kenya

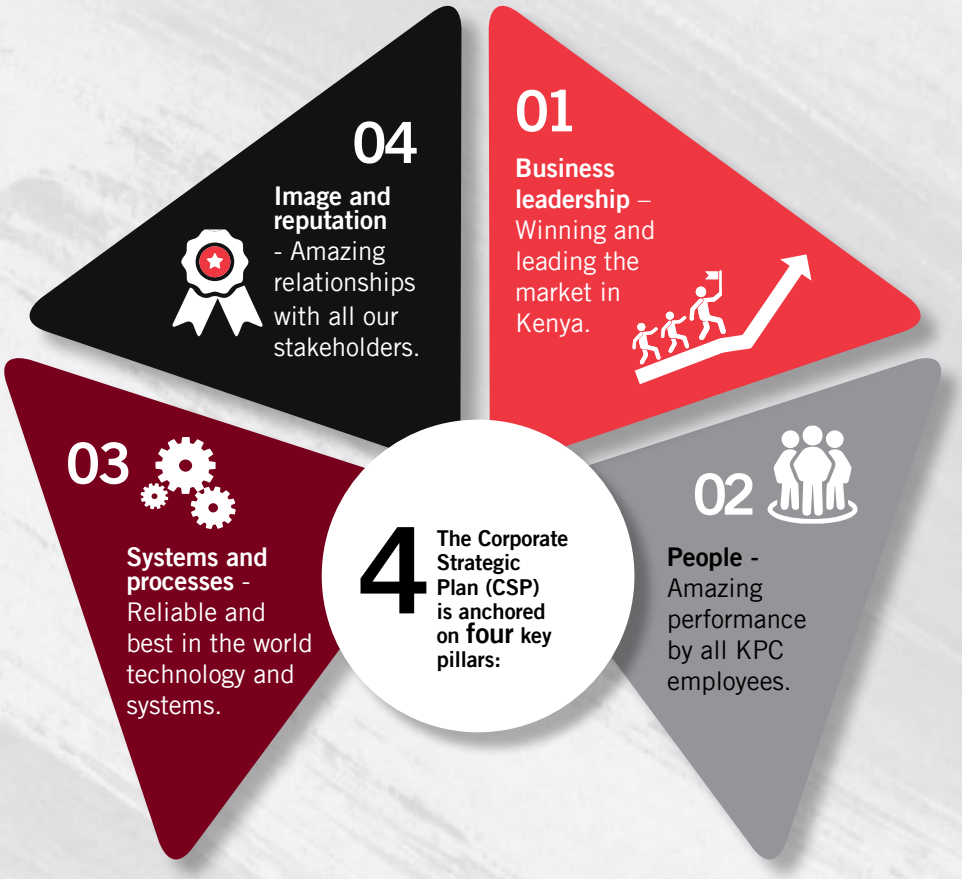
NCBA
Wabera Street
P. O. Box 30437 – 00100
Nairobi, Kenya

who we are

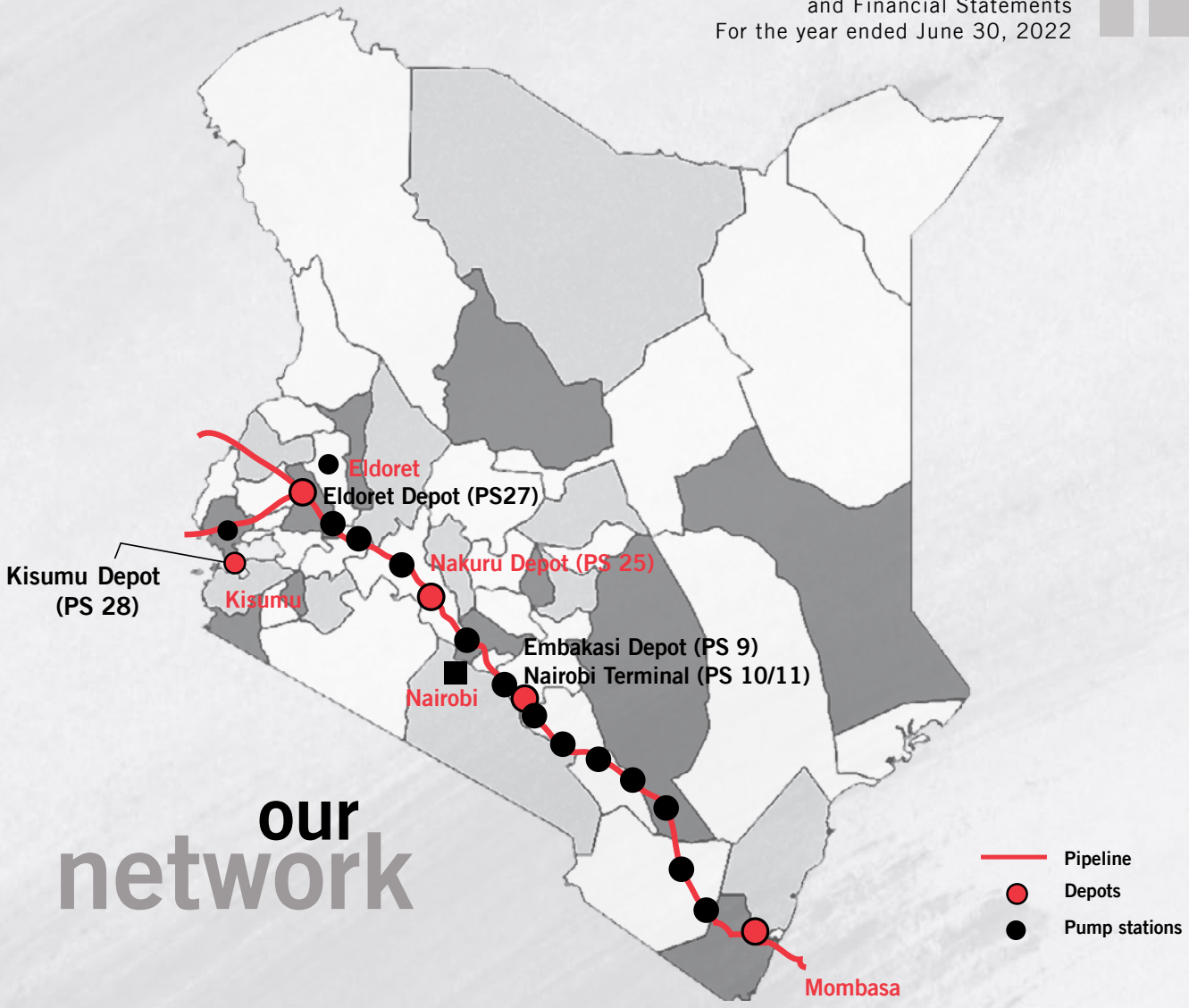
Our Vision
Africa's Premier Oil & Gas Company

Our Mission
Transforming lives through safe and effecient delivery of quality oil and gas from source to customer

Our Core Values
Integrity • Transparency
Accountability • Diligence
Team spirit • Loyalty
Care for the Environment



our network



1,342
Kilometers of pipelines traversing Kenya from the coast to the hinterland

884,000
Cubic Metres capacity storage facilities at seven (7) locations

11
pumping stations

2
Oil and Gas Marine Terminals at the coastal town of Mombasa and Kisumu on Lake Victoria

2
Aviation Hydrant Refueling facilities at Jomo Kenyatta and Moi International Airports

5
Truck & Rail loading facilities

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A century ago, petroleum - what we call oil - was just an obscure commodity; today it is almost as vital to human existence as water.

- James Buchan



Chairman's Report

Re-Energized to Deliver a Positive Impact

FAITH BETT BOINETT (Mrs) - **BOARD CHAIRMAN**

Dear Shareholders,

I am honored to present to you the Report and Financial Statements of the Kenya Pipeline Company Limited for the 2021/2022 Fiscal Year.

FY2021/2022 was yet another period of solid performance by KPC, enabling the Company to remain a self-sufficient, profitable state corporation. The good performance is attributed to sound fiscal management as well as cost containment measures among other policy interventions. The good performance was equally driven by resilience of our business processes, and improved innovations through integration of systems to serve our customers efficiently.

During the period under review, the company allocated adequate resources to augment the core business and maintain the expansive pipeline network systems. Supported by strong corporate governance systems, the Company ensured security of supply of petroleum products in Kenya and the region.

Business Strategy

The Company sustained the implementation of strategic decisions in line with its Vision 2025 objectives. On business diversification, the company remained focused on implementing initiatives aimed at increasing KPC's market share in fibre-optic cable (FOC) business line, leading to the onboarding of additional customers during the year. This is an ongoing initiative that will continue into the coming year.

We envisage that in the coming year, productive business initiatives will be undertaken to ensure KPC's growth is sustained. Capacity enhancement of existing pipelines, bottom loading facilities and storage facilities, will inform growth strategies among other key initiatives.

Additionally, the board remains recharged to deliver a positive impact and ensure that strategies being implemented are completed on time and in compliance with National Treasury guidelines on public investment management.

During the year under review the company started the construction of a bottom loading facility at Nairobi Terminal. Once completed, the facility will play a significant role in reducing cost of fuel in Nairobi. Lack of a bottom loading facility in Nairobi has been a big challenge in terms of managing fuel handling costs. Additionally, during the year under review, the company embarked on a journey of establishing Liquid Petroleum Gas (LPG) bulk handling facility in Mombasa. Once complete, it is expected the cost of LPG will go down significantly.

The completion and commissioning of the new Kipevu Oil Terminal otherwise known as KOT2 (Kipevu Oil Terminal 2) is a game changer in the oil and gas subsector in the region. The government deemed it necessary to construct a new Oil handling Terminal (Kipevu Oil Terminal 2) at the Port of Mombasa to replace the old KOT-1 Jetty which is a single berth that can only handle one vessel at a time. This decision was also informed by the fact that the current Kipevu Oil Terminal is also too near to the New Container Terminal and for safety purposes relocation to a new site was imperative. The now completed facility will boost importation and exportation of six different hydrocarbon products as follows-

- Jet A-1–aviation fuel,
- AGO (diesel) and PMS (petrol).
- Liquefied Petroleum Gas (LPG), CO (crude oil) and HFO (heavy fuel oil).

In 2022, the company started the construction of a bottom loading facility at Nairobi Terminal. Once completed, the facility will play a significant role in reducing cost of fuel in Nairobi.

The Company sustained the implementation of strategic decisions in line with its Vision 2025 objectives. On business diversification, the company remained focused on implementing initiatives aimed at increasing KPC's market share in fibre-optic cable (FOC) business line, leading to the onboarding of additional customers during the year.

Kenya Pipeline Company Annual Report
and Financial Statements
For the year ended June 30, 2022



> **The Company's commitment to sustainability is unequivocal. We can only prosper through shared values approach with the society by making more thoughtful and resource-efficient decisions and by collaborating with Kenyans to ensure their lives are impacted positively.**

Other benefits of this world class Marine Tankers Off-Shore Jetty, one of its kind in the region, include.

- Higher vessel discharge rates
- Improved ship turnaround time
- Reduced demurrage with additional pipeline and storage capacity.
- Increased products stability for the country and neighboring regions.

Customer Focus

Our customers are important, and we are conscious that customer engagement is a vital ingredient for business success, KPC is committed to achieving unprecedented customer satisfaction levels. Successful implementation of various projects has enhanced customer experience, and this has elevated customer satisfaction index (CSI). The Company has employed all efforts to ensure that the customer is the focal point of all decisions related to service delivery. We are determined to foster customer loyalty, satisfaction, and advocacy to achieve exemplary customer experience.

Sustainability Agenda

The Company's commitment to sustainability is unequivocal. We can only prosper through shared values approach with the society by making more thoughtful and resource-efficient decisions and by collaborating with Kenyans to ensure their lives are impacted positively. Consequently, through KPC Foundation (the Company's philanthropic arm), Corporate Social Investment programs have been implemented targeting communities, groups, and individuals across the country with the sole objective of empowering and transforming lives at the grassroots.

During the period under review, the Company continued to implement several impactful development programs that are responsive to our stakeholders' needs, both socially and morally. The following are the CSI Policy focus areas:

1) Education
2) Health and Environmental Conservation
3) Water and Sanitation
4) Sports for Development
5) Special Groups Empowerment (Women, Youth, and People with special needs)

Our People

In line with our strategic objective of ensuring outstanding performance by all our People, the Board continued to support policy interventions aimed at recognizing and rewarding staff for exemplary performance. In supporting such interventions, the Board is cognizant of the fact that our people play a key role in our business performance. Development and motivating them will therefore continually lead to the entrenchment of a high-performance culture.

Appreciation

On behalf of KPC's Board, Management and Staff, I would like to appreciate the support accorded to KPC by the Ministries of Energy & Petroleum and the National Treasury. We look forward to your continued support as we implement our current and future projects and programmes.

To Management and Staff, I commend you all for your tireless effort and commitment to attaining KPC's targets and goals. Your dedication and commitment while playing your roles has enabled the Company to remain profitable and ensured that Kenya and the Region have a steady and uninterrupted fuel supply.

My final appreciation goes to my fellow Board of Directors. I am truly honoured to serve alongside you as we strive to support KPC in realizing its strategic goals and objectives in strict observance of the highest standards of good corporate governance and management of public resources. Thank you for the confidence you have bestowed on me. You have my unwavering commitment that we will fulfill our mandate. With your support and prayers, KPC will continue thriving.



FAITH BETT BOINETT (Mrs)
BOARD CHAIRMAN

Board of Directors



FAITH BETT BOINETT (Mrs)
BOARD CHAIRMAN

Born in 1979, Faith is a lawyer (holding a Bachelor of Law (LLB) degree) with expertise in Legal Risk & Compliance, Governance, Public Financial Management, Human Resources, Public Sector Strategic Partnership & Alliances and is an Educator. As an Advocate of the High Court of Kenya, Faith was appointed in 23rd December 2022 and has over 20 years working experience in the public and private sectors. She is currently the Chairman of the Board of Directors of Kenya Pipeline Company Ltd, where she is keen to see the company improve its performance through transformational change. She is the Managing Partner at Boinett & Bett Co. Advocates. She also serves as Chairman of the Board Finance and General Purposes Committee of Nyayo Tea Zone Development Corporation, Privatization Commission as well as sits on the Board of Management at Moi Girls High School, Eldoret.

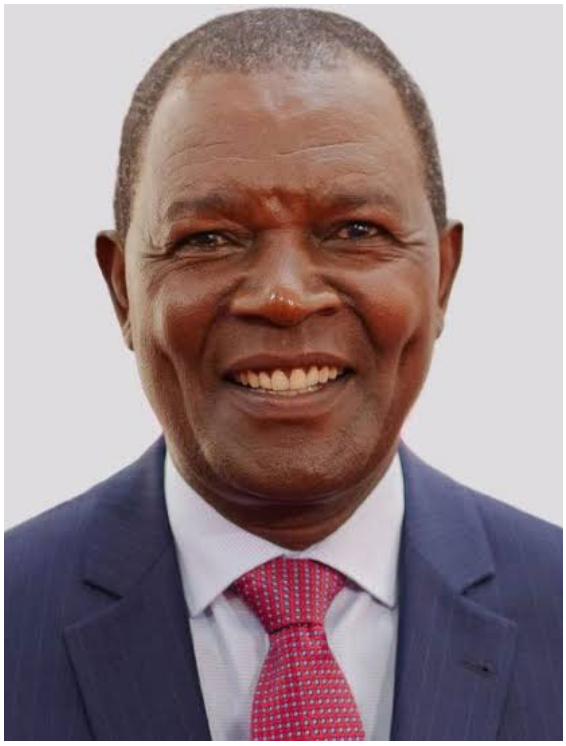
In her 20 years of experience, she had direct involvement in management of several Semi-Autonomous Government Agencies (SAGAs) and Higher Education institutions as Director on the Board of Management for state corporations. In these roles, she has provided strategy formulation and implementation oversight on statutory obligations, policies, practices and processes that direct and control Public and private sector organizations. She has good understanding and interpretation of the Kenya's constitution and various Acts including good abilities in Litigation, Conveyance, Pleadings, Statutory Drawings and Alternative Dispute Resolution (ADR), Company Laws, Employment Act 2007, Occupational Safety and Health Act 2007, Labour Institutions Act, Labour Relations Act 2007 and WIBA 2007 amongst others. Faith is a member of FIDA and a champion of women's rights and those who are disadvantaged. The firm where she serves as Managing Partner was ranked among the best-performing law firms in fighting for children's and women's rights.

JOE SANG
MANAGING DIRECTOR

Born in 1974, Joe was appointed on January 23, 2023. He has over 20 years hands-on experience gained in a variety of senior positions in private and public sector organizations including being General Manager Finance & Strategy at KPC, Group Head of Business Performance & Planning at East African Breweries Limited and Finance Director at East African Maltings Limited.

As an accountant, Joe also worked for Unga Group and National Oil Corporation of Kenya (NOCK). Equipped with a strategic mindset, he believes that his philosophy of developing others to deliver great business performance is critical as KPC transforms to become Africa's Premier Oil & Gas Company. He is a certified public accountant with CPA(K), he is a member of ICPAK and holds a Bachelor of Arts in Economics and a Master of Business Administration in Strategy from University of Nairobi.







PROF. NJUGUNA NDUNGU, CBS,
CABINET SECRETARY, NATIONAL TREASURY

Born in 1960, Prof. Njuguna Ndung'u was appointed on September 27, 2022. He is the Cabinet Secretary, National Treasury & Economic Planning. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya, with a PhD in Economics and the immediate former Governor, Central Bank of Kenya. Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis.

He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better than Cash Alliance.

HON. JUSTINE MUTURI, EGH
THE ATTORNEY GENERAL OF THE REPUBLIC OF KENYA

Born in 1956, The Hon. Justice Justin Muturi was appointed on September 27, 2022 and served as the seventh Speaker of the National Assembly of Kenya from 2013-2022.

He is a Lawyer by profession and the first Speaker to serve following the re-establishment of a bicameral Parliament, as mandated by the 2010 Constitution.

Muturi served as a member of parliament from 1999-2007. He served as opposition Chief Whip and Chairman of the Public Investment Committee (PIC) during the 10th Parliament.

Muturi was formerly a judiciary employee serving as a principal magistrate between 1982 and 1997 before retiring from judicial service. He also served as the Chairman of the Judges and Magistrates Association during the time.

He was a member of the Africa Parliamentarians Network Against Corruption, Global Organisation of Parliamentarians Against Corruption and the Parliamentary Network on the World Bank.

WHO GOVERNS US



MOHAMED LIBAN,

PRINCIPAL SECRETARY STATE DEPARTMENT FOR PETROLEUM

Born in 1961, Mr. Mohamed Liban is the Principal Secretary for the State Department for Petroleum having been appointed to the position in December 2, 2022. Prior to the appointment, he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019. Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health. Among other qualifications, Mr. Liban holds a Master of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTC), International Diploma in Community Eye Health from London University and, Higher National Diploma in Ophthalmology from KMTC.

He has also attended several Human Resource Management courses. The PS is a Life Member of the Kenya Society for the Blind and Kenya Red Cross Society.



SHARON IRUNGU-ASIYO, HSC

REPRESENTATIVE OF THE ATTORNEY GENERAL & DEPARTMENT OF JUSTICE

Born in 1981, Ms. Sharon Irungu-Asiyo, HSC holds a degree in Bachelor of Law (LL.B) and is an Advocate of the High Court of Kenya. She currently is a Principal State Counsel at the Office of the Attorney General. She was appointed on January 19, 2023 and has over fifteen years post-admission experience to the roll of advocates in both private and public sector experience majoring in commercial and corporate law, international business and international financial transactions. As a public sector legal practitioner, Ms. Irungu-Asiyo is currently based at the Government Transactions Division at the Office of the Attorney General where her primary duties entail drafting, vetting and reviewing Government Contracts, negotiating commercial and financial agreements on behalf of the Government and issuing advisory opinions on emerging issues and areas of law that have an impact on Government Contracts. As an alternate member representing the Hon. Attorney General in the Board of Kenya Pipeline Corporation, Ms. Irungu-Asiyo provides strategic leadership on emerging issues of law affecting the management and operational aspects of KPC.



MOHAMED BIRIK MOHAMED, OGW

ALTERNATE DIRECTOR TO PS ENERGY & PETROLEUM

Born in 1967, Mr. Mohamed Birik was appointed Secretary Administration in the State Department for Petroleum in 2021. Prior to this deployment, he was the Regional Commissioner, North Eastern, where he served from 2018 to 2020. Heis currently serving as Director to PS Energy & Petroleum since his appointment on February 21, 2023.

Mr. Birik joined the Civil Service as a District Officer in 1994. Since then, he has served in various parts of the country as a District Officer, District Commissioner, County Commissioner and Regional Commissioner. Mr. Birik is a decorated officer having been awarded Order of the Golden Warrior (OGW) in 2008 following successful restoration of peace and security in Mt. Elgon District where he was the DC.

Mr. Birik holds Bachelor of Arts in Education degree from the University of Nairobi and is currently pursuing a Masters in Peace and Conflict Resolution at Kenyatta University. He has attended various courses at Kenya Institute of Administration (KIA) including Advanced Public Administration, Strategic Leadership Development Program (SLDP) and Senior Management Course (SMC). Other notable courses attended include Certificate Course in Management at the Center of Excellence for Stability of Police Units in Italy and, Kenya – Uganda Border Conference.



AMOS CHEPTOO

ALTERNATE DIRECTOR - CABINET SECRETARY, NATIONAL TREASURY

Born in 1972, Amos was appointed on February 21, 2023 for 3 years and is currently serving as the Special Advisor for Multilateral Cooperation at the National Treasury.

He holds a Masters degree and previously served concurrently as Executive Director for Eastern Africa at Board of the African Development Bank (3 years) and Senior Advisor in the same Board (3 years).

He previously worked as Programme Officer and Manager at the Macroeconomic & Financial Management Institute of Eastern and Southern Africa (MEFMI), based in Zimbabwe. Prior to international assignments, Amos worked as an economist at the Central Bank of Kenya.

WHO GOVERNS US



ELSIE MBUGUA -
INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in 1985, Elsie Mbugua is the founder of Elcy Investments Ltd with its power subsidiary, Leadwood Energy. She also holds a Dual Degree in Economics and International Relations, and is also one of the financial transaction advisors to the Government of Kenya on the country's crude oil prospects and is considered a thought leader and a key policy maker in East Africa's energy markets. She was appointed on October 6, 2021 for a period ending on October 5, 2024.

Ms. Mbugua has more than a decade of experience as a physical energy trader having previously worked for some of the world's largest trading houses – Goldman Sachs and J.P Morgan – covering markets in renewable energy, natural gas, liquefied natural gas, emissions and crude oil.

She has focused on both the logistics of the physical markets and financial products of each of the commodities. She is well recognized for successfully executing on challenging energy transactions and influencing energy policy reforms.



CAROLINE MUGADI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in 1968, Caroline is a senior commercial banking professional with 20+ years' experience gained working with tier one brands in the financial markets in East Africa. She was was appointed on August 5, 2022, and has been a key strategic business leader involved in financial planning, bank operational support strategy and accountabilities in Treasury & Risk Management.

Her career began at Standard Chartered Bank before she moved to Stanbic and later a Head of Treasury at DTB. She was Treasurer at The Co-operative Bank of Kenya where she held other senior roles. She transitioned to global technology and market infrastructure leadership roles in sub-Saharan Africa, enabling financial institutions, regulators, governments, and clients to leverage technology for competitive advantage. She is a change agent with a passion for people, collaboration and delivery of value to all stakeholders.

Caroline holds an MSc. Comparative Central Banking & Financial Regulation from University of Warwick (on-going), MBA, Global Business Management, Post Graduate Diploma, Financial Management, BSc. Mathematics & Chemistry. Her experience leading multi-cultural teams with diverse cultural contexts across geographical boundaries while, dealing with complex strategic challenges and has shaped her leadership journey. She is an Independent Consultant advising and consulting for global financial markets organizations seeking entry into the East African Markets as well as advising on acquisitions in the Capital Markets and optimization of Foreign Exchange workflows for clients and the implementation of Foreign Exchange platforms.





FRANK IRERI

INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in 1962, Frank is an accomplished and resilient senior Executive and MD with a progressive international career spanning over 25 years delivering and instilling operational strategies and transformation initiatives to maximize business performance, streamline processes and increase customer excellence for leading global banking organizations. He was appointed on August 6, 2022. Frank is recognized for a broad skill set encompassing operations management and strategy, management consulting, business development and growth, continuous improvement strategy, corporate governance, and business strategy, combined with a consistent track record in delivering sustainable solutions. Frank is a Certified Public Accountant (Kenya), Bachelor of Commerce (Hons) Major in Accountancy.

He is a resourceful people manager able to consistently drive improvements to performance and efficiency using innovative solutions in line with stringent regulations, whilst leading, motivating, empowering, and developing multi-disciplined, cross-cultural teams.

JAMES MBAGAYA SHIGANGA -

INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in 1962, Jimmy has extensive senior executive experience and leadership across major emerging markets in Africa spanning 25 years. He was appointed on August 7, 2020 for a period of 10 months and started his career as a consultant with PWC in Boston US prior to joining the French building materials group, Lafarge SA, as a senior global executive. At Lafarge he oversaw the growth strategy and development of the sub Saharan business from a single entity, Bamburi Cement Ltd, to becoming an industry and market leader in nine countries, including Nigeria and South Africa.

He is credited with strong expertise in governance, leading and motivating large diverse professional teams, change management and business turnarounds in challenging environments. Jimmy was recognised by Lafarge SA for achieving the highest Economic Value Add in the group for three (3) consecutive years. Jimmy has an intimate understanding of different Sub Sahara markets and an excellent ability to develop and leverage strong business networks. He founded and recently exited a mining venture in South Africa. Jimmy currently heads the Africa division of a boutique capital advisory firm, Stratlink Advisory Group, connecting investors to innovative early stage ventures with significant growth potential.

WHO GOVERNS US



KENNETH WATHOME
INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in 1962, Kenneth Wathome was appointed on August 7, 2020 for a period of 10 months. He is a resourceful Professional and Business Executive with proven effectiveness in working with high performance teams to achieve exceptional results in business environments.

He holds Master's degree with a vast background in Land Economics and has a career experience of over 20 years in Strategy, Leadership, Governance, Corporate Restructuring and Property Development. He currently heads NW Realite and Property One Limited.

He has chaired and a member of several Boards, such as the Kenya Bureau of Standards, Faulu Kenya, AIB Capital, Opportunity Bank of Uganda, Transformational Business Network (Kenya), Opportunity International United States among others.



FLORA OKOTH
GENERAL MANAGER LEGAL SERVICES & COMPANY SECRETARY

Flora is a legal/commercial law practitioner with 30 years' experience in companies in private and public sector. Started her career as a young lawyer in private practice, mainly in civil litigation and later joined the corporate world and has held senior positions over the years in diverse industries including the insurance sector, agriculture and oil & gas sub-sector.

She is a trainer in corporate governance. Community Involvement - served as Chairperson for 5 years in Community Aid International Board (NGO) and offers pro-bono legal support as a Council member of the Adventist University of Africa. Her academic qualification includes Diploma in Law, (Kenya School of Law), Bachelor of Laws (LLB), (UON), Master of Laws (LLM), International Economic Law (Warwick) and Exec-MBA(USIU). She is a member of the Law Society of Kenya and the Institute of Certified Secretaries, Kenya.



The Strategic Petroleum Reserve is a critical oil supply that should only be utilized when all other options to lower costs have been exhausted.

- Nicole Malliotakis

Managing Director's Report

Safeguarding Business Growth Trajectory

JOE SANG
Managing Director



Kshs 6.2bn
profit before tax for the year ended 30 June 2022

Throughput
1%

Dear Shareholders,
Greetings!

Allow me to share with you the Kenya Pipeline Company Financial Statements for the 2021/2022 Fiscal Year. I am proud to announce that the Kenya Pipeline Company ("KPC" or the "Company") continues to make solid financial milestones. Indeed, KPC financial success is an indicator of the significant role the Company plays towards supporting the Kenyan and regional economies. During the period under review, KPC implemented plans that have delivered excellent results, consistent with priorities outlined in the Company's Vison 2025 Strategy. The Company maintained sustainability through decisive and immediate action with an emphasis to deliver on the strategy for a better future. This was in total defiance of the disruptive effects of Covid 19 pandemic and also petroleum products supply chain challenges experienced during the year under review across the country. With a combined asset base of over Kshs.130 billion, KPC boasts of some

of the region's most vital and strategic infrastructure, placing it among the largest corporations in Kenya and the region.

Financial Performance

The Company posted a profit before tax of Kshs 6.2 billion for the year ended 30 June 2022 compared to Kshs 6.9 billion achieved in the same period previous year. The reduction was as a result of reduced tariffs especially the storage fee tariffs which had a negative impact on revenues. The tariff reduction came into effect from 1 July 2021 this being the last year of the 3-year Energy and Petroleum Regulatory Authority (EPRA) Tariff Control Period (TCP).

Throughput

During the period under review, KPC recorded a marginal growth of 1% in throughput volumes to 8,183,995m^3 from 8,111,539m^3. On the domestic front, the throughput figures went up by 1% from 4,512,484m^3 for the year ended 30June 2021 to 4,537,535m^3. Export volumes also went up by 1% to 3,646,460m^3 for the period ended 30 June 2022 compared to 3,599,079m^3 for last year.

Revenue

Throughput revenue dropped by 6% to Kshs 26.2 billion in the year down from Kshs 28.0 billion achieved the previous year. This was occasioned by the reduction of pipeline transport tariffs following implementation of year 3 of the Energy and Petroleum Regulatory Authority (EPRA) Tariff Control Period (TCP).

Operating Expenditure

In the period under review, KPC operated within the budgeted expenditure, with operating expenditure improving by 2% to Kshs 21.5 billion from the previous year's Kshs 21.9 billion.

Cash Position

The Company's cash reserves went up by 9% to Kshs 10.4 billion compared to Kshs. 9.5 billion at the end of last year. The cash position went up as result of austerity measures that management undertook at the beginning of the financial year leading to reduction on recurrent expenditure costs against the budget.

Our Commitment

As we enter the critical stage, the management team is focused on delivering the strategy as espoused in Vision 2025. Apart from expanding our traditional transportation and storage of petroleum products business with key focus being the regional markets, we are looking at developing the Fiber Optic Cable (FOC) business and investments in Liquefied Petroleum Products (LPG) in the 2022/2023FY. Indeed, KPC is gearing up towards a brighter future. We have made considerable progress from where we were a year ago despite impacts of Covid 19 and other extraneous challenges. We are however committed to serving Kenyans better every day. We are confident that the investments we are making will lead to sustainable improvements for customers whilst creating long-term value for our shareholders and Kenya at large.

Acknowledgement

In conclusion, I take this opportunity to express my sincere gratitude to our shareholders, the Ministry of Energy & Petroleum and The National Treasury for their contribution through both policy and budgetary support.

KPC Board members for their continued support, visionary leadership, and guidance to the management team throughout the year.

I also wish to appreciate our customers, who continue to support our various initiatives and take up our various product offerings. They remain a crucial stakeholder without whom, we would not have achieved our goals and financial targets.

Finally, I also take this opportunity to commend KPC's staff for their continued diligence and commitment. It is through your tireless efforts and industriousness that we have been able to move this company forward.

> **We are confident that the investments we are making will lead to sustainable improvements for customers whilst creating long-term value for our shareholders and Kenya at large.**



JOE SANG
MANAGING DIRECTOR

WHO LEADS US

JOE K. SANG
MANAGING DIRECTOR



Joe has over 20 years hands-on experience gained in a variety of senior positions in private and public sector organizations including being General Manager Finance & Strategy at KPC, Group Head of Business Performance & Planning at East African Breweries Limited and Finance Director at East African Maltings Limited. He also worked for Unga Group and National Oil Corporation of Kenya (NOCK). Equipped with a strategic mindset, he believes that his philosophy of developing other to deliver great business performance is critical as KPC transforms to become Africa's Premier Oil & Gas Company. He is a certified public accountant with CPA(K), he is a member of ICPAK and holds a Bachelor of Arts in Economics and a Master of Business Administration in Strategy from University of Nairobi.



PIUS MWENDWA
GENERAL MANAGER (FINANCE)

Mr. Pius, Stephen Mwendwa holds a Master of Commerce - Finance (Strathmore University) and Bachelor of Commerce - Finance (Catholic University of Eastern Africa). He is a Certified Public Accountant of Kenya (CPA – K) and a member of the Institute of Certified Public Accountants (K). Pius is the General Manager (Finance) in charge of Finance & Accounts, Revenue & Commercial Services & Information, Communications and Technology (ICT) departments. Pius joined the Kenya Pipeline Company in August 2010 as a Chief accountant and has previously served the company in the position of Corporate Finance Manager. Before joining KPC, Pius worked at Nation media Group (NMG) in different capacities for over ten (10) years where he rose to the position of Group Management Accountant.

ZILPER MICHELLE ABONG'O
GENERAL MANAGER (STRATEGY)



Ms. Zilper Michelle Abong'o possesses fourteen years' work experience in the Petroleum sector. She has honed her competence within the regional and international energy spectrum from the vantage-ground of petroleum products trading and downstream distribution of oil & liquefied petroleum gas (LPG). She now focuses on sustainable energy policies and driving strategic initiatives within the public sector space through business ideation for transport & logistics infrastructure in oil & gas, and optical fibre commercialization. She holds an Msc in Economics & Policy of Energy & Environment from the University College London (UCL), Bachelor of Arts in Public Policy Analysis (University of Nairobi) and a Diploma in Petroleum Management (School of Petroleum Studies). She is the General Manager (Strategy & Compliance) in charge of Marketing & Business Development, Corporate Planning, Risk & Quality Assurance, Corporate Communications & Foundation Departments.

ENG. DAVID MURIUKI
GENERAL MANAGER (INFRASTRUCTURE)



Eng. David Muchoki Muriuki is a highly accomplished professional with a Master's degree in Business Administration and a Bachelor's degree in Mechanical Engineering from the University of Nairobi. Currently serving as the General Manager Infrastructure Development at the Kenya Pipeline Company, he has excelled in his 19-year career with the organization, having grown from an engineer to his current top-level executive management position. With qualifications as a certified Project Manager, registered Professional Engineer, and Corporate Member of the Institute of Engineers of Kenya, Eng. David Muriuki possesses a unique blend of technical expertise and strategic leadership, making significant contributions to the company's infrastructure projects and overall success in the energy sector. As the GM (Infrastructure Directorate), Eng. Muriuki is in charge of Projects Construction Management and Projects Planning Research & Development departments.



ENG. MARTIN WANYAMA
Ag. GENERAL MANAGER (PIPELINE OPERATIONS & MAINTENANCE)

Engineer Martin Wanyama has over 30 years working experience in the Oil and Gas Sector in Kenya. He is currently Acting General Manager (Pipeline Operations and Maintenance). Engineer Wanyama, who is substantively the Operations Manager at the Kenya Pipeline Company, has served in various capacities including as the Supply and Logistics Manager, Terminal Manager and Project Team Leader of various projects. Eng. Wanyama has over time acquired invaluable leadership skills, knowledge and experience in Oil and Gas sector in areas such as Marine Terminals Operations, Bulk Oil Storage Terminals Management, Multi-products Pipelines operations, Project Management, Quality Management Systems Implementation and Audit and Systems operational serviceability and reliability. Eng. Wanyama holds a Master of Business Administration (MBA) degree in Corporate Management from KCA University, Bachelor of Science (Bsc) degree in Civil Engineering from the University of Nairobi (UON). He is a Corporate Member of the Institution of Engineers of Kenya (IEK), Registered Professional Engineer (PE) with the Engineers Board of Kenya (EBK), Full Member of the Kenya Institute on Management (KIM) and Member of the Project Management Institute (PMI). Eng. Martin Mutoro Wanyama is the Ag. GM (Pipeline Operations & Maintenance) in charge of Maintenance, Operations, Quality Control Airwing and Supply Logistics Departments.

THOMAS NGIRA
Ag. GENERAL MANAGER (HR & ADMINISTRATION)



Mr. Thomas M. Ngira has a wealth of Human Resource Management and Administration, Employee relations, Learning and development experience in both the Public and Private sector. He previously worked at Kenya Seed Company Ltd and the Kenya National Highways Authority as Head of Human Resources & Administration before joining KPC. He has also worked at Mabati Rolling Mills Ltd as well as the Kenya Railways Corporation where he started his career and rose through the ranks. He holds Mphil. (Human Resource Develpment) BA and Higher Diploma in Human Resource Managment. He is incharge of the Human Resource and Administartion Department.

WHO LEADS US



DR. JONAH KIPKOSGEI AIYABEI
DIRECTOR (MIOG)

Dr. Jonah Aiyabei is highly experienced with over twenty-one years at Kenya Pipeline Company. He was the Trust Secretary of the two KPC Pension Schemes and during his tenure both schemes boasted of immense growth in value of asset. His experience encompasses Leadership, University Teaching, Research, Curriculum Development and Business development. Dr. Aiyabei is a holder of a PhD Business Administration (JKUAT), MBA – Finance (Kenyatta University), Bachelor of Education -Arts (Kenyatta University) and a Fellow of the Institute of Certified Investment and Financial Analysts (ICIFA). He recently undertook leadership courses i) Leaders of leader – Pathway to success and ii) High Potential Leadership Executive both at the Wharton School of Business University of Pennsylvania. Dr Aiyabei is a member of KASNEB technical Examination Committee. Dr. Jonah Aiyabei is in charge of Morendat Institute of Oil & Gas (MIOG) and Morendat ITC.



MAUREEN MWENJE
GENERAL MANAGER (SUPPLY CHAIN)

Maureen Waithera Mwenje is highly experienced in both Legal and Supply Chain matters having diligently worked in the two departments over her time at Kenya Pipeline Company Ltd (KPC). She joined KPC in February 2005 as a Graduate Trainee (Supplies) and has grown through the ranks. Ms. Mwenje had previously worked as a legal Intern at Muthoga Gaturu Advocates and at the United Nations, Department of Economic and Social Affairs, UN Secretariat New York. She is a holder of LL-Masters in Law, LLB Law, MCIPS and is an Advocate of the High Court of Kenya having been admitted to the bar in 2004. She is currently in charge of strategic sourcing and supply chain management, streamlining procurement and supply chain processes.



FLORA OKOTH
GENERAL MANAGER LEGAL SERVICES & COMPANY SECRETARY

Flora is a legal/commercial law practitioner with 30 years' experience in companies in private and public sector. Started her career as a young lawyer in private practice, mainly in civil litigation and later joined the corporate world and has held senior positions over the years in diverse industries including the insurance sector, agriculture and oil & gas sub-sector.

She is a trainer in corporate governance. Community Involvement - served as Chairperson for 5 years in Community Aid International Board (NGO) and offers pro-bono legal support as a Council member of the Adventist University of Africa. Her academic qualification includes Diploma in Law, (Kenya School of Law), Bachelor of Laws (LLB), (UON), Master of Laws (LLM), International Economic Law (Warwick) and Exec-MBA(USIU). She is a member of the Law Society of Kenya and the Institute of Certified Secretaries, Kenya.

WHO LEADS US



CAXTON GAMBO NJUGA
Ag. GENERAL MANAGER (INTERNAL AUDIT)

Caxton is a seasoned internal audit and risk professional with experience spanning over 18 years in both the public and private sectors. He joined KPC in December 2010 in the position of Chief Internal Auditor. Prior to his joining KPC, Caxton worked at Agricultural Finance Corporation where he headed the Internal Audit Department. He had previously served in compliance and audit related roles at the Capital Markets Authority (CMA) and Industrial Promotion Services Kenya Ltd (IPS Kenya). Caxton is a holder of Master of Business Administration (MBA-Finance) and Bachelor of Commerce (BCom- Finance) both from the University of Nairobi , Certified Public Accountant Kenya- CPA (K) , Certified Public Secretary (CPS Finalist), and is a Certified Information System Auditor (CISA). He is a registered member with ICPAK and ISACA.Caxton is the Ag. General Manager - Internal Audit, and is in charge of the Internal Audit Directorate.

TOM KALEI MAILU
Ag. GENERAL MANAGER (KPRL)

Mr. Tom Kalei Mailu has wealth of experience in Corporate Planning and Statistics spanning nearly twenty -nine years at Kenya pipeline Company Limited. He has risen up the ranks to be the Corporate Planning Manager and is currently acting as General Manager (KPRL). Mr. Mailu is a holder of Master of Arts in Economics (University of Nairobi) and Bachelor of Arts Degree from Egerton University. Mr. Tom Mailu is the Ag. GM, Kenya Petroleum Refineries Limited (KPRL), where he is overseeing the lease agreement between KPC and KPRL





WHO LEADS US



MOSES TAWUO
MAINTENANCE MANAGER



ANTONY NDEGWA
FINANCE & ACCOUNTING MANAGER



SAMSON SOIMO
REVENUE & COMMERCIAL SERVICES MANAGER



GRACE NJOROGE
MARKETING & BUSINESS DEVELOPMENT MANAGER



GLORIA KHAFAFA
LEGAL SERVICES MANAGER



JANE NAKODONYI
ADMINISTRATION MANAGER



DR. DISTERIUS NYANDIKA
RISK & QUALITY ASSURANCE MANAGER



ANDREW KIPKEMBOI
CORPORATE COMMUNICATIONS MANAGER



AMOS MUGIRA
QUALITY CONTROL MANAGER



CAROL KIPLAGAT
SAFETY, HEALTH & ENVIRONMENT MANAGER



JOEL MBURU
SUPPLY LOGISTICS MANAGER



PROF. KIMANI CHEGE
DEPUTY DIRECTOR TRAINING & ACADEMIC LINKAGES (MIOG)

WHO LEADS US



PAMELA ONDAGO
CONSULTANCY MANAGER (MIOG)



ENG. ANDREW BIRIR
PROJECT CONSTRUCTION MANAGER



PAUL NJUGUNA
PROJECTS PLANNING RESEARCH & DEVELOPMENT MANAGER



SHEILA CHEPSIROR
ADMINISTRATION MANAGER (KPRL)



HARRY KITHINJI
SECURITY MANAGER



BERYL NALO
Ag. FOUNDATION MANAGER



LABAN KOSGEY
Ag. ICT MANAGER



ELIZABETH AKINYI
Ag. CORPORATE PLANNING MANAGER



NANCY RONO
Ag. PROCUREMENT MANAGER



MARY KEMBOI
Ag. FINANCE MANAGER (KPRL)



Statement of Perfomance against Predetermined Objectives Full year 2021/2022

KPC's strategic plan is a 10-year plan focused on transforming KPC to a diversified Oil and Gas business. The Plan covers the period 2015/16 - FY 2024/25 and is in the 7th year of implementation. KPC transformational plan is anchored on the following four pillars.

a. Business Leadership Pillar - Winning the market in Kenya
b. People Pillar - Amazing performance by All our People
c. Image and Reputation Pillar - Amazing relationships with all stakeholders
d. Systems and Processes - Best in the world

KPC's annual work plans are aligned to the above five strategy pillars and the various strategic objectives and action plans. Assessment of the Company's performance against its annual work plan is done on a quarterly basis.

The region continued to recover from the adverse effects of the outbreak of COVID 19 Pandemic which disrupted business the world over. The Company is striving to deliver on its core mandate which is to transport and deliver petroleum products to the hinterland and progress its strategic agenda. The Company's achievement against its set performance targets for the FY 2021/2022 period are, as indicated in the diagram on next page:

"The Company is striving to deliver on its core mandate which is to transport and deliver petroleum products to the hinterland and progress its strategic agenda.

Pillar	Objective	Activities	Key Performance Indicators	Achievements
Business Leadership	Grow existing business	Increase throughput	Throughput of 8,419,931m^3	Throughput of 8,183,995m^3
		Upgrading of bottom loading facilities at PS 25-Nakuru and PS 28-Kisumu.	Completion by 30th June 2021	Nakuru – 10% Kisumu – 10%
	Diversification	Continued commercialization of fibre optic network	Growth in revenue by Kshs. 195 million by June 2022	Kshs. 161,568,230 was achieved against the annual target of Kshs. 195,617,856 hence a negative variance of Kshs. 34,049,626. The negative variance was attributed to lower than expected uptake of more bandwidth from MTN, Telkom, Jamii Telkom Ltd. and Wananchi Telcom Ltd. which was not realized due to technical challenges experienced on their part.
	Cost leadership to shore up margins and Profitability	Pre - Tax Profit	Kshs. 2,750,034,452	A pre-tax profit of Kshs. 6,156,274,502 was achieved for the year ended 30 June 2022
	Adherence to International Standards	100% adherence	Zero non-conformities	Zero non-conformities
	Capacity building in oil and gas	Enhance MIOG training capacity	225 No. trainees	During the period under review, MIOG developed skills in oil and gas through the training of 968No. trainees against a target of 225No. for the year, indicating 430% achievement. This enormous positive variance is because KPC made MIOG the trainer of choice in skills development in Oil and Gas for her people.
	Operationalization of Kisumu Oil Jetty	Operationalization of Kisumu Oil Jetty	Operationalization of Kisumu Oil Jetty	Operational since December 2022.
People Pillar	High focus on organizational and individual competence	Competence Development based on approved TNA 2019/2020 FY	Percentage of staff trained during the year	1,053 No. staff were trained in various technical and non-technical courses during the year.

Pillar	Objective	Activities	Key Performance Indicators	Achievements
	Develop and entrench a high-performance culture	1. Identification of performance targets 2. Negotiations. 3. Vetting of the performance contracts 4. Signing of the performance contracts 5. Implementation of the contracts. 6. Monitoring and reporting of performance 7. Mid–Year performance review 8. Performance evaluation 9. Release of the results and review of the performance contracting guidelines to inform the succeeding year's performance contracting cycle.	1. Tendering in performance evaluation reports by 15th day after the last quarter. 2. Identification of skill gap among staff. 3. No. of staff placed on PIP.	100% adherence to PC guidelines.
	Adherence by all staff to GoK policies, regulations, directives, guidelines and standards	100% adherence to presidential directives by all staff.	100% adherence	During the period under review, we had no Disciplinary cases.
Image and Reputation	Provide leadership to stakeholders in order to foster a predictable and sustainable regulatory environment	Sensitize staff on the Citizens Service Delivery Charter and train on essentials of excellent customer service culture	No. of sensitization programs per Quarter	Staff sensitization was undertaken between 12th and 28th January 2022. A total of 375No. Staff were sensitized
	Image enhancing Corporate Social Responsibility Programs	Carry out CSI activities	No. of CSI programs carried out during the period under review.	29No. activities carried out.

Pillar	Objective	Activities	Key Performance Indicators	Achievements
	Improve stakeholder relationships	1. Visit to editors of a media houses. 2. Visit to county governments 3. Sponsorship of golf tournaments	No. of visits done	1. 1No. visit NMG North Rift Region 2. 3No. of visit to Kapseret, Uasin Gichu and Chepturet 3. 4 Customer Forums 4. 5No. of golf tournaments 5. 3no. Exhibition/ summits
	Enhance prompt and transparent internal and external communication	1. 1000 words e-newsletter 2. Kenpipe e-newsletter 3. Social media handles	1. Monthly e-newsletters publications 2. Kenpipe e-newsletter 3. No. of post on social media	1-2. Nine (9No.) of publications 3. Thirty (30No.) of post. 4 (KTN News, Standard, Spice FM, Business Daily, Daily Nation.
Systems and Processes	Use Technology as a business driver	Automation of truck loading process at PS 25 – Nakuru, PS 27 – Eldoret and PS 28 – Kisumu	Reduction of average loading time to 1 hour.	Receipt of Lot 1 Materials. Contract was awarded for Civil works and I&C materials. Electrical Materials and Metering contract was extended for six (6) months and will be completed by September 2023 Contract awards were done for supply of lift pump and I&C card

Corporate Governance Statement

Kenya Pipeline Company (KPC) is committed to consistently maintain the highest standards of Good Corporate Governance in its systems, processes and operations in order to safeguard the interests of all stakeholders. This ensures Board and Management accountability and helps build public trust in the Company.

The Board of KPC is responsible for overseeing the effective management and control of the Company. Transparency and disclosure are key focus areas of Board oversight, and this is well demonstrated in our audited Financial Statements over the years. Management has implemented an Enterprise Risk Management (ERM) framework where risks are identified, monitored, and controlled with quarterly reporting to the Board. During the year, the Company engaged an independent consultant to conduct a gap analysis of KPC's ERM. The Company risk maturity level was rated at 3.7 which compares well with industry counterparts.

In implementing the Corporate Governance tenets, the Board maintains a strong focus on the Company's strategic agenda and seeks to add value through constructive dialogue and engagement with stakeholders as well as Management.

The Board embraces and recognizes the benefits of diversity in skills and experience in its composition which this engenders the effective discharge of the Boards strategic oversight function.

As 30th June 2022, the Board was made up to (8) members comprising of the non-executive Chairman, the Cabinet Secretary Treasury, the Principal Secretary Ministry of Petroleum and Mining now Ministry of Energy & Petroleum, the Attorney General, and the Managing Director and four (4) independent directors of various professional backgrounds. The non-executive directors are independent of Management. Two Directors' terms lapsed during the year on 7th February 2022 and 2nd May 2022.

The Board has established four standing Committees with specific terms of reference to exercise delegated responsibilities. The Committees are namely the Audit, Human Resources, Technical and Finance Committees. Board meetings are held in accordance with the annual calendar and the Board Charter for the respective Committee, save in exceptional instances where critical business matters arise.

The following meetings were held as at 30th June 2022



The Board of KPC is responsible for overseeing the effective management and control of the Company. Transparency and disclosure are key focus areas of Board oversight, and this is well demonstrated in our audited Financial Statements over the years.

Meeting	No. of Meetings	Membership	Average Attendance %
Full Board	5	8	98%
Special Full Board	4	8	98%
Ad-Hoc Full Board	1	8	98%
Board Finance Committee	4	5	98%
Board Human Resource Committee	4	5	98%
Special Board Human Resource Committee	2	5	98%
Board Technical Committee	4	5	100%
Board Audit Committee	3	5	96%
Special Board Audit Committee	2	5	98%
Board & Management Select Committee on Recruitment	2	7	98%
Extra Ordinary General Meeting	1	8	98%



FLORA OKOTH
COMPANY SECRETARY



Management Discussion and Analysis

Kenya Pipeline Company has posted impressive financial performance for the last five years. However, reduction in tariffs by Energy and Petroleum Regulatory Authority has led to lower throughput revenues in the last two financial years. Profit before Tax was also impacted by the reduction in transport tariffs. Despite the marginal decrease in asset base, the company continues to invest in capital projects like the Liquified Petroleum Gas (LPG) importation, handling and storage facilities, Leak and intrusion detection and the Supervisory Control and Data Acquisition (SCADA) system, Line IV (Nairobi- Eldoret) capacity enhancement and Nairobi Terminal (PS10) bottom loading facility.

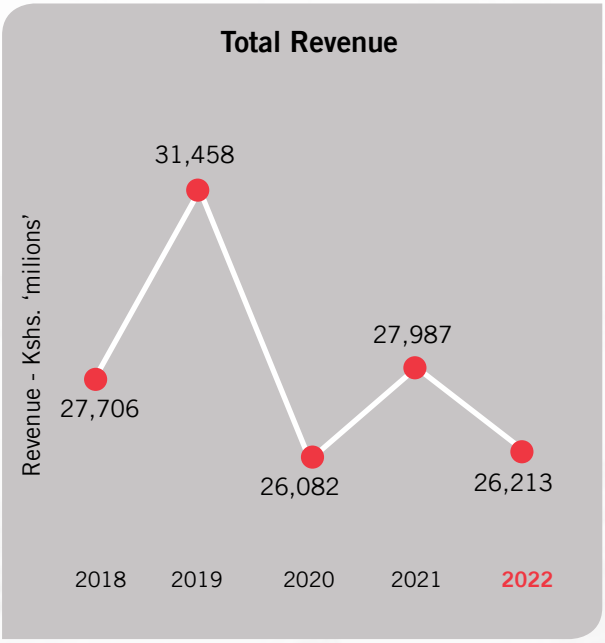
KPC has maintained healthy cash balances over the five years and has been able to meet all its financial and statutory obligations.

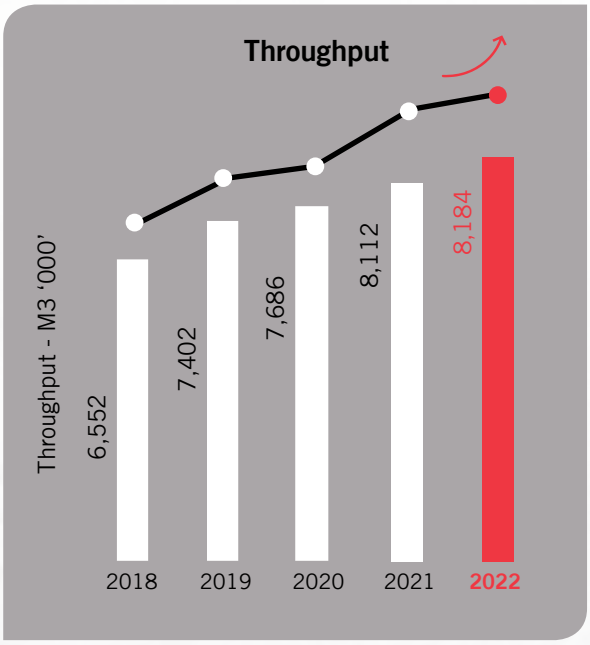
Below is graphical presentation of the company financial performance for the last five years.

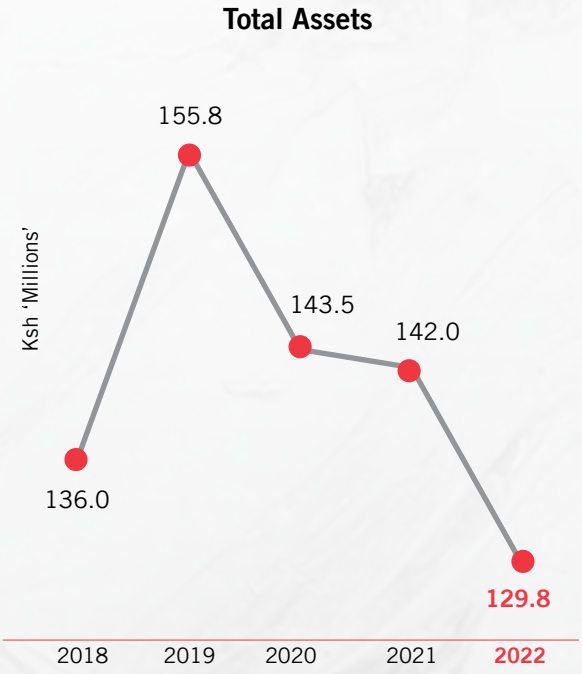


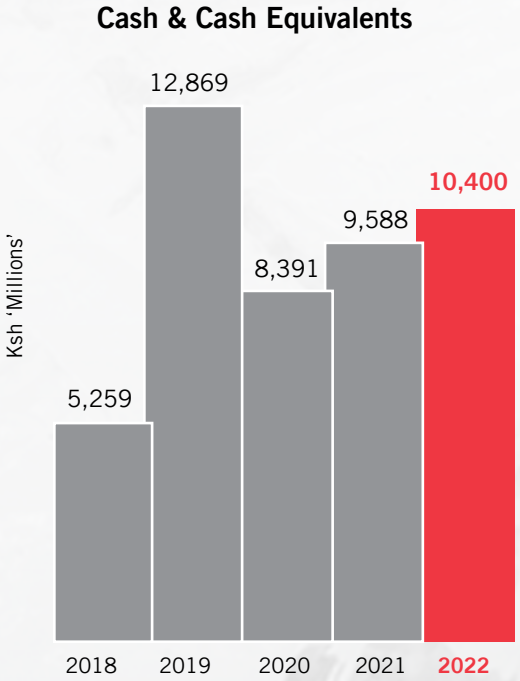
Important reserves of natural resources, like petroleum and precious metals, are the bulwarks for laying the foundations for the future.

- Enrique Pena Nieto









The Company is in the process of acquiring the Kenya Petroleum Refineries Limited (KPRL). This will provide additional storage capacity to complement storage at KOSF and reduce demurrage charges. KPRL has large tracks of land which Kenya Pipeline Company will use for future business expansion. Nairobi to Eldoret line (Line 4) will also be upgraded to increase flowrate to Western Kenya so as to satisfy the surging demand in that area for both local and export customers. Kenya Pipeline Company is also diversifying its revenue sources by investing in LPG bulk storage and handling facility in Nairobi and Mombasa. The company will build on the existing LPG business and facility in Kenya Petroleum Refineries Limited (KPRL).

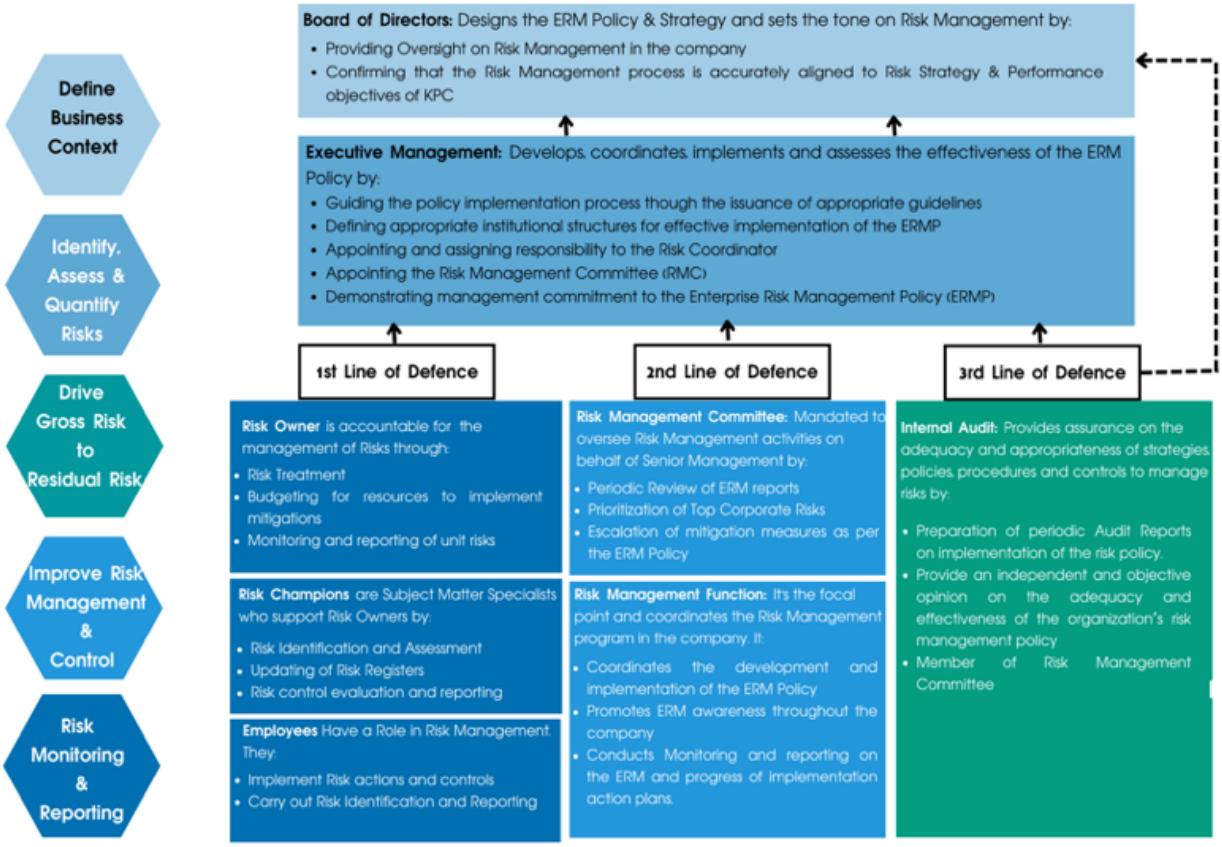
Integrated Risk Management Report

The Company continues to embed its enterprise risk management framework with strong support from the Board of Directors and Management. The ERM approach is applied across all company activities and operations to identify potential events that may affect the company, takes cognizance of the interdependence of risks in the various business units, manages the risks to be within the risk appetite, while providing reasonable assurance regarding the achievement of company objectives.

The company operates in a dynamic business environment that requires continual risk optimization. On the other hand, shareholders and stakeholders are continually seeking for greater transparency and accountability on impact of risks and capabilities of the company to seize emerging opportunities to enhance value. To tap on the evolving industry best practices in enterprise risk management for continuous improvement, during the year under review the company committed resources for external review of ERM framework and processes to inform a revised trajectory for enhancement of ERM in the company.

1.0 KPC Erm Design

The process of risk management which entails, risk identification and assessment, development of risk controls to drive risk from gross to residual, monitoring and reporting are anchored in KPC Enterprise Risk Management Policy (ERMP). The policy is aligned to the best practices in corporate governance, including the three lines of defence with clear roles and responsibilities as illustrated hereunder:



INTEGRATED RISK MANAGEMENT REPORT

2.0 Principal Risks and Key Mitigations Implemented

During the financial year 2021/2022 KPC undertook a companywide risk assessment to re-evaluate its enterprise risks and developed mitigation measures to manage them for implementation. In line with the approved ERM annual program for the year FY2021/2022 the company conducted quarterly monitoring exercises and reported on the status of implementation action plans (mitigations). The principal risks as per the various risk categories and their respective key mitigation measures implemented are outlined below:

Risk Category	No	Risk	Key Mitigations	Change in KRIs
Strategic Risks	1.	Strategic Execution Control The business environment is dynamic, and strategy is anchored on assumptions. The CSP refocusing requires approval to align with the changing business ecology. Delays in its approval may impact negatively on the realization of Company's objectives as so far defined.	The addendum to the CSP detailing the revised strategy trajectory together with Pipeline Infrastructure Enhancement Plan were presentation to Board of Directors for approval and guidance.	
	2.	Reputation Concern that adverse publicity arising from negative stories about the company will dent the company image and brand. Delays in its approval may impact negatively on the realization of Company's objectives as so far defined.	• Sustained positive image/stories from continued engagements and partnership with media through KPC events such as the FOC launch, International Women's Day, and Sustainable Energy Conference together with coverage of CSI activities in print media and internal newsletters. • Top management made courtesy calls to mainstream media firms to foster partnerships and collaboration.	[redacted]
	3.	Project Execution Risk Concerns that company projects being implemented may not be delivered on time. Also addresses concerns on cost and quality, thus impacting negatively on the project objectives and company goals.	• Management developed a draft End-to-End project management framework to address systemic gaps. • During project execution, the company incorporate quality management planning using developed specification and scoping forms. • Training on project management system and SAP Project System for staff handling projects was carried out during the year under review.	[redacted]
Operational Risks	4.	Pipeline Integrity Lack of Inline inspection report for Line2&3 and possible delays in complete closeout of remedial actions contained in pipeline system inspection reports for Line5. There is uncertainty on the condition of Line4&6.	• The pipeline Inline Inspection (ILI) fieldwork for line 4 & 6 was completed. • Implementation of recommendation from the ILI report for line5 ongoing with areas having 80% metal wear fully implemented. • Initiated retender of the Inline Inspection for Line 2&3.	[redacted]

INTEGRATED RISK MANAGEMENT REPORT

Risk Category	No	Risk	Key Mitigations	Change in KRIs
	5.	Pipeline Capacity Constraint Concerns that inadequate capacities in the pipeline system may not meet projected market demands. This may lead to supply logistics challenges, ullage constraints and possible stock outs and therefore loss of business.	• Pipeline system capacity gap along the Line5 and Line4 continued to be reported while constrained tankage at KOSF due to tie-in works with KOT2 continued to pose quite a challenge for the FY2021/22. • The Pipeline Infrastructure Enhancement Plan was approved by the Board and the projects therein are expected to be implemented in the next FY2022/23.	[redacted]
	6.	Fuel Supply Disruption Logistical challenges related to pricing regime, delayed payment of fuel subsidy and hoarding of products led to an artificial fuel shortage in the country and this slowed evacuation of product from KPC depots that negatively impact on KPC throughput and business performance.	• Executive management of the company engaged with industry stakeholders and conducted media briefing on the fuel supply issue. • Monitoring and reporting of throughput performance and challenges were shared with management and MoE for prompt decision making. • Government payment of subsidy to OMCs and product localization directive of 60:40 ratio (where the domestic market gets 60% of fuel imports, with re-exports getting 40%) curbed the artificial fuel shortage during last quarter of the FY2021/22.	
Environmental, Health and Safety Risk	7.	Terrorism KPC installations are strategic in nature and are a potential target for attacks that may have a negative impact on the country and the region.	• The company has continued to closely work in liaison and collaboration with external security agencies for intelligence, training of security staff and monitoring of terror incidences in the country. • Continual monitoring and reporting of emerging security threats to KPC installation and employees is maintained.	[redacted]
	8.	Environmental Hydro-carbon release could lead to hazardous environmental pollution if effective response mechanisms are not put in place. Natural disasters such as landslides and flooding are also a source of uncertainty.	• Capacity building on environmental management through procurement of oil spill response equipment for KOT and KOJ completed during the year under review. • The company reviewed Emergency Response plans from KAA MIA and KPA on KOT2 as part of collaboration with key stakeholders. • Third-Party audits in the area of OSH (Occupational, Safety and Health) to evaluation workplace safety, fire audit on integrity of the firefighting systems and lifting equipment audit were conducted during the FY2021/22.	[redacted]

INTEGRATED RISK MANAGEMENT REPORT

Risk Category	No	Risk	Key Mitigations	Change in KRIs
	9.	Fire KPC transports and stores highly inflammable products. A Fire outbreak could lead to catastrophic consequences.	• The company projects aimed at automation of the firefighting system along MSA-NRB Pipelines and upgrade of fire detection and alarm system in PS01 (Changamwe in Mombasa) are ongoing.	▬
Legal & Regulatory Risks	10.	Litigation Due to the nature of KPC business, the company can be sued and can sue. Adverse/unfavourable judgements can negatively impact on bottom line of the company with associated rising cost of litigation.	• Sensitization of staff on lessons learnt from litigation process and outcomes conducted on quarterly basis. • Completed development of the Alternative Dispute Resolution (ADR) procedure. • The company legal team prioritized hearings of all KPC matters in court, reviewed, and respond to status report from external counsel.	▬

Legend	
Risk Direction	**Description**
▼	Indicators showing risk severity decline over the period
▬	Indicators showing risk severity remained stable over the period
▲	Indicators showing risk severity increase over the period

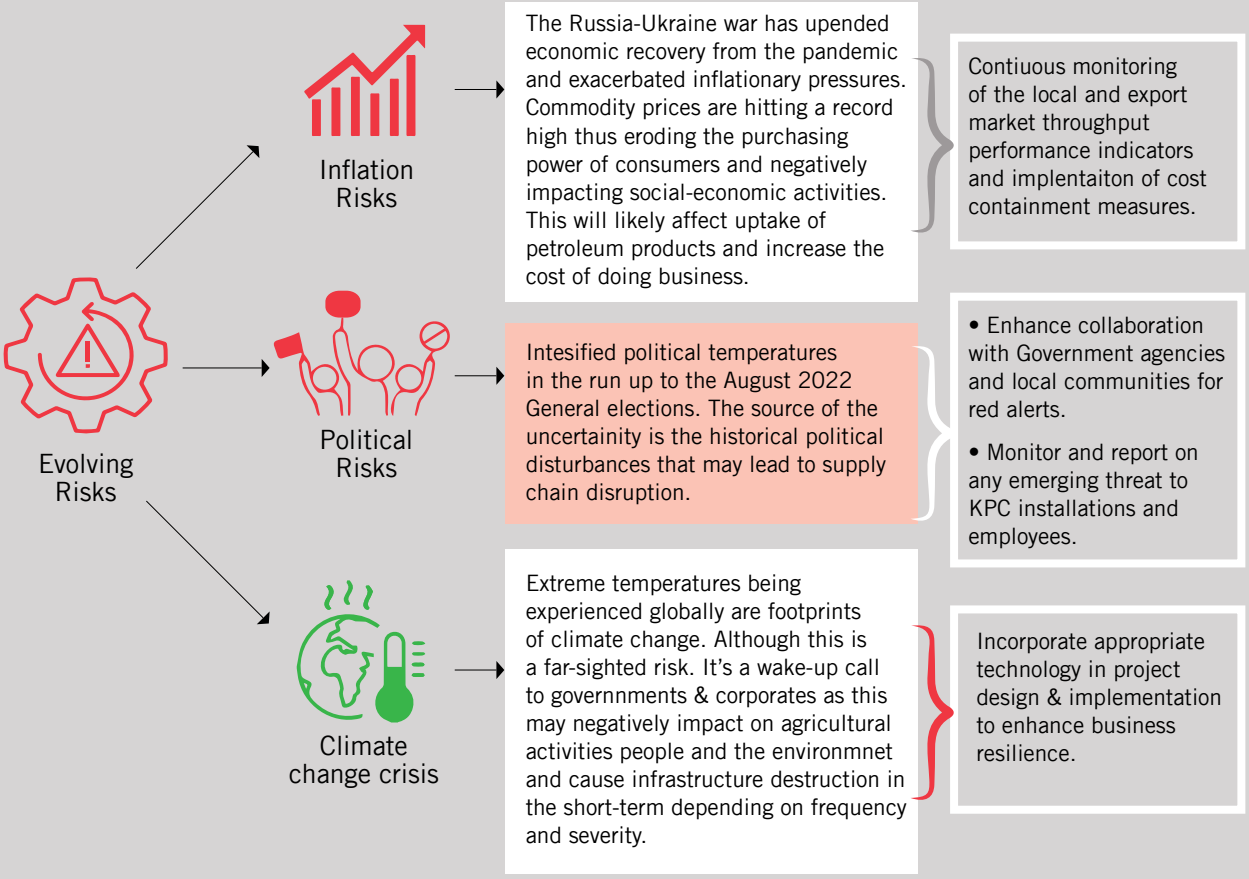
In FY 2021/2022 Pipeline System Capacity constraints was elevated to the list of top 10 corporate risks on the basis that there is growing uncertainty that the current pipeline system capacities may be inadequate to meet customer demands going forward. During the year COVID-19 pandemic risk severity had declined considerably due to increased uptake of vaccinations. The Fuel supply disruption risk which had emerged during the 3rd quarter was elevated to the top 10 corporate risk. However, measures instituted by the government to address the issue through payments of fuel subsidy has continued to show a downward trend.



INTEGRATED RISK MANAGEMENT REPORT

3.0 Emerging/Evolving Risks

The company proactively identifies emerging/evolving risks that are both a threat and opportunity to business. Some of the key emerging/evolving risks that were reported during the period under review are:



4.0 Business Continuity Management

The overall objective of business continuity management is to ensure business resilience in the event of a major disruption through timely resumption and delivery of essential business activities as provided for in the Company's Business Continuity Management (BCM) Policy. During the period under review the company carried out the BCP Testing and Exercising in December 2021 in line with the approved annual program for FY2021/22. The objective of the exercise was to validate the existing Business Continuity Plans (BCPs), ascertain that the critical business processes of KPC core functions as captured are still relevant and that their recovery time objectives (RTOs) and recovery point objectives (RPOs) are still valid. Arising from the exercise, areas of opportunities for improvement were identified and prioritized as itemized:

i. The company to focus on collaboration and partnership that will yield joint discussion with the emergency response partners to identify a harmonious and streamlined chain of command in the event of a catastrophic disaster.
ii. Business Continuity management activities be cascaded to stations with a view to create awareness to all staff.
iii. The company will continue to monitor status of implementation of all outstanding action plans aimed at enhancing business resilience and strategy of the organization.

5.0 External Review of ERM Process

The Company engaged a consultant to provide Enterprise Risk Management Advisory services which include review of the existing ERM Framework and process with the objective of developing a revised trajectory for enhancement of ERM in the company. The scope of the Consultancy included a gap analysis on ERM processes, assessment of ERM maturity and recommendations aimed at enhancing ERM maturity in the company in line with best practices.

The recommendations from the engagement have been prioritized for implementation going forward. Of priority is the deployment of resources for automation of ERM process and review of the ERM policy framework to enhance accountability and effectiveness of risk management in the organization.



Environmental and Sustainability Reporting

i) Sustainability strategy and profile

KPC continued to demonstrate a positive trend in our Health, Safety and Environment (HSE) performance. With 360 million man-hours recorded in 2020/21, there was no fatal case reported during the period under review. We will strive to deliver our best in ensuring a safe working environment through a strong HSE culture, which includes our commitment towards continuous enhancements and improvements in safety compliance.

KPC's detailed HSE policy guides its implementation of occupational health, safety and environmental programs. The policy is strong on social performance and the company ensure steps are taken to protect and preserve the environment in which it operates.

The Company also adhered to Environment Management and Coordination Act, 1999 Cap 387, Occupational Safety and Health Act, 2012 Cap 514, Energy Act, 2012 Cap 314 and Water Act, 2016.

To prevent hazards and reduce the consequences of possible incidents KPC undertook Process Safety Audits and assessments of all its operations and came up with control measures to prevent any occurrences.

During the period under review, staff attended the following trainings, among others: emergency response management and incident command, basic firefighting, first aid, incident investigation, HSE committee and environmental sustainability, bioremediation and social impact assessment to strengthen skills and bridge knowledge gaps. Safety programs implemented during the period under review included Safety Week, World Environment Day, reward and recognition programs - including the Near Miss campaign.

KPC also recorded a total of 158 incidents including 145 near misses contributing to 92% of all incidents reported during the period. Overall, the company attained a 45 percent reduction in incidents recorded the previous year from 292 to 158 incidents.



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ENVIRONMENTAL AND SUSTAINABILITY REPORTING

ii) Environmental performance

KPC has in place a detailed Occupational Health, Safety and Environmental Management System that guides its implementation of related programs. The management system also includes social performance aspects, in response to the large infrastructure projects the organization undertakes to safeguards the workers, visitors and communities within which it operates.

KPC recognizes its responsibility to ensure all reasonable steps are taken to protect and preserve the environment in which it operates; workplace hazards are removed and/or controlled, occupational health preservation and injury protection of its employees, contractor workers, customers and other stakeholders through various work programmes. The company HSE policy guides the organization in compliance to all relevant local legislations and international guidelines, including sustainability considerations in all its operations, to attain continual improvement in HSE Performance. The day-to-day management of HSE matters is co-ordinated through a Safety, Health and Environment Department (SHED) whose vision is to achieve World class safety performance measured as Zero fatalities, injuries, spills and fires and a proactive safety culture to foster commitment of various stakeholders on enhancement of HSE performance.

The implementation of the HSE Management system falls in 4 buckets:



Compliance with the local legislation and industry best practices,

Prevention of accidents

Resource and Capacity of staff

Safety culture

KPC complies with all local legislation namely Environment Management and Coordination Act, 1999 Cap 387, Occupational Safety and Health Act, 2012 Cap 514, Energy Act, 2012 Cap 314 and Water Act, 2016 among other relevant legislations to its operation. This local legislation has ensured consideration for stakeholders (internal and external) involvement in all aspects of KPC projects with the aim of ensuring environmental and social sustainability.

In addition, KPC has gone beyond local legislation compliance to commit to international certification in HSE management for ISO 14001:2015 on Environmental Management Standard; the ISO 45001:2015 on Occupational Health and Safety and ISO 9001:2015 on Quality Assurance.

These international certifications ensure commitment to higher standards over and above the local legislative requirements on HSE Management. Adherence to these standards has greatly improved operational impacts relating to the environment such as efficient resource use.

> **The company HSE policy guides the organization in compliance to all relevant local legislations and international guidelines, including sustainability considerations in all its operations, to attain continual improvement in HSE Performance.**

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

iii) Environmental & Sustainability Report



> **KPC as a responsible corporate entity always ensure successful repair of the defective pipeline sections in event of incidents and undertake environmental remediation for all contaminated sites.**

Under the Prevention of accident pillar, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and assessments for its operations. This helps in coming up with control measures to prevent realization of hazards and mitigation measures to reduce the consequences of possible incidents. As a result, KPC has in place site specific emergency response plans.

The resource and capacity pillar aim to ensure that staff carrying out safety critical roles are equipped to carry out their work effectively in a safe manner. Training provided include risk assessment, emergency response management, incident command, basic firefighting courses, first aid, incident investigation, HSE committee course, environmental sustainability, bioremediation, social impact assessment, among others.

The culture pillar targets to attain a proactive safety culture. Programs running under this pillar include the Safety week, World Environment Day, Safety Observations and Corrective Action reporting and reward and recognition programs. This ensures proactive HSE management.

KPC in FY 2021/22 recorded a total of 53 incidents and 1,491 Safety Observations and Corrective Action (SOCA) reports. Headline Performance Incidents include No fatality recorded and 2No. Lost Time incident recorded during the period. A total of 29No hydrocarbon release incidents cumulatively for KPC stations and ROW were recorded with 2No. being major incidents occurring along Sinendet -Kisumu Line (Line 3).

Based on improved safety culture management and performance targeting requirement for individual staff in near miss reporting, Management were actively involved in undertaking safety cycles with staff and feedback mechanism instituted. Furthermore, with increased reporting, safety walkabouts and close out action from reported SOCAs, KPC sites have greatly enhanced safety.

KPC as a responsible corporate entity always ensure successful repair of the defective pipeline sections in event of incidents and undertake environmental remediation for all contaminated sites. All the 2No. major HCR incidents have been addressed with site impact assessment and remediations progresses with communication maintained with relevant Authorities.

KPC as part of its corporate social investment to address stakeholders' involvement in KPC operations sets aside 10 percent of its profit revenue for investment in communities within which it operates. These investments





ENVIRONMENTAL AND SUSTAINABILITY REPORTING

are in activities such as water, health facilities, education infrastructure and bursaries support to the local communities in the affected areas. Through such involvement, safety management has greatly improved with communities viewing themselves as part of KPC thereby reporting in potential interference with KPC infrastructure and incidents. This interactive relationship has greatly ensured KPC responds to incidents along its Right of Way swiftly.

KPC runs the Safety Week and World Environment Day annually to coincide with the World Safety Week commemorated on April 28th and World Environment Day on 5th June. The theme for Safety Week 2022 was "Act together for participation and social dialogue in creating a positive safety and health culture.". The program of events covered activities geared towards staff awareness among KPC community with launch of Safety Observations and Corrective Actions (SOCA) reporting program on digital platforms within the company ICT infrastructure.

KPC in adaptation and mitigation programs to climate change under the stewardship on national climate change policy has instituted various actions geared meeting the nationally determined contributions (NDC) aimed at reducing our GHG emissions as a country as per Paris Agreement on climate change. Among these commitments include:

- Installing a 225kw solar plant at its HQ to provide clean energy. The project is envisaged to be completed by December 2022.
- Tree planting efforts with planting of 105,000 mangroves tree seedlings at Jomvu Kuu Creek in Mombasa County in partnership with five community forest associations, Kenya Forest Service and Mombasa County Government. To ensure sustainability of the trees is supporting maintenance programs for replacement of the damaged seedling and monitoring. These trees will eventually contribute to carbon offset as mangrove forests have some of the largest carbon sink capacities.
- Retrofitting the Spirit petroleum product tanks from single floating roof type to dome roof with floating roof with 1No 11TK201 converted in 2021 and plans are underway to retrofit tanks 14TK201, 14TK501 & 502 within FY 2022/23.
- All tanks constructed since 2016 after the climate change Act came into force, have been dome roofed with higher efficiency in curbing fugitive emissions from our storage tanks.
- Investment in low-carbon energy efficiency technologies through installations of Variable Frequency Drive (VFD) that limit the energy consumption of the mainline pump. This has achieved energy saving of 97,194,359.26 Kwh per annum resulting in reduction of 52,1933 tCO2 emission and cost saving of KShs. 875,999,807.43 per annum as per the latest Energy Audit of KPC facilities.

This achievement clearly shows KPC has been an industry leader in environmental sustainability in the country and a pillar in the United Nations Framework Convention on Climate Change commitment target of emission reductions.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

iii) Employee welfare

Under the People pillar, we have ensured that the hiring process is guided by the Human Resources Policy and Procedures Manual (HRPPM) Section 2.14 Recruitment Procedure. All positions are filled competitively in line with the laid down rules and regulations. KPC meets the constitutional threshold composition of gender in its workforce and is bound by the Human Resources Policy and Procedures Manual (HRPPM).

The Effort made towards improving skills as well as managing careers is guided by the provisions of Section 9 of the HRPPM on Training & Development. Key initiatives include:

Induction

Newly appointed persons and transferred staff are taken through a comprehensive induction program to familiarize on the nature of business and the processes of KPC. Both new and transferred staff undertake a two (2) weeks induction program from the date of reporting.

Training Needs Assessment (TNA)

This is carried out to identify the competency gaps that requires training intervention. Thereafter Staff undergo actual training and a follow up of an evaluation to establish the impact of the training. It's a requirement that all staff must attend a minimum of three (3) days training in a given Financial Year.

In addition staff are sponsored for various trainings depending on availability of funds in order to assist them acquire additional qualification to their jobs.

Emphasis are put on the following courses: -

a) CPD training for professional staff to keep abreast of current trends within their respective profession.



KPC staff during townhall meeting

b) Statutory Courses for compliance.

c) Performance Contract related courses.

d) Departmental skills Development courses.

Professional Subscription

The Company meets the cost of initial registration to a professional body as well as subsequent subscription, practicing certificate and the cost for CPD trainings.

KPC has put in place the following systems and mechanisms that govern individual performance and reward employees for their contribution in a fair and equitable manner:

a) Development of the performance management Policy as contained in the HR Policy and Procedure Manual, 2019 which clearly defines the objectives, process, period and ratings to govern performance at KPC

b) Automation of the staff appraisal system by implementing the SAP HCM Performance management module which raised staff participation of in the appraisal process to 100%

c) Enhancement of compliance to SRC guidelines on rewards and sanctions through alignment of the KPC Reward and Sanction Policy to the SRC guidelines on Performance Rewards and Sanctions

Establishment of a HR Management Advisory Committee responsible for reviewing and advising the MD on several HR management and development issues one of which includes staff performance management.

KPC is compliant with the stated OSHA Act, 2007 by ensuring medical surveillance is continually conducted through pre-employment, annual occupational and exit medical examinations and the costs are met by the employer.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

iv) Market place practices

a) Responsible competition practice

As part of our escalated marketing initiatives, KPC has built trust with our primary customers of both petroleum products and its Fibre Optic Cable plant; a relationship based on equal treatment, intensive and personal customer relations and continual customer satisfaction surveys aimed at improving services. Daily communication occurs with our customers and stakeholders at all our service delivery points on availability of products and services, as well as feedback on resolution of their pain points in staying true to our commitment to supply the country and region.

b) Responsible supply chain and supplier relations

In accordance with article 227 of the 2010 Constitution that requires public entities to be fair, equitable, transparent, competitive and cost effective when contracting for goods, works and services, KPC has put in place measures to ensure that these crucial tenets of our constitution are achieved. KPC further strictly adheres to the public procurement laws in order not only to ensure fairness and transparency in our procurement process but also realize value for money for the company and therefore the Kenyan taxpayer. It is in this regard, KPC has complied with the Presidential executive order number 2 of 2018 on automation of her procurement process through a user-friendly Supplier Relationship Management system (SRM). This is a system that enables all potential suppliers to register online as KPC suppliers from wherever they may be. The system allows suppliers to bid and be evaluated online, making the whole process fair and transparent. All suppliers are given equal opportunity to bid through Open Tender method and where requests for quotations method is used, all suppliers registered under a particular product category are invited to bid. Despite the system being user friendly, KPC conducts continuous online user training to ensure that all bidders are well acquainted with the system and therefore able to bid. KPC further conducts supplier appraisals which give suppliers feedback on areas of weakness with a view of helping them do business with KPC.



KPC has continued to successfully implement the government policy on access to government procurement opportunities (AGPO) for disadvantaged groups of women, Youth and people living with disabilities. In the year under review, business worth Kshs 669 Million was awarded to the groups.

Finally, KPC has continued to successfully implement the government policy on access to government procurement opportunities (AGPO) for disadvantaged groups of women, Youth and people living with disabilities. In the year under review, business worth Kshs 668,536,925 was awarded to the groups.

c) Responsible marketing and advertisement

KPC has also continued to adhere to the National Treasury Circular No. 9/2015, Ref: MOF/TE 3/03/ (37) of 10th July 2015 that directed all Ministries and State Corporations to channel all their advertising needs through Government Advertising Agency (GAA) via its MYGOV pull out/ insertion in the local dailies.

d) Product stewardship

Under the Systems and Processes Pillar, focus has been to ensure that the pipeline has adequate capacity to meet current and future petroleum products demand and that the Company's operations and business processes are automated. One such monumental improvement has been KPC's cashless payments system within the Finance module that has reduced the risk of fraud through a lasting audit trail, hastened transaction lead time and reduced paperwork.

Corporate Social Investment (CSI) Report



KPC as part of Corporate Social Investment (CSI) sponsored the construction of an administration block at a cost of Kshs. 4Million at Mombasa County. The Administration Block is complete and in use.

Since its inception in 2016, KPC Foundation has implemented several impactful development programs targeting communities, groups, and individuals across the country with the sole objective of empowering and transforming the lives of the beneficiaries. This approach has positively enhanced the company's public image and reputation as a caring and responsible corporate citizen.

The Foundation focuses on the Empowerment, Education, Health, Water, sports and Environment Thematic Areas; These focus areas are aligned to the government's Big-4 Agenda, SDG, and Vision 2030. Further, KPC CSI initiatives adopt the principal of national and regional representation.

> **KPC Foundation is the philanthropic arm of the Kenya Pipeline Company Limited. KPC allocates 1% of its Profit Before Tax (PBT) or Kshs.100 million, whichever is higher, to its Corporate Social Investment (CSI) activities every financial year.**

1. Implementation of CSI Pan for 2021/2022

1.1. Overview

In FY 2021/2022, the KPC Foundation undertook 30 projects CSI Programs/Projects worth more than Kshs.100 million as per the table below;

5	15	6	1	2	1
Empowerment projects	**Education projects**	**Health projects**	**Water project**	**Sports projects**	**Environment project**
Ksh 15.8m	Ksh 49.6m	Ksh 16.5m	Ksh 3.8m	Ksh 1m	Ksh 17.2m

Number of projects per Focus Areas

30 projects Ksh 103.9m

CORPORATE SOCIAL INVESTMENT (CSI) REPORT



Complete Administration Block at Koiworesun Secondary school

1.2. Inuka Scholarship

KPC Foundation under INUKA Scholarship, sponsors students who are differently enabled to access their secondary school education across the country. The students are selected from each of the 47 counties, a boy and a girl each year. So far, the program has supported over 594 beneficiaries since it started 5 years ago.

During the year under review, the company processed over Kshs.12.3million in support of the scholarship program. Another Kshs.1.5million was paid to Mukuru Promotional Centre to support 30No. students.

1.3. Education

A total of 15 No. Education infrastructural multi-year projects for financial years 2021/22 and 2022/2023 were initiated. The total cost of the Education Infrastructural projects is about Kshs.36,850,000 million in FY 2021/2022.



Emali ECDE Under construction in April 2022

1.4. Health

In FY2021/2022, the company, through the Foundation, supported the following 5No. Health facilities at a total cost of **Kshs.16,500,000/=.** These projects are:

1. Construction of Modern theatre, Laboratory and casualty at Wenjengi Health Centre
2. Rehabilitation and equipping of Ukuu Dispensary
3. Establishment of Maili Nane Dispensary
4. Fully Equipped Maternity, Theatre and the Newborn Unit at Cheptais Sub-County Hospital
5. Construction of NeoNatal Intensive Care Unit (NICU) at Portrize Sub-County Hospital

The company also sponsored several medical Camps in Machakos, Homabay and Nyeri Counties.

Nakuru Medical Camp

During the period under review, KPC Foundation sponsored a free medical camp at Rhonda Health Centre, Nakuru. The program costed Kshs. 460,000/=. A total of 1,339 people were served during the two-day exercise.





1.5. Environment

In FY2021/2022, KPC contracted to plant 100,000 seedlings in an effort to reforest degraded public land and address the challenges of climate change.

Consequently, KPC Achieved the above target in 2021/2022 FY by planting over 100,000 seedlings in Mombasa County (Mangrove seedlings) and in Schools along the Right of Way.



KPC staff participate in a tree planting exercise at Kaptagat forest

KPC also donated tree seedlings **worth Kshs. 200,000/=** to Millennium Trust to support the preservation of the Aberdares water catchment area.



1.6. Sports

The company supports sports activities for development across the country. During the year under review, KPC supported 2nd Edition of Mt. Kenya Mountain Running Championships in Meru County to the tune of Kshs.500,000.00 on 21st January 2022

KPC also sponsored the 4th edition of Eldoret City Marathon to the tune of Kshs.500,000.00. The Marathon is one of its kind that brings together elite and amateur marathoners, corporate teams, businessmen and women, young and old from all walks of life to compete for a common cause: Climate Action. KPC staff from Eldoret Depot participated in the marathon as well as a tree planting exercise at Kaptagat forest.

Stakeholder Management



Stakeholder management is a critical component to the successful delivery of the corporate strategy. During the year, various engagements safeguarded cordial relationships with the stakeholders who significantly impacted the Company's achievements. Communication with the groups also played a vital role in keeping all parties on board. The primary stakeholders are the Oil Marketing Companies (OMCs). The OMCs receive daily updates on the products available, status, and planned engagements. For FY2021/22 performance, the top five marketers commanded an aggregated market share of 52%. These are Vivo Energy Kenya Ltd, Total Energies, Rubis Energy Kenya PLC, Lake Oil, and Ola energy. The top 20 commanded 78% while the remaining OMCs share 22% of the market.

1 Local Market Engagement

a) OMCs Engagement

With the successful implementation of the order creation process under the KPC SAP & KRA iCIMS integration project, there was continuous engagement with KRA to fully integrate the last phase of the project into the KPCs system.

Stakeholder engagements were undertaken through meetings with the various entities; Ministry of Health (Covid protocols in the clearance process), Uganda Revenue Authority (URA), Rwanda Revenue Authority (RRA), and the National Revenue Authority (South Sudan) in all KPC's key service delivery points; Kisumu, Eldoret, Nakuru, and Mombasa.



b) KPC Fiber Optic FOC) Launch

FOC commercialization business commenced in 2018 with KPC obtaining a Tier 2 Network Infrastructure License from the Communications Authority of Kenya (CAK) to sell Fibre Optic Cable that was laid with line 5.

KPC launched its Fiber Optic Cable (FOC) business on 7th April 2022 in an elaborate event at Serena Hotel Nairobi. The launch was attended by the Cabinet Secretary for ICT, Innovation, and Youth Affairs, Mr. Joe Mucheru, Director General, Communication Authority, Mr. Ezra Chiloba, PS Ministry of Petroleum and Mining Mr. Andrew Kamau, KPC Board Chair - Rita Okuthe, and invited Internet service providers and clients.

c) 9th Africities Summit in Kisumu City

The Company participated in the 9th Africities Summit in Kisumu held between 17th and 20th May 2022 by submitting content proposals and marketing of KPC brand through its product lines; Kisumu Oil Jetty, Fibre Optic Cable, Morendat Institute of Oil & Gas (MIOG) and Corporate Social Initiatives.

d) 2021 African Inspirational Business Leadership Awards

KPC MD, Dr. Macharia Irungu, MBS won the 2021 Regional award as featured in African Leadership Magazine. He was recognized for his leadership qualities, commitment to integrity, innovative approaches to work excellence in business as well as contribution to Kenya's socio-economic development.

e) Customer Service Week

Customer Service Week (CSW), a platform to champion the value of Customer Experience (CX) in sustaining businesses in Kenya is celebrated globally every first week of October. Customer Service Week 2021 was celebrated between 4th and 8th October 2021 with the theme "Driving Customer Inclusion." The focus resonated well with the challenge from our Leadership to build customer-centricity into our activities.

KPC celebrated the Company's extraordinary efforts in building robust and lasting bonds with stakeholders during the Covid-19 pandemic. In the spirit of inclusion, cross-departmental teams actively participated in appreciating our stakeholders. Oil Marketing Companies, Fiber Optic Cable (FOC) customers, and Industry stakeholders were appreciated and celebrated. In addition, diverse departments celebrated Customer Service Week in their unique way for instance legal services department undertook free legal clinics for KPC staff. The anchor activity of the week was partnering with the Ministry of Health to conduct a Covid-19 vaccination drive in Mombasa, Nairobi, Nakuru, Kisumu, and Eldoret. A total of 620 persons were inoculated on the designated days.

f) Vessel Schedule Meetings (VSM) & Supply Coordinators Meetings (SCM)

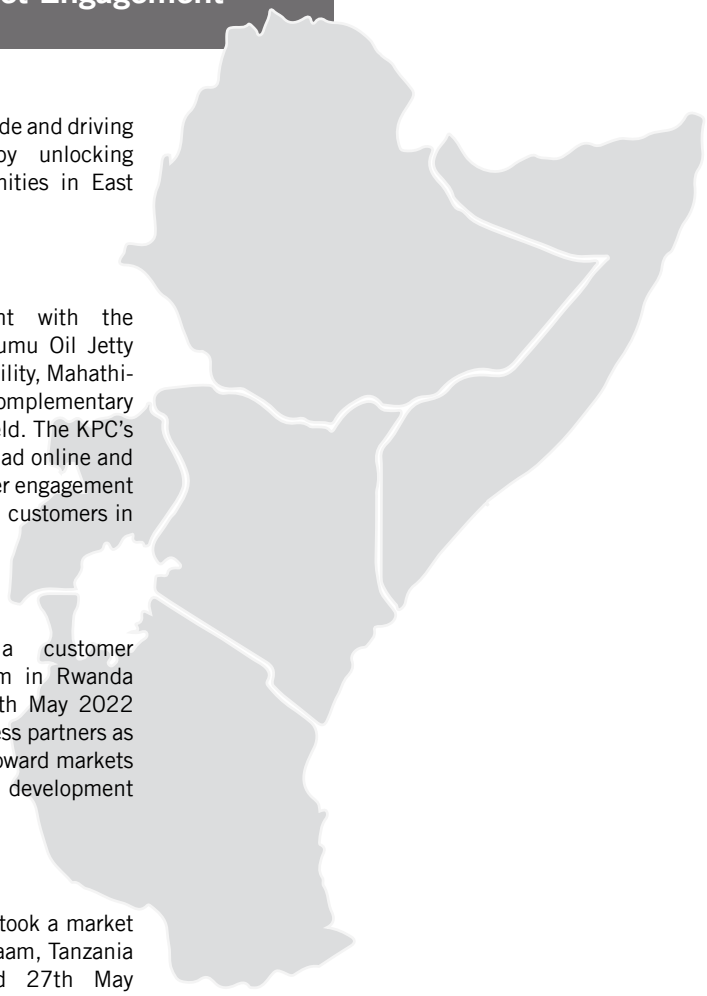
KPC engaged in meetings held by the petroleum industry to plan for import cycles and address industry needs.

These meetings enhance the healthy resolution of commercial matters and cordial relationships with OMCs' key stakeholders. Annual Supply Coordinating Meeting (SCM) hosted by Texas Energy was held in Mombasa between 28th and 29th October 2021 in Mombasa. KPC updated the OMCs on the status of the commercialization of Kisumu Oil Jetty (KOJ), where the Mahathi Infra facilities team joined the meeting to engage the customers on the complementary facilities in Bugiri Bukasa, Entebbe - Uganda.

g) Northern Corridor Transit and Transport Coordination Authority (NCTTCA) survey

KPC participated in Kisumu-Malaba-Jinja Survey carried out between 29th November and 3rd December 2021. The survey comprised officials from NCTTCA and representatives of various Northern Corridor stakeholders. The objective was to assess transport facilities and monitor the status of non-tariff barriers in the Northern Corridor Transit Transport Route (NCTTR) to boost the ease of doing business.

2 The Transit Market Engagement



a) Democratic Republic of Congo

Key export market engagement included stakeholder meetings with the Democratic Republic of Congo, where key meetings with various stakeholders were held in the cities of Kinshasa (West), Lubumbashi (Southern), and Goma (East). The primary market for KPC is in Goma, where KPC informed the market of the reviewed tariffs and linkages with OMCs in Kenya that have capacity allocation in KPC's system and the upcoming use of the Lake transport through Kisumu Oil Jetty and Mahathi- Infra Uganda facilities in Uganda.

In November 2021, KPC also participated in the Equity Bank coordinated 'Kenya-DRC Trade Mission.' The mission targeted over 200 investors and business participants from Kenya and a similar number from DRC and the public; and was held in four of DRC's largest cities of Kinshasa Lubumbashi, Goma, and Mbuji Mayi. The purpose of the trade mission was to identify and highlight trade and investment opportunities in DRC in line with both governments' agenda of fostering regional trade and driving business growth by unlocking investment opportunities in East and Central Africa

b) Uganda

Various engagement with the stakeholders of Kisumu Oil Jetty and the receiving facility, Mahathi-Infra Uganda, the complementary jetty for KOJ, was held. The KPC's Management team had online and in-person stakeholder engagement meetings to onboard customers in Uganda.

c) Rwanda

KPC undertook a customer engagement program in Rwanda between 4th and 7th May 2022 to engage our business partners as progressive efforts toward markets recovery and development initiatives.

d) Tanzania

The Company undertook a market survey in Dar-es-Salaam, Tanzania between 25th and 27th May 2022 by engaging stakeholders in the Central Corridor Transit Route. The engagement focused on Oil Marketing Companies, Petroleum Transportation Companies (Truckers), LPG marketing companies, and Tanzania Regulatory Agencies (TIPER and PBPA).

3 Customer needs & satisfaction survey & Customer Complaints Management

FY2021/22 Customer Needs & Satisfaction Survey was undertaken through Focus Group Discussions with select OMCs in June 2022 with a Customer Satisfaction Index (CSI) of 85% which is a 2% increase from 83% achieved in FY2020/21. Issues raised by the customers were captured and an implementation status action plan was prepared for closure and feedback was given to the customers.Complaints received from the customers were acknowledged, registered, and closed out.

4 Customer Feedback forums

Customer feedback dinner forums were undertaken on 16th June 2022 at all service delivery points of Nairobi, Nakuru, Eldoret, Kisumu, and Mombasa. The objective of the forums was to apprise the stakeholders on the implementation status of customer pain points raised through various stakeholder engagements and to pick emerging issues affecting service delivery for implementation.

5 Partnership and Collaborations

a) Trademark East Africa (TMEA) and Ministry of Health (MOH)

KPC partnered with Trademark East Africa and the Ministry of Health to protect the customers and the business during the year when Covid-19 was declared by WHO and the Government of Kenya as a pandemic. TMEA and MOH partnered with the Depot teams, where KPC interacts with transporters from the local and the transit market. KPC was equipped with digital devices to confirm the validity of the Covid-19 certificates offered by the drivers before loading at the depot. This assured the process and reduced delays in confirmation as required during the pandemic period.

b) Kenya National Chamber of Commerce and Industry (KNCCI)

A meeting between KPC and KNCCI was held on 7th December 2021. The agenda was to develop an action plan for collaboration, especially on how KNCCI will help KPC tackle the issue of Non-Tariff Barriers in the Tanzania Market and the region to promote key trade activities locally and in the region, using all the organization's platforms.

c) Kenya Maritime Authority

KPC is a member of the port charter for the efficient use of the Kenyan port. In the quarter, KPC contributed to a collaboration framework for blue economy implementation to promote Lake Victoria. KPC further signed off the agreements to be part of the Blue Economy

d) Inter-Agency Collaborations

KPC has engaged various agencies pertinent to its service delivery in resolving trade barriers along the Northern Corridor Transit Route. For the effective resolution of Non-Tariff Barriers (NTBs), an inter-agency collaboration engagement plan was developed for implementation in FY2021/22. Other engagements included Kenya National Highway Authority (KeNHA), Kenya Revenue Authority (KRA), Energy & Petroleum Regulatory Authority (EPRA), National Transport and Safety Authority (NTSA), East Africa Petroleum Transporters Association (EAPTA), Uganda Revenue Authority (URA) and the County Governments.

6 EAC Transporters Stakeholders Meeting

KPC participated in bi-monthly Transporters Stakeholder meetings coordinated by the Ministry of East African Community that works to close out non-tariff barriers (NTBs), especially challenges raised by Covid challenges at the borders.

7 Northern Corridor Transit Transport Coordination Authority (NCTTCA)

In November 2021, KPC participated in the preparation of the Northern Corridor Transit Transport Coordination Authority (NCTTCA) and contracted CPCS Transcom Limited to undertake a detailed evaluation of the Northern Corridor Strategic plan 2017-2021 and the development of the 2022-2026 strategic plan.



Morendat Institute of Oil and Gas

Morendat Institute of Oil and Gas (MIOG) was established in 2014, following a resolution of the 7th Northern Corridor Integration Projects (NCIP) summit that Morendat be designated as a regional Center of Excellence (CoE) to offer human resource capacity building in Pipeline Management, Operations, Maintenance, and related skill areas. This was meant to address the lack of requisite skills in Oil and Gas in the region. The Institute was registered by the Technical and Vocational Education Training Authority (TVETA) in 2016.

▲ MIOG welding booth

Campuses

MIOG has 3No. campuses offering various courses:-

- **Nairobi Campus** located adjacent to Kenya Pipeline Headquarters offers technical diploma and certificate courses in Mechanical Engineering (Plant and Production options), Analytical Chemistry, Welding and Fabrication, Specialized Pipeline Welding. Short professional courses are also offered at the campus.
- **Morendat Training and Conference Centre (Naivasha)** located 3.2km along Moi North Lake Road is a 51-bed facility with fully equipped conference rooms big enough to host up to 150 pax. The serene environment is ideal for both study and leisure.
- **Eldoret Fire & Safety Training Centre** located within Kenya Pipeline Depot offers training using the National Fire Protection Association Standard (NFPA) of America and trains using the latest Live Fire and Rescue Training equipment.

Training

In the FY 2021/22, MIOG trained a total of 970 students in both technical and corporate courses. All MIOG trainings are tailor made to meet industry needs by equipping participants with relevant cutting-edge skills and competencies that close current market gaps.



▲ Representatives of various Oil Marketing Companies attend the MIOG Training on Understanding Oil & Gas Contract

Registration and Accreditations

Registration and licencing by TVETA as a technical training institution

- Registration by NITA as a training provider
- Accreditation by National Examination Board in Occupational Safety and Health (NEBOSH) to offer International General Certificate.
- Licenced by Directorate of Occupational Safety and Health Services (DOSHS) to offer courses OSH Committees, First Aid, Fire Marshal

Upgrade to a National Polytechnic

- MIOG is set to be upgraded to a National Polytechnic following an application to Technical and Vocational Education and Training Authority (TVETA) and the relevant assessment.
- Being a polytechnic will enable MIOG to develop its own competency Based Education and Training (CBET) curricula; train and assess the trainees; award qualifications; engage in research and innovation; and build collaborations and partnerships.

Partnerships

- Engagement with various county Governments for partnership in training, specifically firefighting.
- Energy and Petroleum Regulatory Authority (EPRA) to train Truck Drivers- MIOG to develop a comprehensive program to cover all aspects of safety in handling of petroleum products. Training of truck drivers on safety matters is key in promoting safety.



Statement on Leadership and Ethics

Pius Mwendwa, General Manager, Finance during a courtesy call at Kenya Revenue Authority(KRA)

KPC Management is committed to promoting and fostering an organizational culture that does not tolerate any acts of fraud or corruption and continues to strive towards ensuring that appropriate structures are instituted to facilitate mainstreaming integrity and promoting an ethical culture in the Company. Towards this effort, the Company re-constituted the Management Integrity Oversight Committee (MIOC), the apex Corruption Prevention Committee chaired by the Managing Director and members being the Executive Management team, which provides oversight to the integrity program, and support the Integrity champions spearheading the corruption prevention activities within the respective regions.

Several Integrity policies have been developed and operationalized as guidelines for the staff and Stakeholders and have been made available on the KPC website – www.kpc.co.ke. This includes the Code of Conduct and Ethics to provide guidelines on the ethical values as well as regulate the behavior, relationships, and actions of staff; the Gift Policy to provide guidelines on the receiving and giving of gifts, declaration and disposal process, with the Gift registers placed in all the Company Depots/Stations for ease of declaration; the Anti-Corruption Policy, to outline the roles and responsibilities of various Officers in the corruption prevention process; and the Whistleblower Policy to encourage staff to report on suspected corrupt activities anonymously while assuring them protection against reprisal. Every employee has been issued with copies of the Code of Ethics and the Anti-Corruption Policy, and signed commitment to the code in line with the requirements of the Public Officer Ethics Act, 2016, while the new employees that joined during the half-year period were issued at the time of induction.

To identify corrupt prone areas within the corporate processes, Corruption Risk Assessments (CRA) are regularly undertaken, and the Corruption Prevention/Mitigation Plans developed. The recommendations once adopted are then passed to the relevant departments for implementation with regular follow-ups and reports to Management and other regulatory authorities. A three-year cycle of the Corruption Risk Assessment and Mitigation Plans covering four thematic areas of Core mandate, ICT, Payroll Management, and Procurement & Financial Management, for the period FY2021/22 to FY2023/24 was developed and adopted for implementation during the period.

Integrity audits are carried out to establish loopholes that may occur in the process of carrying out the KPC mandate, and reports are submitted to the apex Corruption Prevention Committee (Management Integrity Oversight Committee) for action.

Staff are regularly sensitized on the principles of ethical conduct and integrity and the consequences of corrupt practices, face to face and through online training. During the FY2021/2022, Management engaged the Ethics and Anti-Corruption Commission (EACC) to undertake a Companywide Integrity training for all staff, with the Executive Management, Managers, Chief Officers, and Senior Officers undergoing a two-day workshop, and the rest of the cadres attending one-day workshop.

Staff are encouraged to report any suspected incidences of corruption to any of the Committees through email, telephone, or verbally without fear of reprisal. An anonymous email address – report.corruption@kpc.co.ke. has also provided for reporting anonymously. The Managing Director maintains an 'open-door policy" and encourages staff to walk into his office to report any suspected corruption that they may be afraid to report through other channels.

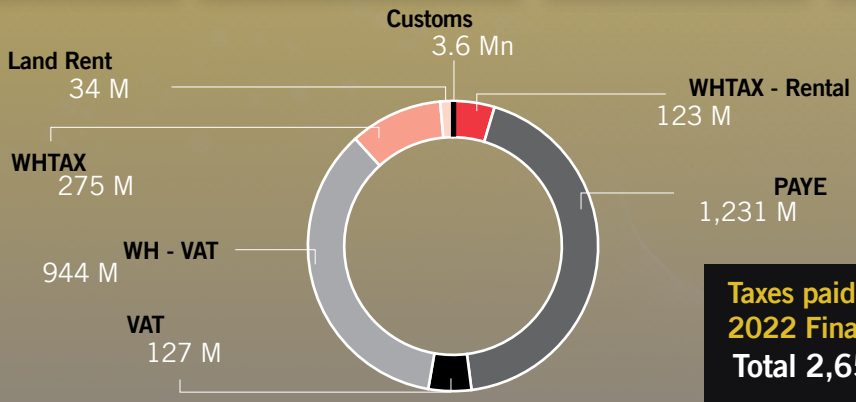
Performance highlights

Asset base
129.8 bn

Profit before Tax
6.2 bn

Revenue
26.2 bn

Profit after Tax
3.8 bn

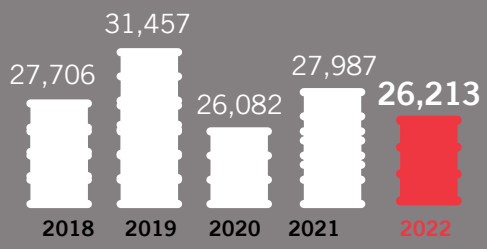


Taxes paid in the 2021-2022 Financial Year
Total 2,658 M

Overview

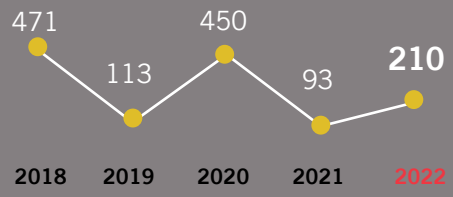
TOTAL REVENUE
(In Kshs. Millions)

CAGR -1%



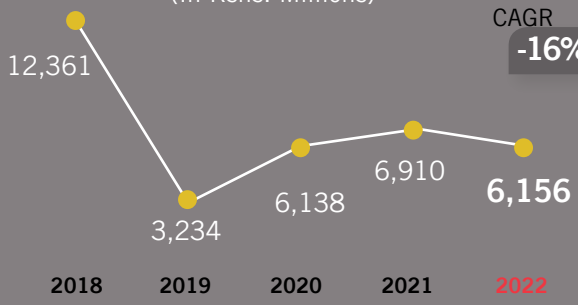
EARNINGS PER SHARE
(In Kshs.)

CAGR -18%



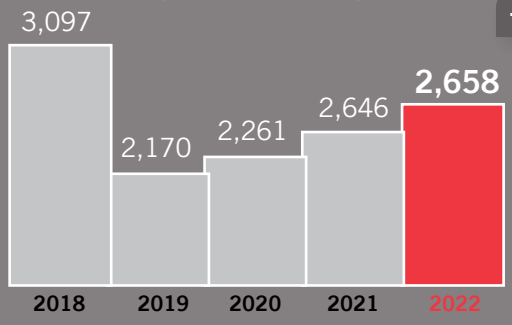
PROFIT BEFORE TAX
(In Kshs. Millions)

CAGR -16%



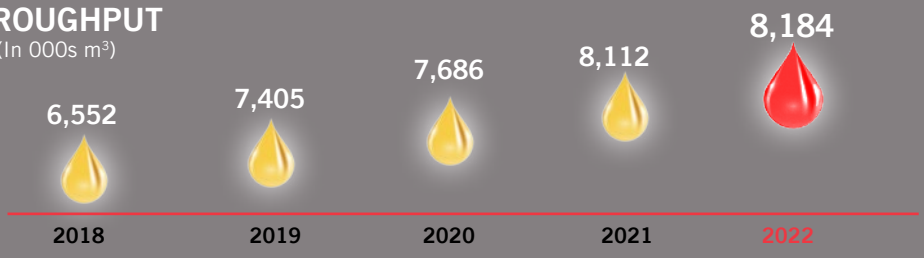
TAXES PAID
(In Kshs. Millions)

CAGR -4%



THROUGHPUT
(In 000s m³)

CAGR 6%



Report of the Directors

The directors present their report together with the audited financial statements of Kenya Pipeline Company Limited (the "Company") for the year ended 30 June 2022, which disclose the Company's state of affairs.

Activities

The principal activity of the company is transportation and storage of refined petroleum products.

Results

The results of the entity for the year ended 30 June 2022 are set out on Page 56 to 116. Below is a summary if the profit and loss made during the year.

	Kshs	Kshs
Profit before tax	6,156,274,502	6,190,363,247
Tax charge	(2,331,771,360)	(5,227,628,302)
Profit after tax for the year	**3,824,503,143**	**1,682,734,945**

Dividend

Following the payment of special dividends during the year, further payments of dividends are not recommended in respect of the year.

(FY 2021 - **Kshs. 8.0 Billion**, FY 2020 - **Kshs. 2.7 Billion**).

Directors

The current directors are as shown on page 12 to 18.

Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board

Company Secretary



Nairobi

17 May 2023

Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Cap 486 of the Companies Act, require the Directors to prepare financial statements in respect of Kenya Pipeline Company Limited, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

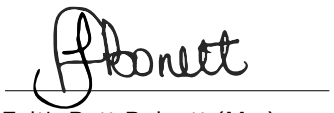
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the company's financial position as at that June 30, 2022. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements:

The entity's financial statements were approved by the Board on **17 May, 2023** and signed on its behalf by:



Faith Bett Boinett (Mrs)
Board Chairman



Joe K. Sang
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Pipeline Company Limited set out on pages 56 to 108, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions

of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Pipeline Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unvalued Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment with a net book value of Kshs.85,978,670,508 as disclosed in Note 17 to the financial statements. As previously reported, the balance is made up of fair values of the assets determined by an independent valuer engaged by the Management in 2019, which have been adjusted for accumulated depreciation in the three (3) years up to 30 June, 2022. However, several assets comprising freehold land, buildings, fibre optic cable and motor vehicles with a book value of Kshs.7,382,233,566 as at the time of valuation on 1 July, 2019 were not revalued by the independent valuer, and their current book value is based on the historical costs and previous revalued amounts adjusted for accumulated depreciation. This contravenes the requirements of the International Accounting Standard (IAS) 16 – Property, Plant and Equipment which provides that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

In the circumstances, the accuracy of the property, plant and equipment balance of Kshs.85,978,670,508 could not be confirmed.

2.0 Irregular Disposal of Company Land

The statement of financial position reflects leasehold land valued at Kshs.18,580,547,383 as further disclosed in Note 18 to the financial statements. Included in the value is a piece of land located in Nakuru County measuring 19.07 hectares (47.10 acres) with book value of Kshs.697,661,254 from which a portion measuring15.8 hectares (39 acres) was sold to a private company in 2007 at a cost of Kshs.7,980,000, and transfer of title signed on 21 September, 2021. Despite the land having been sold in 2007, the title of the land remained in the Company name until September, 2021 when the lease title was signed off. In addition, the Company has over the years continued to reflect the value of the entire parcel in its books. An independent valuer engaged by the Company in 2019 to undertake valuation of the Company assets reported that the Company occupies only five (5) acres valued at Kshs.75,000,000, with the rest of parcel measuring 42.10 acres valued at Kshs.625,000,000 being occupied by the encroachers who had erected permanent structures on the land.

Further, documents supporting the disposal of the land including approval from the Company's Board of Directors and The National Treasury, land valuation reports, invitation, receipt and evaluation of bids, from interested parties, and evidence of receipt of cash from the sale were not provided for audit review.

In the circumstances, the accuracy, ownership and valuation of leasehold land valued at Kshs.18,580,547,383 at 30 June, 2022 could not be confirmed. Additionally, the regularity and value for money in respect of the sale of Company land could not be confirmed.

3.0 Trade and Other Receivables

3.1 Inaccuracies in Provision for Bad and Doubtful Debts

The statement financial position reflects trade and other receivables balance of Kshs.8,299,164,842 which has been reported net of provision for bad and doubtful debts and long term portion of the receivables. As disclosed under Note 23 (b) to the financial statements, the Management made general and specific provisions for bad and doubtful debts of Kshs.6,543,415,620 in respect of the receivables for the year under review. Review of the receivables' ledger reflected a balance of Kshs.5,356,240,930 in respect of outstanding trade debtors as at 30 June, 2022 that was over 180 days. A provision of 10% of the outstanding trade debtors for over 180 days in line with the Company's policy on general provision would have translated to Kshs.535,624,093. However, the Management made provisions totalling Kshs.1,324,742,232 resulting in over provision of Kshs.789,118,139 which was not explained.

In addition, the Management had made specific provisions amounting to Kshs.941,341,586 in respect of amounts owed by oil marketers who were still trading with the Company and the Kenya Airports Authority, and other provisions of Kshs.21,243,253 in respect of staff debtors. These provisions were not supported by justification as well as the requisite approvals in line with the Company policy and Government Financial Regulations.

In the circumstances, the accuracy and completeness of the provision for bad and doubtful debts could not be confirmed.

3.2 Inaccuracies in Value Added Tax Recoverable

Note 23 to the financial statements reflects Value Added Tax (VAT) recoverable of Kshs.1,744,055,338 as at 30 June, 2022. A reconciliation of the VAT account and file returns reflected an amount of Kshs.914,987,561 described as VAT credit expected from Kenya Revenue Authority (KRA). Review of correspondences between the Company and KRA revealed that the amount relates to input credits disallowed due to VAT Auto Assessment (VAA) which KRA was reviewing as at the time of the audit.

In the circumstances, the accuracy and completeness of VAT recoverable balance of Kshs.1,744,055,338 could not be confirmed.

4.0 Unreconciled Related Entities Balances

The statement of financial position reflects Kshs.3,878,502,140 in respect trade and other payables as disclosed in Note 30 to the financial statements. The payables balance include Kshs.210,869,118 due to the Kenya Petroleum Refineries Limited (KPRL) as at 30 June, 2022. However, KPRL books and financial records as at 30 June, 2022 reflected an amount of Kshs.520,109,608 as receivable from the Company resulting in a variance of Kshs.309,240,490. Although Management provided a reconciliation for the variance, the same was not acknowledged and was disputed by KPRL Management.

In the circumstances, the accuracy of the trade and other payables of Kshs.3,878,502,140 respectively could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Pipeline Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Land Without Titles

1.1 Freehold Land

The statement of financial position for the year ended 30 June, 2022 reflects property, plant and equipment balance of Kshs.85,978,670,508. As disclosed in Note 17 to the financial statements, the balance include freehold land of Kshs.1,911,111,785 out of which five (5) parcels of land valued at Kshs.42,350,000, allocated to the Company in the 1970s and 1990s for pipeline infrastructure, had no title deeds. According to Management, the land was allotted from trust land and there have been delays in demarcation of the areas and adjudication processes required to facilitate acquisition of title deeds. However, there was no evidence of efforts made by Management to ensure that the process of land adjudication is concluded and yet the parcels of land were allocated to the Kenya Pipeline Company more than twenty (20) years ago.

Further, review of the records maintained at the Company revealed that a parcel of land purchased from a private vendor could not be registered as the title deed for the plot is charged to the Kenya Commercial Bank for loan taken by the owner. Although Management indicated that it is engaging the Kenya Commercial Bank directly to resolve the matter, no evidence of such engagement was provided. Further, no records of the said land were available at the Company and as such the carrying amount of the said parcel of land could not be confirmed.

In the circumstances, the accuracy and completeness of property, plant and equipment of Kshs.85,978,670,508 could not be ascertained.

2. Leasehold Land

Included in the leasehold land balance of Kshs.18,580,547,384 as disclosed in Note 18 to the financial statements is a parcel of land with a net book value of Kshs.5,210,102,489 which the Company was allocated by the Government in 1976. However, the Company did not have a title deed for the parcel. Further, information provided during the audit indicates the parcel where Embakasi Depot sits and carried in the books at Kshs.5,210,102,489 had its title deed issued to the Kenya Airports Authority.

Additionally, a parcel of land located in Mombasa County was carried in the books at Nil netbook value since it had been fully amortized. However, during the re-valuation of the Company's assets by an independent valuer in 2019, the land was valued at Kshs.750,000,000. The Company could not carry the new cost to its books due to the expiry of the allotment on 1 July, 2019. However, the Company continues to possess

critical, strategic and high value infrastructure in the two parcels of land which serves the country both at Jomo Kenyatta International Airport and Moi International Airport. Although Management had written severally to the Ministry of Lands and Housing, National Lands Commission and the Kenya Airports Authority to have the parcels transferred and lease renewed on the matter, no responses were received.

As a result, the ownership and completeness of the leasehold land balance of Kshs.18,580,547,384 could not be ascertained.

3. Disputed Amount Payable to a Vendor

As disclosed in Note 37 to the financial statements, contingent liabilities during the year amounted to Kshs.21,301,991,119 comprising of Kshs.21,213,920,267 and Kshs.88,070,852 in respect of pending lawsuits, and guarantees and letters of credit respectively. Included in the pending lawsuits is an amount of USD 3,845,695 (Kshs.453,147,487) claimed by a vendor of hydrant pit valves and associated spare parts supplied to the Company in 2017/2018 financial year. The Company had made a 40% advance payment to the vendor, with the remaining 60% payable upon delivery and acceptance of the items. Although the valves were received and later utilized at the Company, the price of the items was disputed and subjected by criminal investigations and prosecutions by the Ethics and Anti-Corruption Commission (EACC).

The vendor has since moved to court demanding for payment of the remaining 60% of the invoice amount. Management indicated that both cases were still pending before the High Court awaiting determination.

In the circumstances, value of the items supplied by the vendor and the amount of liability owing to the vendor could not be ascertained

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be provided after that date.

The other information does not include financial statements and my audited report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that

there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Long Outstanding Balances

The statement of the financial position reflects trade and other receivables of Kshs.11,656,908,350. As disclosed under Note 23 to the financial statements, the balance includes Kshs.10,065,175,278 in respect of trade debtors among them Oil Marketing Companies (OMCs), which had been outstanding for more than 180 days according to the aging analysis. According to the Transportation Service Agreements between OMCs and the Kenya Pipeline Company (KPC), the Company shall have a lien on equivalent Product Quantity up to the extent of the exposure belonging to OMC in the custody of KPC after 45 days and shall be at liberty to sell all such products and apply the proceeds of such sale in or towards the satisfaction of such lien and all proper charges and expenses in relation thereto. However, there were no measures put in place to ensure that the debts are collected from the Oil Marketing Companies within the existing framework.

Under the circumstances, it has not been possible to confirm the effectiveness of internal controls measures put in place to collect outstanding debt.

2.0 Corporate Social Investment

2.1 Non-Compliance with Policy on Budgeting

Review of the budget for the Corporate Social Responsibility programs revealed that Management set aside Kshs.120,000,000 during the year which is above the threshold provided in the Company's Corporate Social Investment (CSI) Policy which provides for 1% of the Company's profit before tax from the preceding year or Kshs.100 million, whichever is higher, to be set aside for CSI programs. The higher of the two is Kshs.100 million which ought to have been the basis for budgeting for the corporate social responsibility programs. Therefore, the Board and the Management are in breach of the set policies which may result in unplanned expenditure.

2.2 Unbudgeted Expenditure

During the year under review, the Company paid Kshs.20,000,000 to a Charitable Trust towards labor costs to extend the Mt. Kenya fence by 60 kilometers from Tigithi River towards Nanyuki Forest Station as part of Social Corporate Investment. The donation followed a request on 19 May, 2022 for the Trust for additional support. However, the project was factored in the approved annual Corporate Social Investment plan for the year under review.

In addition, the Company donated Kshs.18,859,250 to the above Trust for similar works in April, 2021. According to a monitoring and evaluation report done by Kenya Pipeline Company dated November, 2022, the construction of the fence of the 60 kilometers was at 50% completion stage and was expected to be completed in December, 2022. However, the additional funding of the project was done without ascertaining the completion status of the project.

Under the circumstances, the regularity and validity of the expenditure could not be confirmed.

3.0 Procurement of Goods and Services

3.1 Irregular Award of Tender to a Technically Non-Responsive Tenderer

During the year under review, the Management advertised a tender for the construction of security fence at Pump Station 9-JKIA Embakasi on 12 October, 2021. The tender was opened on 8 December, 2021 and subsequently evaluated. The Evaluation Committee in its report recommended re-tendering since all the six (6) bidders evaluated were technically non-responsive. A professional opinion dated 17 January, 2022 recommended termination of the tender.

However, the Accounting Officer rejected the opinion and recommended re-evaluation of the tender. The Evaluation Committee re-evaluated the tender and recommended termination and re-tendered noting that all the six (6) tenderers failed the technical evaluation. The technical requirement was for the bidders to provide relevant experience with fencing material manufacturer in similar works in the last five (5) years. Despite the recommendation of the Evaluation Committee upon re-evaluation, the head of procurement recommended to the Accounting Officer to award the contract to one of the bidders in a professional opinion issued on 8 February, 2022, at a cost of Kshs.37,964,458.

Under the circumstances, the legality of the award and suitability of the bidder to undertake the works could not be confirmed.

3.2 Procurement of Works Without Scope

The Company awarded a contract for repair works of a petroleum storage tank on 1 April, 2021 at a cost of Kshs.145,695,636. Review of documents in respect of the works revealed that the tank was last rehabilitated in 2007 where corrosion defects on the tank bottom, shell and floating roof were repaired, and the tank epoxy lined internally and painted externally for corrosion control. The tank started showing signs of wetness at the foundation indicative of product release from underneath the tank bottom in 2017.

According to the tender and other documents reviewed, the tender was initiated and awarded without undertaking inspection by an expert to determine the scope of work to be done as required under paragraph 6.4.2.2 of the American Petroleum Institute (API) 653 on Tank Inspection, Repair, Alteration, and Reconstruction. On 27 September, 2021 Management engaged an expert to carry out the inspection while the repair works were ongoing to determine the scope of works. The expert recommended complete replacement of the tank floor which had suffered significant corrosion metal loss to entail replacement of 16% of tank floor area and welding of repair patch covering 30% of tank floor area. The additional work resulted in additional costs of Kshs.97,173,865.

In the absence scope determination before commencement of work, the basis and necessity of the initial repair works could not be confirmed. As a result, it could not be confirmed whether the Company received value for money incurred on the tank repair works.

4.0 Unprocedural Implementation of Mzima Springs Water Project

The statement of financial position reflects property, plant and equipment balance of Kshs.85,978,670,508 as at 30 June, 2022. As disclosed in Note 17 to the financial statements, the amount includes work in progress of Kshs.373,526,780 which further includes Kshs.6,529,608 in respect of Line 1 conveyance for Mzima Water Project. The Mzima Springs Water Project was initiated through a Presidential directive communicated through Head of Public Service letter dated 25 March, 2022 to the Ministry of Petroleum and Mining in March, 2022. In the directive, the Ministry of Petroleum and Mining was to facilitate the utilization of the Mombasa-Nairobi Line 1 Oil Pipeline for supply of water from Mzima Springs to Mombasa City and its environs. The Board of Directors had earlier on February 9, 2022 approved the conversion of a portion of Line 1 pipeline to deliver water to Mombasa in collaboration with other Government agencies subject to a business case to justify the project been developed by the Management, and that all approvals required from the relative Authorities including wayleaves permit, National Environment Management Authority (NEMA), Energy and Petroleum Regulatory Authority (EPRA), National Construction Authority (NCA) and the Ministry of Water be issued before decommissioning of the line.

The project was allocated a budget of Kshs.745,487,000 to be executed in two phases. Subsequently, Management appointed a business case technical team to determine the viability of the project. The technical team came up with a business case which recommended two options comprising converting line1 for water conveyance and lease it to the Coast Water Works Development Authority (CWWDA) at the current gazetted water tariff of Kshs.68 per m^3, or refurbish the 14-inch line 1, replace the corroded sections of the line to enable utilization of existing pumps, and other associated facilities to complement the 20-inch Line 5 which has already attained its optimal capacity. This would improve flow rates to 880m3/hr and increase evacuation from Mombasa and alleviate ullage.

However, the following anomalies were observed:

i) The Company operating a water pipeline was outside its mandate and had not obtained approval from the Water Services Regulatory Board (WASREB) before embarking on the project.

ii) No evidence was provided to indicate that the business case was presented to the Board for deliberation and which of the two options was adopted for implementation. However, the conversion of the pipeline for water conveyance was ongoing and was at 64% completion as at the time of the audit.

iii) The Company intended to sell water in bulk to the Coast Water Works Development Authority (CWWDA) once the project was completed. However, there was no Service Level Agreement or Memorandum of Understanding signed between the Company and CWWDA. As a result, there is no guarantee that CWWDA will agree to the proposal.

iv) The use of a petroleum pipeline for transportation of water may pose risks of contaminating the water with the residue petroleum in the pipe and effluent which may cause health and environmental concerns.

v) On 19 January, 2022, the Management wrote to the National Environment Management Authority (NEMA) and sent all necessary documents for Environmental Impact Assessment (EIA) on decommissioning of Line 1 excavation, recovery, and relocation of a portion of 54 kilometres of the pipeline and use of 161 kilometres portion of the pipeline stretching from Mzima Springs to Mombasa for supply of portable water to Mombasa. NEMA responded indicating that the proposed project requires an Environmental Impact Assessment (EIA). However, no Environmental Impact Assessment (EIA) was carried out before commencing the project contrary to Section 58 of the Environmental Management and Coordination Act, 1999 and Regulations, 2003, Legal Notice No. 101. Further, a consultant engaged by Management to conduct as assessment for the proposed decommissioning and utilization of Line 1 to deliver water to Mombasa was yet to conclude and prepare a final report on the same.

In the circumstances, the propriety of expenditure incurred on the project and its value for money could not be confirmed.

5.0 Incomplete Marine Loading Arm Project

The contract for the supply, installation, testing and commissioning of overhung marine loading arm at Kipevu Oil Terminal (KOT 1) was awarded to Hydro Pipeline Limited on 1 December, 2017 and signed on 18 April, 2018 at a contract sum was Kshs.43,438,520. The project commenced on 4 November, 2018 and was expected to take thirty-four (34) weeks and be completed on 2 May, 2019. The project objective was to replace the overhung marine loading arm as per the manufacturer's recommendation and to increase the discharge flow rate for the Dual-Purpose Kerosene (DPK) arm from 1700M^3/hr to 2500M^3/hr. In addition, the manufacturer's recommended number of years for the existing loading arms has been surpassed hence the need to mitigate any risks of failure.

Although materials were delivered to the site and expenditure amounting to Kshs.17,084,749 incurred, installations, testing and commissioning had not been done. Management indicated that with the operationalization of the new Kipevu Oil Terminal (KOT 2), the project has since been overtaken by events as the old oil terminal where the marine loading arm would have been fixed will be decommissioned. The fate of the project and the equipment that were delivered and are lying idle is therefore unknown.

In the circumstances, the value for in the use of public resource has not been achieved as delayed completion of the project denies the company efficiency in discharge of products.

6.0 Loss on Leased Facilities

The statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.13,791,313,695 as direct costs which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.2,530,110,019 in respect of pipeline maintenance. Included in the costs are lease payments to the Kenya Petroleum Refineries Limited (KPRL) amounting to Kshs.1,308,851,308 for use of pipeline network, storage tanks and associated infrastructure during the year under review. Comparison of total lease costs against total lease income for the year revealed that the Company

realised income amounting to Kshs.12,491,324 resulting to a net loss on the lease of Kshs.1,296,359,984.

In addition, the lease agreement revealed that the lease payments were based on expenses incurred by KPRL during the year covered by the lease agreement. However, the Company was not in control of costs incurred by KPRL and therefore could not institute measures that could minimise the costs in line with realisable income.

In the circumstances, the lease affected the overall performance of the Company and may need to be reviewed for efficiency.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Composition of Board Committees

Circular number OP/CAB.9/1A, dated 11 March, 2020 and Paragraph B2 of Mwongozo, the Code of Governance for State Corporations provides that a Board may establish not more than four (4) Committees including Audit Committee to deal with the conventional issues appertaining to the running of the state cooperation. The guidelines also provide that the Board may however constitute Ad-Hoc Committees to deal with emerging issues that require focused attention, and which do not fall in the domain of regular Board Committees. Such Ad Hoc Committees should have clear terms of reference and a limited lifespan. The number of Members to any Committees should be no more than one third (1/3) of the Full Board to obviate the risk of a Committee conducting its business within the framework of a Full Board structure.

During the year under review, the Company's Board of Directors comprised nine (9) Members. Review of membership and record of minutes of Committee meetings revealed the following anomalies;

i) Membership of Board Committees is expected to be a maximum of one third (1/3) of Board membership as guided by the Mwongozo Code of Governance for state corporations. However, the Audit Committee, the Human Resource Committee and the Technical Committee have five (5) Members each while the Finance Committee has six (6) Members instead of the maximum three (3) Members.

ii) Review of the reconstituted Board Committee Members revealed that two of the Directors were Members of all the four Board Committees which contravened Paragraph 4 of the Office of the President circular referenced OP/CAB.9/1A dated 11 March, 2020, on Establishment of Board Committees which provides that Members can only sit in a maximum of two Board Committees.

iii) The Managing Director was a Member of three of the Board Committees comprising Board Human Resource Committee, Board Technical Committee and the Board Finance Committee. However, Section 1.22(1) of the Mwongozo guidelines stipulates that the role of the Board should be separated from that of the Management.

In the circumstances, the Board did not adhere to the guidelines.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
As required by the Companies Act, 2015, I report based on my audit, that:

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue to as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 April, 2023

Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 Kshs	2021 Kshs
Revenue	6	26,213,394,371	27,987,266,943
Direct Costs	7	(13,791,313,695)	(13,562,976,195)
GROSS PROFIT		**12,422,080,676**	**14,424,290,748**
Finance Income	9(a)	823,215,642	349,126,950
Other Income	8	635,347,479	470,667,422
Other Gain/(Losses)	10	563,957,638	(653,926,545)
OTHER REVENUE		**2,022,520,759**	**165,867,827**
OPERATING EXPENSES			
Administration Expenses	11(a)	(6,384,402,287)	(5,857,200,481)
Provision for Bad Debts	11(b)	(976,166,747)	(59,089,148)
Aging penalties waivers	11 (c)	(90,972,336)	(529,641,166)
Finance Costs	9(b)	(836,785,562)	(1,233,864,533)
TOTAL OPERATING EXPENSES		**(8,288,326,932)**	**(7,679,795,328)**
PROFIT BEFORE TAXATION	**13**	**6,156,274,502**	**6,910,363,247**
TAXATION CHARGE	14 (a)	(2,331,771,360)	(5,227,628,302)
PROFIT AFTER TAXATION		**3,824,503,143**	**1,682,734,945**
Earnings per Share	15	210	93
OTHER COMPREHENSIVE INCOME (OCI)/ (LOSS)			
Items that will not be reclassified subsequently to profit or loss;			
Re-measurement (Other Comprehensive Income – DB Retirement Benefit Scheme)		-	(450,180,437)
Surplus on revaluation of PPE		-	4,580,000,000
Deferred tax on OCI		-	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	17(b)	(5,770,462,500)	
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		**(1,945,959,357)**	**5,812,554,508**

Statement of Financial Position

	Note	2022 Kshs	2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	17(a)	85,978,670,508	97,186,140,519
Leasehold land	18	18,580,547,384	19,431,356,105
Intangible assets	19	23,592,295	30,308,870
Investments	20	36,306,359	36,306,359
Retirement benefits	21	-	-
Long Term receivables	23	3,142,126,450	3,117,018,373
Total Non-Current assets		**107,761,242,995**	**119,801,130,226**
Current Assets			
Inventories	22	2,343,922,959	2,608,031,945
Trade and other receivables	23	8,299,164,842	9,160,335,600
Taxation recoverable	25	812,204,929	888,115,224
Short term deposits	24(a)	7,786,148,607	7,086,097,763
Bank and cash balances	24(b)	2,614,218,743	2,462,154,764
Total Current Assets		**21,855,660,079**	**22,204,735,296**
Total Assets		**129,616,903,074**	**142,005,865,522**
SHAREHOLDER'S FUNDS AND LIABILITIES			
Capital and Reserves			
Share capital	26	363,466,007	363,466,007
Share premium		512,288,916	512,288,916
Retained earnings	28	70,377,568,717	74,553,065,574
Revaluation reserve	27	19,383,820,589	23,614,175,327
		90,637,144,228	**99,042,995,824**
Non-Current Liabilities			
Deferred taxation	29	20,088,627,464	19,803,685,014
Syndicated Long Term Loan	31(a)	10,098,826,050	13,864,936,579
		30,187,453,514	**33,668,621,593**
Current Liabilities			
Trade and other payables	30	3,662,885,082	4,592,602,577
Due to related parties	35(c)	80,000,000	80,000,000
Dividend Payable		-	-
Current Portion of Long-Term Loan	31(b)	5,049,420,250	4,621,645,527
		8,792,305,332	**9,294,248,104**
Total Shareholder's Funds and Liabilities		**129,616,903,074**	**142,005,865,522**

The financial statements on pages 72 to 118 were approved and authorized for issue by the Board of Directors on **17 May, 2023** and signed on their behalf by:

Board Chairman
Faith Bett Boinett (Mrs)

Managing Director
Joe K. Sang

Head of Finance
Pius Mwendwa
ICPAK M/NO: 4454

Statement of Changes in Equity

	Note	Share Capital	Share Premium	Retained Earnings	Revaluation Reserve	Total Equity
		Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2020 (restated)		**363,466,007**	**512,288,916**	**77,613,815,980**	**23,870,843,524**	**102,360,414,426**
Prior Year Adjustments		-	-	(470,774,460)	(381,230,060)	(852,004,520)
Deferred tax charge to equity		-	-	(163,072,112)	(5,149,765)	(168,221,877)
Profit for the year		-	-	1,682,734,945	-	1,682,734,945
Dividends Paid	16	-	-	(2,700,000,000)	-	(2,700,000,000)
Exceptional Capital expenditure		-	-	-	(4,450,288,371)	(4,450,288,371)
Revaluation of leasehold land	18				4,580,000,000	4,580,000,000
Adjustment to RB Asset		-	-	(1,409,638,779)	-	(1,409,638,779)
As at 30 June 2021		**363,466,007**	**512,288,916**	**74,553,065,574**	**23,614,175,328**	**99,042,995,824**
Profit for the year				3,824,503,143	-	3,824,503,143
Dividends Paid	16			(8,000,000,000)	-	(8,000,000,000)
Provision for Line 1 Impairment	17(b)				(5,770,462,500)	(5,770,462,500)
Additional costs prior to revaluation	27			-	(191,030,989)	(191,030,989)
Deferred tax charge to equity	29				1,731,138,750	1,731,138,750
As at 30 June 2022		**363,466,007**	**512,288,916**	**70,377,568,717**	**19,383,820,589**	**90,637,144,228**

Statement of Cash Flows

	Note	2022 Kshs	2021 Kshs
CASH FLOWS FROM OPERATIONS			
Cash generated from operations	34(a)	14,355,415,927	14,423,623,649
Interest received	9(a)	823,215,642	349,126,950
Interest expense	9(b)	(836,785,562)	(1,233,864,533)
Tax refund		-	-
Utilizations of tax credit		75,910,297	-
Net cash generated from operating activities		**14,417,756,304**	**13,538,886,066**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	(691,298,979)	(422,140,502)
Exceptional capital expenditure		-	(4,450,288,371)
Proceeds from disposal of property, plant and equipment		23,384,758	-
Purchase of intangible assets	19	(23,455,380)	-
Purchase of investment - KPRL		(3,170,784)	(128,427,340)
Net cash flows used in investing activities		**(694,540,385)**	**(5,000,856,224)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Drawdown		-	-
Dividends paid	16	(8,000,000,000)	(2,700,000,000)
Repayment of borrowings	34(b)	(4,871,101,097)	(4,681,220,323)
Net cash flows from financing activities		**(12,871,101,097)**	**(7,381,220,323)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**852,114,822**	**1,156,809,519**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**9,548,252,527**	**8,391,443,008**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**10,400,367,349**	**9,548,252,527**

Statement of Comparison of Budget and Actual Amounts

	Rationalized budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Var
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Throughput Revenue	27,696,503,527	-	27,696,503,527	26,174,862,657	(1,521,640,870)	-5%
Other income	994,597,360	-	994,597,360	1,497,094,834	502,497,474	51%
Total Income	**28,691,100,887**	**-**	**28,691,100,887**	**27,671,957,491**	**(1,019,143,396)**	**-4%**
Expenses						
Compensation of employees- employee Emoluments	7,567,113,276	(13,489,000)	7,553,624,276	5,896,521,310	1,657,102,966	22%
Other employee costs	1,340,457,046	166,891,521	1,507,348,567	1,188,138,558	319,210,009	21%
Direct Costs excl. depreciation and electricity	3,820,465,574	292,727,702	4,113,193,276	2,629,201,464	1,483,991,812	36%
Administration Costs excl. depreciation and electricity	2,224,367,008	68,052,274	2,292,419,282	1,717,954,994	574,464,288	25%
Depreciation & Amortization	7,271,275,079	-	7,271,275,079	6,927,769,016	343,506,063	5%
Electricity	2,162,260,000	(82,884,450)	2,079,375,550	1,816,130,640	263,244,910	13%
Finance cost	1,214,000,000	(90,169,595)	1,123,830,405	836,785,562	287,044,843	26%
Foreign Exchanges loss (gain)	-			(563,957,638)	563,957,638	-
Aging Penalties	-	-	-	90,972,336	(90,972,336)	-
Provision for bad debts	-	-	-	976,166,747	(976,166,747)	-
Total Expenditure	**25,599,937,983**	**341,128,452**	**25,941,066,435**	**21,515,682,989**	**4,425,383,446**	**17%**
Surplus for the period	**3,091,162,904**		**2,750,034,452**	**6,156,274,502**	**3,406,240,050**	**-**
Capital Expenditure						
Capital investments	**4,994,216,519**	**2,673,025,826**	**7,667,242,345**	**717,925,143**	**6,949,317,202**	**91%**
Total Approved Budget	**30,594,154,502**	**3,014,154,278**	**33,608,308,780**	**22,233,608,132**	**11,374,700,648**	**34%**

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Explanation of the Variances

(i) The budget adjustment of Kshs 3,014,154,278 includes supplementary budget of Kshs 2,673,025,826 for capital expenditure and Kshs 341,128,452 for recurrent expenditure. The amount also includes budgetary reallocations of Kshs 1,052,774,731 duly approved as per the PFM Act and Guidelines.

(ii) Deficit in actual revenue against the budget is attributed the reduction in throughput and storage fee tariffs with effect from 1 July 2021 as this was the last year of the 3-year EPRA Tariff Control Period (TCP).

(iii) Savings on employee cost is due to an approved lower than budgeted salary adjustment.

(iv) Direct costs had a cost saving of 47% occasioned by ongoing major maintenance activities on tanks maintenance and inline pipeline inspection yet to be complete by the end of the financial year.

(v) Savings on administrative costs were on account of austerity measures by management and utilization of internal resources.

(vi) Savings on electricity is because of increased efficiency following operationalization of Line V (Mombasa – Nairobi pipeline).

(vii) The lower expenditure on finance costs is as a result of renegotiated margin from 5.38% to 4.5% and a lower than anticipated 3-month libor rate (Budget at 2.4% Vs Actual 0.32%).

(viii) The variance on capital expenditure is mainly due to operational challenges which led to low capital budget absorption.



Notes to the Financial Statements For the Year Ended June 30, 2022

1 General Information

Kenya Pipeline Company is established by and derives its authority and accountability from the Company Act, Cap 486 of the laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2 Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Pipeline Company.

The financial statements have been prepared in accordance with the PFM Act, the Company Act, Cap 486 of the laws of Kenya, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3 Application of New and Revised International Financial Reporting Standards (IFRS)

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

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures, (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, (issued in December 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, (issued in December 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, (issued in December 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

The above new and revised International financial reporting standards were effective in the current year and the directors of the company do not anticipate that application of these Amendments/Interpretations will have significant impact on the company financial statements.

i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

IFRS 17 Insurance Contracts (Issued 18 May 2017)

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)

The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 — Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 8- Accounting Policies, Errors and Estimates

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

4 Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the entity's activities as described below.

i) Revenue from transportation and storage of petroleum products; is recognised in the year in which the company delivers services to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.

ii) Finance income comprises interest receivable from bank deposits and investment in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iii) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

iv) Rental income is recognised in the income statement as it accrues using the effective lease agreements.

v) Other income is recognised as it accrues.

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

The annual rates in use are;	
Freehold land	Nil
Buildings - residential	2% or period of lease whichever is less
Buildings - industrial	2% or period of lease whichever is less
Show ground pavilion,wooden and fences	20%
Pipeline and tanks	2.5%
Pumps, transformers and switchgear	5%
Furniture, fittings and equipment	10%
Roads	20%
Helicopters	10%
Motor vehicles	25%
Computers	33%

A prorated depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. The Remaining Useful Life (RUL) applied for revalued property, plant and equipment assets values are as below:

Freehold land	No useful life
Buildings - residential	2% or period of lease whichever is less
Buildings - industrial	2% or period of lease whichever is less
Show ground pavilion, wooden and fences	20%
Pipeline and tanks	Remaining useful life as per valuation
Pumps, transformers and switchgear	Remaining useful life as per valuation
Furniture, fittings and equipment	50% of the maximum life as per the policy.
Roads	10%
Helicopters	10%
Motor vehicles	25%
Computers	33%

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

e) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

g) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

h) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

i) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

j) Unquoted investments

Unquoted investments stated at cost under non-current assets and comprise equity shares held in other Government owned or controlled entities.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

l) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. The Company has a credit period of 45 days after which they are considered as credit impaired. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end as follows:

- Full provision for specific receivables where all efforts for recovery of the debt have been exhausted
- Full provision for debts that are over and above the line-fill value calculated at landed cost.
- Full provision for specific staff receivables where efforts for recovery have been exhausted.
- For sundry receivables a 10% of outstanding amounts for more than 180 days.
- Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

n) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of

the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing.

Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

r) Retirement benefit obligations

The company operated a defined benefit contribution pension scheme for eligible employees until 30 June 2006. With effect from 1 July 2006, the scheme was closed to new members and a defined contribution pension scheme was established.

The assets of these schemes are held in separate trustee administered funds. The defined contribution scheme is funded by contributions from both the employees and employer.

For the defined contribution pension scheme, the cost of providing benefits is limited to the company contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or

loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and re-measurement.

The company presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The company also makes contributions to National Social Security Fund, a statutory defined contribution pension scheme. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs. 200 per month per employee.

s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

u) Budget information

The rationalized budget for FY 2021/22 was approved by the National Treasury on 21st July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

Kenya Pipeline Company budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 59 of these financial statements.

v) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5 Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Sources of Estimation Uncertainty

Actuarial valuation of defined benefits plan

The net asset under the defined benefit scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of assets

At each reporting date, the company reviews the carrying amount of its financial, tangible and intangible assets to determine whether there is any indication that the assets have suffered impairment. If any such indication exists, the assets recoverable amount is estimated, and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Impairment losses on trade and other receivables

The company reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables before a decrease can be identified.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Provisions

Provisions are recognized when the aompany has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6. Revenue

	2022 Kshs	2021 Kshs
Local service fees	10,321,262,338	10,499,471,994
Export service fees	12,452,848,364	12,546,661,521
Kipevu oil storage facility fees	3,185,445,650	4,466,053,467
Penalties on overstayed product	104,416,342	308,331,090
Penalties from ASE	1,170,106	729,544
Penalty Income from overstay trucks	-	34,000
KPRL Lease Income	12,491,324	12,589,326
Liquefied Petroleum Gas Sales	44,098,853	65,112,955
Crude Oil Revenue (EOPS)	91,661,393	88,283,045
	26,213,394,371	**27,987,266,943**

7. Direct Costs

	2022 Kshs	2021 Kshs
Pipeline maintenance staff costs (Note 12)	3,556,532,740	2,911,487,391
Depreciation	5,575,656,582	5,334,024,279
Pipeline maintenance costs	2,530,110,019	2,535,685,057
Electricity and fuel	1,822,940,919	1,728,354,144
Insurance	206,076,813	205,334,731
Other maintenance costs	99,091,445	57,028,598
Amortization expense	905,178	791,061,995
	13,791,313,695	**13,562,976,195**

8. Other Income

	2022 Kshs	2021 Kshs
Rent income	108,797,126	86,486,411
Hydrant Income	83,755,520	79,767,162
Income from Collateral Financing	89,437,840	51,589,227
Non-Refundable Tender Deposits	3,883,194	16,774
MTCC /MIOG collections	148,281,188	83,158,603
Laboratory Income	1,332,460	-
FOC Lease Income	161,568,230	156,584,792
Income from communication equipment	177,294	168,852
Miscellaneous income	17,571,593	12,895,601
Write-back of provision (Directors' fees)	20,543,032	-
	635,347,479	**470,667,422**

9.a) Interest Income

	2022 Kshs	2021 Kshs
Interest from commercial banks	775,130,094	301,796,304
Interest on staff loans	48,085,548	47,330,646
	823,215,642	349,126,950

b) Finance Costs

Loan interest	836,785,562	1,233,864,533
	836,785,562	1,233,864,533

10. Other Gains & Losses

	2022 Kshs	2021 Kshs
Gain on disposal of PPE	12,877,713	-
Foreign Exchange (Loss)/Gain	551,079,925	(653,926,545)
	563,957,638	(653,926,545)

11.a) Administration Expenses

	2022 Kshs	2021 Kshs
Administrative staff costs (note 12)	3,322,835,468	2,962,940,054
Depreciation and Lease Amortization	1,351,207,257	830,302,750
Other office and general expenses	994,908,874	981,693,422
Travelling, mileage and entertainment (note 12)	56,830,542	21,539,694
Advertising and printing expenses	60,655,087	32,203,470
Corporate Social investment	120,002,748	31,324,227
Staff Training (note 12)	147,501,118	58,318,726
Rent and rates	32,826,145	29,041,009
Consultancy fees	80,839,656	48,446,386
Telephone and postage	42,550,809	35,881,146
Legal and professional expenses	52,247,219	368,054,855
Court Awards	537,928	307,718,926
Motor vehicle expenses	60,180,979	54,639,992
Buildings repairs and maintenance	12,698,384	5,342,526
Bank charges	13,545,973	8,285,094
Penalties & Interest	-	38,734,640
Auditors' remuneration	12,028,821	9,799,088
Directors Expenses:		
Directors' fees/honoraria	6,372,000	12,960,000
Board Retreats and general expenses	1,284,959	3,856,388
Sitting /duty allowance	6,100,000	10,487,400
Training expenses	3,667,172	423,911
Travel expenses and Subsistence allowance	5,581,150	5,206,776
	6,384,402,287	**5,857,200,481**

	2022 Kshs	2021 Kshs
11. b) Provision for Bad Debts	**976,166,747**	**59,089,148**
11. c) Waiver of Aging Penalties	**90,972,336**	**529,641,166**

12. Staff Costs

	2022 Kshs	2021 Kshs
Salaries and wages, (inclusive of travel, mileage, staff training and entertainment)	6,046,247,252	5,146,082,706
Group life and medical cover	419,518,372	435,315,800
Pension-company contribution	507,626,244	286,131,995
NSSF-company contribution	3,692,747	3,459,938
Gratuity Provision	50,297,846	30,634,860
Fringe Benefits Tax	20,337,274	18,202,875
Staff welfare	36,940,132	35,417,692
	7,084,659,867	**5,955,245,866**
Split as follows:		
Direct staff costs (note 7)	3,556,532,740	2,911,487,391
Administrative staff cost (note 11)	3,528,127,128	3,043,758,475
	7,084,659,868	**5,955,245,866**

Administrative staff costs are Salaries and Wages, inclusive of Group Life and Medical Cover, Pension-Company Contribution, Staff Welfare, Recruitment Costs, Subsistence Allowance, NSSF- Company Contribution and Uniforms. The comparative year figures have been reclassified to conform to the new reporting template. The overall amounts have not changed.

The average number of employees at the end of the year was:

	2022 Kshs	2021 Kshs
Permanent Management	674	673
Permanent Unionisable	724	717
Contract Managers	47	48
All other contract staff i.e. MTCC, GYM, Volleyballers	112	58
Temporary staff (Relief Drivers)	14	44
TOTAL	**1,571**	**1,540**
Provision for Leave Pay		
Balance at beginning of the year	161,553,678	244,847,872
Additional provision at end of year	69,700,473	39,954,097
Leave paid out or utilized during the year	(86,600,232)	(123,248,292)
Balance at the end of the year	**144,653,919**	**161,553,678**

13. Profit Before Tax

	2022 Kshs	2021 Kshs
The profit before tax is arrived at after charging/(crediting):		
Staff costs (note12)	7,084,659,867	5,955,245,866
Depreciation of property, plant and equipment (note 17)	6,046,788,340	6,041,294,423
Amortization of assets (note18 & 19)	880,980,676	914,094,602
Provision for bad and doubtful debts (note 11(b)	976,166,747	59,089,148
Waiver of aging penalties (note 11(c)	90,972,336	529,641,166
Directors' expenses (note 11(a)	23,005,280	31,974,475
Auditors' remuneration (note 11(a)	12,028,821	9,799,088
Gain on disposal of property, plant and equipment (note 10)	(12,877,713)	-
Net foreign exchange Loss (note 10)	551,079,925	(653,926,545)
Interest receivable (note 9(a)	(775,130,094)	(301,796,304)
Interest payable (note 9(b)	836,785,562	1,233,864,533
Rent income (note 8)	(108,797,126)	(86,486,411)

14. Taxation

	2022 Kshs	2021 Kshs
a) Tax charge		
Current taxation	315,690,160	162,900,926
Deferred tax (Note 29)	2,016,081,200	5,064,727,377
Total taxation charge	**2,331,771,360**	**5,227,628,303**
b) Reconciliation of expected tax based on profit before taxation to taxation charge		
Profit before taxation	6,156,274,502	6,910,363,247
Tax at the applicable rate of 30%	1,846,882,351	1,900,349,893
Expenses not deductible for tax purposes	486,680,264	488,661,435
Income not subject to tax	(1,791,255)	(254,473,757)
Effect of change in tax rate	-	3,093,090,732
Total taxation charge	**2,331,771,360**	**5,227,628,303**

15. Earnings Per Share

Earnings per share is calculated based on the profit attributable to shareholders divided by the number of ordinary shares in issue.

Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive instruments outstanding at the balance sheet date.

Earnings Per Share-Basic and Diluted		
Net Profit After Taxation	3,824,503,143	1,682,734,945
Number of ordinary shares in issue	18,173,300	18,173,300
Earnings Per Share	210	93

16. Dividends Per Share

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. A special dividend of Kshs 8.0 billion was declared and approved for payment by shareholders from the revenue reserves for the financial year ended 30 June 2021.

Particulars	2021-2022 Kshs	2020-2021 Kshs
At the beginning of the year	8,000,000,000	2,700,000,000
Additional declared during the year	-	-
Paid during the year	8,000,000,000	2,700,000,000
Balance at end of the year	-	-

Dividends payable to ordinary shareholders (The National Treasury) amounts to Ksh.8 billion



Kisumu Oil Jetty

17. Property, Plant And Equipment

a) Fixed Assset Movement Schedule

	Freehold Property	Buildings & Roads	Pipeline Pumps & Tanks	Equipment Furniture& Fittings	Helicopters	Motor Vehicles & Tractors	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST								
1st July 2021	**1,911,111,785**	**7,755,710,413**	**79,603,387,754**	**20,347,560,415**	**183,275,000**	**1,126,259,961**	**216,920,335**	**111,144,225,663**
Additions (Acquisitions)	-	-	10,548,512	118,908,691	-	105,096,316	456,745,461	691,298,979
Transfers from WIP	-	5,998,194	50,892,909	172,236,809	-	-	(229,127,911)	-
Disposals	-	-	-	(638,121)	-	(21,013,650)	-	(21,651,771)
Impairment of Line I & Stalled projects	-	-	(5,770,462,500)	-	-	-	(71,011,105)	(5,841,473,605)
At 30 June 2022	**1,911,111,785**	**7,761,708,607**	**73,894,366,674**	**20,638,067,793**	**183,275,000**	**1,210,342,627**	**373,526,780**	**105,972,399,266**
DEPRECIATION								
1st July 2021	-	994,307,483	7,455,470,335	4,933,968,242	36,655,000	537,684,084	-	13,958,085,144
Charge for the year	-	383,301,315	3,577,620,176	1,788,726,350	18,327,500	278,812,999		6,046,788,340
Eliminated on Disposal	-	-	-	(637,901)	-	(10,506,825)	-	(11,144,726)
At 30 June 2022	-	1,377,608,798	11,033,090,511	6,722,056,691	54,982,500	805,990,258	-	19,993,728,758
NET BOOK VALUE:								
At 30 June 2022	**1,911,111,785**	**6,384,099,809**	**62,861,276,163**	**13,916,011,102**	**128,292,500**	**404,352,369**	**373,526,780**	**85,978,670,508**
COST								
1st July 2020	1,911,111,785	7,748,439,994	79,262,522,938	20,052,218,881	183,275,000	1,054,992,502	690,480,404	110,903,041,505
Additions(Acquisitions)		-	-	16,024,044	-	-	406,116,457	422,140,502
Transfers from WIP	-	7,270,420	340,864,815	279,317,490	-	71,267,459	(698,720,183)	-
WIP Movement	-	-	-	-	-	-	(180,956,343)	
Adjustment (stalled projects provision reversed)	-	-	-	-	-	-	243,790,636	243,790,636
Stalled projects written off	-	-	-	-	-	-	(243,790,636)	(243,790,636)
At 30 June 2021	**1,911,111,785**	**7,755,710,413**	**79,603,387,754**	**20,347,560,415**	**183,275,000**	**1,126,259,961**	**216,920,335**	**111,144,225,663**
DEPRECIATION								-
1st July 2020	-	611,234,362	3,887,448,950	3,122,387,247	18,327,500	277,392,716	-	7,916,790,775
Charge for the year	-	383,073,121	3,568,021,385	1,811,580,995	18,327,500	260,291,368	-	6,041,294,369
At 30 June 2021	**-**	**994,307,483**	**7,455,470,335**	**4,933,968,242**	**36,655,000**	**537,684,084**	**-**	**13,958,085,144**
NET BOOK VALUE:								
At 30 June 2021	**1,911,111,785**	**6,761,402,930**	**72,147,917,419**	**15,413,592,173**	**146,620,000**	**588,575,877**	**216,920,335**	**97,186,140,519**

• Capital work in progress

Capital work in progress (WIP) relates mainly to the costs of ongoing works on pipeline installations/modifications and other civil works.

b) Provision for Impairment of Asset (Line 1)

The first pipeline from Mombasa to Nairobi (Line 1) is no longer in use and plans are underway to decommission the line. A provision for the impairment has been made for the pipeline and related equipment as at 30 June 2022, awaiting a comprehensive report from a consultant. This provision amounts to the NBV of the pipeline and related equipment of **Kshs 5,770,462,500.**

Details of the company's property, plant and equipment and information about fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair value as 30 June
30 June 2022	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Buildings and roads	-	-	6,384,099,809	6,384,099,809
Pipeline, pumps & tanks	-	-	62,861,276,163	62,861,276,163
Equipment, furniture and fittings	-	-	13,916,011,102	13,916,011,102
Helicopters	-	-	128,292,500	128,292,500
Motor vehicles & tractors	-	-	404,908,544	404,908,544
	-	**-**	**83,694,031,943**	**83,694,031,943**
30 June 2021				
Buildings and roads	-	-	6,761,402,941	6,761,402,941
Pipeline, pumps & tanks	-	-	72,147,917,419	72,147,917,419
Equipment, furniture and fittings	-	-	15,413,592,174	15,413,592,174
Helicopters	-	-	146,620,000	146,620,000
Motor vehicles & tractors	-	-	588,575,877	588,575,877
	-	**-**	**95,058,108,410**	**95,058,108,410**

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

ASSET DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NBV
	Kshs	**Kshs**	**Kshs**
Freehold Land	4,001,897,138	-	4,001,897,138
Buildings and Roads	9,774,289,383	4,050,235,790	5,723,969,760
Plant and Machinery	66,354,637,192	9,856,617,975	56,498,019,217
Helicopters	388,831,318	388,831,298	20
Motor Vehicles	404,572,746	241,875,816	162,296,929
Computers & Related Equipment	1,244,303,532	1,244,303,512	20
Office Equipment, Furniture & Fittings	26,340,841,652	5,959,684,166	20,381,157,487
Total	**108,509,372,961**	**21,741,548,577**	**86,767,340,571**

Property plant and Equipment includes the following assets that are fully depreciated

	Cost	Normal Depreciation
Buildings & Roads	209,271,365	4,185,427
Pipeline, Pumps & Tanks	24,690,049	987,602
Equipment, Furniture & Fittings	2,674,239,651	267,423,965
Motor Vehicles & Tractors	19,765,982	4,941,496
Intangible assets	343,566,282	114,522,094

Depreciation charge has been spilt between administrative and direct costs as follows:

	2022 Kshs	2021 Kshs
Total depreciation as per property, plant & equipment (note 17)	6,046,788,340	6,041,294,423
Direct costs (note 7)	5,575,656,582	5,334,024,279
Administrative costs	471,131,758	707,270,144
	6,046,788,340	**6,041,294,423**

18. Leasehold Land

	2022 Kshs	2021 Kshs
COST\VALUATION		
1 July	**20,805,564,711**	**16,225,564,711**
Revalued cost	-	4,580,000,000
As at 30 June	**20,805,564,711**	**20,805,564,711**
AMORTIZATION		
1 July	(1,374,208,607)	(523,398,155)
Charge for the year	(850,808,721)	(850,810,458)
30 June	**(2,225,017,328)**	**(1,374,208,613)**
NET BOOK VALUE	**18,580,547,383**	**19,431,356,105**

Payments to acquire leasehold interests in land are treated as prepaid lease rentals and amortized over the term of the lease. Leasehold land is held at valuation and categorized under level 3 of the fair value hierarchy.

Included under leasehold land is land valued at Kshs 5,306,734,993 relating to the JKIA Embakasi Depot whose title is held under the Kenya Airports Authority (KAA). KPC is pursuing a separate title.

19. Intangible Assets

	2022 Kshs	2021 Kshs
COST		
1 July	1,896,584,118	1,896,584,118
Additions	23,455,380	-
30 June	**1,920,039,498**	**1,896,584,118**
AMORTIZATION		
1 July	1,866,275,248	1,802,991,104
Charge for the year	30,171,955	63,284,143
30 June	**1,896,447,203**	**1,866,275,248**
NET BOOK VALUE	**23,592,295**	**30,308,870**

Intangible assets comprise cost of purchased computer software. Computer software costs are amortized over 3 years.

20. Investments – at cost

	2022 Kshs	2021 Kshs
Unquoted investments		
Consolidated Bank of Kenya Limited	67,030,000	67,030,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,304,359	**36,304,359**
Petroleum Institute of East Africa	2,000	2,000
	36,306,359	**36,306,359**
Details of the investment in Consolidated Bank of Kenya Limited are shown below:		
746,500 Ordinary Shares of Kshs.20 each	14,930,000	14,930,000
2,605,000 preference shares of Kshs.20 each	52,100,000	52,100,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,304,359	**36,304,359**

The investment in the Petroleum Institute of East Africa comprises one class "A" Redeemable Preference share of Kshs. 2,000. The investments are stated at cost as fair value cannot be reliably determined.

21. Retirement Benefits

a) National Social Security Fund

This is a statutory defined contribution pension scheme in which both the employer and employee contribute equal amounts. The amount contributed during the year has been charged to the profit or loss for the year.

b) Defined Benefit Scheme (Closed)

The company did not make any contributions to the scheme in the year (2020 - nil). An actuarial valuation of the scheme's assets and the present value of the defined benefits obligation as at 30 June 2021 was carried out in August 2021 by the scheme's actuaries, Octagon Africa Actuaries for the purpose of preparing IAS 19 Disclosures. The valuation included prior year disclosures hence FY 2020 comparative figures are provided in this note.

Amendments to the Retirement Benefit Regulations were announced by the Cabinet Secretary, National Treasury, in the Finance Act 2015. This related to a clarification on the distribution of surplus on wind up of a defined benefit scheme. The regulations provide for an equal sharing of surplus between members and the scheme sponsor upon wind up of a scheme. As a result of these change, an asset ceiling has been applied to limit the defined benefit asset to 50% of the surplus, which is the maximum available to the sponsor in the event the scheme is wound up. The principal assumptions used for the purpose of the actuarial valuation in 2021 were as follows:

Particulars	2022	2021
Discount rate(s)	13.3%	13.9%
Future salary increases	5.0%	5.0%
Future pension increases	0.0%	0.0%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	a (55) m/f	a (55) m/f
	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill health	50% at 55 and 100%	50% at 55 and 100%
Retirement age	at 60 years	60 years

The amount recognized in the statement of profit or loss and other comprehensive income in respect of these defined benefit plan are as follows:

Particulars	2022 Kshs	2021 Kshs
Total service cost	48,016,365	48,016,365
Interest costs:		
Interest cost on defined benefit obligation	780,214,291	780,214,291
Interest income on plan assets	(1,082,830,300)	(1,082,830,300)
Interest on the effect of the asset ceiling	130,588,098	130,588,098
Net interest income	(172,027,911)	(172,027,911)
Components of defined benefits plan recognized in profit or loss	(124,011,546)	(124,011,546)
Actuarial gain obligation	(143,664,297)	(143,664,297)
Return on plan assets (excluding amount in interest cost)	353,985,106	353,985,106
Change in effect of asset ceiling (excluding amount in interest cost)	1,199,317,970	1,199,317,970
Components of defined benefits plan recognized in other comprehensive income	**1,409,638,779**	**1,409,638,779**

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

Particulars	Kshs	Kshs
Present value of funded defined benefit obligation	5,978,782,568	5,978,782,568
Fair value of plan assets	(8,133,986,099)	(8,133,986,099)
Effect of asset ceiling	2,155,203,531	2,155,203,531
Present value of defined benefit asset	-	-

The reconciliation of the amount included in the statement of financial position is as follows:

Particulars	Kshs	Kshs
Net asset at the start of the year	(1,285,627,233)	(1,285,627,233)
Net income recognized in the income statement	(124,011,546)	(124,011,546)
Employer contributions		
Amount recognized in other comprehensive income	(1,409,638,779)	(1,409,638,779)
Present value of overfunded defined benefit asset	-	-

Movements in the present value of the defined benefit obligation in the current year were as follows:

Particulars	Kshs	Kshs
Opening defined benefit obligation	5,835,855,968	5,835,855,968
Current service cost	48,016,365	48,016,365
Interest cost	780,214,219	780,214,219
Contributions from plan participants	-	-
Actuarial gain due to change in assumptions	110,276,497	110,276,497
Actuarial gain due to experience	(253,940,794)	(253,940,794)
Benefits paid	(541,639,758)	(541,639,758)
Closing defined benefit obligation	5,978,782,568	5,978,782,568

Particulars	2022 Kshs	2021 Kshs
Opening fair value of plan assets	(8,060,965,923)	(8,060,965,923)
Interest income on plan assets	(1,018,795,042)	(1,018,795,042)
Contributions from the employer	-	-
Employee contributions	-	-
Benefits paid	541,639,758	541,639,758
Return on plan assets	468,170,366	468,170,366
Closing fair value of plan assets	(8,133,986,099)	(8,133,986,099)

The fair value of the plan assets at the end of the reporting period for each category are as follows:

Particulars	Kshs	Kshs
Equity instruments	1,722,464,722	1,722,464,722
Debt instruments	3,945,065,494	3,945,065,494
Property	2,236,592,730	2,236,592,730
Call and fixed deposit	194,442,101	194,442,101
Total Scheme (Assets)	**8,133,986,099**	**8,133,986,099**

c) Defined Contribution Scheme:

Contributions to the Kenya Pipeline Company Staff Retirement Benefits Scheme are at 7.5% and 15% from employee and employer respectively from July 2019. The company's liability is limited to any unpaid contributions.

22. Inventories

Particulars	2022 Kshs	2021 Kshs
Spare parts and consumables	2,428,756,401	2,695,875,520
Provision for obsolete stocks	(82,357,419)	(79,731,844)
Provision for Stock (HPV)	(2,476,023)	(8,111,731)
	2,343,922,959	**2,608,031,945**

23. Trade and Other Receivables

Particulars	2022 Kshs	2021 Kshs
Trade receivables	10,065,175,278	9,762,372,383
Staff loans and advances	1,770,135,850	1,737,480,261
VAT recoverable	1,744,055,338	2,029,844,280
With-holding tax receivable	89,369,052	55,118,506
Prepaid construction costs	106,656,301	106,656,301
Prepaid expenses	1,088,946,759	949,551,042
Refundable deposits	9,477,446	9,477,446
Other debtors	3,104,510,456	2,839,146,709
	17,978,326,480	17,489,646,929
Provision for bad and doubtful debts	(6,537,035,188)	(5,212,292,957)
	11,441,291,292	**12,277,353,973**

23. Trade and Other Receivables

Particulars	2022 Kshs	2021 Kshs
Recoverable as follows:		
Current Assets:		
Within one year	**8,299,164,842**	**9,160,335,600**
Non-current Assets:		
After one year -staff loans-	1,438,100,435	1,416,163,142
Long-term Receivables	1,704,026,015	1,700,855,231
	11,441,291,292	**12,277,353,973**

The amounts recoverable after one year relate to staff loans and advances and a long-term receivable in respect of KPRL capital expenditure.

Ageing analysis of the Trade receivables was as follows:

Particulars	Kshs	Kshs
Less than 30 days	2,365,428,549	3.043,084,410
Between 30 and 60 days	1,284,157,695	21,570,515
Between 61 and 90 days	119,129,164	162,194,546
Between 91 and 120 days	298,743,388	119,562,378
Over 120 days	5,997,716,481	6,415,960,533
	10,065,175,278	**9,762,372,383**

b) Provision for Bad & Doubtful Debts

Description	Specific Provisions Kshs	General Provisions Kshs	Other Provisions Kshs	Total Kshs
Balance at the beginning of the year	5,203,594,814	7,011,917	1,686,226	5,212,292,957
Additional Provisions	941,341,586	28,444,728	22,076,686	991,863,001
Change due to Forex Valuation	332,879,231	-	-	332,879,231
Balance at the end of the year	**6,477,815,631**	**35,456,645**	**23,762,911**	**6,537,035,188**

24. Cash and short-term deposits

a) Short Term Deposits	2022 Kshs	2021 Kshs
Fixed deposits	7,786,148,607	7,086,097,763

The fixed deposits have a tenor of 3 months and the effective interest rate in the year was 9.25% p.a. (2021 – 9.25%).

Fixed Deposit as at June 30, 2022

Bank name	Amount	Interest rate
NCBA	4,369,806,528	9.00%
Equity Bank	2,136,262,035	9.50%
Cooperative Bank	1,280,079,161	9.25%
	7,786,148,607	**9.25%**

b) Bank and cash balances

Particulars	Account No.	2022 Kshs	2021 Kshs
1. ABSA Bank Kenya Plc	0948011697	216,519	-
2. NCBA Bank Kenya (Kshs)	6634970017	416,421,317	444,876,313
3. NCBA Bank Kenya (USD)	6634970025	1,016,112,413	671,169,492
4. Standard Bank (Kshs)	104023872500	143,417,057	88,318,857
5. Standard Bank (USD)	8704023872500	539,206,130	517,293,668
6. Stanbic Bank (Kshs)	100000534425	177,823,855	26,219,796
7. Stanbic Bank (USD)	100000681347	79,934,514	193,167,088
8. Citibank (Kshs)	104052002	71,225,159	135,758,879
9. Citibank (USD)	104052029	36,886,316	306,315,360
10. Coop-Bank	1136028439200	46,642,403	11,256,191
11. Coop-Bank (USD)	2120028439200	20,290,531	18,585,276
12. Equity Bank (Kshs)	560291247368	28,952,278	26,630,779
13. Equity Bank (USD)	560261355277	2,310,305	19,924,246
14. Kenya Commercial Bank	1108981061	32,001,476	742,765
15. Petty Cash	-	2,778,473	1,896,056
		2,614,218,743	**2,462,154,764**

25. Taxation (recoverable)/payable

Particulars	2022 Kshs	2021 Kshs
Balance brought forward	(888,115,224)	(876,808,106)
Charge for the year (note 14(a))	315,690,160	162,900,926
Installment tax payments in the year	(103,336,300)	-
Balance of FY 2021 tax paid	-	(148,998,642)
Withholding tax paid on rent income	(26,813,675)	27,230,663
Advance tax paid	(734,610)	(252,570)
Tax over-provision 2021	-	-
Withholding tax paid on interest income	(108,895,278)	(52,187,495)
	(812,204,927)	**(888,115,224)**

26. Share Capital

Particulars	2022 Kshs	2021 Kshs
Authorized:		
19,369,580 Ordinary Shares of Kshs.20 each	**387,391,600**	**387,391,600**
Issued and fully paid:		
18,173,300 Ordinary Shares of Kshs.20 each	**363,466,007**	**363,466 ,007**

27. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

In June 2019, the company contracted an independent valuer M/S SEC & M Co. Limited to carry out valuation of its Land and Property, Plant and Equipment. These revalued amounts were adopted on June 30, 2021.

28. Retained Earnings

The retained earnings represent amount available for distribution to the Company's shareholders. Undistributed retained earnings are retained to finance the company's business activities.

29. Deferred Tax Liability

Deferred taxes are calculated on all temporary differences under the liability method using the applicable rate, currently at 30%. The make-up of the deferred tax liabilities in the year and the movement on the deferred tax account during the year are presented below:

Particulars	2022 Kshs	2021 Kshs
Deferred tax liability		
Accelerated capital allowances	18,047,898,336	21,538,318,269
Deferred tax on revaluation surplus	3,936,314,120	3,258,525,170
Deferred tax charge to Equity	-	5,149,765
Unrealized exchange gains	266,729,552	(28,390,487)
	22,250,942,008	**24,773,602,718**
Deferred tax assets		
Provisions	(1,678,727,110)	(1,391,600,053)
Deferred tax on Un-realized exchange loss	-	(176,668,656)
Deferred tax on tax losses	(483,587,435)	(3,401,648,994)
	(2,162,314,544)	**(4,969,917,703)**
Net deferred tax liability	**20,088,627,464**	**19,803,685,015**
The movement in Deferred Tax was as follows:		
At 1 July (as previously reported)	19,803,685,015	14,570,735,762
Deferred tax charge to Profit or Loss (Note 14)	2,061,081,200	5,064,727,376
Deferred tax charge to equity	(1,731,138,750)	168,221,877
At the end of the year	**20,088,627,464**	**19,803,685,015**

30. Trade And Other Payables

Particulars	2022 Kshs	2021 Kshs
Trade payables	984,873,689	1,647,313,632
Other payables	2,513,659,899	2,764,251,869
Catering, training & tourism development levy	-	68,039
Leave pay provision	144,653,919	161,553,678
Withholding tax payable	19,697,574	19,415,359
	3,662,885,082	**4,592,602,577**

31. Long Term Loan

Particulars	2022 Kshs	2021 Kshs
(a) Syndicated Loan (Long Term Portion)	10,098,826,050	13,864,936,579
(b) Syndicated Loan (Current Portion)	**5,049,420,250**	**4,621,645,527**

Particulars	2022 Kshs	2021 Kshs
Balance at beginning of year	18,486,582,106	22,267,876,074
Borrowings during the year	-	-
Loan adjustment	1,532,765,290	899,926,355
Repayments during the year	(4,871,101,097)	(4,681,220,323)
Balance at the end of the year	**15,148,246,301**	**18,486,582,106**

The long-term loan represents loan drawdowns on a United States Dollar 350 million Facility Agreement signed on 15th July 2015 between KPC and a consortium of the following six banks:

Bank	Underwritten Amount USD	Drawn-down USD
1 NCBA	58,333,333	57,950,846
2 Citibank N.A.	58,333,333	57,950,846
3 Stanbic Bank	58,333,333	57,950,846
4 Standard Chartered Bank	58,333,333	57,950,846
5 Rand Merchant Bank	58,333,333	57,950,846
6 Co-operative Bank of Kenya	58,333,333	57,950,846
TOTAL	**350,000,000**	**347,705,076**

The loan was for financing the construction of a 20-inch pipeline and related facilities between Mombasa and Nairobi.

The loan facility had an availability period of 2 years and is repayable in 33 quarterly instalments from June 2017 and is secured with receivables from the top 14 Oil Marketing Companies. Interest on the loan is at USD 3-month LIBOR plus a margin of 4.5% p.a.

32. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The are no balances in this financial year.

33. Provisions

a) Provisions on Employee Benefits

Description	Long service leave	Bonus Provision	Gratuity provisions	Staff debtors provisions	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	161,553,678	411,545,757	46,330,987	1,686,226	707,273,998
Additional Provisions	69,700,473	168,229,216	50,297,846	22,076,686	303,090,456
Provision utilized	(86,600,232)	-	(1,830,358)	-	(88,430,590)
Balance at the end of the year	**144,653,919**	**579,774,973**	**94,798,475**	**23,762,911**	**921,933,864**

34. Notes to the Statement of Cash Flows

a) Provisions on Employee Benefits

Particulars	2022 Kshs	2021 Kshs
a) Reconciliation of operating profit to cash generated from operations		
Profit before tax	6,156,274,502	6,910,363,247
Adjustments for:		
Depreciation (note 17)	6,046,788,340	6,041,294,422
Provision for stalled projects	-	-
Amortization of leasehold land (note 18)	850,810,457	850,810,459
Amortization of intangible assets (note 19)	30,171,955	63,284,143
Movement in RB asset (note 21(b))	-	(124,011,546)
Provision for bad debt	1,067,139,083	
Provision for stalled projects	71,011,105	-
Adjustment of Accruals and debit balances	(506,722,886)	(701,973,002)
Provision for stock obsolescence	2,625,575	-
Loss/(gain) on disposal of property, plant and equipment (note 10)	(12,877,713)	-
Interest income (note 8(a))	(823,215,642)	(349,126,950)
Interest expense (note 8(b))	836,785,562	1,233,864,533
Operating profit before working capital changes	**13,718,790,340**	**13,924,505,306**
Increase in inventories	261,483,411	(425,797,922)
Increase in trade and other receivables	(227,905,619)	(230,265,432)
(Decrease)/increase in trade and other payables	(912,817,736)	176,829,515
Increase/(decrease) in provision for staff leave pay	(16,899,759)	(83,294,195)
Increase/(decrease) in Loan adjustment	1,532,765,290	899,926,355
Movement in fixed assets provisions	-	161,720,002
Cash generated from operations	**14,355,415,927**	**14,423,623,649**

Particulars	2022 Kshs	2021 Kshs
b) Analysis of changes in loans		
Balance at the beginning of the	18,486,582,107	22,267,876,074
Repayments during the year	(4,871,101,097	(4,681,220,323)
Foreign exchange gains/losses	1,532,765,290	899,926,355
Balance at end of the year	**15,148,246,301**	**18,486,582,107**
c) Analysis of cash and cash equivalents		
Short term deposits (note 24(a)	7,786,148,607	7,086,097,763
Bank and cash balances	2,614,218,743	2,462,154,764
	10,400,367,349	**9,548,252,528**
d) Analysis of interest paid:		
Interest on loans	836,785,562	1,233,864,533
Interest on bank overdrafts	-	-
Balance at the beginning of the year	-	-
Balance at the end of the year	836,785,562	1,233,864,533
Interest paid	**836,785,562**	**1,233,864,533**
e) Analysis of dividend paid	**-**	**-**
Balance at beginning of the year	-	-
2020 dividends paid	-	-
2021 interim dividends paid	8,000,000,000	2,700,000,000
Balance at end of the year	-	-
Dividend paid	**8,000,000,000**	**2,700,000,000**

35. Related Parties

The Government of Kenya is the principal shareholder of the Kenya Pipeline Company Limited, holding 100% of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

a) Ministry of Energy
b) Ministry of Petroleum & Mining
c) National Oil Corporation of Kenya
d) Kenya Power & Lighting Company
e) Key management
f) Board of directors

Transactions with related parties include:

Particulars	2022 Kshs	2021 Kshs
(a) Sales to related party		
Services provided to National Oil Corporation (K)	**222,294,877**	**320,889,817**
(b) Expenses incurred on behalf of related parties		
Services received frotm Kenya Power & Lighting Co Limited	1,816,130,640	1,724,622,239
Services received from Ministry of Energy	384,000,000	384,000,000
	2,200,130,640	**2,108,622,239**

Particulars	2022 Kshs	2021 Kshs
(c) Due to related party		
Deferred Income from Ministry of Petroleum & Mining – LPG Project	**80,000,000**	**80,000,000**
(d) Key management compensation		
CEO salaries and benefits	13,229,901	12,900,600
Key Management salaries and benefits	278,444,024	263,829,980
	291,673,925	**276,730,580**
Directors Expenses: (note 11(a)		
- Fees & incentives	6,372,000	12,000,000
- Board Retreats and general expenses	1,284,959	3,856,388
- Sitting /duty allowance	6,100,000	10,487,400
- Training expenses	3,667,172	423,911
- Travel expenses and Subsistence allowance	5,581,150	5,206,776
	23,005,280	**31,974,475**

Particulars	2022 Kshs	2021 Kshs
The company as a lessor:		
Within one year	108,797,126	86,486,411
In the second to fifth year inclusive	435,188,505	345,945,643
	543,985,632	**432,432,053**

The lease rental income earned during the year in respect of company's property amounted to Kshs 109 million (2020 – Kshs 87 million).

Particulars	2022 Kshs	2021 Kshs
The company as a lessee:		
Within one year	1,313,335,075	1,175,547,097
In the second to fifth year inclusive	5,253,340,296	4,702,188,390
	6,566,675,370	**5,877,735,487**

The total rental expense incurred during the year amounted to Kshs 1.3 billion (2021 - Kshs. 1.2 billion).

37. Contingent Liabilities

Particulars	2022 Kshs	2021 Kshs
Pending lawsuits	21,213,920,267	3,995,332,537
Guarantees and letters of credit	88,070,852	95,570,852
	21,301,991,119	**4,090,903,389**

Pending lawsuits relate to civil suits lodged against the company by various parties.

38. Fuel Stocks

Fuel stocks belong to the Oil Marketing Companies (OMCs) as per Transportation and Storage Agreement signed between the Kenya Pipeline Company Limited and the OMCs. Fuel stocks are therefore not included in the financial statements. As at 30 June 2022 the company held 467,947.37m^3 (2021 - 571,348m^3) third party fuel stocks with a Hydro-Carbon Value (HCV) of **Kshs. 53,852,917,029 (2021 – Kshs. 30,357,266,044).**

39. Capital Commitment

Particulars	2022 Kshs	2021 Kshs
Amounts Authorized	7,667,242,345	3,721,085,244
Less:		
Amounts incurred and included in work-in-progress	717,925,143	371,029,510

The above amounts are included in the approved budget for the year.

40. Financial Risk Management

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The key types of risks include:

- Market risk – includes currency and interest rate risk
- Credit risk
- Liquidity risk
- Capital risk

The company's overall risk management program focuses on the unpredictability of changes in the business environment and seeks to minimize potential adverse effects of such risks on its financial performance within the options available by setting acceptable levels of risks.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The company's treasury function, headed by the chief accountant - finance and reporting to the Finance Manager, develops and monitors risks and policies implemented to mitigate risk exposures.

a) Market risk

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the company's exposure to market risks or the way it manages and measures the risk.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

(i) Foreign Currency Risk Management

Exposure to exchange rate fluctuations arising from international trading commitments is minimized by utilizing foreign currency reserves to settle maturing obligations. Revenue is spread on a 50-50 basis in local and foreign currencies (USD). As at end of the year, the carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities are as follows:

	GBP Kshs	EUR Kshs	USD Kshs	CAD Kshs	ZAR Kshs
At 30 June 2022					
Financial assets					
Bank and cash balances	-	-	1,694,740,208	-	-
Short term deposits	-	-	5,794,722,885	-	-
Trade receivables	-	-	6,131,898,307	-	-
	-	**-**	**13,621,361,400**	**-**	**-**
Financial liabilities					
Trade payables	(69,591,178)	(331,000,139)	609,177,579	-	-
Long Term Loan	-	-	(10,098,826,049)	-	-
Net exposure	**(1,156,817)**	**(331,000,139)**	**(9,489,648,470)**	**-**	**-**

	GBP Kshs	EUR Kshs	USD Kshs	CAD Kshs	ZAR Kshs
At 30 June 2021					
Financial assets					
Bank and cash balances	-	-	1,726,455,130	-	-
Short term deposits	-	-	3,607,649,942	-	-
Trade receivables	-	-	6,852,352,122	-	-
	-	**-**	**12,186,457,194**		
Financial liabilities					
Trade payables	(42,053,312)	(384,678,784)	2,289,677,692	-	-
Long Term Loan			(18,486,582,106)	-	-
	(42,053,312)	**(384,678,784)**	**(16,196,904,414)**	**-**	**-**

(ii) Foreign Currency Sensitivity Analysis

The main currency exposure that the company is exposed to relates to the fluctuation of the Kenya Shillings exchange rates with the US Dollar and Euro currencies.

The table below details the company's sensitivity to a 10% increase and decrease in the Kenya shilling against the relevant foreign currencies. The sensitivity analysis includes only the outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Kenya shilling strengthens 10% against the relevant currency. For a weakening shilling against the relevant currency, there would be an equal opposite impact on the profit and other equity, and the balances below would be negative.

	2022 Kshs		2021 Kshs	
	Effect on Profit	**Effect on Equity**	**Effect on Profit**	**Effect on Equity**
Currency - GB pounds				
+ 10 percentage point movement	(69,591,178)	(48,713,825)	(4,205,331)	(2,943,732)
- 10 percentage point movement	69,591,178	48,713,825	4,205,331	2,943,732
Currency – Euro				
+ 10 percentage point movement	(331,000,139)	(231,700,097)	(38,467,878)	(26,927,515)
- 10 percentage point movement	331,000,139	231,700,097	38,467,878	26,927,515
Currency - US dollars				
+ 10 percentage point movement	413,104,028	289,172,820	228,967,769	160,277,438
- 10 percentage point movement	(413,104,028)	(289,172,820)	(228,967,769)	(160,277,438)
Currency – CAD				
+ 10 percentage point movement	-	-	-	-
- 10 percentage point movement	-	-	-	-
Currency – ZAR				
+ 10 percentage point movement	-	-	(50,122)	(35,085)
- 10 percentage point movement	-	-	50,122	35,085
Currency – HKD				
+ 10 percentage point movement	-	-	-	-
- 10 percentage point movement	-	-	-	-

The US Dollar impact is mainly attributed to the exposure on outstanding US Dollar receivables at year end while the Euro impact arises from the exposure on outstanding payables at the year end.

The sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Interest Risk Management

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk
To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

Sensitivity analysis
The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs.8,367,856 (2021: Kshs.12,338,645). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 41,839,278 (2018 –Kshs.61,693,227).

b) Credit Risk Management

Credit risk refers to the risk of financial loss to the company arising from a default by counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company also uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value

of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by debt control unit. Trade receivables consist of major players in the petroleum oil industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate; credit guarantee is requested.

The company's maximum exposure to credit risk as at 30 June 2022 is analyzed in the table below:

Particulars	Fully Performing Kshs	Past Due Kshs	Impaired Kshs	Gross Total Kshs
Trade Receivables	2,745,103,025	5,574,982,224	5,356,268,195	13,676,353,444
Other Receivables	10,833,080	1,142,296,624	997,830,035	2,150,959,739
Bank Balances	2,614,218,743	-	-	2,614,218,743
Short Term Deposits	7,786,148,607	-	-	7,786,148,607
	13,156,303,455	**6,617,278,848**	**6,354,098,230**	**26,227,680,533**

The company's maximum exposure to credit risk as at 30 June 2022 is analyzed in the table below:

Particulars	Fully Performing Kshs	Past Due Kshs	Impaired Kshs	Gross Total Kshs
Trade Receivables	3,043,084,410	6,130,557,660	588,730,313	9,762,372,383
Other Receivables	18,672,080	972,154,790	-	990,826,870
Bank Balances	2,462,154,764	-	-	2,462,154,764
Short Term Deposits	7,086,097,763	-	-	7,086,097,763
	12,610,009,017	**7,102,712,450**	**588,730,313**	**20,301,451,780**

The default risk on the customers under the fully performing category is very low as they are active in paying their debts as they continue trading. The past due amounts have not been provided for because management and the board believe the amounts are recoverable.

c) Liquidity Risk Management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Particulars	Within 12 months Kshs.	Over 12 months Kshs	Total Kshs
At 30 June 2022:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	951,098,764	-	951,098,764
Other payables and accruals	2,711,786,318	-	2,711,786,318
	3,662,885,082	**80,000,000**	**3,742,885,082**

Particulars	Within 12 months Kshs.	Over 12 months Kshs	Total Kshs
At 30 June 2021:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	1,647,313,632	-	1,647,313,632
Other payables & accruals	2,856,331,491	-	2,856,331,491
	4,503,645,123	**80,000,000**	**4,583,645,123**

d) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Particulars	2022 Kshs	2021 Kshs
Revaluation reserve	19,383,820,589	23,614,175,327
Retained earnings	70,377,568,717	74,553,065,574
Capital reserve	875,754,923	875,754,923
Total funds	**90,637,144,228**	**99,042,995,824**
Total borrowings	15,148,246,300	18,486,582,106
Less: cash and bank balances	(10,400,367,349)	(9,548,252,528)
Net debt/ (excess cash and cash equivalents)	**4,747,878,951**	**8,938,329,578**
Gearing	**5%**	**9%**

41. Incorporation

The company is domiciled and incorporated in Kenya under the Companies Act (Cap 486).

42. Events After The Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

43. Currency

Financial statements are presented in Kenya Shillings (Kshs)



The introduction of optical fiber systems will revolutionize the communications network. The low transmission loss and the large bandwidth capability of the fiber systems allow signals to be transmitted for establishing communications contacts over large distances with few or noprovisions of intermediate amplification.

— Charles K. Kao

Appendices

Appendix 1:
i. Progress on Follow up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	**Unvalued Property, Plant and Equipment** The statement of financial position reflects property, plant, and equipment with a net book value of Kshs.97,186,140,519 as disclosed in Note 17 to the financial statements. The amount is made up of fair values of the assets determined by an independent valuer engaged by the Management in 2019, which have been adjusted for accumulated depreciation in the two years up to 30 June 2021. However, several assets comprising freehold land, buildings, fibre optic cable and motor vehicles with a book value of Kshs.7,382,233,566 as at the time of valuation on 1 July 2019 were not revalued by an independent valuer, and their current book value is based on the historical costs and previous revalued amounts adjusted for accumulated depreciation. This contravenes the requirements of the International Accounting Standard (IAS) 16 — Property, Plant and Equipment which provides that if an item of property, plant and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued. In the circumstances, the accuracy of the property, plant, and equipment balance of Kshs.7,382,233,566 could not be confirmed.	**Management Comments** The main concern raised by the Auditor was regarding Freehold Land, Buildings, Fibre Optic Cable (FOC) & Motor Vehicles not valued. FOC value was considered fair since it was acquired barely 1 year before revaluation in 2018. Land not valued lacked titles and the Company is in the process of acquiring the titles. Other assets not valued were earmarked for demolition & disposal. This was done in FY 2022	GM (Finance)	Not Resolved	30th June 2023
2.	**Trade and Other Receivables** The statement of financial position reflects trade and other receivables balance of Kshs. 9,160,335,600 as disclosed in Note 23 to the financial statements. The receivables comprise of trade receivables, staff loans and advances, Value Added Tax (VAT) recoverable, prepaid expenses, refundable deposits, and other debtors. Review of the receivables revealed the following inaccuracies: **i) Unsupported Trade Receivables** Note 23 reflects gross trade receivables balance of Kshs.9,762,372,383. However, the supporting schedule reflects a balance of Kshs.8,782,049,049 resulting in a variance of Kshs.980,322,466 which was explained as a reconciling item.	**Management responses:** Unsupported Trade receivables relate to migratory balances. This is ongoing though still experiencing SAP system challenges.	GM (Finance)	Resolved	

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The reconciliation provided in support of the variance reflected a balance of Kshs.6,509,294 described as trade debtors' adjustment account and a balance of Kshs.2,234,957 in respect of system migratory balance respectively. However, the explanation and supporting documents for the two variances were not provided for audit review. In the circumstances, the accuracy and completeness of trade receivables balance of Kshs. 9,762,372,383 could not be confirmed.				
	ii) Unsupported Staff Loans and Advances The note also reflects staff loans and advances of Kshs.1,737,480,261 which includes car and house loans, salary advances, payroll debtors, subsistence allowance advances and imprest all amounting to Kshs. I,789,049,726. The resulting variance of Kshs.51,569,465 was not explained or reconciled. Under the circumstances, the accuracy and completeness of staff loans and advances balance of Kshs. 1,737,480,261 could not be confirmed.	Staff Loans & Advances schedules provided and reconciled to amounts carried on the financials. Balance was 1.7B and current balance is 1.4B as staff are still servicing the loans.		Resolved	
	iii) Long Outstanding and Unsupported Prepayments Prepaid expenses amounting to Kshs.949,551,042 reflected in Note 23 to the financial statements includes an amount of Kshs.91,109,582 classified as vendor prepayments. Review of the prepaid amount revealed an amount of Kshs.56,106,581 which related to payments dated 30 June 2019 and earlier, therefore had been outstanding for more than three (3) years with some having been made over ten (10) years ago, in 2011. In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.9,160,335,600 could not be confirmed.	Prepayments relates to clearing and customs charges. KPC continues to clear the prepayments, Current balance at 4.2M from 56M in 2021.		Resolved	
	iv) Value Added Tax Recoverable Note 23 to the financial statements reflects a Value Added Tax (VAT) recoverable balance of Kshs. 2,029,844. A reconciliation of the opening balance as at 1 July 2020 with monthly net position to the closing balance as at 30 June, 2021 reflected Kshs. 198,101,524 and Kshs.43,821 in respect of Legacy system balance and Sun system upload balances respectively.	KRA recognised the anomaly and VAA credits have now been reinstated. A migration balance of Kes 198m from the legacy system is pending and KRA is working to close the matter by June 2023.		Not resolved	

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The balances relate to tax credits due to the Company which Kenya Revenue Authority (KRA) was yet to move from the discontinued Legacy System (Simba System) to the i-tax System. In addition, the reconciling entries includes Kshs.978,803,650 VAT credit expected from Kenya Revenue Authority which was not supported by any acknowledgement from Kenya Revenue Authority. Further, the balance includes a balance of Kshs.32,025,616 relating to withholding tax on interest credit which has not been explained. In the circumstances, the accuracy and completeness of VAT recoverable balance of Kshs. 2,029,844 could not be confirmed.				
3.	**Misstated Work in Progress** The statement of financial position reflects property, plant and equipment balance of Kshs.97,186,140,519 which includes a balance of Kshs.216,920,335 relating to capital work in progress as disclosed in Note 17 to the financial statements. However, the balance differs with the supporting schedule provided for audit review which reflects a balance of Kshs.218,532,194 resulting in unreconciled variance of Kshs. 1,611,859. In the circumstances, the accuracy and completeness of capital work-in-progress balance of Kshs.216,920,335 could not be confirmed.	**Management Comments** All fixed asset balances as per ledger and accounts have reconciled other than amount of Kshs.1,611,859 which relates to historical upload/legacy balances in 2007. KPC is still striving to resolve historical upload balances.	GM (Finance)	Resolved except for the take on balance of Kshs. 1,611,859	30th June 2023
4.	**Cash and Cash Equivalents** The statement of financial position reflects bank and cash balances to Kshs.2,462,154,764. The balances were held in fourteen (14) local banks denominated in both local and foreign currency and cash at hand at 30 June, 2021. Review of bank reconciliation statements revealed a receipt in the bank statement not in the cash book in respect of NCBA balance of Kshs.12,684,319 which had been outstanding since 2018/2019 financial year. Further the bank reconciliation statement for Co-operative Bank account reflected uncleared items amounting to Kshs. 1,365,240 comprising of a receipt of Kshs.2,343,322 and a payment of Kshs.978,082 dated 23 November 2020 which were not recorded in the cashbooks. No explanation was provided for long delays in recording the transactions.	**Management Comments** This relates to a Kshs. account receipts of Kshs. 12,821,413.95 which had not been allocated as at 30th June 2021. An amount of Kshs. 6,459,167 relate to compensations received from insurance for damaged vehicle and death of staff involved in an accident. These have been posted correctly to staff creditors account for disbursement. Kshs. 4,737,757.35 relate to receipts from customers whose details were yet to be obtained as at the end of the financial year. These have since been receipted.	GM (Finance)	Resolved	

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and completeness of bank and cash balances of Kshs. 2,462,154,764 could not be confirmed.	Kshs.1,624,489.60 relate to bounced payments. These have been reversed. All the above items were resolved and cleared in FY 2020/21			
5.	**Provision for Bad and Doubtful Debts** The financial statements in Note 23 reflects provision for bad and doubtful debts at the beginning of Kshs.5,486,896,669 and Kshs.5,212,292,957 at the close of the financial year. This represents a net decrease in the provisions of Kshs.274,603,712 that should have been credited to the income statement. However, the statement of profit or loss and other comprehensive income was charged with a provision of Kshs.59,089,148 resulting in unexplained variance of Kshs. 333,692,860 In the circumstance, the accuracy of the provision for bad and doubtful debts of Kshs.59,089,148 charged for the year ended 30 June 2021 could not be confirmed.	**Management Comments** The movement in the balance sheet balance from the opening balance and the closing balance because of provisions charge for the year the provisions write back to issue credit notes and effect of Forex valuation. Reconciliation was provided that supported the balance sheet movement of Kshs. 274m. This was demonstrated in the different ledgers in the P&L.	GM (Finance)	Resolved	

ii: Projects Implemented by KPC

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
N/A		N/A		N/A		N/A

Status of Projects completion

S/No	Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget Kshs	Actual Spent Kshs	Sources of Funds
1	N/A						

Appendix iii: Inter-Entity Transfers

	Entity name:	Kenya Pipeline Company		
	Break down of Transfers			
	FY 2021/2022			
a.	Recurrent Grants	N/A		
b.	Development Grants	N/A		
c.	Direct Payments	N/A		
d.	Donor Receipts	N/A		

Appendix iv: Recording of Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds				Where Recorded/recognized					
	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KSHS	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
N/A		N/A							

The Company is not a recipient of any MDA/Donor funding.

Appendix v: Reporting of Climate Relevant Expenditures

Name of the Organization: KENYA PIPELINE COMPANY LIMITED
Telephone Number: Phone +254 20 2606500-4
Email Address: info@kpc.co.ke
Name of MD: Joe K. Sang
Name and contact details of contact person (in case of any clarifications):
CAROL KIPLAGAT, SAFETY, HEALTH & ENVIRONMENT MANAGER +254 20 2606500-4

Project Name	Project Description	Project Objectives	Project Activities	Actual Expenditure (KShs)				Source of Funds	Implementing Partners/Contractor
				1st Quarter	2nd Quarter	3rd/4th Quarter	Total Cost (KShs)		
Energy efficiency management through VFD	High Voltage Switchgear Upgrade at PS09	Elimination of fire risks and consequent environmental pollution from oil-fill circuit breakers	Replacement of old switchgear with old oil-filled Circuit Breaker Technologies with vacuum Circuit Breakers to eliminate the risk of fires and environmental emissions	4,287,499	-	38,587,493	42,874,992	Own funds	KPC (Client) Thames Electrical Limited (Contractor)
Airconditioning System Management	Installation of split unit air conditioners for Nairobi, Coast, Western	Enhance energy efficiency through utilization of split flow HVAC units	Change of HVAC unit gases to R410A gases; removal of CFC gas units; removal of central HVAC units & installation of split units	-	-	14,547,328	14,547,328	Own funds	KPC (Client) Royal Automations (Contractor)
Reforestation of Mangrove Forest at the Coast	Planting of 105,000 mangrove seedlings at Jomvu Kuu Creek in Mombasa County through use of community forest associations	Reforestation of depleted mangrove forest zones within Mombasa	Planting and maintenance of 105,000 mangrove seedlings	-	-	12,000,000	12,000,000	own funds	KFS, 5No community forest associations based in Mombasa County
TOTAL							**1,401,388,702**		

Appendix V: Disaster Expenditure Reporting Template

Date: 30 June 2022 **Entity: Kenya Pipeline Company Limited**						
Period to which this report refers (FY)	Year 2022			Quarter		
Name of Reporting Officer	CAROL KIPLAGAT, SAFETY, HEALTH & ENVIRONMENT MANAGER					
Contact details of the reporting officer:	Email Carol.kiplagat@kpc.co.ke			Telephone +254 20 260 6500-4		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A			

5-Year Financial Performance Highlights

Statement of Comprehensive Income

	2022 Kshs	2021 Kshs	2020 (Restated) Kshs	2019 Kshs	2018 Kshs
Total Revenue	26,213,394,371	27,987,266,943	26,082,251,486	31,457,618,208	27,705,848,487
Direct Costs	(13,791,313,695)	(13,562,976,195)	(12,580,545,657)	(14,259,924,080)	(11,135,712,478)
Gross Profit	**12,422,080,676**	**14,424,290,748**	**13,501,705,830**	**17,197,694,127**	**16,570,136,009**
Other Income	635,347,479	470,667,422	409,502,259	415,798,178	452,661,842
Administration Expenses	(7,451,541,370)	(6,445,930,795)	**(6,338,223,815)	**(12,726,196,302)	(5,642,393,932)
Operating Profit	**5,605,886,785**	**8,449,027,375**	**7,572,984,274**	**4,887,296,003**	**11,380,403,919**
Net Finance Income	550,387,718	(1,538,664,128)	(1,435,104,177)	(1,821,488,427)	980,535,373
Profit Before Taxation	**6,156,274,502**	**6,910,363,247**	**6,137,880,097**	**3,234,793,422**	**12,360,939,292**
Taxation Charge	2,331,771,360	(5,227,628,302)	2,043,570,303	(1,186,873,779)	(3,792,865,597)
Net Profit After Taxation	**3,824,503,143**	**1,682,734,945**	**8,181,450,400**	**2,047,919,643**	**8,568,073,695**
Earnings Per share	210	93	450	113	471

**Administrative Expenses are inclusive of provision for bad debts of Kshs. 1,060,758,651, Kshs. 59,089,148, Kshs. 141,092,919 and Kshs. 6,119,537,986 for FY 2021/22, FY 2020/21, FY 2019/20 and FY 2018/19 respectively.

	2022 Kshs	2021 Kshs	2020 (Restated) Kshs	2019 (Restated) Kshs	2018 Kshs
Non- Current Assets					
Property, plant and equipment	85,978,670,508	97,186,140,519	102,986,250,783	109,264,841,810	104,869,093,834
Leasehold land	18,580,547,384	19,431,356,105	15,702,166,555	16,094,977,010	4,999,883,570
Intangible assets	23,592,295	30,308,870	93,593,013	414,431,974	562,168,054
Investments	36,306,359	36,306,359	36,306,359	36,306,359	36,306,359
Retirement Benefit recoverable	-	-	1,285,627,233	1,285,627,233	1,285,627,233
Trade and other receivables	3,142,1s26,450	3,117,018,373	2,910,465,319	2,146,883,113	1,263,891,181
	107,761,242,995	**119,801,130,226**	**123,014,409,263**	**129,243,067,499**	**113,016,970,231**
Current Assets					
Inventories	2,343,922,959	2,608,031,945	2,182,234,022	2,232,089,622	2,266,017,444
Trade and other receivables	8,299,164,842	9,160,335,600	9,008,195,881	10,488,462,618	14,390,380,166
Taxation recoverable	812,204,929	888,115,224	876,808,106	977,416,079	1,098,170,701
Short term deposits	7,786,148,607	7,086,097,763	6,904,213,188	9,059,660,261	4,815,214,935
Bank and cash balances	2,614,218,743	2,462,154,764	1,487,229,820	3,809,591,698	443,569,702
	21,855,660,079	**22,204,735,296**	**20,458,681,017**	**26,567,220,278**	**23,013,352,948**
Total Assets	**129,616,903,074**	**142,005,865,522**	**143,473,090,280**	**155,810,287,778**	**136,030,323,179**
Shareholders' Funds and Liabilities					
Capital and Reserves					
Share capital	363,466,007	363,466,007	363,466,007	363,466,007	363,466,007
Share premium	512,288,916	512,288,916	512,288,916	512,288,916	512,288,916
Revenue reserve	70,377,568,717	74,553,065,574	77,613,815,980	80,965,760,163	79,453,028,143
Revaluation Reserve	19,383,820,589	23,614,175,327	23,870,843,524	24,815,721,429	10,004,768,990
	90,637,144,228	**99,042,995,824**	**102,360,414,427**	**106,657,236,515**	**90,333,552,056**
Non-Current Liabilities					
Deferred taxation	20,088,627,464	19,803,685,014	14,597,966,425	15,840,089,771	9,154,163,086
Long term loan	10,098,826,050	13,983,444,964	17,703,118,633	21,364,418,281	25,425,678,726
	30,187,453,514	**33,787,129,978**	**32,301,085,058**	**37,204,508,052**	**34,579,841,812**
Current Liabilities					
Trade and other payables	3,662,885,082	4,592,602,577	4,166,833,354	7,186,408,232	6,706,678,215
Due to related parties	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Dividend Payable	-	-		300,000,000	-
Current Loan	5,049,420,250	4,503,137,142	4,564,757,441	4,382,134,978	4,330,251,096
	8,792,305,332	**9,175,739,719**	**8,811,590,795**	**11,948,543,210**	**11,116,929,311**
Total Shareholder's Funds and Liabilities	**129,616,903,074**	**142,005,865,522**	**143,473,090,280**	**155,810,287,777**	**136,030,323,179**

5-Year Financial Performance Highlights

Statement of Cash Flows

	2022 Kshs	2021 Kshs	2020 Kshs	2019 Kshs	2018 Kshs
Net cash generated from operating activities	14,417,756,304	13,538,886,066	13,119,135,990	14,993,419,365	3,195,240,413
Net cash from/(to) investing activities	(694,540,385)	(5,000,856,224)	(1,314,696,619)	(3,029,197,039)	(10,022,049,028)
Net cash from/(to) financing activities	(12,871,101,097)	(7,381,220,323)	(16,282,248,321)	(4,353,755,003)	4,543,281,087
Net increase/(Decrease) in cash and cash equivalents	**851,114,822**	**1,156,809,519**	**(4,477,808,951)**	**7,610,467,323**	**(2,283,527,528)**
Cash and Cash Equivalents at beginning of the period	9,548,252,527	8,391,443,008	12,869,251,959	5,258,784,637	7,542,312,165
Cash and Cash Equivalents at end of the Year	**10,400,367,349**	**9,548,252,527**	**8,391,443,008**	**12,869,251,959**	**5,258,784,637**


No Hawking
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