2021 ANNUAL REPORT & FINANCIAL STATEMENTS









KPC

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 1,795 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.

DIRECTORS

Name	Particulars
Rita Okuthe	Chairperson – Appointed 7 August 2020
John Ngumi	Immediate former Board Chairman- Revoked on 7th August 2020
Dr. Macharia Irungu, MBS	Managing Director – Appointment 2 January 2020
Andrew Kamau, CBS	Principal Secretary, Ministry of Petroleum and Mining
Iltasayon Neepe	Re-Appointed on 8 February 2019
Wahome Gitonga	Re-Appointed on 3 May 2019
Jinaro Kibet	Appointed on 6 June 2018 - 5 June 2021
Elsie Mbugua	Re-Appointed on 6 October 2021
Jimmy Shiganga	Re-Appointed on 6 October 2021
Kenneth Wathome	Re-Appointed on 6 October 2021
Amos Gathecha	Alternate Director, Cabinet Secretary, National Treasury
Chege Mwangi	Alternate Director, Cabinet Secretary Ministry of Petroleum
Sophie Sitati	Alternate Director, State Law Office

PRINCIPAL BANKERS

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

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

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

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

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

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

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

Ngatia & Associates
Bishops Garden Towers, 2nd Floor
P.O. Box 56688 - 00200
Harambee Avenue
Nairobi, Kenya

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

OUR VISION

Africa's Premier Oil & Gas Company

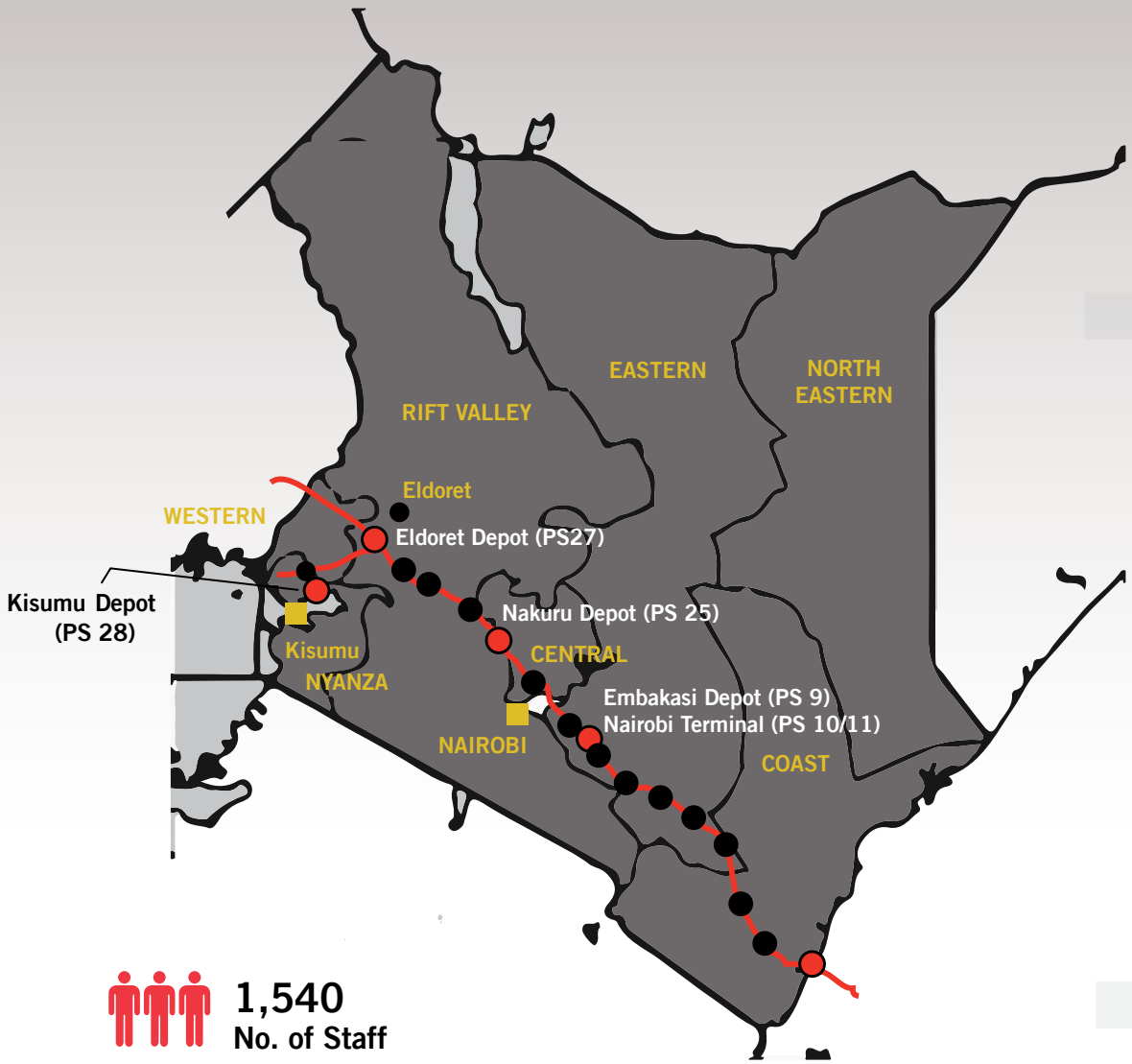
OUR MISSION

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

CORE VALUES

- Integrity
- Transparency
- Accountability
- Diligence
- Team spirit
- Loyalty
- Care for the Environment





1,540
No. of Staff

8
No. of Depots and Pump stations

(14 billions litres) &
1,795 km of pipeline

Pipeline
Depots
Pump stations

network

CONTENTS

01 INTRODUCTION

Corporate Information	2-5
Chairperson's Statement	8-11
Board of Directors	12-15
The Managing Director's Report	16-17
The Executive and Management Team	18-19
Statement of Perfomance against Predetermined Objectives for Fy 2020/2021	20-21
Corporate Governance Statement	22-23

02 COMPANY REPORT

Management Discussion and Analysis	24
Integrated Risk Management Report	25-29
Environmental Sustainability Reporting	30-32
Corporate Social Investment (CSI) Report	33-39
Stakeholder Engagement	42-45
Statement on Leadership and Ethics	46
Report of the Directors	47
Statement of Directors' Responsibilities	48
Report of The Auditor General on Kenya Pipeline Company Limited For Year ended 30 June 2021	49-61

03 FINANCIAL STATEMENTS

2021 Perfomance Highlights	62-63
Statement of Profit or Loss and other Comprehensive Income	64
Statement of Financial Position	65
Statement of Changes In Equity	66
Statement of Cash Flows	67
Statement of Comparison of Budget and Actual Amounts	68-69

04 FINANCIAL NOTES

Notes to the Financial Statements	70-105
Progress on follow up of Auditor's recommendation	106
5-Year Financial Performance Highlights	112



Contents

KENYA PIPELINE COMPANY ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021





CHAIRPERSON'S REPORT 2021

A ROBUST FOOTHOLD FOR THE FUTURE

RITA OKUTHE
BOARD CHAIRPERSON

Dear Shareholders,

On behalf of the KPC Board of Directors, I am honored to present to you the Annual Report and Financial Statements of the Kenya Pipeline Company Limited ("KPC" or the "Company") for the Fiscal Year ended 30th June 2021.

The Financial Year 2021 was another period of solid performance by KPC, enabling the Company to remain an autonomous, profitable, and self-financing state corporation. The good performance was against the backdrop of policy interventions that were implemented by the government to ensure economic recovery from the negative impact of the Covid-19 pandemic. The government implemented sustained stimulus interventions in key sectors to reinforce resilience of the economy while cushioning vulnerable households. Good performance was equally driven by resilience of our business processes, and continuous innovation through integration of systems to serve our customers efficiently. The Company also enhanced controls targeted on prudent resource management and cost containment.

During the period, the company allocated adequate resources to augment the core business and maintain the expansive pipeline network systems. The foregoing actions, supported by our strong corporate governance systems, enabled the Company to ensure security of supply of petroleum products in Kenya and to the region.

Business Strategy

The Company sustained the implementation of strategic initiatives in line with KPC Vision 2025 objectives. On business diversification, the company remained focused on implementing initiatives aimed at increasing KPC market share in fibre-optic cable (FOC) leading to the onboarding of additional customers during the year and increasing revenues from the FOC business line by 91%. Efforts to upscale this initiative will continue during the next financial year. Other business initiatives pursued during the year include the integration of KPC and KRA systems - KPC rolled out the Customer Portal in May 2021 which had an immediate impact on service delivery and enhanced transparency across our loading depots. This resulted to efficiency levels rising to 94% in June 2021. Further, the upgrading of bottom loading facilities in Nakuru-(PS 25), Eldoret-(PS 27) and Kisumu Depots-(PS 28) led to improved operational efficiency.

In the short term and long term, we envisage more business initiatives aimed at capacity enhancement of existing pipelines to meet growing demand, construction of new bottom loading facilities in Nairobi as a common user facility to benefit our customers.

Further, the Board remains focused on a robust project governance framework to ensure that projects being implemented are completed on time and within budget, in compliance with National Treasury guidelines on Public Investment Management. Project Policy framework has been rolled out in this area and requisite resources have been deployed to ensure successful execution.

Customer Focus

We are conscious that customer engagement is a pivotal force for business success. KPC is committed to achieving unprecedented customer satisfaction levels. To this end, KPC has enhanced customer satisfaction through:

1) Digitizing customer-facing processes by introducing the KPC online ordering system, which has greatly enhanced service delivery by improving the truck turnaround time and reducing the manual processes from 14 to 4 steps.

2) Regular engagements with Oil Marketing Companies through dedicated account management and the institutionalization of stakeholder's forums.

3) Enhancing the infrastructure capacity at the loading depots by putting in place bottom loading facilities resulting in reduced truck loading time from 60 minutes to 30 minutes for a 35m^3 truck. The Company has also ensured all orders are serviced through the flexibility of loading at the depots.

4) Coordinating operationalization of key capacity enhancement projects such as Kisumu Oil Jetty and Kipevu Oil Terminal; two critical developments that aim at assuring supply of petroleum products in the region.

Implementation of the preceding actions has enhanced customer experience, which is evident in our elevated customer satisfaction index (CSI) of 83% in FY 2020/21, a 4% improvement from FY2019/20 CSI. This CSI is above the average global customer satisfaction index benchmark of 70%. 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.

Collaboration with our Partners

KPC places great premium on stakeholder engagement. To this end, the Company has adopted a strategic and mutually beneficial stakeholder management model. Our collaborative and proactive relationship with stakeholders has enabled the Company to make progress in its operations. We have continuous multi-level engagements with the Government of Kenya, County Governments, local communities, and our customers to mention but a few.

These stakeholders are ever more crucial in fostering solid and lasting relationships and the KPC Board of Directors continued to engage with them throughout the year.

Corporate Social Investment (CSI) Portfolio

The Company's commitment to sustainability is unequivocal. We can only prosper through a shared value approach with the society by making more thoughtful and resource-efficient decisions and by working with Kenyans to ensure their lives are better through partnering with KPC. 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.

Over the years, the Company has implemented several impactful development programs that are responsive to our stakeholders' needs, both socially and morally. The following are the CSI Policy focus areas over the years:

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)

Highlights of CSI initiatives for the FY 2021/2022 include the Construction of a classroom, washrooms, fencing of the field, fabrication, installation of a gate as well as grading and leveling off the field at Yokot Primary School in Elgeyo Marakwet County, Construction of classrooms and, completion of a dormitory at Simbi High School and Kapsisi Primary School. On the health and environment conservation front, KPC undertook renovation of Radiology and Imaging Department and Installation of an Ultra-Sound and X-ray Machines at Migosi Sub-County Hospital in Kisumu as well as sponsored free Medical Camps in Homa Bay and Nyeri Counties. KPC further completed the de-silting, expansion, and rehabilitation of Kololo water dam at Kitui County.

Finally, KPC continues to sponsor more than 380 students under the INUKA programme across the 47 counties and sponsored empowerment programs for Youth and women at Wanjengi Health Centre, Murang'a, Kalalu Health Centre, Nanyuki and Karatina Market.

These initiatives are transformative and aligned with the Government's Big-4 Agenda, Sustainable Development Goals (SDG), and Vision 2030.

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 our people for exemplary performance. In supporting such interventions, the Board is cognizant to the fact our people play an important role in our business performance. Development and motivation of our people will therefore continually lead to the entrenchment of a high-performance culture. Our human resource instruments are continually being aligned to meet the changes related to our human capital objectives.

Appreciation

On behalf of KPC's Board, Management and Staff, I would like to appreciate the support accorded to KPC by the Ministries of Petroleum & Mining, the National Treasury, KTLN Board, KPA and KRC. 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 fulfil our mandate. With your support and prayers, KPC will continue thriving.

God Bless KPC, God Bless Kenya.



RITA OKUTHE
BOARD CHAIRPERSON



Rita Okuthe

BOARD CHAIRPERSON

Born in 1971, Rita is a senior business leader with a career spanning over 25 years. She's a marketing turnaround specialist, having worked for MTN Uganda and Safaricom Kenya.

Rita was appointed as Chairperson on August 7, 2020 for a period of 3 Years. She holds an MSC- Marketing, BA - Economics. Prior to her appointment as Chairperson of the state-owned corporation Kenya Pipeline Company (KPC), she served as a Director of the Board and Chair of the Board Audit Committee at KPC. She was also a member of Safaricom's Executive management team for 10 years. She sits on several public and private sector boards; currently serves as a Director of the Industrial Commercial and Development Company (ICDC), the British Chamber of Commerce in Kenya (BCCK), CarePay Kenya, in addition to being a Trustee of the Safaricom Foundation. She previously served on the boards of JamboJet; and the Kenya Advertising Standards Board.

Rita has won several local and international marketing and leadership awards and has been nominated as one of the top 50 Global Marketeers by the Global Telecoms Magazine in recognition of her contribution to building the Safaricom brand. She was also recently ranked as the 10th most influential Chair in Business. She is an accredited executive coach.

Dr. Macharia Irungu, MBS

MANAGING DIRECTOR



Born in 1966, Dr. Irungu holds a PhD Strategic Management, Masters in Business Management (Marketing), BSC Industrial Chemistry. He was apponted January 2, 2020. As an Industrial Chemist, Dr. Irungu has over 28 years of experience at Senior Management level in Lubrication, Retail, Real estate, and Supply Trading in the petroleum sector in Kenya and Africa. Most recently he served as Managing Director for Gulf Africa Petroleum Corporation and Director of Total Kenya PLC. Previously, he served in executive and managerial positions in Libya Oil, Mobil Oil and MASI. He has held several Director positions in charitable and government organizations as well as guiding and supervising master's and PhD Candidates in his area of expertise. Dr. Irungu is a member of the America Chamber of Commerce, Kenya Hospital Association, British Business Association, Institute of Directors and the Kenya Institute of Management.



Andrew N. Kamau, CBS

PRINCIPAL SECRETARY, MINISTRY OF PETROLEUM & MINING

Born in 1966, Andrew Kamau has a 30 years' experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum and Mining, he was the Chief Executive Officer of Bracewell Energy which has interest in mining, energy and natural resources. As a Chemist, with a Bachelor's Degree, he has also served in senior positions in various companies with interest in mining, energy and natural resources including MAG Industries Limited, Engen Kenya Limited and Esso Kenya Limited.

Amb. (Hon) Ukur Yatani, EGH

CABINET SECRETARY, NATIONAL TREASURY



Born in 1967, Hon. Amb. Yatani has over 27 years of experience in Public Administration, Politics, Diplomacy and Governance in public sector since 1992. Between the years 2006-2007 while a Member of Parliament for North Horr constituency, he also served as an Assistant Minister for Science and Technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya, (May 2013-June 2015) as the Chair of Foreign Affairs Committee, Council of Governors, (May 2015-June 2017) as Chief Whip, Council of Governors Kenya, and Between June 2009 and October 2012, he also served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and Chair of African Group of Ambassadors among others. He also served as the Cabinet Secretary Ministry of Labour and Social Protection between the years 2017 – 2019. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.



Hon. Justice (Rtd.) P. Kihara Kariuki, EGH

THE ATTORNEY GENERAL OF THE REPUBLIC OF KENYA

Born in 1954, the Hon. Justice (Rtd.) P. Kihara Kariuki was appointed on April 2, 2018. He is an advocate who holds a Bachelor of Laws Degree from the University of Nairobi and a Post Graduate Diploma in Legal Studies from the Kenya School of Law. Hon. Kariuki was a Legal Assistant and Partner at Hamilton Harrison and Mathews Advocates (1977-1985) and a Partner at Ndungu Njoroge and Kwach Advocates (1986-2000).

Hon. Kariuki served as the Chancellor (Honorary Legal Advisor) for the Anglican Church of Kenya (1980-2002), was a member of the Kenya Anti-Corruption Authority Advisory Board (1986-1997), Chairperson of the Thomas Barnado House and a member of Rotary International. He served as the Principal/Chief Executive Officer of the Kenya School of Law from May 2003 to October 2003 before joining the Judiciary. At the Judiciary he served as a Judge of the High Court of Kenya (2003-2011), the Director of the Judiciary Training Institute (2009-2013) and the President of the Court of Appeal of Kenya (2013-March 2018).

Iltasayon Neepe Major (Rtd)

DIRECTOR



Major (Rtd) Iltasayon Neepe was re-appointed to the Kenya Pipeline Company Board of Directors on 8th February 2019 for 3 years. He holds a Bachelor's Degree in Business Development. Born in 1972, Iltasayon has served in the military for many years rising to the rank of Major, a responsibility that saw him serve in the UN air operations unit. He is currently Board Chair of Boma Fund, an NGO based in northern Kenya that empowers women with skills to fight extreme poverty.

Wahome Gitonga

DIRECTOR



Born in 1966, A trained Economist, Wahome holds a Bachelor's Degree-Economics and Sociology. He is a leading entrepreneur businessman and director of several companies with diverse interests in Kenya and region where he has been instrumental in accomplishing large projects in Rwanda and Tanzania, among other countries. He was appointed on May 3, 2019 for a period of for 3 years.



Elsie Mbugua

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 August 7, 2020 for a period of 10 months.

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.

James Mbagaya Shiganga

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.



Ken Wathome

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.



Chege Mwangi

ALTERNATE DIRECTOR - MINISTRY OF PETROLEUM & MINING

Born in 1962, Chege Mwangi holds a Master's Degree has over 30 years' experience in Public Administration, Project Planning and Management. He is currently the Administrative Secretary at The Ministry of Petroleum and Mining. He was appointed on August 1, 2020.

Amos Gathecha

ALTERNATE DIRECTOR - CABINET SECRETARY NATIONAL TREASURY

Born in 1964, Amos Gathecha has over 30 years' experience in Public Administration and Policy and hold a Master's Degree (MBA). He was appointed on April 23, 2020 and is currently the Principal Administrative Secretary at The National Treasury.





Agnes Njeri Muthuo

ALTERNATE TO PS - PETROLEUM AND MINING

Born in 1965. Agnes was appointed on May 5, 2022. As a HR Practitioner, she holds Master's Degree and has over thirty (30) years' experience in the public sector with expertise in Human Resource Management, Training & Development, Leadership, Mentorship, Coaching, Guidance and Counselling. In her current role as the Director, Human Resource Management and Development at the Ministry of Petroleum and Mining, she performs critical roles, including preparation and implementation of the Human Resource Management and Development (HRM&D) policies, preparation and implementation of strategies in support of the strategic plan, preparation of Departmental budget, management of payroll, training and development, performance management and staff welfare.

Sophia Kaindi Sitati

REPRESENTATIVE TO ATTORNEY GENERAL - STATE LAW OFFICE

Born in 1976, Sophia has over 20 years' experience in Legal Advisory. She holds a Master's Degree and is an advocate by profession. She was appointed on May 16,2017 and currently is the Deputy Chief State Counsel, Legal Advisory and Research Division.





Flora Fiona Okoth

COMPANY SECRETARY

Born in 1966, Flora is a competent and highly qualified lawyer with over twenty five years' legal, business management and administrative experience gained in public and private sectors. She has worked in the insurance sector and practiced law in partnership and as sole practitioner in various stages of her career. She has acquired extensive board experience having served two large organizations as Company Secretary, the longest one being at Kenya Pipeline where she held senior executive positions for over five years. Flora has also Chaired the board of a community development NGO, the Community Aid International for 5 years from 2012 - 2017. She is the holder of a Master of Laws Degree (LLM) in International Economic Law from University of Warwick, U.K (2001); an Executive MBA degree from the United States International University (USIU- Kenya, 2012), a Bachelor of Laws degree (LLB) from the University of Nairobi (1990) and a Diploma in Law from the Kenya School of Law (1991). Flora is also a member of the Law Society of Kenya (LSK) and a Certified Public Secretary (CPS) since 2005.



DR.MACHARIA IRUNGU, MBS
Managing Director

THE MANAGING DIRECTOR'S REPORT

Dear Shareholders,

It is my singular honor to present to you the Kenya Pipeline Company Annual Report and Financial Statements for the year ended 30th June 2021. Kenya Pipeline Company ("KPC" or the "Company") has yet again recorded another year of impressive financial milestone. Amid all the challenges, KPC has shown strong resilience as reflected in our operational and financial performance for the year ended 30th June 2021. Our progress and achievements in pursuing our Growth Strategy, demonstrate our perseverance and robustness as an integrated energy company against a challenging business landscape. We were steadfast in executing our strategies and sustaining our operational efficiencies while maintaining fiscal discipline. Above all, we are committed in delivering long-term value to our stakeholders. As the region's only white petroleum products pipeline company, KPC hosts the region's most vital and strategic infrastructure and currently has a combined asset base of Kshs 142 billion, placing it among the largest corporate firms in the region.

During the year under review, we were resolute in executing our strategies and sustaining our operational efficiencies while maintaining fiscal discipline. Above all, we are committed to delivering long-term value to our stakeholders by fulfilling and enriching lives for a sustainable future.

Financial Performance

The Company posted a profit before tax of Kshs 6.9 billion which is a 13% increase compared to the same period last year. The increase in profitability is mainly attributable to improved throughput performance and cost containment measures by management.

Throughput

During the year under review, KPC recorded a 6% growth in throughput volumes to 8,111,539m^3 from 7,686,227m^3 in FY 2019/20. On the domestic front, throughput figures went up by 7% from 4,191,594m^3 for the year ended 30 June 2020 to 4,512,460m^3 for the year ended 30 June 2021. Export volumes also went up slightly by 4% to 3,599,079m^3 for the year ended 30 June 2021 compared to 3,494,633m^3 for the year ended 30 June 2020

Revenue

Throughput revenue rose by 7% to Kshs 28 billion during the year under review up from Kshs 26.1 billion recorded in FY 2019/20. The increase is attributed to easement of Covid-19 containment measures.

Operating Expenditure

In the FY 2020/21, KPC operated within the budgeted expenditure operating at Kshs. 22.1 billion which was a 3% improvement compared to last financial year.

Financial Position

The company asset base reduced from Kshs 143 billion as at 30th June 2020 to Kshs 142 billion as at 30th June 2021. This is as a result of depreciation of all company fixed assets during the year.

The Company's cash reserves went up by 13.8% to Kshs 9.6 billion compared to Kshs 8.4 billion at the end of the previous 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.

KPC was able to meet its obligations including scheduled loan repayments during the year under review and concluded the financial year with an admirable financial position and healthy liquidity. The company was able to renegotiate for favorable syndicated loan terms which will lead to future improved cash position due to low interest repayments.

Strategy Focus

During the year under review, our strategic focus remained to transform the Company into a world class organization, diversify from a petroleum fuels transport business to other Oil and Gas portfolios that entrench Kenya as the gateway to East and Central Africa through infrastructure investment. I am pleased to note that we have made great strides in achievement of our transformational agenda with the implementation of key projects and activities under the five strategic pillars: Business Diversification, Geographic Expansion, People, Image and Reputation and Systems and Processes.

Under the Business Diversification schema, there were gains in Fiber Optic Cable leases whose revenues increased by 91% from Kshs. 82 million to Kshs. 157 million. With the increased adoption of technology

THE MANAGING DIRECTOR'S REPORT

and need for data optimization, and triggered by the COVID-19 pandemic, commercialization of KPC's excess fiber optic capacity presents an opportunity for an additional revenue stream. Other key achievements under this blueprint were in pivoting further towards customer centricity and enhancement of operational efficiency which saw KPC roll out a revamped Customer Portal within our SAP system in May 2021.

This is the first phase of an integrated petroleum products management system with Kenya Revenue Authority (KRA) that enabled customers to interact with KPC processes electronically, thus truncating manual interfaces in the delivery of fuel to the end users. The net result has enhanced productivity and revenue as well as reduced turnaround time through reduction of processes from 14No. stages to 4No. stages. Loading process at our Western Kenya Depots are now transparent and expedited.

We also continued to pursue the acquisition of the Kenya Petroleum Refineries Limited (KPRL) currently operated by KPC under a lease agreement. The KPRL assets comprise of petroleum products storage tanks with total capacity of 480,676 cubic meters. With a projected annual increase in importation of petroleum products of 4.8% in the next ten years, operationalization of the KPRL facilities will increase operational efficiency further, besides providing the requisite infrastructure to operate a trading hub for the region, hence entrenching Kenya as the gateway to East and Central Africa in the Oil and Gas sphere.

Image and Reputation remain a key area of focus in our transformation journey. Consequently, KPC Foundation; the vehicle through which the company engages with the communities living along the right of way; has been strengthened. Living standards have been vastly upscaled through strategic corporate social investments in our strategic thematic areas of education, water and sanitation, and health

Without a doubt, technology transforms business and cognizant of the fact that we operate a technical infrastructure, our focus continues to be on the use of appropriate technology that results in efficiency, effectiveness, and improved business performance.

KPC continues to play a key role in the petroleum supply chain and hence supports economic growth by ensuring security of supply of petroleum products in the Region. To effectively play our role in the dynamic Oil and Gas business environment, we are reviewing the Strategic Plan to ensure that the business strategies are aligned to the current realities and that the Company remains focused on our growth and diversification agenda.

Acknowledgement

In conclusion, I take this opportunity to express my sincere gratitude to our shareholders; the Ministry of Petroleum & Mining and The National Treasury for their contribution through both policy and budgetary support. On behalf of Management team and staff, I pay tribute to the Chairperson and the Board of Directors, for their continued support, visionary leadership and the guidance to the management team throughout the year.

I also wish to recognize the role played by our customers, who have continued to support our initiatives and products. They remain a crucial stakeholder without whom, we would not have achieved our set objectives and financial goals. I wish also to congratulate KPC's staff for delivering the above results and enabling the corporation to remain profitable. It is through your tireless efforts and commitment that we have been able to record this remarkable performance.



"The Company's cash reserves went up by 13.8% to Kshs 9.6 billion compared to Kshs 8.4 billion at the end of the previous year.

DR. MACHARIA IRUNGU, MBS

MANAGING DIRECTOR



Dr. Macharia Irungu, MBS
MANAGING DIRECTOR



Martin Wanyama
AG. GENERAL MANAGER
(PIPELINE OPERATIONS
& MAINTENANCE)



David Muriuki
GENERAL MANAGER
INFRASTRUCTURE
DEVELOPMENT



Pius Mwendwa
GENERAL MANAGER
FINANCE



Zilper Abong'o
GENERAL MANAGER
STRATEGY



Nyambura Kimani
GENERAL MANAGER
HUMAN RESOURCE &
ADMINISTRATION



Dr. Aiyabei Jonah
DIRECTOR MORENDAT
INSTITUTE OF OIL & GAS



Catherine Kaloki
GENERAL MANAGER
INTERNAL AUDIT



Tom Mailu
AG. GENERAL MANAGER
KPRL



Mwenje Maureen
AG. GENERAL MANAGER
SUPPLY CHAIN



Flora Okoth
GENERAL MANAGER
COMPANY SECRETARY
& LEGAL SERVICES



Pamela Ondago
FINANCE & ACCOUNTS MANAGER



Antony Ndegwa
REVENUE & COMMERCIAL SERVICES MANAGER



Laban Kosgey
AG. ICT MANAGER



Moses Tawuo
MAINTENANCE MANAGER



Amos Mugira
QUALITY CONTROL MANAGER



James Karanja
AG. SUPPLY LOGISTICS MANAGER



Martin Wanyama
OPERATIONS MANAGER



Capt. Boniface Ndaka
AIRWING MANAGER



Disterius Nyandika
ENTERPRISE RISK MANAGER



Paul M Njuguna
PROJECT RESEARCH, PLANNING & DESIGN MANAGER



Elizabeth Akinyi
AG. CORPORATE PLANNING MANAGER



Thomas Ngira
HUMAN RESOURCES MANAGER



Bernice Lemedeket
FOUNDATION MANAGER



Jacinta Ochieng
AG. CORPORATE COMMUNICATIONS MANAGER



Sheila Chepsiror
ADMINISTRATION MANAGER



Grace Njoroge
MARKETING & BUSINESS DEVELOPMENT MANAGER



Kimani Chege
DEPUTY DIRECTOR TRAINING & ACADEMIC LINKAGES



Nancy Rono
AG. PROCUREMENT MANAGER



Major (Rtd) Kithinji Harry
SECURITY MANAGER



Caxton Njuga
INTERNAL AUDIT MANAGER



Andrew Birir
PROJECTS CONSTRUCTION MANAGER



Lucy Kariuki
AG. SAFETY, HEALTH, ENVIRONMENT MANAGER



Jane Nakodony
HUMAN RESOURCE & ADMINISTRATION MANAGER (MIOG)

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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 6th year of implementation. KPC transformational plan is anchored on the following five pillars.

a. Business Leadership Pillar
b. Geographical Expansion Pillar
c. People Pillar
d. Image and Reputation Pillar
e. Systems and Processes

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 outbreak of COVID 19 Pandemic disrupted business the world over and KPC was no exception. In spite of the Pandemic, the Company was able to deliver on its core mandate which is to transport and deliver petroleum products to the hinterland and also progress its strategic agenda. The Company's achievement against its set performance targets for the FY 2020/2021 period are, as indicated in the diagram on next page:



Pillar	Objective	Activities	Key Performance Indicators	Achievements
Business Leadership	Grow existing business	Increase throughput	Throughput of 7,873,738m^3	Throughput of 8,111,542m^3
		Upgrading of bottom loading facilities at PS 25-Nakuru; PS 27-Eldoret and PS 28-Kisumu.	Completion by 30th June 2021	Nakuru – 62% Eldoret – 100% Kisumu – 90%
	Diversification	Diversify into data communication sector	Growth in revenue by Kshs. 111.16 million	to Kshs. 156.58 million
		Enhance MIOG training capacity	100 No. trainees	163 No. trained
	Adherence to International Standards	Information security management system (IS MS) ISO 27001 standards	ISO 27001 standard by 31st May 2021	Attainment of the new ISO standard delayed.
	Customer Satisfaction	Strive to achieve 85% customer satisfaction	Grow customer satisfaction index by 3%	Increased from 79% in 2019/20 to 83%
		Implement Service Delivery Charter	Display the charter prominently at the point of entry/service delivery points in both English and Kiswahili by 30th June 2021.	The charter displayed at all KPC depots.
People Pillar	An organisation structure that is aligned to the achievement of our business strategy	Implement the new structure	• All staff transition to new structure. • Filling of vacant position as per manpower plan	• Staff transition to new structure done. • 50% of vacant positions filled.
	Ensure high focus on organization	Development of skills	3 days training for all staff	338No. of staff trained.
Image and Reputation	Image enhancing corporate social investments	Carry out CSI activities	Scholarship for 376 pupils with disabilities	376 No. scholarships awarded
		Tree Planting	20,000 trees to be planted along the Right of Way	20,000 trees planted.
Systems and Processes	Improve internal communication infrastructure	Ensure system availability	99.99%	99.93%
		Extend FOC network to key data centres	Extend FOC to KONZA and iCOLO to improve uptake	Delayed.
	Integration of systems	Integrated customs management systems to SAP – IS Oil	• Roll out of SAP online order processing at all loading depots by 30th June 2021. • Reduce stages in loading process.	• Roll out of online order processing done 31st May 2021. • Loading process reduced from 14No. to 4No.
		Acquire and implement E-board system	System in place by 30th June	System in place by 30th June

CORPORATE GOVERNANCE STATEMENT

Kenya Pipeline Company (KPC) is committed to consistently maintaining the highest standards of Good Corporate Governance in its systems, processes and operations in order to safeguard the interests of all stakeholders.

The Board of KPC is responsible for overseeing the effective management and control of the company. Transparency, disclosure and risk management are key focus areas of board oversight and this is well demonstrated in KPC' s audited financial statements over the years. The Company adheres to the highest ethical standards, embracing global best practices in the Company's decision-making structures and ensuring compliance with applicable legal principles. The Board's responsibilities are outlined in the Board Charter, which has facilitated the maintenance of its autonomy and authority in discharging its responsibilities.

The Board acts in the best interest of the Company and has continually upheld its fiduciary responsibilities and duty of care. This involves non – disclosure of confidential information as well as avoidance of real and perceived conflicts of interest. The Board maintains a Conflict of interest Register to ensure disclosure and accountability. Four (4) No. conflicts of interest were disclosed in this period. A Code of Ethics and conduct is in place and signed by all Directors and Management.

KPC has a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials. An active professional development program is also in place for directors and is incorporated as part of the annual Board cycle. This includes but is not limited to presentations, discussions with key external subject matter experts, customers and/or suppliers as well as visits to KPC sites. The programs provide appropriate opportunities for directors to develop and maintain their skills and knowledge needed to perform their individual and joint roles in the Board.

Board renumeration is done in accordance with the policies and circulars issued by the relevant Government agencies from to time. Board appointments are also done as per the provisions of the State Corporations Act and the Mwongozo Code of Governance for State Corporations. Appointments and the prescribed terms of office are contained in respective Gazette Notices.

Board and individual Directors Performance for the year under review was conducted by the State Corporations Advisory Authority (SCAC) which ascertained both board and member performance, wherefrom areas for improvement were noted.

In the year under review, KPC assessed its succession plan for both Board and Management, and appropriate steps were taken to ensure a smooth and phased transition.

As at 30th June 2021, the Board was made up to (11) members as appointed by The National Treasury and Planning and Ministry of Petroleum and Mining, comprising of the non-executive Chairman, the Cabinet Secretary Treasury, the Permanent Secretary Ministry of Petroleum and Mining, the Attorney General, the Managing Director and six (6) independent directors of various backgrounds. The non-executive directors are independent of management. However, one member resigned during this period.

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.

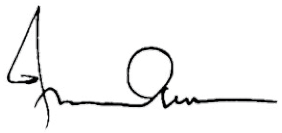
The Board also constituted two Ad-hoc Committees, namely; the Ad-Hoc Legal Affairs Committee dealing with legal matters and Ad-Hoc KTLN (Kenya Transport Logistics Network) Committee established pursuant to the Executive Order No. 5 of 2020.

Board meetings are held in accordance with the board calendar, save for exceptional instances where critical business matters arise.

The following meetings were held during the Year ending 30th June 2021.

CORPORATE GOVERNANCE STATEMENT

MEETING	NO. OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE %
Full Board meeting	4	10	98%
Special Board Meeting	18	10	98%
Board Finance Committee Meeting	9	5	98%
Special Board Finance Committee Meeting	1	5	98%
Board Human Resource Committee Meeting	4	5	98%
Special Board Human Resource Committee Meeting	9	5	98%
Board Technical Committee meeting	3	5	98%
Special Board Technical Committee meeting	2	5	98%
Board Ad-hoc meeting	2	10	98%
Annual General meeting	1	12	100%
Board Audit Committee Meeting	4	5	95%
Special Board Audit Committee Meeting	1	5	98%



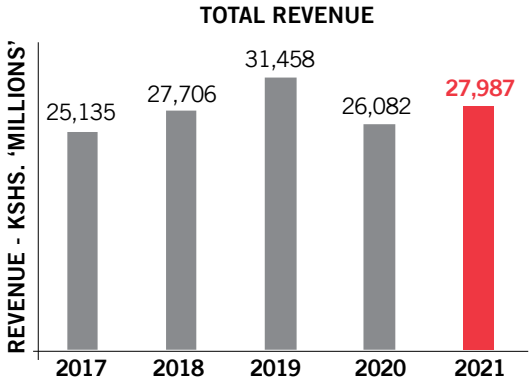
FLORA OKOTH

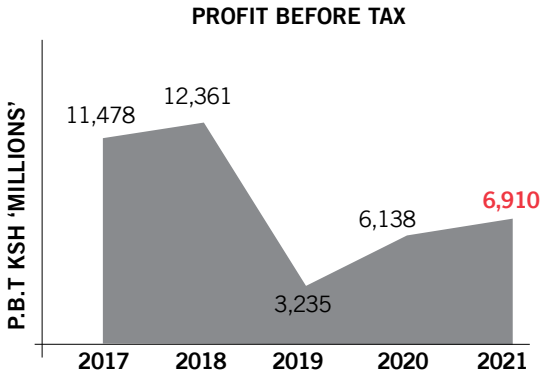
COMPANY SECRETARY

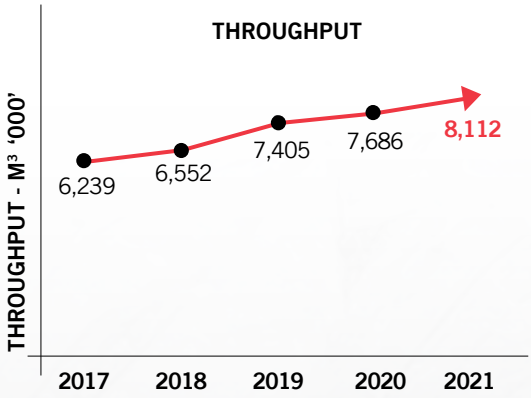
MANAGEMENT DISCUSSION AND ANALYSIS

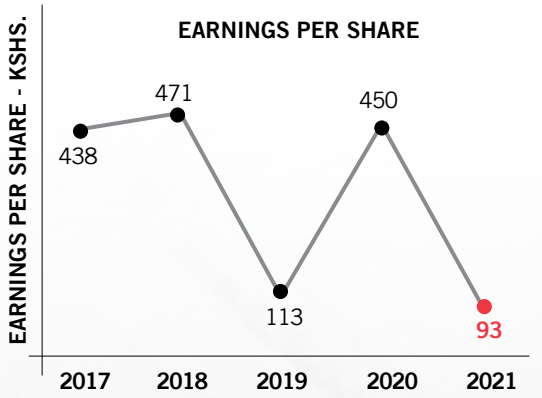
Kenya Pipeline Company has posted impressive financial performance for the last five years. However, reduction in tariffs by Energy and Petroleum Regulatory Authority has led to lower throughput revenues in the last two financial years. Profit before Tax was also impacted by the reduction in throughput tariffs. The Company's asset base has marginally reduced from prior year attributable to depreciation in the year. The company has maintained healthy cash balances over the five years and has been able to meet all its financial and statutory obligations.

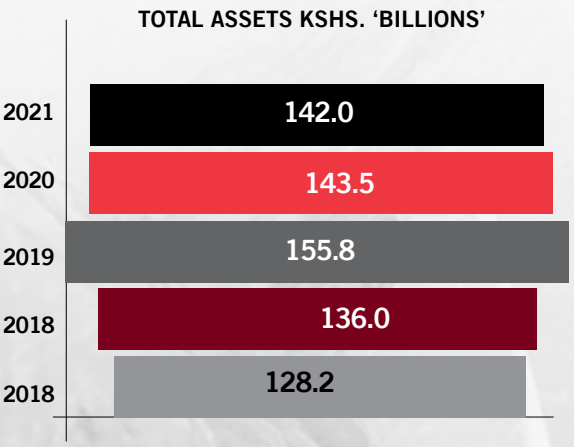
Below is a graphical presentation of the company financial performance for the last five years.

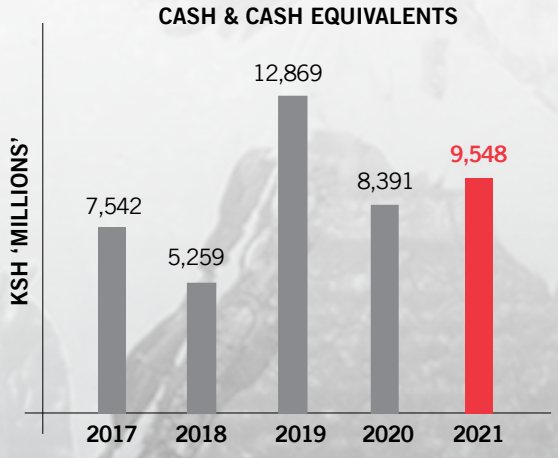












MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company is in the process of acquiring the Kenya Petroleum Refineries Limited (KPRL). This will provide additional storage capacity to complement storage at the Kipevu Oil Storage Facility (KOSF), and reduce demurrage charges. KPRL has large tracts 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 both local and export demand. 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.

INTEGRATED RISK MANAGEMENT REPORT

KPC continues to embed Enterprise Risk Management Framework (ERM) with strong support from top management. The company is implementing the ERM framework through annual program and continues to deploy resources to enhance capacity building and enhancement of ERM processes. The ERM framework is a new paradigm in the evolution of risk management as it breaks silos and covers all risks and recognizes the interdependence of risks. KPC leadership is cognizant to the fact that effective ERM design will help the company proactively manage risks that may affect the achievement of its objectives. Through embedding of ERM, the company aims to remain resilient, contribute to business sustainability and enhance shareholder value.

1.0 GOVERNANCE

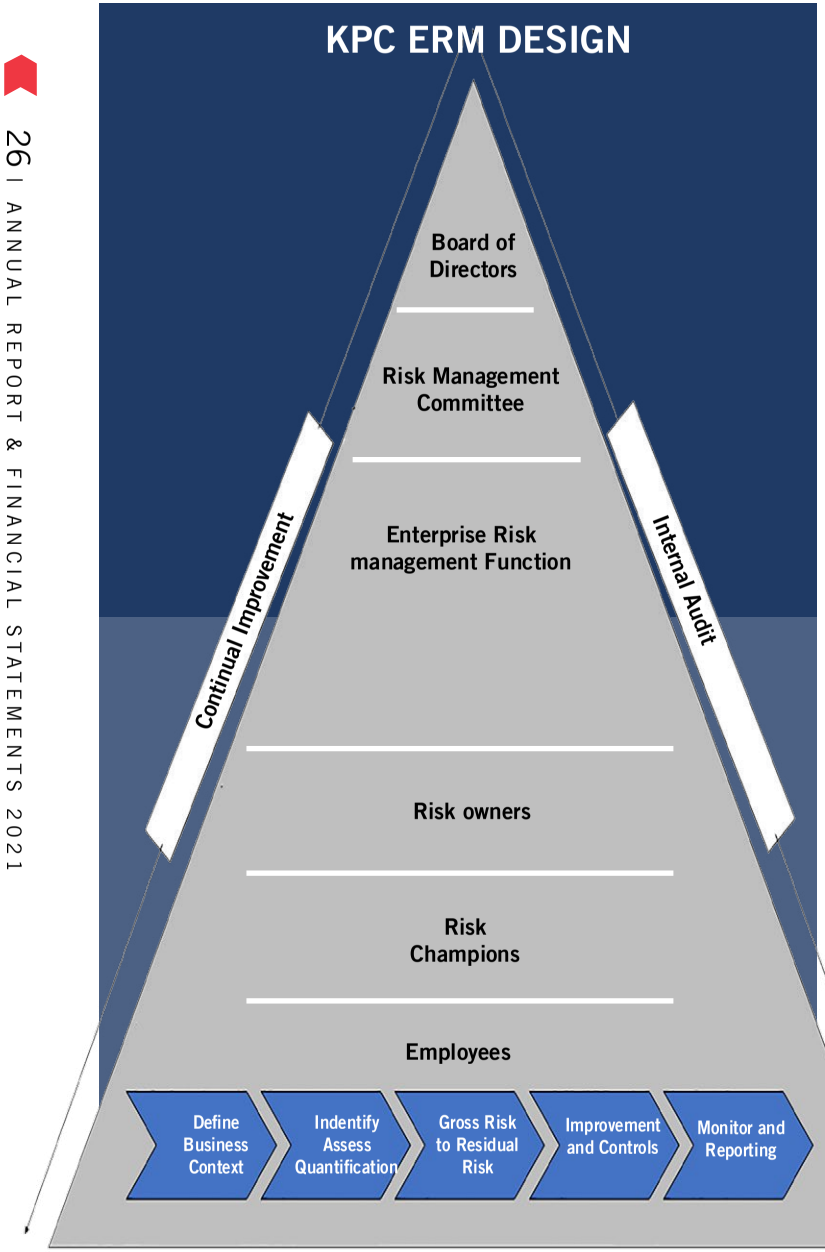
The Enterprise Risk Management Policy (ERMP) articulates the KPC ERM design as it outlines the risk management approach. The KPC ERM framework is aligned to the three lines of defense in risk management.

i. First Line: Comprises of business process owners who in KPC structure are departmental managers (Risk Owners). They implement business strategies and manage risks within the risk appetite.

ii. Second Line: Comprises of the risk management function and top management through the Risk Management Committee (RMC). Ensures coordination and implementation of ERM program as per the approved policies and procedures.

iii. Third Line: This is an oversight role provided by Internal Audit. It provides an independent opinion and assurance on effectiveness of risk management processes to the Board of Directors.

Based on the forgoing three lines of defence, the KPC ERM design to risk management has clearly defined roles and responsibilities as outlined hereunder:



Who	Role	Responsibilities
Board of Directors	Design of Enterprise risk management policy and strategy and sets the tone on risk management	- Approval of risk governance instruments - Provide Oversight on risk management in the Company
Risk Management Committee	Reviews risk management reports on on a regular basis and risk escalation decisions	- Regularly review risk management reports - Ensure effective implementation of ERM annual program - Escalation of risks and opportunities
Risk management Function	Focal point and coordinates risk management programme in the company	- Coordinate risk policy formulation and reviews - Secretariat to risk management committee - Coordinate reviews of risk registers - Preparation of integrated risk report
Internal Audit	Provide an independent and objective opinion on the adequacy and effectiveness of risk management processes	- Advisory role as member of risk management committee - Third line of defence in risk management
Risk owner	The risk owner is the business processes owner and is accountable for the management of the risks	- Risk treatment - Budgets for resources to implement mitigations - Monitoring and reporting of unit risks
Risk Champions	Subject matter specialists who support risk owners and focal point in risk assessment, monitoring and reporting	- Risk Identification and assessment - Updating of risk registers - Maintaining risk unit risk matrices
Employees	Every employee has a role in risk management in the company	- Implementation of risk actions - Risk identification and Reporting

2.0 PRINCIPAL RISKS AND KEY MITIGATIONS IMPLEMENTED

The ERM annual program for FY2020/2021 was approved by the Managing Director on 20th July 2020. In line with the program, the company undertook a company-wide risk assessment to formally re-evaluate company risks and developed mitigation measures for implementation. Risk monitoring and reporting was undertaken quarterly. The principle risks and key mitigation measures implemented for the FY2020/21 are outlined below:

Risk Category	No	Risk	Key Mitigations	Change in KRIs
Strategic Risks	1.	Strategic Execution Control Corporate strategy is anchored on assumptions. These assumptions change in a dynamic business environment and failure to periodically revalidate these assumptions may affect realization of company's strategic objectives.	Corporate Strategic Plan addendum report was reviewed by the Board of Directors and guidance provided on the revised trajectory.	
	2.	Reputation Concern that adverse publicity arising from negative stories about the company will dent the company image and brand.	• Top management visited reputable media firms to foster partnerships and collaboration during the year. • Increased reporting of positive stories about the company in all media platforms	
	3.	Project delivery constraint Concerns that ineffective project management may adversely impact on project objectives, quality, time and cost.	• The Board approved the Project Management policy and Framework documents during the financial year 2020/2021. • Training and sensitization of key stakeholders involved in project management in the company was conducted to build capacity on the use of SAP project system module, requirements of PIM (Public Investment Management) and embedding of risk management in projects. • A project tracker was developed and activated.	
Operational Risks	4.	Pipeline Integrity Lack of baseline data on Line 5, Line 4 & Line 6 was a source of uncertainty on condition of the pipelines.	• The pipeline inline inspection for Line 5 was undertaken. • Initiated the re-tender for Inline inspection for line 4 & 6 and works to commence in FY2021/22. • Implementation of Close interval potential surveys (CIPS) & Direct current voltage gradient surveys (DCVG) progressed to an advanced stage. • Initiated re-tender for works on Pipeline Integrity Management (PIM) systems for pipeline monitoring.	
	5.	Critical Spares Stockout Concern that materials stockout (especially for line 5) could impede efficient & effective discharge of critical functions/business.	• Critical spares for line 5 were all delivered by the manufacturers of Ebara Spares and TMEIC electrical spares. Tender for ABB spares initiated. • Supply chain function engaged all user departments to provide priority list of critical spares required for re-stocking to mitigate against any stock-out risk.	
Environmental, Health and Safety Risk	6.	Terrorism The country is a target for terrorism attacks and KPC is a strategic asset.	• Gap analysis conducted on all KPC Installations to establish any security gaps and vulnerabilities. • Continual monitoring and reporting of emerging security threats maintained.	

Risk Category	No	Risk	Key Mitigations	Change in KRIs
	7.	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.	• Initiated procurement process of the oil spill equipment for Kipevu Oil Storage Facility (KOSF).	
	8.	Fire KPC transports and stores highly inflammable products. Fire breakout could lead to catastrophic consequences	• The company initiated the projects to automate the PS9 (JKIA) & PS10 (Nairobi Terminal) Depots firefighting systems and upgrade of fire detection and alarm system in PS01 (Changamwe in Mombasa). • 15No. staff were trained on basic fire course during the year. • The company continued to collaborate with key stakeholder on matters safety in the various regional sites. • Positive tone at the top management (initiated measures aimed at enhancing safety culture in the company).	
	9.	Covid-19 Pandemic Concerns that the effects of Covid-19 pandemic outbreak may adversely impact health of staff, business performance and that global supply chain disruption may affect company operations.	• Crisis management committee remained active to coordinate Covid-19 response and emerging issues. • KPC staff were prioritized for Covid-19 vaccination as per government plan. • Periodic monitoring and reporting on business performance • Sustained implementation of Ministry of Health protocols and guidelines issued.	
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.	• Implemented legal services improvement measures by ensuring - (i) contracts were finalized within 3 days of receipt, (ii) legal advisory on complaints offered within 7 days of receipt while user departments were guided to negotiate and settle disputes before they crystalize into lawsuits. • Case Law report of 6No. cases prepared with lessons learnt from concluded litigation cases. • Initiated process of developing a framework for alternative dispute resolution mechanism on litigation. • Regular reporting to the Board.	
Financial Risks	11.	Liquidity Uncertainty on ability to meet short term financial obligations considering a dollar dominated loan, reduction in tariff rates & retained earnings	• Negotiations on long-term syndicated loan restructuring with better terms was concluded and approved by the Board. • Adhered to liquidity thresholds as set out in treasury policy. • Periodic engagement with lenders to ensure adherence to loan covenants.	

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

3.0 EMERGING/EVOLVING RISKS

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

i. Increase use of Electric Vehicles (EV)

Following the adoption of climate change measures globally, there has been an increase in importation of Electric Vehicles (EV) in the country and the region which consequently in the long run may have a negative impact to the company's throughput and revenues. The company has responded by initiating data collection to prepare trend analysis reports of imported EV, identification of opportunities through research and development in the EV infrastructure and formulation of a position paper on climate change for strategic decision making.

ii. Cyber Security

Cyber-attacks and ransomware incidences have increased globally as hackers take advantage of the increased uptake of technology by many employees working remotely from home and/or other locations. KPC has taken measures to continuously sensitize its employees on information security requirements, implementation of the Information Security Management System (ISMS) ISO 27001, regularly reviews its access control procedures and update of system patches among other cyber security strategies aimed at closing any vulnerabilities in ICT landscape.

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 in the Company's Business Continuity Management (BCM) Policy. During the period under review the following business continuity management activities were executed:

i. Business Continuity Awareness

The company rolled out an awareness campaign to staff during the year. A special edition newsletter dedicated to business continuity was produced and circulated to staff during the Business Continuity Awareness Week (BCAW) which is an annual global campaign designed to help organizations across the globe to raise internal awareness, its basic and essential best practices, and how to embed it within the organizational culture. This year the global BCAW took place between 17th to 21st May 2021 with the theme being "Business continuity starts with you".

ii. Testing and Exercising of Business Continuity Plans (BCPs)

The company carried out the BCP Testing and Exercising from 10th to 14th May 2021 in line with the approved annual program for FY2020/21 with the objective of validating the existing BCPs, ascertaining that the critical business processes of our core functions as captured are 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.

ENVIRNOMENTAL 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 ensures 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 46 percent reduction in incidents recorded the previous year from 292 to 158 incidents.

ii) Environmental performance

KPC has in place a detailed HSE policy that guides its implementation of occupational health, safety and environmental programs. The policy also includes social performance, in response to the large infrastructure projects the organization undertakes to safeguards the communities within which it operates.

KPC management recognizes its responsibility to ensure all reasonable steps are taken to protect and preserve the environment in which it operates; hazards are removed and controlled, health preservation and injury protection of its employees, contractor workers, customers and other stakeholders.

The HSE policy guides the organization to comply with the law, include HSE and sustainability considerations in all company operations, and attain continual improvement in our HSE Performance. Safety, Health and Environment Department (SHED) department's vision is to achieve World class safety performance measured as Zero fatalities, injuries, spills and fires and a proactive safety culture. 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 capability of staff
- Safety culture.

KPC complies to 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. KPC has gone beyond local legislation compliance to commit to international certification in HSE management for ISO 14001:2015 Environmental Management Standard and the 45001:2015 on Occupational Health and Safety; ISO 17025 on Laboratory management 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 as well its customers and communities within which it operates. Under the Prevention pillar, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and assessments for all its operations and comes 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

ENVIRNOMENTAL AND SUSTAINABILITY REPORTING (continued)

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

The culture pillar targets to attain a proactive safety culture. Programs running under this pillar include the Safety week, World Environment Day, reward and recognition programs including the near miss campaign. Headline Performance Incidents: No fatality and Lost Time incident were recorded during the period relating work activity. However, 3No Covid-19 pandemic related deaths were recorded. Overall, we attained a 45 percent reduction in incident recorded from the previous year from 292 to 158 incidents. This reduction is attributed to increased reporting in near misses and unsafe acts and conditions thereby enhancing awareness among KPC stakeholders. Furthermore, with increased reporting and close out action from reported near misses at KPC sites, it has enhanced safety.

Near misses are incidents that under slightly different circumstances could have resulted in illness, injury, damage to assets, environment or company reputation, but did not. Taking corrective action on reported near-misses, unsafe acts and conditions, prevents major accidents from happening.

This financial year hydrocarbon release incident registered 3No incidents. This was a reduction of nearly 82 percent from the previous year which registered 17No incidents. This reduction is attributed to the completion of Line V project and gradual decommissioning process of Line 1 which is ongoing with the Line drained of any hydrocarbons and packing with water. KPC as a responsible corporate citizen always ensures successful repair of the defective pipeline sections in event of incidents and undertake environmental remediation for all contaminated sites.

KPC as part of its corporate social investment sets aside one (1) percent of its pre-tax profit subject to a minimum of Kshs. 100 million as investment to communities within which it operates. These investments are in activities such as water, health facilities, education infrastructure and bursaries support to the local communities in the affected areas.

iii) Employee welfare

Under the People pillar, we have ensured that the organizational structure is fit for purpose and that all directorates are well resourced. Recognizing the importance of staff in achievement of the corporate vision and mission, efforts have been made to improve staff performance.

This has been done through:

- Alignment of individual performance to corporate strategy.
- Continuous monitoring and evaluation of staff performance and taking corrective measures on the same.
- External Recruitment of highly skilled and competent employees in both technical and non-technical roles.
- Promotion of internal employees thus providing career opportunities for growth.
- Engagement of our employees in various welfare programmes in support of the well-being of our employees.
- Review of management cadre salaries

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 27 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

ENVIRNOMENTAL AND SUSTAINABILITY REPORTING (continued)

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 quarterly supplier appraisals which give suppliers feedback on areas of weakness with a view of helping them do business with KPC.

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 326,940,637 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

Corporate Social Investment (CSI) is a global practice employed by Corporates to integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner. CSI enables corporates to establish best commercial practices, create wealth and improve well-being of the society.

KPC Foundation is the CSI arm of KPC with the mission of contributing to the well-being of society. The Foundation is in the process of being Incorporated and will be accountable to a Board of Trustees. All CSI activities are steered by KPC Foundation according to the following thematic areas;

i. Empowerment of Youth, Women and persons with disabilities
ii. Education
iii. Health and sanitation
iv. Clean water
v. Sports
vi. Energy Conservation and Environment restoration
vii. Emergencies

KPC's CSI initiatives adopt the principal of national and regional representation.

1) EDUCATION

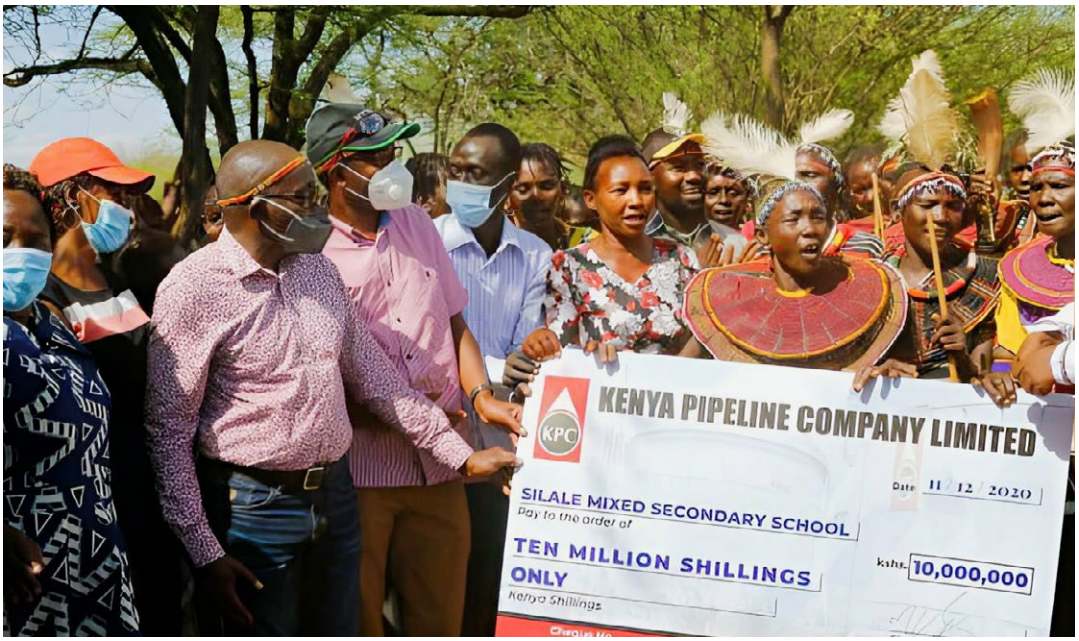
Education being a key focus area, has continuously received more than 40% of the total CSI budget and considerably towards infrastructural development of various schools during the period under review. In FY2020/21, we rolled out various educational programmes to provide better education opportunities for underprivileged students. KPC strives to assist the underprivileged by equipping and enabling communities.

The following were some of the key educational projects undertaken in FY 2020/2021;

Beneficiary	Project description
1) North Horr Primary School	Construction of a Community Centre
2) Kapsisi Primary School	Construction of a dormitory
3) Kaminjeiwet Community Resource Centre	Construction of Resource Centre
4) Chavakali High School	Construction of a dormitory and Sanitation Block
5) Silale Secondary School	Construction of 4 classrooms, administration block, 2 pit latrines, staff quarters and a Boys' Dormitory
6) Marasi Primary School	Construction of 2No. Classrooms, 8 Door toilets for boys and Perimeter Wall
7) Simbi Mixed Secondary School	Construction of girl's dormitory
8) Yokot Primary School	Rehabilitate sports grounds involving construction of washrooms, 2 changing rooms, classrooms, levelling, labelling of field and Construction of a perimeter wall

KPC appreciates that pupils/students from marginalized areas face diverse challenges in acquiring education compared to their peers in other areas of the Country. These projects are intended to provide conducive living and learning environment and maintain good hygiene, reduce the distance and improving access to educational opportunities for the children of those counties and beyond among other benefits.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)



KPC Managing Director Dr. Macharia Irungu and KPC Board Member Jinaro Kibet hand over a cheque of Ksh 10 million to Tiaty residents



Completed 4No. classes at Silale Primary School



Completed Girl's dormitory at Simbi Mixed Secondary School, Homabay County.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)

2) EMPOWERMENT

INUKA

The Inuka Scholarship programme is a flagship scheme for needy and disabled children across all the 47 counties in Kenya. Implemented in partnership with the National Council for Persons with Disabilities (NCPWD), Inuka resonates well with the Ministry of Education's Strategic Plan 2017-2021 titled "Education for all, embracing change, securing the future". The first cohort of Inuka students joined Form One in January 2016.

The Inuka Scholarship involves selection of two of the best performing primary school students living with disability from each county every year (94 students per year). One boy and one girl are selected from each county and receive scholarships to attend secondary school. Since the inception of the Scholarship, the Company has spent Kshs. 56 million to cater for 376 students who have joined the programme.

Now, in its 5th year and with the pioneer Inuka students graduating from secondary school, KPC is proud of the impressive results posted by the beneficiaries in the recent Kenya Certificate of Secondary Education (KCSE).



Miriam Kipkemboi Chepleting of Moi Girls High School Eldoret scored top marks countrywide in the special needs education category, and was singled out for praise by Education CS Prof. George Magoha after she scored an A of 84.88 points. Born in June 2002 in Uasin Gishu County, Miriam lived a normal life until 2014 when she was diagnosed with Osteogenic Sarcoma, a rare type of bone cancer, which resulted in amputation of her right leg. She, however, defied the odds and scored an impressive 403 marks in the Kenya Certificate of Primary Education (KCPE).

Meet other Inuka Scholarship high flyers

No.	Name	School / County	Grade Attained
1	Caroline Wanjugu Mwangi	Mahiga Girls Secondary School / Nyeri	**A-** (minus) of 76 points
2	Peggy Kinyungu Ndeto	Rev. Muhoro Secondary School for The Deaf / Kilifi	**B** (plain) of 65points.
3	Nice Nekesa Juma	St. Bridgid Girls High School / Bungoma	**B** (plain) of 61 marks.
4	Jimrives Wawire Nyongesa	Bungoma High School / Bungoma	**B** (plain) of 61 points.
5	Ogoma Steve Oluoch	Joyland special secondary school / Migori	**B-** (minus) of 53 points
6	Kihanya Winnie Wambui	Rev. Muhoro Secondary School for The Deaf / Kiambu	**C+** (plus) of 52 Points.
7	Shalin Njeri Kahihu	St. Teresa Moi Equator Girls Secondary School / Nairobi	**C+** (plus) of 51 points.
8	Daniel Powon Lotuliareng	Kibos Special Secondary School / West Pokot	**C+** (plus) of 47 points.
9	Faith Jeptum Kenei	St. Mary's Tach Asis Girls Secondary School / Nandi	**C** (plain) of 45 points
10	Baraka Majimbo Mrimi	Godoma Secondary School / Kilifi	**C** (plain) of 40 points.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)

KPC will continue to collaborate closely with all stakeholders including the Government agencies like National Council of Persons Living with Disabilities (NCPWD), training institutions, professional bodies like Institute of Engineers of Kenya (IEK) and Non-Governmental Organizations to ensure the inherent challenges facing PWDs are addressed.

3) HEALTH AND SANITATION

Our constitution guarantees the right to the highest attainable standard of health, this includes the right to healthcare services and reproductive health for women. Similarly, Vision 2030, in its social pillar, seeks to provide an efficient and high quality/standard health care system for all Kenyans.

As a responsible Corporate Citizen, KPC through the Foundation has aligned its CSI interventions with the objective of ultimately spurring social development in a sustainable manner. The Company supports programs that complement the National and County Governments initiatives which also aligns with the President's BIG 4 Agenda of Universal Health Coverage (UHC).

Migosi Health Centre Kisumu County

KPC renovated and equipped Migosi Health Centre Radiology Department (X-ray and Ultra Sound). The aim was to compliment National Government's efforts through the provision medical services towards the achievement the of Universal Health Coverage (UHC).

Free Medical Camp – Nyeri County

In a move to improve health, KPC sponsored free medical camps in Nyeri. The free medical camps aims to compliment National Government efforts through the provision of medical services towards the achievement the of Universal Health Coverage (UHC). Over 3000 residents of Nyeri benefited from the medical camp.



Cross Section of Nyeri residents during KPC sponsored Medical Camp at Nyakinyua Primary School in Witemere slum, Nyeri County.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)

4) CLEAN WATER

Provision of clean water and sanitation to communities is of critical concern to KPC. Towards this objective KPC in 2020/21 FY engaged in de-silting, expansion and rehabilitation of Kololo (Kiuni) Dam.

Other projects that have been undertaken to help communities receive clean water include the following;

1. Construction of a bore hole at Akithii Girls Secondary School in Meru County
2. Construction of a community bore hole at Okarkar and Kiboko Maasai Ranches in Kajiado County.

The drilling and equipping of a borehole at these areas has provided a source of piped water to the schools and the neighboring communities and other benefits in terms of increased social, environmental and economic effects.

5) ENERGY CONSERVATION AND ENVIRONMENT RESTORATION

Over the past decade, Kenya, like the rest of the world, has been and continues to experience impacts of climate change which is estimated to negatively impact 3 - 5% of the GDP annually. Besides Covid-19, climate change is the major existential threat of our time, with impacts already being felt in all facets of our lives including the environment, economy, health, water supply, finance, security and agriculture.

Kenya is most vulnerable to climate change since the key drivers of the economy such as agriculture, livestock, tourism, forestry, transport and fisheries, are climate-sensitive.

It is against this background that the KPC Foundation takes seriously Environmental Conservation as one of the five thematic areas in our Corporate Social Investment programmes. Indeed, protection of environment is in line with the government's policies and international commitments under the Paris Agreement, that emphasize on building resilience and reducing vulnerability to the impact of climate change, especially as a water scarce country struggling to meet the 10% forest cover, yet heavily reliant on climate.

We have also as a company planted over 20,000 seedlings within the last two months in collaboration with schools along our Right of Way (R.o.W) from Samburu near our Pump Station No. 2 to Pump Station No. 8 – Konza in Kilifi, Taita Taveta and Makueni Counties. This in line with the government's goal of attaining at least 10% forest cover in the country in line with the United Nations Sustainable Development Goals to maintain the globally accepted ecological balance.

6) SPORTS FOR DEVELOPMENT

Kenya Pipeline Company has always associated its name to sports by providing support. KPC Foundation has supported the sporting activities across the country. As part of our social development programmes. During the year under review KPC sponsored the Eldoret City Marathon whose theme was climate action.



Uasin Gichu County Governor finishes his race during 2021 Eldoret City Marathon. KPC sponsored the marathon that was themed Environmental Conservation.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)

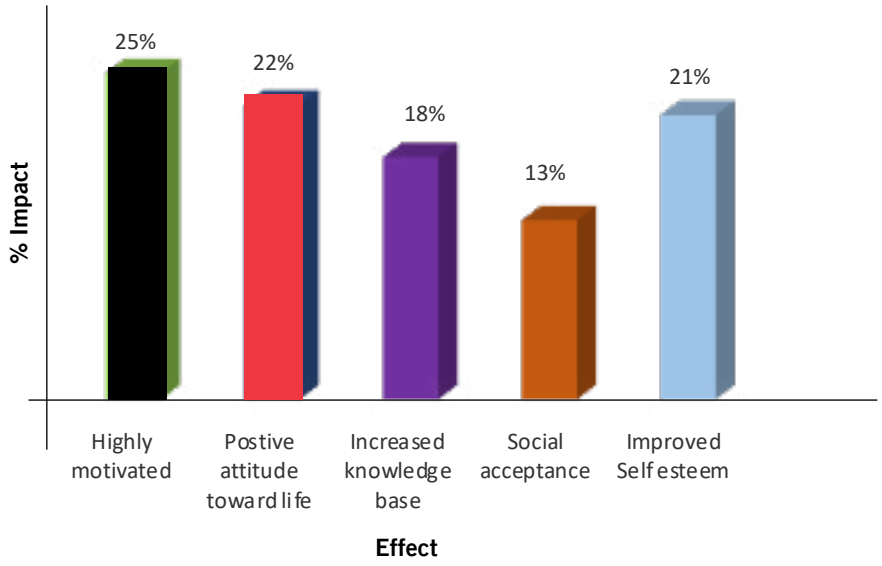
MONITORING & EVALUATION

Business sustainability is an important aspect for every business today. This therefore places major importance on sustainability reporting through reports on governance, economic, social and environmental performance and is increasingly being regarded as a key form of stakeholder engagement, and the most accepted formal way of communicating measured outcomes to all stakeholders.

M&E of CSI interventions helps Corporations to integrate learnings from past experiences into their policies, improve delivery of CSI undertaken, systematic conceptualization and planning and optimization of resource allocation and measurement of results as part of accountability to the beneficiaries. It strikes a balance between economic benefits of organizations and the social benefits of the Communities. Below is the summary of impact of CSI initiatives to the society.

Impact of the Inuka Programme

The assessment demonstrates that INUKA program has contributed to the overall well-being of all the students who are beneficiaries. The beneficiaries indicated that INUKA has brought hope and a bright future to them. The program has particularly been instrumental in transforming the lives of the beneficiaries socially, emotionally, physically and mentally. The INUKA Scholarship Program has so far made positive effects in the lives of the beneficiaries within the following three main domains and as indicated in the graph on next page.



i) **Educational:** The students were highly motivated in academic and social performance. Also increased knowledge base that has imparted direct and indirect positive social and professional attributes in the learners' lives,

ii) **Social:** The students indicated Improved acceptance by society for interactions and positive attitude towards life (hope for a future).

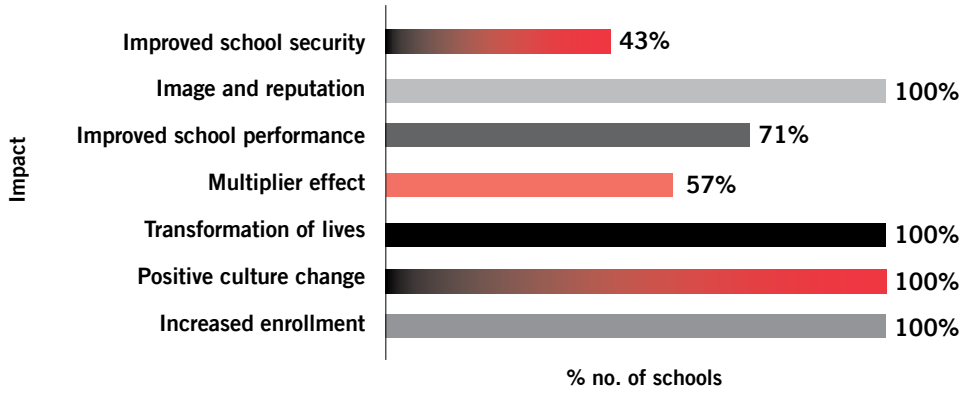
iii) **Emotional:** the students indicated attainment of self-value and acceptance in the community as well as spiritual acceptance and transformation

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (continued)

The following are some of the CSI education projects undertaken by KPC;

CSI Initiative		Beneficiary	Contract Completion Date	County
1	Construction of Four Classrooms and Administration Block	Masangora Girls Secondary	February 2018	Migori
2	Construction of School Laboratory	Simbi Mixed Secondary	March 2017	Homabay
3	Construction of Water Borehole	Akithii Girls Secondary	July 2017	Meru
4	INUKA Scholarship Program	Nominated Students	Continuous	The 47 Counties
5	Construction of Administration Block and Refurbishment of the Existing Classes	Nachu Primary School	December 2017	Kiambu
6	Construction of Boy's Dormitory	Limnyomoi Primary School	March 2017	Uasin Gishu
7	Construction of Kaminjeiwet Resource Centre	Kaminjeiwet Community	August 2018	Kericho
8	Construction of Boy's Dormitory	Kapmaso Boys' Secondary School	December 2018	Kericho
9	Construction of 4No. Classrooms	Cheptuiyet Girls' Secondary School	August 2018	Kericho
10	Refurbishment of 12No. Classrooms, Construction of 10-door-pit Latrine and School Gate	Manyonyi Primary School	February 2018	Kakamega
11	Borehole Drilling, Equipping and Commissioning	Okarkar & Kiboko Community	July 2019	Kajiado
12	Construction 4No. Classrooms	Uswet Primary School	December 2019	Bomet
13	Construction of a modern school library structure	Hema High School	May 2019	

The following were the positive impacts of CSI projects to individual and communities;



ENVIRONMENTAL SUSTAINABILITY STATEMENT

KPC has in place a detailed HSE policy that guides its implementation of occupational health, safety and environmental programs. The policy also includes social performance, in response to the large infrastructure projects the organization undertakes to safeguards the communities within which it operates.

KPC management recognizes its responsibility to ensure all reasonable steps are taken to protect and preserve the environment in which it operates; hazards are removed and controlled, health preservation and injury protection of its employees, contractor workers, customers and other stakeholders.

The HSE policy guides the organization to comply with the law, include HSE and sustainability considerations in all company operations, and attain continual improvement in our HSE Performance. Safety, Health and Environment Department (SHED) department's vision is to achieve World class safety performance measured as Zero fatalities, injuries, spills and fires and a proactive safety culture. 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 Capability of staff,
- Safety culture.

KPC complies to 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. KPC has gone beyond local legislation compliance to commit to international certification in HSE management for ISO 14001:2015 Environmental Management Standard and the 45001:2015 on Occupational Health and Safety; ISO 17025 on Laboratory management 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 as well its customers and communities within which it operates.

Under the Prevention pillar, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and assessments for all its operations and come 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 capability 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, among others, Emergency response management and incident command, basic firefighting courses, first aid, incident investigation, HSE committee and environmental sustainability training, bioremediation training and social impact assessment training.

The culture pillar targets to attain a proactive safety culture. Programs running under this pillar include the Safety week, World Environment Day, reward and recognition programs including the near miss campaign. KPC in FY 2020/21 recorded a total of 158 incidents including 145 near misses contributing to 92% of all incidents reported during the period. Headline Performance Incidents: No fatality and Lost Time incident were recorded during the period relating work activity. However, 3No Covid-19 pandemic related deaths were recorded. Overall, we attained a 45 percent reduction in incident recorded from the previous year with from 292 to 158 incidents. This reduction is attributed to increased reporting in near misses and unsafe acts and conditions thereby enhancing awareness among KPC stakeholders. Furthermore, with increased reporting and close out action from reported near misses KPC sites have enhanced safety.

Near misses are incidents that under slightly different circumstances could have resulted in illness, injury, damage to assets, environment or company reputation, but did not. Taking corrective action on reported near-misses, unsafe acts and conditions, prevents major accidents from happening. In 2020/21, 145 near misses were reported compared to 292 in the previous year.

This financial year hydrocarbon release incident registered 3No incidents. This was a reduction of nearly 82 percent from the previous year which registered 17No incidents. This reduction is attributed to the completion of Line V project and gradual decommissioning process of Line 1 which is ongoing with the Line drained of any hydrocarbons and packing with water. KPC as a responsible corporate citizen always ensure successful repair of the defective pipeline sections in event of incidents and undertake environmental remediation for all contaminated sites.

ENVIRONMENTAL SUSTAINABILITY STATEMENT (Continued)

KPC as part of its corporate social investment sets aside one(1) percent of its pre-tax profit subject to a minimum of Kshs. 100 million as investment to communities within which it operates. These investments are in activities such as water, health facilities, education infrastructure and bursaries support to the local communities in the affected areas.

KPC runs the Safety Week and World Environment Day annually to coincide with the World Safety Day on April 28th and World Environment Day on 5th June. The theme for 2021 was '"Anticipate, prepare and respond to crises: Invest now in resilient occupational safety and health systems". The program of events covered activities geared towards investment safety systems that are resilient in the face of pandemics like Covid-19 while protecting the workforce and the greater KPC community.

KPC commemorated the World Environment Day on 5th June 2021, through tree planting efforts with 20,000 tree seedlings planted along Line 1 pipeline in partnership with 7No immediate community schools. To ensure sustainability of the trees, KPC procured tanks and drip irrigation piping's for each site.

STAKEHOLDER ENGAGEMENT

Stakeholder management is a critical component to the successful delivery of the corporate strategy. During the FY2020/21, the engagement safeguarded cordial relationships with the stakeholders who significantly impact the Company's achievements. Communication with the groups played a vital role in keeping all parties on board.

The primary stakeholders are the Oil Marketing Companies. The OMCs receive daily updates on the products available and status in addition to planned engagements. The year's performance indicates that in FY2020/21, the top ten marketers commanded an aggregated market share of 64% compared to 65.23% in FY2019/20. They include; Vivo Energy Kenya Ltd - (19%), Total (K) PLC - (17%), Rubis Energy Kenya PLC - (7%), Lake Oil Limited-(4%), Ola Energy Kenya - (4%), Oilcom - (4%),Oryx Energies Kenya Ltd- (3%), Be Energy Limited - (2%), Petro Oil (K) Ltd- (2%), Hass Petroleum (K) Ltd. – (2%) . The Other 52 active customers contribute 36% to KPC's business.

1.Local Market Engagement

a. OMCs Engagement

KPC commands a market share of 94% in the transportation and distribution of bulk petroleum products from the port to the local market. During the year, there were changes in the order creation process under the KPC SAP & KRA iCMS integration project. The Company's role was to lead the integrated change management to ensure a smooth transition in the new process. This led to heightened engagement during the year. This also included feedback forums held in Kisumu, Eldoret, Nakuru and culminated in a CEO's meeting held at Movenpick Hotel Nairobi on 23rd June 2021.



KPC's Board Chair, Ms. Rita Okuthe addressing OMCs and other guests during the CEO's Breakfast at Movenpick Hotel Westlands on 23rd June 2021



Delighted Nakuru customers sharing a light moment over dinner in Nakuru



Outgoing Managing Director of Total Kenya PLC. Mr. Olagoke Aluko introducing the incoming Managing Director Eric Fanchini to KPC's Managing Director, Dr. Macharia Irungu



Managing Director Dr. Macharia Irungu addressing guests during the CRO's breakfast forum on 23rd June 2021 at Movenpic Hotel Nairobi.

STAKEHOLDER ENGAGEMENT (Continued)



Texas energy Chief Executive Officer Mr. Abdihakim Ibrahim with Dr. Macharia Irungu and KPC's Revenue and Commercial Services Manager Antony Ndegwa

b. Customer Service Week

Customer Service Week (CSW) is a platform to champion the value of Customer Experience (CX) in sustaining businesses in Kenya, and it is celebrated globally every first week of October. This year's Customer Service Week was celebrated between 5th and 9th October 2020 with the theme "Championing Customer Convenience." The focus was in tandem with the growing global emphasis on the customer's seamless journey to sustain mutual revenue growth for the firms involved.

Besides Oil Marketing Companies, KPC celebrated CSW with its Fiber Optic Cable (FOC) customers: Safaricom PLC, Jamii Telecommunications Limited, and Wananchi Telecom Limited.



KPC MD Dr. Macharia Irungu's courtesy call and trophy presentation to Vivo Energy's MD, Mr. Peter Murungi, for being the number 1 throughputter in FY 2019/20



Vivo MD Mr. Peter Murungi and supply team receiving the highest throughputter trophy from Dr. Macharia Irungu - KPC MD and the marketing team.

STAKEHOLDER ENGAGEMENT (Continued)



KPC's Senior ICT Officer, Benbrose Ndivo, with Jamii Telcom Chairman Mr. Joshua Chepkwony when the KPC team paid a courtesy call during CSW



KPC Marketing team visiting our top FOC customer - Safaricom's Network Infrastructure Planning & Design technical team

c. 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 relationship with the key stakeholders – OMCs.

2. The Transit Market Engagement

During the period under review, the Company established an elaborate export market recapture strategy, notwithstanding challenges of Covid -19 pandemic, to enhance KPC's market leadership in the region. The export market growth plan included a stakeholder forum and a pivotal visit to the Mahathi-Infra Uganda facilities – a complementary jetty for Kisumu Oil Jetty (KOJ) – currently being finalized for operation. The KPC Board and Management team held a stakeholder's engagement in Uganda from 8th to 11th March 2021 and 14th to 17th June 2021.

Other activities were one-on-one engagements with the Kenya High Commission - Kampala, Uganda's Ministry of Energy and Mineral Development, Uganda Revenue Authority, and the Oil Marketing Companies.

PICTORIALS – UGANDA STAKEHOLDER ENGAGEMENTS



KPC team led by Dr. Irungu Macharia paying a courtesy call at the High Commission in Uganda – Host 4th from the left



KPC team at Mahathi Infra Facility (Jetty) in Bukasa Bugira – Uganda; Complementary facility for KOJ. Expected completion date December 2021.



Dr. Macharia with the KPC team making a courtesy call to the Ministry of Energy and Mineral Development, Uganda. Host at the center Mr. Robert Kasande, the Permanent Secretary

STAKEHOLDER ENGAGEMENT (Continued)



Pictorial of the upcoming KOJ complementary facility – Mahathi Infra oil terminal and jetty in Uganda

3. Partnership with Stakeholders - 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 used 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.



KPC security and safety team with an OMC transporter confirming validity of the Covid-19 certificate at Eldoret depot (PS 27) before loading.

4. Inter-agency collaborations

In resolving trade barriers along the Northern Corridor Transit Route, KPC has engaged various agencies pertinent to its service delivery. For the effective resolution of Non-Tariff Barriers (NTBs), an inter-agency collaboration engagement plan was developed for implementation in FY2020/21.

During this season, stakeholders were engaged online and physically. They comprise of 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.

5. Customer needs & satisfaction survey & Customer Complaints Management

FY2019/20 Customer Needs & Satisfaction Survey was undertaken in June 2021 with a Customer Satisfaction Index (CSI) of 83% against 79% for the FY 2018/19. Customer needs from the survey were identified and action plans to address the needs developed for implementation in FY2021/22. Compliments and complaints received from customers were acknowledged, registered, and closed out.

STATEMENT ON LEADERSHIP AND ETHICS

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.

To achieve this objective, the Company has put in place various structures and policies to support this effort of minimizing corruption which includes: Mainstreaming of Integrity, ethics and compliance into a fully-fledged Section imbedded in the Internal Audit Department to spearhead and coordinate the Integrity program Companywide; In line with the Government model provided in the Public Service Integrity Program Manual, which is committee based, adopted a three-tier operating structure with a Management Integrity Oversight Committee chaired by the Managing Director and members drawn from the Executive Management team to oversight the integrity program, a Secretariat based at the headquarters comprised of representatives from major functional areas to work hand-in-hand with the Integrity Section to provide technical support, and eight Regional Committees spread along the pipeline network with trained Integrity Officers coordinating the corruption prevention activities within their respective regions. 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.

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. New employees are 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 FY2018/19 to FY2020/21 has just been concluded and a new cycle commenced.

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.

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 and has circulated the communique from the office of the president providing a telephone number **0791333222** for use by anyone who wishes to report corrupt activities/incidents anonymously to the presidency.

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 2021, which disclose the Company's state of affairs.

Activities

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

RESULTS	Kshs
Profit before tax	**6,910,363,247**
Tax charge	(5,227,628,302)
Profit after tax for the year	**1,682,734,945**

Dividend

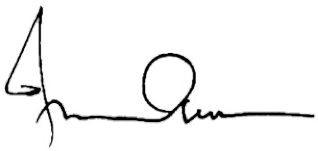
Following the payment of special dividends during the year, further payments of dividends are not recommended in respect of the year. (2019 – Kshs.11.8 Billion, 2020 – Kshs. 2.7 Billion).

Directors

The current directors are as shown on page 12 to 15.

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

September 26, 2022

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, 2021. 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, 2020, and of the company's financial position as at that June 30, 2021. 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 **September 26, 2022** and signed on its behalf by:



Rita Okuthe
BOARD CHAIRPERSON



Dr Macharia Irungu
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, 2021

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 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 63 to 121, which comprise of the statement of financial position as at 30 June, 2021, 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, 2021, 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. 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.

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;

2.1 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. 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.

2.2 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, salaries advances, payroll debtors, subsistence allowance advances and imprest all amounting to Kshs.1,789,049,726. 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.

2.3 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.

2.4 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. 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 ITAX 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 an 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.

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 Cooperative 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.

in the circumstances, the accuracy and completeness of bank and cash balances of Kshs.2,462,154,764 could not be confirmed.

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.

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.

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 Matter

Encroached Company Land

Review of the freehold land documents revealed a piece of land located in Nakuru County with book value of Kshs.700,000,000 which measures 47.10 acres which had had been illegally encroached and permanent structures put up by the encroachers. According to the inspection and verification done by a valuer engaged by the Company in 2019 to undertake valuation of the Company assets, only five (5) acres valued at Kshs.75,000,000

was occupied by the Company, with the rest of parcel measuring 42.10 acres valued at Kshs.625,000,000 being occupied by the encroachers.

As a result, the ownership of the parcel which has been illegally encroached is threatened.

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 made available 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. Loss on Leased Facilities

As disclosed in Note 7 to the financial statements, are direct costs of Kshs.2,911,487,391 in respect of pipeline maintenance. Included in the costs are lease payments to Kenya Petroleum Refineries Limited (KPRL) amounting to Kshs.1,209,256,319 for use of pipeline network, storage tanks and associated infrastructure during the year under review. A comparison of total lease costs against total lease income for the year revealed that the Company realised income amounting to Kshs.644,256,318 thereby resulting to a net loss on the lease of Kshs.565,000,001.

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 them 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.

2. Long Outstanding Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.9,160,335,600. Further, as detailed in Note 23 to the financial statements, the amount includes Kshs.106,656,301 in respect of prepaid construction costs which has been outstanding since 2007. Although a provision was made in the books of the Company in respect of the amount, no evidence of efforts to recover the same was provided for audit review.

In the circumstances, recoverability of the balance of Kshs.106,656,301 in respect of prepaid construction cost included in trade and other receivables balance could not be confirmed.

3. Un-Procedural Waivers

The Transport and Storage Agreement (TSA) between Kenya Pipeline Company (KPC) and the Oil Marketing Companies (OMC) provides for penalty charges when OMC products overstay in the KPC facilities. The penalty charge is one of the recognized revenue streams for the Company.

Review of billing records revealed that four (4) OMCs were billed and invoiced for overstayed product penalties in the period between 2018 to 2021. The revenues had been recognized in the books of the Company in their respective years of occurrence. However, during the year under review, penalties amounting to Kshs.495,942,077 were waived by the Board in a meeting held on 18 May, 2021. The waivers were not accompanied by requisite approval from the Cabinet Secretary for The National Treasury or the Cabinet as provided for under Regulation 148(6) and (8) of the Public Finance Management (National Government) Regulations, 2015, which requires any write off above Kshs.100,000 to be approved by the Cabinet Secretary and any write off above 1% of the entity's budget to be approved by the Cabinet. In addition, the waiver reported in the financial statements amounted to Kshs.529,641,166 resulting in unexplained variance of Kshs.36,699,089.

In the circumstances, Management was in breach of the law.

4. Incomplete Marine Loading Arm Project

The property, plant and equipment balance of Kshs.97,186,140,519 disclosed in Note 17 to the financial statements, includes work in progress costing Kshs.216,920,335 as at 30 June, 2021. The amount includes Kshs.17,084,749 relating to supply, installation, testing and commissioning of overhung marine loading arm at Kipevu oil terminal. The contract for the project was awarded to a company for a contract sum of Kshs.43,438,520 on 1 December, 2017 and signed on 18 April, 2018. 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 was intended to replace existing overhung marine loading arm to increase the discharge flow rate for the Dual-Purpose Kerosene (DPK) arm from 1700M^3/hr to 2500M^3/hr. According to the manufacturer, the recommended number of years for the existing loading arms had 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 were not done.

The continued delay in installation poses the risk of failure since the operational period for the loading arms have been surpassed. Additionally, the initial contract period expired, and the subsequent extension granted to the contractor lapsed on 30 June, 2021 without a clear roadmap on how the project would be completed three (3) years since commencement.

In the circumstances, the value for money may not be realized on this project.

5. Unsupported Donations

Advertising and printing expenses amounting to Kshs.63,527,697 reflected in Note 11 to the financial statements includes Kshs.51,766,383 incurred on donations to various programs on communities for the financial year ended 30 June, 2021. Review of expenditure documents revealed that Company donated Kshs.18,859,250 to a charitable trust towards construction of Mount Kenya electric fence on 29 April, 2021.The donation was based on a request dated 24 March, 2021 from the Trust. However, the fencing project was not traced to the Corporate Social Investment (CSI) plan approved by the Board for the year. No documentary evidence in form of project committee minutes, site visit minutes, inspection reports and status report of the fence was provided for audit review.

In the circumstances, Management was in breach of the law.

6. Un-procedural Procurement of Consultancy Services

During the year under review, request for quotations were sent to four firms for labour relations services and consultancy services but later terminated as only one of the firms responded. The Company later appointed the firm that had responded for a contract sum of Kshs.2,900,000 under single sourcing method with a justification that time was limited for any other procurement method. However, the justification for both request for quotations and single sourcing procurement were not in line with Section 106(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that, the Accounting Officer of a procuring entity to give request for quotations only to such persons as are registered by the procuring entity and Section 60(1) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

7. Un-Procedural Procurement of Security Services

During the year under review, the Company procured provision of security services through direct procurement method. Review of documents relating to the tender revealed that an advertisement was placed on 3 November, 2020 for security services which was three months after contracts for existing services had expired. Two firms were found to

be responsive. However, the tender process was terminated on grounds that the KPC regions to be guarded were segmented into six (6) sectors.

Further, the requirement for bidders to have presence in six sectors had not been included in the bid documents thereby raising doubts as to how it was concluded that the two bidders who qualified were not capable of covering all the sectors, and why no awards were made for the two sectors where the two bidders had presence as the Company retendered for the other sectors. Therefore, the use of direct procurements method for the provision of security services was not justified by the Management.

8. Irregular Procurement of Printing Consumables

The Company invited bids for supply of printing consumables comprising toners and cartridges through a restricted tender, where five (5) authorized dealers of HP printers in Kenya were invited. Three (3) bidders responded and were subjected to tender opening and preliminary evaluation process but were found non-responsive on grounds that they did not attach mandatory requirements when bidding. The supply was retendered, and the same bidders were invited to bid in a restricted tender. Upon evaluation, the tender was awarded two bidders at a cost of Kshs.11,564,151 and Kshs.33,066,244 respectively. However, use of restricted tendering method was not justified since the tender did not meet the conditions for use of restricted tendering method as provided for in the Act, given that toners and cartridges are not specialized items in nature.
In the circumstances, Management was in breach of the law.

9. Human Resources Matters

9.1 Un-Procedural Recruitment

Section 2.2.1. of KPC Human Resource policies and procedures provides that the grading structure, qualifications, and other requirements for recruitment into the Company are laid down in the Career Guidelines.

Review of staff recruitment during the year revealed appointment of an applicant who did not meet the required minimum qualifications for the position appointed to. According to the human resource records, the appointee to a General Manager position lacked requisite experience for appointment to the position both as required in the advertisement and as per the approved career guidelines for the Company.

In the circumstance, the suitability of the appointed applicant to the position was in doubt, as well as the objectivity of the recruitments.

9.2 Un-Procedural Promotions

During the year under review, the Company advertised internally and promoted several staff members. A review of the promotions revealed the following anomalies:

i) Three (3) vacancies were declared and advertised for the position of assistant engineer (operations) grade KPC 7. However, four (4) candidates were appointed at the end of the interview process.

ii) According to the advertisement placed for position of dispatch clerk grade KPC 10, six (6) vacancies were declared and advertised but twenty-one (21) candidates were appointed at the end of the interview process.

iii) Three (3) vacancies were advertised for position of chemist Grade KPC 6, but six (6) candidates were appointed at the end of the interview process. No explanation was provided for the appointment of extra officers over and above the declared and advertised vacancies.

iv) Review of personal files for a sample of employees promoted during the year revealed that four (4) members of staff had not attained the minimum qualification for the positions they were promoted to in accordance with the approved career guideline. These included academic qualifications, mandatory courses, and possession of practicing licenses.

In the circumstances, Management was in breach of the law.

9.3 Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2021 forty-three (43) employees were paid a net salary that is less than a third (1/3) of their basic pay in the month of June, 2021. This contravened Section 19(3) of the Employment Act, 2007. No plausible explanation was given for failure to comply with the law on payment of salaries and allowances.

In the circumstances, Management was in breach of the law.

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 matters 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

1. Accounting for Accrued Expenditure

The general ledger for administration expenses for the year under review included accrual reversals of Kshs.19,958,429, Kshs.6,374,660 in respect of consultancy services. The reversals were in respect of expenses incurred in June, 2020 which are normally cleared upon payment. However, the payment was made on the same month of June, 2020 but

the accrual was reversed in July, 2020. Similarly, information communication technology ledger for the year under review included June, 2020 accrual reversals amounting to Kshs.55,848,007, which had been erroneously included in the expenditure account for the year under review. Whereas the errors were corrected as post-audit adjustments, there was indication of weaknesses in the internal control system which failed to detect the error during processing of the transactions.

2. Dormant Human Resources Management Advisory Committee

The Company appointed six (6) members to the Human Resource Management Advisory Committee (HRMAC) on 18 September, 2019 in line with paragraph 2.13.1. of the Company Human Resource Policy and Procedure Manual. The committee is responsible for reviewing and advising the Managing Director on human resource management and development issues. However, during the year under review the committee did not hold any meeting to review and deliberate on human resource issues as stipulated in the human resource policies and procedures.

No satisfactory explanations were provided as to why the appointed committee was not able perform its mandate.

3. Dormant Corporate Social Investment Committee

The Managing Director through a letter dated 15 April, 2019 appointed six (6) members into Corporate Social Investment Committee to operationalize the corporate social investment policy. However, during the period under review the committee did not meet to review and deliberate CSI initiative plan for 2020-2021. The approved CSI plan for the period 2020/2021 was reviewed by only two (2) members drawn from the Company's foundation department. Further, there was no evidence that the committee had ever met to deliberate on matters pertaining to the corporate social investment during the year under review.

No explanation was provided on why the appointed committee members did not perform their mandate of reviewing the plan for the period under review.

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 control, 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

02 September, 2022

OVERVIEW

2021 AT A GLANCE

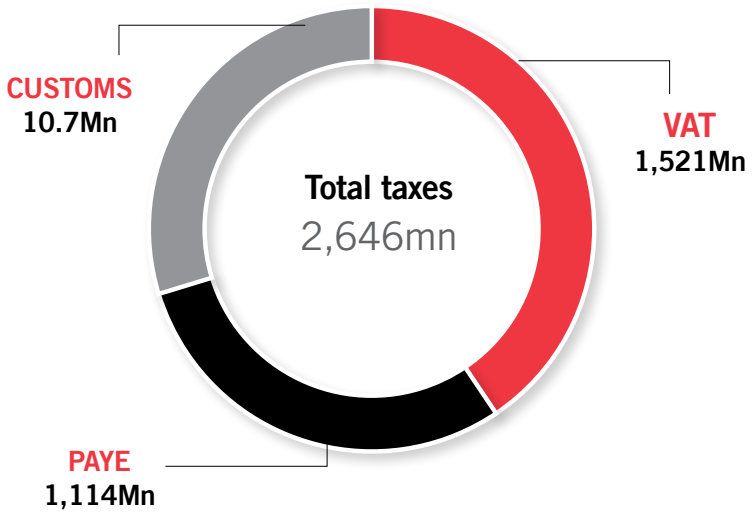
Revenue
27.9 bn

Profit before Tax
6.9 bn

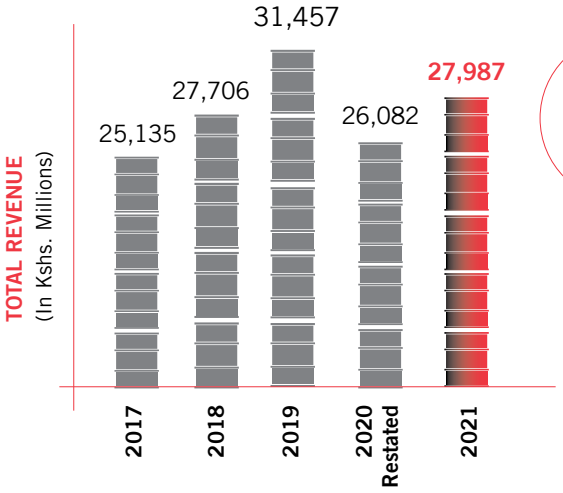
Asset base
142 bn

Profit after Tax
1.6 bn

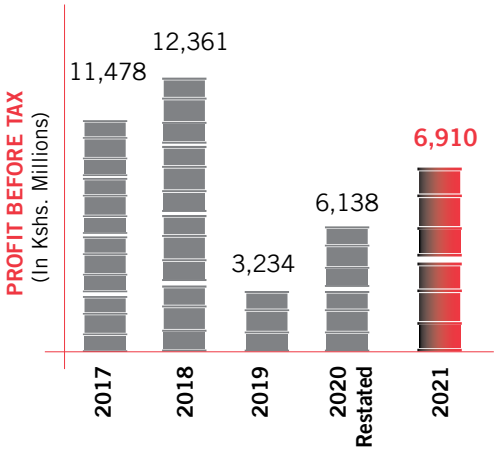
TAXES PAID



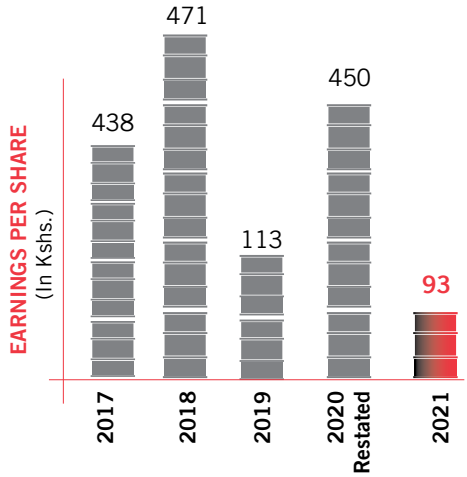
OVERVIEW



2% CAGR

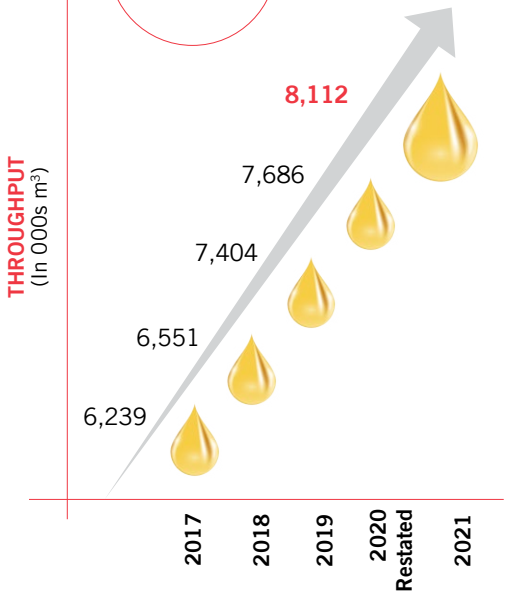


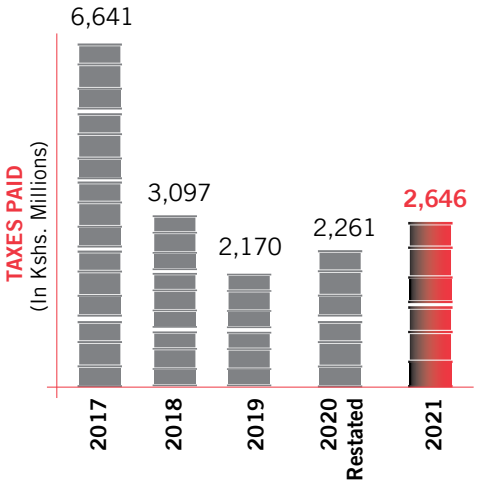
-10% CAGR



-27% CAGR

5% CAGR





-17% CAGR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Kshs	2020 (Restated) Kshs
Revenue	6	27,987,266,943	26,082,251,487
Direct Costs	7	(13,562,976,195)	(12,580,545,657)
GROSS PROFIT		**14,424,290,748**	**13,501,705,830**
Finance Income	9(a)	349,126,950	542,391,045
Other Income	8	470,667,422	409,502,259
Other Gain/(Losses)	10	(653,926,545)	(92,846,265)
OTHER REVENUE		**165,867,827**	**859,047,040**
OTHER OPERATING EXPENSES			
Administration Expenses	11(a)	(5,857,200,481)	(6,197,130,897)
Provision for Bad Debts	11(b)	(59,089,148)	(141,092,919)
Aging penalties waivers	11 (c)	(529,641,166)	-
Finance Costs	9(b)	(1,233,864,533)	(1,884,648,957)
TOTAL OPERATING EXPENSES		**7,679,795,328**	**8,222,872,773**
PROFIT BEFORE TAXATION	13	**6,910,363,247**	**6,137,880,097**
TAXATION CHARGE	14 (a)	(5,227,628,302)	2,043,570,303
PROFIT AFTER TAXATION		**1,682,734,945**	**8,181,450,400**
		Kshs	**Kshs**
Earnings per Share	15	**93**	**450**
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	(944,877,905)
OTHER COMPREHENSIVE INCOME/LOSS FOR THE YEAR		**4,129,819,563**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,812,554,508**	**7,236,572,495**

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2021

ASSETS	Note	2021 Kshs	2020 (Restated) Kshs	1 July 2019 (Restated) Kshs
Non-Current Assets				
Property, plant and equipment	17	97,186,140,519	102,986,250,783	109,264,841,810
Leasehold land	18	19,431,356,105	15,702,166,555	16,094,977,010
Intangible assets	19	30,308,870	93,593,013	414,431,974
Investments	20	36,306,359	36,306,359	36,306,359
Retirement benefits	21	-	1,285,627,233	1,285,627,233
Long Term receivables	23	3,117,018,373	2,910,465,319	2,146,883,113
Total Non-Current assets		**119,801,130,226**	**123,014,409,263**	**129,243,067,499**
Current Assets				
Inventories	22	2,608,031,945	2,182,234,022	2,232,089,622
Trade and other receivables	23	9,160,335,600	9,008,195,881	10,488,462,618
Taxation recoverable	25	888,115,224	876,808,106	977,416,079
Short term deposits	24(a)	7,086,097,763	6,904,213,188	9,059,660,261
Bank and cash balances	24(b)	2,462,154,764	1,487,229,820	3,809,591,698
Total Current Assets		**22,204,735,296**	**20,458,681,017**	**26,567,220,278**
Total Assets		**142,005,865,522**	**143,473,090,280**	**155,810,287,778**
SHAREHOLDER'S FUNDS AND LIABILITIES				
Capital and Reserves				
Share capital	26	363,466,007	363,466,007	363,466,007
Share premium		512,288,916	512,288,916	512,288,916
Retained earnings	28	74,553,065,574	77,613,815,980	80,965,760,163
Revaluation reserve	27	23,614,175,327	23,870,843,524	24,815,721,429
		99,042,995,824	**102,360,414,427**	**106,657,236,515**
Non-Current Liabilities				
Deferred taxation	29	19,803,685,015	14,597,966, 425	15,840,089, 772
Syndicated Long Term Loan	31(a)	13,864,936,579	17,703,118,633	21,364,418,281
		33,668,621,594	**32,301,085,058**	**37,204,508,053**
Current Liabilities				
Trade and other payables	30	4,592,602,577	4,166,833,354	7,186,408,232
Due to related parties	35(c)	80,000,000	80,000,000	80,000,000
Dividend Payable		-	-	300,000,000
Current Portion of Long-Term Loan	31(b)	4,621,645,527	4,564,757,441	4,382,134,978
		9,294,248,104	**8,811,590,795**	**11,948,543,210**
Total Shareholder's Funds and Liabilities		**142,005,865,522**	**143,473,090,280**	**155,810,287,778**

The financial statements on pages 64 to 114 were approved and authorized for issue by the Board of Directors on **September 26, 2022** and signed on their behalf by:

Board Chairperson
Rita Okuthe

Managing Director
Dr. Macharia Irungu, MBS

Head of Finance
Pius Mwendwa
ICPAK M/NO: 4454

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Note	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	REVALUATION RESERVE	TOTAL EQUITY
		Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2018		**363,466,007**	**512,288,916**	**79,453,028,143**	**10,004,768,990**	**90,333,552,056**
Prior Year Adjustments	40	-	-	(135,575,893)	14,810,952,439	**14,675,376,546**
Profit for the year		-	-	2,047,919,643	-	**2,047,919,643**
Deferred tax in prior year		-	-	(99,611,730)	-	**(99,611,730)**
Dividends Paid	32	-	-	(300,000,000)	-	**(300,000,000)**
		363,466,007	**512,288,916**	**80,965,760,163**	**24,815,721,429**	**106,657,236,515**
As at 1 July 2019 (restated)						
Prior Year Adjustments	40	-	-	4,154,045,295	(944,877,905)	**3,209,167,390**
Profit for the year		-	-	3,994,010,522	-	**3,994,010,522**
Dividends Paid	32	-	-	(11,500,000,000)	-	**(11,500,000,000)**
		363,466,007	**512,288,916**	**77,613,815,980**	**23,870,843,524**	**102,360,414,426**
As at 1 July 2020 (restated)						
Prior Year Adjustments	40	-	-	(470,774,460)	(381,230,060)	**(852,004,520)**
Deferred tax charge to equity	29	-	-	(163,072,112)	(5,149,765)	**(168,221,877)**
Profit for the year		-	-	1,682,734,945	-	**1,682,734,945**
Dividends Paid	32	-	-	(2,700,000,000)	-	**(2,700,000,000)**
Additional Capitalization of Line 5	17(b)	-	-	-	(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	21(b)	-	-	(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**

The prior year adjustments (Note 40) relate to:

- Fair value adjustments on leasehold land and property, plant and equipment.
- Deferred tax asset/(liability) movements.
- Expense allocation to appropriate financial years.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2021 Kshs.	2020 Kshs.
CASH FLOWS FROM OPERATIONS			
Cash generated from operations	34(a)	14,423,623,649	13,434,352,514
Interest received	9(a)	349,126,950	542,391,045
Interest expense	9(b)	(1,233,864,533)	(1,884,648,957)
Tax refund		-	1,027,090,888
Withholding and Advance taxes paid		-	(49,500)
Net cash generated from operating activities		**13,538,886,066**	**13,119,135,990**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17(a)	(422,140,513)	(507,537,083)
Exceptional Capital expenditure	17(b)	(4,450,288,371)	-
Proceeds from disposal of property, plant and equipment		-	5,655,174
Purchase of intangible assets	19	-	(102,995,299)
Purchase of investment - KPRL		(128,427,340)	(709,819,411)
Net cash flows used in investing activities		**(5,000,856,224)**	**(1,314,696,619)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Drawdown		-	-
Dividends paid	16	(2,700,000,000)	(11,800,000,000)
Repayment of borrowings	31	(4,681,220,323)	(4,482,248,321)
Net cash flows from financing activities		**(7,381,220,323)**	**(16,282,248,321)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,156,809,519**	**(4,477,808,951)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**8,391,443,008**	**12,869,251,959**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**9,548,252,527**	**8,391,443,008**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

	Rationalized budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Var
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Throughput Revenue	26,222,866,330	-	26,222,866,330	27,771,020,699	1,548,154,368	6%
Other income	1,389,967,206	-	1,389,967,206	1,036,040,617	(353,926,589)	(25%)
Total Income	**27,612,833,536**	-	**27,612,833,536**	**28,807,061,315**	**1,194,227,779**	-
Expenses						
Compensation of employees- employee costs	8,120,567,905	240,425,208	8,360,993,113	5,955,245,866	2,405,747,247	29%
Direct Costs excl. depreciation and electricity	3,326,839,233	60,131,376	3,386,970,609	2,592,713,655	794,256,954	23%
Administration Costs excl. depreciation and electricity	2,630,772,774	43,470,180	2,674,242,954	1,884,486,967	789,755,987	30%
Court Awards	396,349,852	394,883,451	791,233,303	307,718,926	483,514,378	-
Depreciation	7,041,819,813	(224,334,328)	6,817,485,485	6,955,389,024	(137,903,539)	(2%)
Electricity	1,899,042,204	(80,957,796)	1,818,084,408	1,724,622,239	93,462,169	5%
Finance cost	1,441,696,265	(38,734,640)	1,402,961,625	1,233,864,533	169,097,092	12%
Foreign Exchanges loss (gain)	-	-	-	653,926,545	(653,926,545)	-
Aging Penalties	-	-	-	529,641,166	(529,641,166)	-
Provision for bad debts	-	-	-	59,089,148	(59,089,148)	-
Total Expenditure	**24,857,088,045**	**394,883,451**	**25,251,971,496**	**21,896,698,068**	**3,355,273,429**	-
Surplus for the period	**2,755,745,491**	-	**2,360,862,040**	**6,910,363,247**	**4,549,501,208**	-
Capital Expenditure						
Capital investments	**3,721,085,244**	-	**3,721,085,244**	**5,000,856,224**	**(1,279,770,980)**	(34%)
Total Approved Budget	**28,578,173,289**	-	**28,973,056,740**	**26,897,554,292**	**2,075,502,449**	7%

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.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021 (CONTINUED)

Explanation of the Variances:

(i) Growth in actual revenue against the budget is attributed to:

a) Increased throughput performance due to easement of Covid-19 containment restrictions during the year under review.

b) Effects of economy recovery from the adverse effects of covid-19 pandemic

(ii) Savings on employee cost is due to non-implementation of budgeted management salary increments.

(iii) Lower expenditure on finance costs is a 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%).

(iv) The variance on capital expenditure is mainly due to a court award of Kshs. 4.4 Billion taken from our banks by KRA through an agency notice for the contractor of Line 5 project.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 2021

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.

ii) 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)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

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.

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 recognised 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 amortised 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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. 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. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

u) Budget information

The rationalized budget for FY 2020/21 was approved by the National Treasury on 12th October 2020. 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.

u) 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.

v) Comparative figures

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

w) 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 JUDGEMENTS 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

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

Provisions

Provisions are recognized when the company 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

6. REVENUE

	2021 Kshs	2020 Kshs
Local service fees	10,499,471,994	9,715,291,161
Export service fees	12,546,661,521	11,851,377,622
Kipevu oil storage facility fees	4,466,053,467	3,577,384,638
Penalties on overstayed product	308,331,090	808,144,107
Penalties from ASE	729,544	1,048,868
Penalty Income from overstay truck	34,000	-
KPRL Lease Income	12,589,326	8,904,442
Liquefied Petroleum Gas Sales	65,112,955	31,478,674
Crude Oil Revenue (EOPS)	88,283,045	88,621,974
	27,987,266,943	**26,082,251,486**

7. DIRECT COSTS

	2021 Kshs	2020 (Restated) Kshs
Pipeline maintenance staff costs (note 12)	2,911,487,391	2,883,540,069
Depreciation	5,334,024,279	5,250,478,068
Pipeline maintenance costs	2,535,685,057	2,162,159,300
Electricity and fuel	1,728,354,144	1,326,928,061
Insurance	205,334,731	209,569,104
Other maintenance costs	57,028,598	70,018,189
Amortization expense	791,061,995	677,852,866
	13,562,976,195	**12,580,545,657**

8. OTHER INCOME

	2021 Kshs	2020 Kshs
Rent income	86,486,411	82,628,486
Hydrant Income	79,767,162	75,968,726
Income from Collateral Financing	51,589,227	69,797,424
Non-Refundable Tender Deposits	16,774	(2,000)
MTCC /MIOG collections	83,158,603	90,328,042
FOC Lease Income	156,584,792	82,309,379
Income from communication equipment	168,852	1,022,244
Miscellaneous income	12,895,601	7,449,959
	470,667,422	**409,502,259**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

9.

a) INTEREST INCOME

	2021 Kshs	2020 Kshs
Interest from commercial banks	301,796,304	498,459,781
Interest on staff loans	47,330,646	43,931,265
	349,126,950	**542,391,045**

b) FINANCE COSTS

Loan interest	1,233,864,533	1,884,648,957
	1,233,864,533	**1,884,648,957**

10. OTHER GAINS & LOSSES

Gain on disposal of PPE	-	4,457,238
Foreign Exchange Loss	(653,926,545)	(97,303,503)
	(653,926,545)	**(92,846,265)**

11. a) ADMINISTRATION EXPENSES

	2021 Kshs	2020 (Restated) Kshs
Administrative staff costs (note 12)	2,962,940,054	3,489,440,412
Depreciation and Lease Amortization	830,302,750	933,167,673
Other office and general expenses	981,693,422	901,384,410
Travelling, mileage and entertainment (note 12)	21,539,694	38,376,276
Advertising and printing expenses	63,527,697	191,290,111
Staff Training (note 12)	58,318,726	162,025,335
Rent and rates	29,041,009	47,868,588
Consultancy fees	48,446,386	112,028,955
Telephone and postage	35,881,146	36,936,620
Legal and professional expenses	368,054,855	144,466,210
Court Awards	307,718,926	-
Motor vehicle expenses	54,639,992	75,825,011
Buildings repairs and maintenance	5,342,526	1,686,464
Bank charges	8,285,094	8,040,915
Penalties & Interest	38,734,640	
Auditors' remuneration	9,799,088	13,200,000
Directors Expenses:		
Directors' Fees	12,960,000	12,000,000
Board Retreats and general expenses	3,856,388	1,152,738
Sitting /duty allowance	10,487,400	9,696,000
Training expenses	423,911	6,902,533
Travel expenses and Subsistence allowance	5,206,776	11,642,645
	5,857,200,481	**6,197,130,897**

b) Provision for bad debts

	2021 Kshs	2020 Kshs
Provision for bad debts	59,089,148	141,092,919
	59,089,148	**141,092,919**

c) Waiver of aging penalties	**529,641,166**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

12. STAFF COSTS

	2021 Kshs	2020 Kshs
Salaries and wages, (inclusive of travel, mileage, staff training and entertainment)	5,146,082,706	5,611,928,062
Group life and medical cover	435,315,800	394,537,687
Pension-company contribution	286,131,995	401,167,414
NSSF-company contribution	3,459,938	3,696,532
Leave Pay	-	25,347,958
Gratuity Provision	30,634,860	59,918,847
Fringe Benefits Tax	18,202,875	20,801,426
Staff welfare	35,417,692	29,946,715
	5,955,245,866	**6,547,344,642**
Split as follows:		
Direct staff costs (note 7)	2,911,487,391	2,883,540,069
Administrative staff cost (note 11)	3,043,758,475	3,663,804,572
	5,955,245,866	**6,547,344,642**

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 number of employees at the end of the year was:

	2021	2020
Permanent Management	671	565
Permanent Unionisable	784	848
Contract Managers	28	14
All other contract staff i.e. MTCC, GYM, Volleyballers	57	108
Temporary staff (Relief Drivers)	0	34
TOTAL	**1,540**	**1,569**

Provision for Leave Pay		
Balance at beginning of the year	244,847,872	235,431,777
Additional provision at end of year	39,954,097	78,015,977
Leave paid out or utilized during the year	(123,248,292)	(68,599,882)
Balance at the end of the year	**161,553,678**	**244,847,872**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

13. PROFIT BEFORE TAX

The profit before tax is arrived at after charging/(crediting):	2021 Kshs	2020 Kshs
Staff costs (note12)	5,955,245,866	6,547,344,642
Depreciation of property, plant and equipment (note 17)	6,041,294,423	6,044,853,888
Amortization of assets (note18 & 19)	914,094,602	816,644,719
Provision for bad and doubtful debts (note 11(b)	59,089,148	141,092,919
Waiver of aging penalties (note 11(c)	529,641,166	-
Directors' expenses (note 11(a)	31,974,475	41,393,917
Auditors' remuneration (note 11(a)	9,799,088	13,200,000
Gain on disposal of property, plant and equipment (note 10)	-	(4,457,238)
Net foreign exchange Loss (note 10)	(653,926,545)	(97,303,503)
Interest receivable (note 9(a)	(301,796,304)	(498,459,781)
Interest payable (note 9(b)	1,233,864,533	1,884,648,957
Rent income (note 8)	(86,486,411)	(82,628,486)

14. TAXATION

	2021 Kshs	2020 (Restated) Kshs
a) Tax charge		
Current taxation	162,900,926	176,825,533
Deferred tax (Note 29)	5,064,727,377	(2,220,395,836)
Total taxation charge	**5,227,628,303**	**(2,043,570,303)**
b) Reconciliation of expected tax based on profit before taxation to taxation charge		
Profit before taxation	6,910,363,247	6,137,880,097
Tax at the applicable rate of 30%	1,900,349,893	1,534,470,024
Expenses not deductible for tax purposes	488,661,435	183,578,241
Income not subject to tax	(254,473,757)	(147,869,561)
Effect of change in tax rate	3,093,090,732	(3,613,749,007)
Total taxation charge	**5,227,628,303**	**(2,043,570,303)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	2021 Kshs	2020 (Restated) Kshs
Net Profit After Taxation	1,682,734,945	8,181,450,400
Number of ordinary shares in issue	18,173,300	18,173,300
Earnings Per Share	**93**	**450**

16. DIVIDENDS

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. A special dividend of **Kshs 2.7 billion** was declared and approved for payment by shareholders from the revenue reserves for the financial year ended 30th June 2020.

	2021 Kshs	2020 Kshs
At the beginning of the year	2,700,000,000	11,800,000,000
Additional declared during the year	-	2,700,000,000
Paid during the year	2,700,000,000	11,800,000,000
Balance at end of the year	-	2,700,000,000

Dividends paid to National Treasury amounts to Kshs. 2.7 billion.

17. PROPERTY, PLANT AND EQUIPMENT

(a) FIXED ASSSET MOVEMENT SCHEDULE AS AT JUNE 30, 2021

	Freehold Property Kshs	Buildings and Roads Kshs	Pipeline Pumps & Tanks Kshs	Equipment Furniture & Fittings Kshs	Helicopters Kshs	Motor Vehicles & Tractors Kshs	Capital Work-in-Progress Kshs	Total Kshs
COST								
1st July 2020 Restated	**1,911,111,785**	**7,748,440,004**	**79,262,522,951**	**20,052,218,922**	**183,275,000**	**1,054,992,502**	**690,480,393**	**110,903,041,558**
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 Impairment	-	-	-	-	-	-	(180,956,343)	**(180,956,343)**
Adjustment (impairment in value -stalled projects provision reversed)	-	-	-	-	-	-	243,790,636	**243,790,636**
Stalled projects written off	-	-	-	-	-	-	(243,790,636)	**(243,790,636)**
At 30th June 2021	**1,911,111,785**	**7,755,710,424**	**79,603,387,766**	**20,347,560,456**	**183,275,000**	**1,126,259,961**	**216,920,324**	**111,144,225,716**
DEPRECIATION								
1st July 2020 Restated	**-**	**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 30th 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 30th June 2021	**1,911,111,785**	**6,761,402,941**	**72,147,917,431**	**15,413,592,214**	**146,620,000**	**588,575,877**	**216,920,324**	**97,186,140,519**
COST								
1st July 2019 Restated	**1,911,111,785**	**7,537,831,429**	**79,704,389,718**	**19,533,210,148**	**183,275,000**	**1,028,372,122**	**1,263,814,559**	**111,162,004,761**
Additions (Acquisitions)	-	-	2,120,222	74,228,244	-	41,972,116	389,216,502	**507,537,083**
WIP adjustment	-	-	-	-	-	-	(656,627,133)	**(656,627,133)**
Transfers from WIP	-	210,608,576	(443,986,989)	455,852,784	-	-	(222,474,371)	-
Disposals	-	-	-	(11,072,254)	-	(15,351,735)	-	**(26,423,989)**
Adjustment (impairment in value -stalled projects)	-	-	-	-	-	-	(83,449,164)	**(83,449,164)**
At 30th June 2020 Restated	**1,911,111,785**	**7,748,440,004**	**79,262,522,951**	**20,052,218,922**	**183,275,000**	**1,054,992,502**	**690,480,393**	**110,903,041,558**
DEPRECIATION								
1st July 2019 Restated	**-**	**228,336,237**	**319,645,110**	**1,314,064,036**	**-**	**35,117,558**	**-**	**1,897,162,940**
Charge for the year	-	382,898,125	3,567,803,841	1,818,197,529	18,327,500	257,626,894	-	**6,044,853,888**
Eliminated on Disposal	-	-	-	(9,874,318)	-	(15,351,735)	-	**(25,226,053)**
At 30th June 2020 Restated	**-**	**611,234,362**	**3,887,448,950**	**3,122,387,247**	**18,327,500**	**277,392,716**	**-**	**7,916,790,775**
NET BOOK VALUE:								
At 30th June 2020 Restated	**1,911,111,785**	**7,137,205,642**	**75,375,074,001**	**16,929,831,675**	**164,947,500**	**777,599,787**	**690,480,393**	**102,986,250,783**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Company commissioned M/s SEC & M Co. Limited to carry out a revaluation on its assets on 28th June 2019. The firm submitted its report in March 2021.
The restatement relates to the elimination of cost and accumulated depreciation and refinement of the revaluation surplus on assets that had been revalued as at 30 June 2019 but not uploaded onto the fixed assets register as at 30th June (See note 40).

17. (b) Exceptional Capital Expenditure

During FY2020/2021, the court awarded Kshs. 4,450,288,371 in respect of Line 5 project. This was not factored as part of the asset additions since the asset was already revalued and the values adopted as at 30 June 2019.

VALUATION

Land and Property, Plant and Equipment were valued by M/S SEC & M Co. Limited an independent valuer on June 28, 2019 on Market Value basis of valuation. These amounts were adopted on June 30, 2021.

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 30th June
30 June 2021	**Kshs**	**Kshs**	**Kshs**	**Kshs**
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 and tractors	-	-	588,575,877	588,575,877
	-	-	**95,058,108,411**	**95,058,108,411**
30 June 2020				
Buildings and roads	-	-	7,137,205,642	7,137,205,642
Pipeline, pumps & tanks	-	-	75,375,074,001	75,375,074,001
Equipment, furniture and fittings	-	-	16,929,831,675	16,929,831,675
Helicopters	-	-	164,947,500	164,947,500
Motor vehicles and tractors	-	-	777,599,787	777,599,787
	-	-	**100,384,658,605**	**100,384,658,605**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

ASSET DESCRIPTION	COST Kshs	ACCUMULATED DEPRECIATION Kshs	NBV Kshs
Freehold Land	898,663,445	-	898,663,445
Buildings and Roads	7,247,025,909	1,844,494,930	5,402,530,979
Plant and Machinery	76,959,419,771	10,447,947,144	66,511,472,627
Helicopters	388,831,318	388,831,298	20
Motor Vehicles	1,295,157,184	992,096,278	303,060,906
Computers & Related Equipment	2,079,994,140	1,722,777,280	357,216,860
Office Equipment, Furniture & Fittings	25,786,331,134	6,429,499,544	19,356,831,590
Total	**114,655,422,901**	**21,825,646,474**	**92,829,776,427**

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

	Cost	Normal Depreciation
Buildings & Roads	209,271,365	41,854,277
Pipeline, Pumps & Tanks	24,690,049	1,238,830
Equipment, Furniture & Fittings	809,456,602	210,787,391
Motor Vehicles & Tractors	19,765,982	4,941,496
Intangible assets	1,798,209,154	599,403,051

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

	2021 Kshs	2020 Kshs
Total depreciation as per property, plant & equipment (note 17)	**6,041,294,423**	**6,044,853,888**
Direct costs (note 7)	5,334,024,279	5,250,478,068
Administrative costs	707,270,144	794,375,820
	6,041,294,423	**6,044,853,888**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

18. LEASEHOLD LAND

	2021	2020 (Restated)
COST\VALUATION	Kshs	Kshs
1 July	**16,225,564,711**	**16,225,564,711**
Additions	4,580,000,000	-
Disposals	-	-
As at 30th June	**20,805,564,711**	**16,225,564,711**
AMORTIZATION		
1 July	(523,398,155)	(130,587,691)
Charge for the year	(850,810,458)	(392,810,464)
30 June	**(1,374,208,613)**	**(523,398,155)**
NET BOOK VALUE	**19,431,356,105**	**15,702,166,555**

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 869,759,420 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

	2021	2020
COST	Kshs	Kshs.
1 July	1,896,584,118	1,793,588,818
Additions	-	102,995,299
30 June	**1,896,584,118**	**1,896,584,118**
AMORTIZATION		
1 July	1,802,991,104	1,379,156,844
Charge for the year	63,284,143	423,834,260
30 June	**1,866,275,248**	**1,802,991,104**
NET BOOK VALUE	**30,308,870**	**93,593,013**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

20. INVESTMENTS – at cost

	2021 Kshs	2020 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

b) Defined Benefit Scheme (Closed) (Continued)

	2021	2020
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:

	2021 Kshs	2020 Kshs
Total service cost	48,016,365	46,037,220
Interest costs:		
Interest cost on defined benefit obligation	780,214,291	813,148,388
Interest income on plan assets	(1,082,830,300)	(1,018,795,042)
Interest on the effect of the asset ceiling	130,588,098	86,464,621
Net interest income	(172,027,911)	(119,182,034)
Components of defined benefits plan recognized inprofit or loss	(124,011,546)	(73,144,814)
Actuarial gain obligation	(143,664,297)	(636,698,606)
Return on plan assets (excluding amount in interest cost)	353,985,106	73,689,031
Change in effect of asset ceiling (excluding amount in interest cost)	1,199,317,970	230,970,470
Components of defined benefits plan recognized in other comprehensive income	1,409,638,779	(332,039,104)

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	2021 Kshs	2020 Kshs
Present value of funded defined benefit obligation	5,978,782,568	5,835,855,968
Fair value of plan assets	(8,133,986,099)	(8,060,965,923)
Effect of asset ceiling	2,155,203,531	939,482,722
Present value of defined benefit asset	-	(1,285,627,233)

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

	2021 Kshs	2020 Kshs
Net asset at the start of the year	(1,285,627,233)	(880,443,315)
Net income recognized in the income statement	(124,011,546)	(73,144,814)
Employer contributions		
Amount recognized in other comprehensive income	(1,409,638,779)	(332,039,104)
Present value of overfunded defined benefit asset	-	(1,285,627,233)

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

	2021 Kshs	2020 Kshs
Opening defined benefit obligation	5,835,855,968	6,040,570,614
Current service cost	48,016,365	46,037,220
Interest cost	780,214,219	813,148,388
Contributions from plan participants	-	-
Actuarial gain due to change in assumptions	110,276,497	(82,357,463)
Actuarial gain due to experience	(253,940,794)	(554,341,143)
Benefits paid	(541,639,758)	(427,201,648)
Closing defined benefit obligation	5,978,782,568	5,835,855,968
Opening fair value of plan assets	(8,060,965,923)	(7,543,061,560)
Interest income on plan assets	(1,018,795,042)	(1,018,795,042)
Contributions from the employer	-	-
Employee contributions	-	-
Benefits paid	541,639,758	427,201,648
Return on plan assets	468,170,366	73,689,031
Closing fair value of plan assets	(8,133,986,099)	(8,060,965,923)

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

	2021 Kshs	2020 Kshs
Equity instruments	1,722,464,722	2,075,895,687
Debt instruments	3,945,065,494	3,368,606,368
Property	2,236,592,730	2,418,963,868
Call and fixed deposit	194,442,101	197,500,000
Total Scheme (Assets)	**8,133,986,099**	**8,060,965,923**

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

	2021 Kshs	2020 Kshs
Spare parts and consumables	2,695,875,520	2,346,158,996
Provision for obsolete stocks	(79,731,844)	(79,731,844)
Provision for Stock (HPV)	(8,111,731)	(84,193,129)
	2,608,031,945	**2,182,234,022**

23. TRADE AND OTHER RECEIVABLES

		2021 Kshs	2020 Kshs
Trade receivables		9,762,372,383	9,628,678,337
Staff loans and advances		1,737,480,261	1,707,309,276
VAT recoverable		2,029,844,280	2,175,196,540
With-holding tax receivable		55,118,506	32,025,616
Prepaid construction costs		106,656,301	108,606,451
Prepaid expenses		949,551,042	949,827,669
Refundable deposits		9,477,446	9,477,446
Other debtors		2,839,146,709	2,794,436,534
		17,489,646,929	17,405,557,870
Provision for bad and doubtful debts	note 33(b)	(5,212,292,957)	(5,486,896,669)
		12,277,353,973	**11,918,661,201**
Recoverable as follows:			
Current Assets:			
Within one year		**9,160,335,600**	**9,008,195,881**
Non-current Assets:			
After one year -staff loans-		1,416,163,142	1,338,037,428
Long-term Receivables		1,700,855,231	1,572,427,891
		12,277,353,973	**11,918,661,201**

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:

	2021 Kshs	2020 Kshs
Less than 30 days	3.043,084,410	630,488,083
Between 30 and 60 days	21,570,515	6,660,209
Between 61 and 90 days	162,194,546	98,085,541
Between 91 and 120 days	119,562,378	23,044,251
Over 120 days	6,415,960,533	8,870,400,252
	9,762,372,383	**9,628,678,337**

24. CASH AND SHORT-TERM DEPOSITS

a) Short Term Deposits

	2021 Kshs	2020 Kshs
Fixed deposits	7,086,097,763	6,904,213,188

FIXED DEPOSIT AS AT JUNE 30, 2021

Bank name	Amount	Interest rate
NCBA	2,825,576,192	9.00%
Equity Bank	2,750,674,638	9.25%
Kenya Commercial Bank	1,008,460,639	9.50%
Cooperative Bank	501,386,301	9.25%
	7,086,097,770	**9.25%**

b) Bank and Cash Balances

		Account No.	2021 Kshs	2020 Kshs
1.	ABSA Bank Kenya Plc	0948011697	-	-
2.	NCBA Bank Kenya (Kshs)	6634970017	444,876,313	102,553,773
3.	NCBA Bank Kenya (USD)	6634970025	671,169,492	281,893,163
4.	Standard Bank (Kshs)	104023872500	88,318,857	186,389,393
5.	Standard Bank (USD)	8704023872500	517,293,668	566,177,729
6.	CfC Stanbic (Kshs)	100000534425	26,219,796	20,600,819
7.	CfC Stanbic (USD)	100000681347	193,167,088	148,510,977
8.	Citibank (Kshs)	104052002	135,758,879	60,813,180
9.	Citibank (USD)	104052029	306,315,360	134,414,628
10.	Coop-Bank	1136028439200	11,256,191	10,511,607
11.	Coop-Bank (USD)	2120028439200	18,585,276	1,500,731
12.	Equity Bank (Kshs)	560291247368	26,630,779	75,411,812
13.	Equity Bank (USD)	560261355277	19,924,246	26,069,871
14.	Kenya Commercial Bank	1108981061	742,765	5,089,998
15.	Petty Cash		1,896,056	11,805,961
			2,462,154,764	**1,631,743,642**
	c) NCBA (Kshs) Payments in transit*	6634970017	-	(144,513,822)
			2,462,154,764	**1,487,229,820**

* The book balance for NCBA Bank (Kshs) account in the comparative year 2020 is an overdraw of Kshs. 41,960,049 attributable to timing differences between payment in transit and funding of the bank account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

25. TAXATION (RECOVERABLE)/PAYABLE

	2021 Kshs	2020 Kshs
Balance brought forward	(876,808,106)	(977,416,079)
Charge for the year (note 14(a))	162,900,926	176,825,533
Balance of FY 2021 tax paid	(148,998,642)	-
Withholding tax paid on rent income	27,230,663	-
Advance tax paid	(252,570)	(49,500)
Tax over-provision 2020	-	-
Withholding tax paid on interest income	(52,187,495)	(76,168,060)
	(888,115,224)	**(876,808,106)**

26. SHARE CAPITAL

	2021	2020
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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	2021 Kshs	2020 (Restated) Kshs
Deferred tax liability		
Accelerated capital allowances	21,538,318,269	16,781,637,448
Deferred tax on revaluation surplus	3,258,525,170	4,728,290,334
Deferred tax on Property Plant & Equipment	-	
Deferred tax charge to Equity	5,149,765	-
Unrealized exchange gains	(28,390,487)	28,390,487
	24,773,602,718	**21,538,318,269**
Deferred tax assets		
Provisions	(1,391,600,053)	(981,402,845)
Deferred tax on Un-realized exchange loss	(176,668,656)	
Deferred tax on tax losses	(3,401,648,994)	(5,725,876,888)
Retirement Benefit - OCI	-	(163,072,112)
	(4,969,917,703)	**(6,940,351,844)**
Net deferred tax liability	**19,803,685,015**	**14,597,966,425**
The movement in Deferred Tax was as follows:		
At 1 July (as previously reported)	14,597,966,424	11,909,797,274
Prior year adjustment	(27,230,663)	3,930,292,497
	14,570,735,762	**15,840,089,771**
Deferred tax charge to Profit or Loss (Note 14)	5,064,727,376	(2,220,395,836)
Deferred tax charge to equity	168,221,877	978,272,489
Deferred tax - Retirement Benefit Obligation a/c	-	-
At the end of the year	**19,803,685,015**	**14,597,966,425**

The increase in deferred tax liability arises from change in the corporate income tax rate from the previous 25% to 30% with effect from 2021. The Tax Laws (Amendment) (No.2) Bill, 2020 proposed change in corporate tax rate to 30% from 25% effectively 1st January 2021. The amendment was enacted effective 1st January 2021.

30. TRADE AND OTHER PAYABLES

	2021 Kshs	2020 (Restated) Kshs
Trade payables	1,647,313,632	1,287,061,288
Other payables	2,764,251,869	2,597,378,701
Catering, training &tourism development levy	68,039	(74,191)
Leave pay provision	161,553,678	244,847,873
Withholding tax payable	19,415,359	37,619,683
	4,592,602,577	**4,166,833,354**

31. LONG TERM LOAN

	2021 Kshs	2020 Kshs
(a) Syndicated Loan (Long Term Portion)	13,864,936,579	17,703,118,633
(b) Syndicated Loan (Current Portion)	4,621,645,527	4,564,757,441

EXTERNAL BORROWINGS

	2021 Kshs	2020 Kshs
Balance at beginning of year	22,267,876,074	26,292,809,872
Borrowings during the year	-	-
Loan adjustment	899,926,355	457,314,524
Repayments during the year	(4,681,220,323)	(4,482,248,321)
Balance at the end of the year	**18,486,582,106**	**22,267,876,074**

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 Amount USD
1	NCBA	58,333,333	57,950,846
2	Citibank N.A.	58,333,333	57,950,846
3	CfC 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 5.38% p.a.

32. DIVIDENDS PAYABLE

	2021 Kshs	2020 Kshs
At the beginning of the year	2,700,000,000	11,800,000,000
Additional declared during the year	-	2,700,000,000
Paid during the year	(2,700,000,000)	(11,800,000,000)
Balance at end of the year	**-**	**(2,700,000,000)**

33. PROVISIONS

(a) Provisions on Employee Benefits

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	244,847,873	635,834,339	59,918,847	163,924,973	1,104,526,033
Additional Provisions	39,954,097	147,238,128	30,634,860	-	217,827,085
Provision utilised	(123,248,292)	(371,526,710)	(44,222,721)	(76,081,398)	(615,079,120)
Balance at the end of the year	**161,553,678**	**411,545,757**	**46,330,987**	**87,843,575**	**707,273,998**

(b) Provision for Bad & Doubtful Debts

Description	Specific Provisions	Other Provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	5,477,953,875	8,942,794	5,486,896,669
Additional Provisions	59,089,148	-	59,089,148
Provision utilised	(388,591,508)	(244,651)	(388,836,159)
Change due to Forex Valuation	55,143,299	-	55,143,299
Balance at the end of the year	**5,203,594,813**	**8,698,143**	**5,212,292,956**

The utilised provision during the year relates to specific waiver of ageing penalties issued to customers against their prior year receivables balances.

34. NOTES TO THE STATEMENT OF CASH FLOWS

	2021 Kshs	2020 Kshs.
a) Reconciliation of operating profit to cash generated from operations		
Profit before tax	6,910,363,247	6,137,880,097
Adjustments for:		
Depreciation (note 17)	6,041,294,422	6,044,853,888
Provision for stalled projects	-	83,449,164
Amortization of leasehold land (note 18)	850,810,459	392,810,459
Amortization of intangible assets (note 19)	63,284,143	423,834,260
Movement in RB asset (note 21(b))	(124,011,546)	-
Adjustment of Accruals	(701,973,002)	(88,957,454)
Loss/(gain) on disposal of property, plant and equipment (note 10)	-	(4,457,238)
Interest income (note 8(a))	(349,126,950)	(542,391,045)
Interest expense (note 8(b))	1,233,864,533	1,884,648,957
Operating profit before working capital changes	**13,924,505,306**	**14,331,671,088**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	2021 Kshs	2020 Kshs
Increase in inventories	(425,797,922)	49,855,600
Increase in trade and other receivables	(230,265,432)	1,426,503,941
(Decrease)/increase in trade and other payables	176,829,515	(2,840,408,733)
Increase/(decrease) in provision for staff leave pay	(83,294,195)	9,416,095
Increase/(Decrease) in Loan Adjustment	899,926,355	457,314,167
Movement in fixed assets provisions	161,720,002	-
Cash generated from operations	**14,423,623,649**	**13,434,352,514**

b) Analysis of changes in loans

Balance at the beginning of the year	22,267,876,074	26,292,809,872
Receipts during the year	-	-
Repayments during the year	(4,681,220,323)	(4,482,248,321)
Repayment of previous year's accrued interest	-	-
Foreign exchange (gains/losses	899,926,355	457,314,524
Accrued interest	-	-
Balance at end of the year	**18,486,582,107**	**22,267,876,074**

c) Analysis of cash and cash equivalents

Short term deposits (note 24(a)	7,086,097,763	6,904,213,188
Bank and cash balances (note 24(b)	2,462,154,764	1,487,229,820
	9,548,252,528	**8,391,443,008**

d) Analysis of interest paid:

	2021 Kshs	2020 Kshs
Interest on loans	1,233,864,533	1,884,648,957
Interest on bank overdrafts	-	-
Balance at the beginning of the year	-	-
Balance at the end of the year	1,233,864,533	1,884,648,957
Interest paid	**1,233,864,533**	**1,884,648,957**

e) Analysis of dividend paid

	2021 Kshs	2020 Kshs
Balance at beginning of the year	-	-
2018 dividends paid	-	300,000,000
2019 dividends paid	2,700,000,000	11,500,000,000
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year		
Dividend paid	**2,700,000,000**	**11,800,000,000**

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:

	2021 Kshs	2020 Kshs
(a) Sales to related party		
Services provided to National Oil Corporation (K)	**320,889,817**	**407,658,109**
(b) Expenses incurred on behalf of related parties		
Services received from Kenya Power & Lighting Co Limited	1,724,622,239	1,315,840,962
Services received from Ministry of Energy	384,000,000	384,000,000
	2,108,622,239	**1,699,840,962**
(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	12,900,600	12,584,365
Key Management salaries and benefits	263,829,980	271,492,093
	276,730,580	**284,076,458**
Directors Expenses: (note 11(a)		
- Fees & incentives	12,000,000	12,000,000
- Board Retreats and general expenses	3,856,388	1,152,738
- Sitting /duty allowance	10,487,400	9,696,000
- Training expenses	423,911	6,902,533
- Travel expenses and Subsistence allowance	5,206,776	11,642,645
	31,974,475	**41,393,917**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

36. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

	2021 Kshs	2020 Kshs
The company as a lessor:		
Within one year	86,486,411	82,628,486
In the second to fifth year inclusive	345,945,643	330,513,944
	432,432,054	**413,142,430**

The lease rental income earned during the year in respect of company's property amounted to Kshs. 86 million (2020 – Kshs. 83 million).

	2021 Kshs	2020 Kshs
The company as a lessee:		
Within one year	1,175,547,097	1,145,854,795
In the second to fifth year inclusive	4,702,188,390	4,583,419,180
	5,877,735,487	**5,729,273,975**

The total rental expense incurred during the year amounted to Kshs.1.2 billion (2020 – Kshs. 1.1 billion).

37. CONTINGENT LIABILITIES

	2021 Kshs	2020 Kshs
Pending lawsuits	3,995,332,537	2,532,359,619
Extension of Time claims	-	4,689,011,724
Guarantees and letters of credit	95,570,852	130,570,853
Disputed Claim by an oil Marketing Company (OMC) against KPC	-	2,104,732,928
	4,090,903,389	**9,456,675,124**

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 2021 the company held 571,348m3 (2020 – 493,845 m^3) third party fuel stocks with a Hydro-Carbon Value (HCV) of Kshs. 30,357,266,043.63 (2020 – Kshs. 12,927,636,004).

39. CAPITAL COMMITMENT

	2021 Kshs	2020 Ksh
Amounts Authorized	3,721,085,244	2,923,170,566
Less:		
Amounts incurred and included in work-in-progress	422,140,502	1,745,087,907

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

40. RESTATEMENT (PRIOR YEAR) ADJUSTMENTS

(a) Restatement of audited statement of profit or loss and other comprehensive income

For the year ended 30 June 2020	As previously reported	Prior year Adjustments	Restated
	Kshs	Kshs	Kshs
Depreciation (i)	6,537,560,361	(492,706,473)	6,044,853,888
Amortization (ii)	557,980,660	258,664,059	816,644,719
Taxation charge (iii)	(1,820,869,707)	3,864,440,010	2,043,570,303
Effects on retained Earnings (iv)	73,595,346,577	322,999,868	73,918,346,445

(b) Restatement of audited statement of financial position

For the year ended 30th June 2020	As previously reported	Prior year Adjustment	Restated
Assets:	Kshs	Kshs	Kshs
Property, plant & equipment	93,503,556,831	9,482,693,952	102,986,250,783
Leasehold Land	4,701,104,872	11,001,061,683	15,702,166,555
	98,204,661,703	**20,483,755,635**	**118,688,417,338**
Equity & Liabilities			
Deferred Tax Liability (v)	11,909,797,273	2,688,169,152	14,597,966,425
Revaluation Reserve (vi)	10,004,768,990	13,866,074,534	23,870,843,524
Retained Earnings (v)	73,595,346,577	3,929,511,950	77,613,815,980
	95,509,912,840	**20,483,755,635**	**116,082,625,929**

For the year ended 30th June 2019	As previously reported	Prior year Adjustment	Restated
Assets:	Kshs	Kshs	Kshs
Property plant & Equipment	100,274,856,331	8,989,985,479	109,264,841,810
Leasehold Land	4,835,251,272	11,259,727,738	16,094,977,010
	105,110,107,603	**20,249,713,217**	**125,359,818,820**
Equity & Liabilities			
Deferred Tax Liability	10,265,753,100	5,574,336,671	15,840,089,771
Revaluation Reserve	10,004,768,990	14,810,952,439	24,815,721,429
Retained Earnings	81,101,336,056	(135,575,893)	80,965,760,163
	101,371,858,146	**20,249,713,217**	**121,621,571,363**

i. Relates to adjustments on depreciation expense on completion of refinement of items recorded in the fixed assets register.
ii. Relates to the amortization charge for the reclassified item of leasehold land previously held as freehold land and the new amortization charge on new revalued cost.
iii. Relates to tax expense for the restatement period after refinement of property plant and equipment.
iv. Relates to the net impact on property, plant and equipment on completion of refinements of items recorded in the fixed asset register.
v. Relates to the net impact on deferred tax liability as a result of adjustments made to the surplus on revaluation of property, plant and equipment
vi. Relates to the net impact on revaluation reserve of adjustments made to property plant and equipment and leasehold land on completion of upload of revaluation amounts.
vii. Relates to effect on retained earnings of adjustments recorded to depreciation expense and leasehold land amortization on completion of refinement of items of property, plant and equipment.

41. 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 optimising 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	GBP Kshs	EUR Kshs	USD 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)	-
Net exposure	**(42,053,312)**	**(384,678,784)**	**(16,196,904,414)**	-

	GBP Kshs	EUR Kshs	USD Kshs	ZAR Kshs
At 30 June 2020				
Financial assets				
Bank and cash balances	-	-	1,158,567,100	-
Short term deposits	-	-	3,958,198,512	-
Trade receivables	-	-	6,688,568,840	-
	-	-	**11,805,334,452**	-
Financial liabilities				
Trade payables	(68,273,029)	(197,317,686)	2,233,413,900	(532,134)
Long Term Loan	-	-	(22,267,876,074)	-
	(68,273,029)	**(197,317,686)**	**(20,034,462,174)**	**(532,134)**

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	2021 Kshs	2021 Kshs	2020 Kshs	2020 Kshs
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - GB pounds				
+ 10 percentage point movement	(4,205,331)	(2,943,732)	(6,827,303)	(4,779,112)
- 10 percentage point movement	4,205,331	2,943,732	6,827,303	4,779,112
Currency – Euro				
+ 10 percentage point movement	(38,467,878)	(26,927,515)	(19,731,769)	(13,812,238)
- 10 percentage point movement	38,467,878	26,927,515	19,731,769	13,812,238
Currency - US dollars				
+ 10 percentage point movement	228,967,769	160,277,438	2,003,446,217	1,402,412,352
- 10 percentage point movement	(228,967,769)	(160,277,438)	(2,003,446,217)	(1,402,412,352)
Currency – CAD				
+ 10 percentage point movement	-	-	-	-
- 10 percentage point movement	-	-	-	-
Currency – ZAR				
+ 10 percentage point movement	(50,122)	(35,085)	(53,213)	(37,249)
- 10 percentage point mov	50,122	35,085	53,213	37,249
ement				
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.12,338,645 (2020: Kshs.18,846,490). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs.61,693,221 (2020 – Kshs.94,232,448)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

	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 company's maximum exposure to credit risk as at 30 June 2020 is analyzed in the table below:

	Fully Performing Kshs	Past Due Kshs	Impaired Kshs	Gross Total Kshs
Trade Receivables	3,488,502,756	7,656,011,490	529,267,441	11,673,781,687
Other Receivables	18,276,221	741,414,731	315,467,733	1,075,158,685
Bank Balances	1,487,229,820	-	-	1,487,229,820
Short Term Deposits	6,904,213,188	-	-	6,904,213,188
	11,898,221,985	**8,397,426,221**	**844,735,174**	**21,140,383,380**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	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 and accruals	2,856,331,491	-	2,856,331,491
	4,503,645,123	**80,000,000**	**4,583,645,123**

	Within 12 months Kshs	Over 12 months Kshs	Total Kshs
At 30 June 2020:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	1,287,061,288	-	1,287,061,288
Other payables & accruals	2,968,729,520	-	2,968,729,520
	4,255,790,808	**80,000,000**	**4,335,790,808**

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:

	2021 Kshs	2020 (Restated) Kshs
Revaluation reserve	23,614,175,327	23,870,843,524
Retained earnings	74,553,065,574	77,613,815,980
Capital reserve	875,754,923	875,754,923
Total funds	**99,042,995,824**	**102,360,414,427**
Total borrowings	18,486,582,106	22,267,876,074
Less: cash and bank balances	(9,548,252,528)	(8,391,443,008)
Net debt/ (excess cash and cash equivalents)	**8,938,329,578**	**13,876,433,066**
Gearing	**9%**	**13%**

42. INCORPORATION

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

43. EVENTS AFTER THE REPORTING PERIOD

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

44. CURRENCY

Financial statements are presented in Kenya Shillings (Kshs).

APPENDIX 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.	**Parcels of land without title deeds** The statement of financial position for the year ended 30th June 2020 shows Property, Plant Equipment balance of Kshs.93,561,316,642. Included in this as per note 16 to the financial statements is freehold property valued at Kshs.881,963,445, of which land with book values of Kshs.32,250,000 had no title deeds. Further, records at the Company shows minimal or no efforts were being made to ensure that the process of land adjudication is hastened as most of this land were allocated to Kenya Pipeline Company more than 20 years ago. A further review of the records maintained by the legal department at the company revealed that a parcel of land referenced L.R No block 4/4224 that was purchased from a private vendor could not be registered as the title deed for the plot is charged to Kenya Commercial Bank for loan taken by the owner. No records of the said land were available at the company and as such could not confirm existence, ownership and the carrying amount of the said parcel of land. As a result, the accuracy and completeness of Property Plant and Equipment of Kshs.93,561,316,653 could not be ascertained.	KPC has been following up on the adjudication issue. However, due to delays in completing the demarcation of the areas, the adjudication process has not been completed. The parcel of land is on KPC ROW. We are following up for clearance of the loan amount by the Vendor to pave way for Discharge and registration of the title in favour of KPC. Given the foregoing it was not prudent to include them in KPC books until the title is handed over to KPC and the value of the land is determined.	GM (Admin and HR)	Not Resolved	30th June 2022 subject to review by KPC and KCB

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)*
2.	**Pending contract Variation Claims** The property plant and equipment balance amounting to Kshs.104,869,093,834 reflected in the statement of financial position as at 30 June 2018 and analyzed in note 16 to the financial statements includes an amount of Kshs.51,416,165,547 incurred on cost of works on a new Mombasa-Nairobi Oil Pipeline commonly referred to as Line 5. The balance was transferred from work-in-progress during the year under review. Construction of Line 5 started on 1 July 2014, following the award of the tender at a cost of US$ 484,502,887 equivalent to Kshs.48,474,513,784 at the ruling exchange rate of 30 June 2018. As at 30 June 2018, the project engineer had submitted eight (8) variation orders totaling to US$ 38,109,717 (Kshs.3,812,877,186). The variation orders are reported to have resulted from change of design specifications and omission of works in the initial contract. Of the aggregate variation amount, a sum of US$. 17,445,639 (Kshs.1,745,436,145) was approved for payment. In addition, the contractor submitted five (5) Extension of Time (EoT) claims amounting to US$. 204,511,827 (Kshs. 20,461,408,302). However, the claims were contested by the Project Engineer resulting in the appointment of an independent expert scheduler to verify the claims. As at 30 June 2018, the expert scheduler had assessed the total amount payable to the contractor for the four EoTs to be US$. 44,019,0125 (Kshs.4,404,103,425) down from the	KPC has put a defense to the claims which is pending in courts.	GM (CS & Legal Services)	Not resolved	Subject to final court ruling

KENYA PIPELINE COMPANY ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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)*
	contractor's claim of US $ 189,290,732 (Kshs. 18,938,537,727). The fifth EoT claim of US $ 15,221,095 (Kshs. 1,522,870,576) had not been reviewed by the expert scheduler. Construction of the pipeline (Line 5) was completed and the line commissioned during the year under review. Until the matters related to the contract variation and extension of time are resolved, it is not possible to confirm that the carrying value of the pipeline reflected in the financial statements as at 30 June 2018 is true and fair.				
3.	**Supply of Hydrant Pit Valves** As reported in prior years, the Company awarded a US$6,409,492 (Kshs.647,679,167) contract for the supply of hydrant pit valves - C/W isolation valves and spare parts for two years' operations to a vendor through direct procurement, contrary to the requirements of the Public Procurement and Asset Disposal Act, 2015. Although the management has indicated that the United States of America-based vendor was invited to bid for the tender on account of being the original manufacturer of the equipment, no evidence has been made available to validate this assertion. Therefore, the basis for the award of the tender to the vendor cannot be confirmed. In addition, no plausible explanation has been provided by management for procurement of spares parts to cover two years of operations. At the time of concluding this audit, the matter was under prosecution in Court after investigation by the Ethics and Anti-Corruption Commission.	The matter of irregular procurement of the Hydrant Pit Valves (HPV) is before the court of law and may not dwell on the facts of this procurement. However, the amount paid to the vendor is Kshs. 215,617,057.90 and not Kshs. 655,880,009.	GM (Supply Chain)	Not Resolve	Subject to final court ruling

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, I am not able to confirm the Company's compliance with procurement procedures, and whether it obtained value- for-money on the contract sum of Kshs.655,880,009 paid to the vendor for supply of the hydrant pit valves				
4.	**Unutilized New Kisumu Oil Jetty** The statement of financial position as at 30 June 2018, reflects property plant and equipment with a net book value of Kshs.104,869,093,834. The balance includes assets valued at Kshs.1,937,515,726 being construction costs for the Kisumu Oil Jetty transferred from work-in-progress during the year under review. Construction works on the jetty were executed from May 2017 to March 2018 when they were completed and handed over to the Company by the contractor. The assets were thereafter capitalized and depreciated by Kshs.11,037,699 for the year under review. The jetty was constructed under the Northern Corridor Integration Projects portfolio of the East African Community with a view to improve the distribution of refined petroleum products to Uganda and other neighboring countries. However, it has remained unutilized due to lack of infrastructure for receipt and storage of the products in Uganda. Although management has indicated that some progress has been made in construction of one of the two planned similar jetties on Uganda side, it is not certain when	KPC invested in Kisumu Oil Jetty with a view of improving the throughput across the neighboring countries. The project was completed, tested and handed over to KPC and it is operationally functional. The project is largely dependent on completion of a complimentary receiving facility with storage facilities and assembling barges for ferrying the oil product on the Uganda side. It had been estimated that by the time the jetty is completed on the Kenyan side, Uganda would be ready. However, the Kisumu Oil Jetty was completed ahead of the Ugandan side which is still under construction.	GM (Infrastructure)	Not Resolved	The complimentary facility will be completed in April 2022

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)***
	all the facilities due for construction in Uganda will be completed and operationalized.	In the meantime, KPC is looking at using other OMC's to leverage on the facility to increase throughput and the project remains a viable investment for the Company and cannot be impaired at this point. KPC is closely monitoring the progress of the complimentary receiving facility at Mahathi in Uganda. A recent visit by KPC team to the Uganda facility confirmed progress of the construction.			

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

The Company is not funded by development partners.

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							
2							

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Kenya Pipeline Company		
	Break down of Transfers			
	FY 2020/2021			
a.	Recurrent Grants	N/A		
b.	Development Grants	N/A		
c.	Direct Payments	N/A		
d.	Donor Receipts	N/A		

The Company is not a recipient of any grants.

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.

5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS
KENYA PIPELINE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020 (Restated)	2019	2018	2017
	Kshs				
Total Revenue	27,987,266,943	26,082,251,486	31,457,618,208	27,705,848,487	25,134,869,469
Direct Costs	(13,562,976,195)	(12,580,545,657)	(14,259,924,080)	(11,135,712,478)	(9,285,805,904)
Gross Profit	**14,424,290,748**	**13,501,705,830**	**17,197,694,127**	**16,570,136,009**	**15,849,063,565**
Other Income	470,667,422	409,502,259	415,798,178	452,661,842	362,564,293
Administration Expenses	(6,445,930,795)	**(6,338,223,815)	**(12,726,196,302)	(5,642,393,932)	(5,295,614,817)
Operating Profit	**8,449,027,375**	**7,572,984,274**	**4,887,296,003**	**11,380,403,919**	**10,916,013,041**
Net Finance Income	(1,538,664,128)	(1,435,104,177)	(1,821,488,427)	980,535,373	562,427,612
Profit Before Taxation	**6,910,363,247**	**6,137,880,097**	**3,234,793,422**	**12,360,939,292**	**11,478,440,653**
Taxation Charge	(5,227,628,302)	2,043,570,303	(1,186,873,779)	(3,792,865,597)	(3,516,913,825)
Net Profit After Taxation	**1,682,734,945**	**8,181,450,400**	**2,047,919,643**	**8,568,073,695**	**7,961,526,828**
Earnings Per share	93	450	113	471	438

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

STATEMENT OF FINANCIAL POSITION					
FOR THE YEAR ENDED JUNE 30	**2021**	**2020 (Restated)**	**2019 (Restated)**	**2018**	**2017**
	Kshs				
Non- Current Assets					
Property, plant and equipment	97,186,140,519	102,986,250,783	109,264,841,810	104,869,093,834	98,091,185,919
Leasehold land	19,431,356,105	15,702,166,555	16,094,977,010	4,999,883,570	5,167,287,314
Intangible assets	30,308,870	93,593,013	414,431,974	562,168,054	858,296,848
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	880,443,315
Trade and other receivables	3,117,018,373	2,910,465,319	2,146,883,113	1,263,891,181	769,762,736
	119,801,130,226	**123,014,409,263**	**129,243,067,499**	**113,016,970,231**	**105,803,282,491**
Current Assets					
Inventories	2,608,031,945	2,182,234,022	2,232,089,622	2,266,017,444	1,591,777,921
Trade and other receivables	9,160,335,600	9,008,195,881	10,488,462,618	14,390,380,166	12,048,271,443
Taxation recoverable	888,115,224	876,808,106	977,416,079	1,098,170,701	1,176,703,986
Short term deposits	7,086,097,763	6,904,213,188	9,059,660,261	4,815,214,935	6,063,946,835
Bank and cash balances	2,462,154,764	1,487,229,820	3,809,591,698	443,569,702	1,478,365,330
	22,204,735,296	**20,458,681,017**	**26,567,220,278**	**23,013,352,948**	**22,359,065,515**
Total Assets	**142,005,865,522**	**143,473,090,280**	**155,810,287,778**	**136,030,323,179**	**128,162,348,006**
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	74,553,065,574	77,613,815,980	80,965,760,163	79,453,028,143	70,967,940,523
Revaluation Reserve	23,614,175,327	23,870,843,524	24,815,721,429	10,004,768,990	10,004,768,990
	99,042,995,824	**102,360,414,427**	**106,657,236,515**	**90,333,552,056**	**81,848,464,436**
Non-Current Liabilities					
Deferred taxation	19,803,685,014	14,597,966,425	15,840,089,771	9,154,163,086	5,381,329,078
Long term loan	13,983,444,964	17,703,118,633	21,364,418,281	25,425,678,726	22,983,317,480
	33,787,129,978	**32,301,085,058**	**37,204,508,052**	**34,579,841,812**	**28,364,646,558**
Current Liabilities					
Trade and other payables	4,592,602,577	4,166,833,354	7,186,408,232	6,706,678,215	14,585,905,944
Due to related parties	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Tax payable	-	-	-	-	-

STATEMENT OF FINANCIAL POSITION					
FOR THE YEAR ENDED JUNE 30	**2021**	**2020 (Restated)**	**2019 (Restated)**	**2018**	**2017**
	Kshs				
Dividend Payable	-		300,000,000	-	-
Current Loan	4,503,137,142	4,564,757,441	4,382,134,978	4,330,251,096	3,283,331,068
	9,175,739,719	**8,811,590,795**	**11,948,543,210**	**11,116,929,311**	**17,949,237,012**
Total Shareholder's Funds and Liabilities	**142,005,865,522**	**143,473,090,280**	**155,810,287,777**	**136,030,323,179**	**128,162,348,006**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30	2021	2020	2019	2018	2017
	Kshs				
Net cash generated from operating activities	13,538,886,066	13,119,135,990	14,993,419,365	3,195,240,413	16,506,231,596
Net cash from/(to) investing activities	(5,000,856,224)	(1,314,696,619)	(3,029,197,039)	(10,022,049,028)	(37,161,868,585)
Net cash from/(to) financing activities	(7,381,220,323)	(16,282,248,321)	(4,353,755,003)	4,543,281,087	16,268,272,269
Net increase/(Decrease) in cash and cash equivalents	**1,156,809,519**	**(4,477,808,951)**	**7,610,467,323**	**(2,283,527,528)**	**(4,387,364,720)**
Cash and Cash Equivalents at beginning of the period	8,391,443,008	12,869,251,959	5,258,784,637	7,542,312,165	11,929,676,885
Cash and Cash Equivalents at end of the Year	**9,548,252,527**	**8,391,443,008**	**12,869,251,959**	**5,258,784,637**	**7,542,312,165**

Beyond being the vein of the nation's fuel





KENYA PIPELINE COMPANY LIMITED
Kenpipe Plaza, Sekondi Road
Off. Nanyuki Road, Industrial Area.
P. O. Box 73442 - 00200, Nairobi, Kenya
Tel: +254 20 260 6500-4
Fax: +254 20 354 0032
Email: info@kpc.co.ke | www.kpc.co.ke