KENYA PIPELINE COMPANY LIMITED

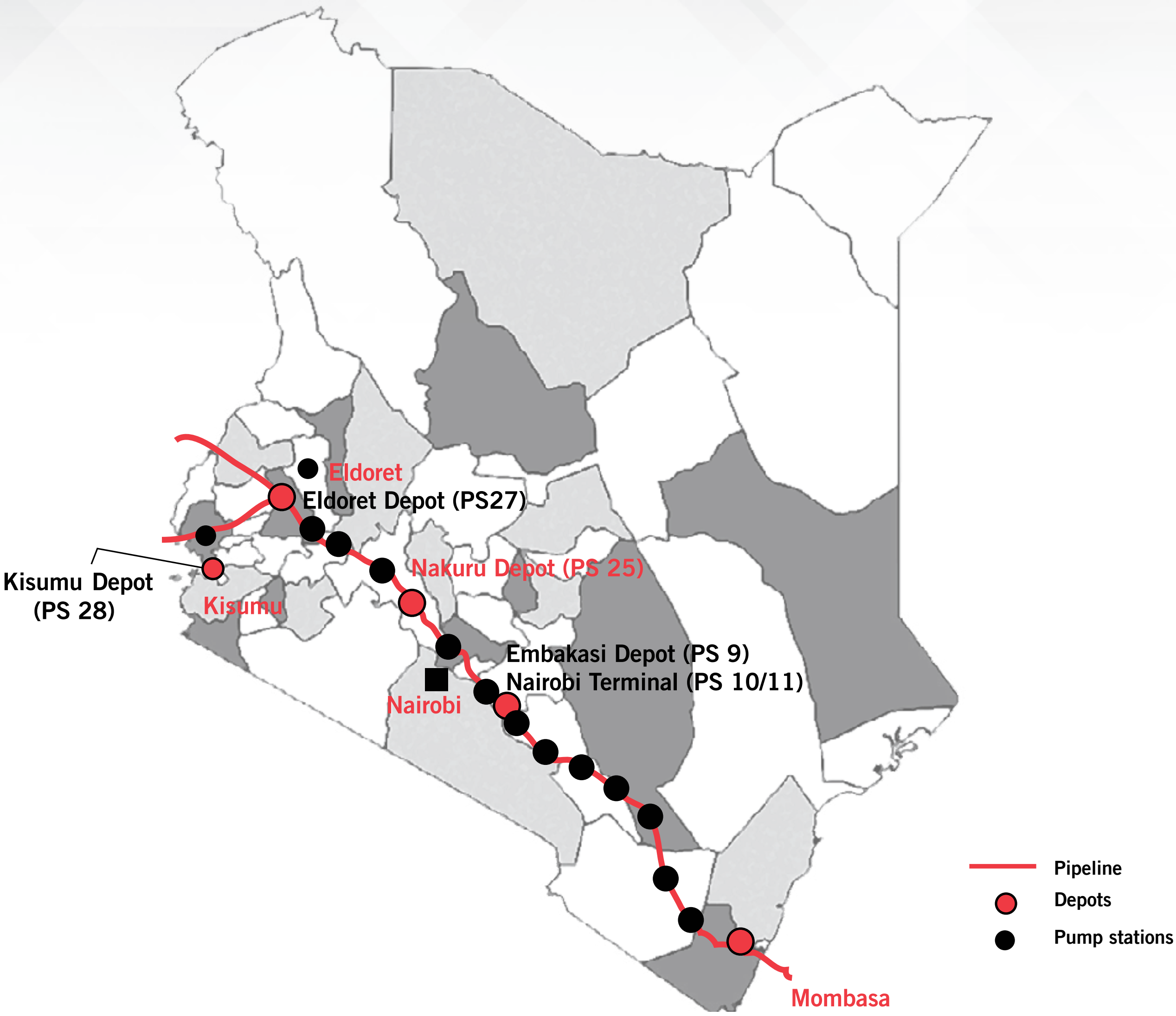
ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)

KPC recently introduced the latest energy saving Variable Frequency Drive (VFD) technology (pictured) to run our pumps. This has seen the Company reduce the amount of energy consumed in its operations from a high of 188,805,020 kilowatt-hours in 2017 to 114,331,156 kilowatt-hours in 2022

OUR NETWORK



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

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

11
Pumping stations

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

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

5 Truck & Rail loading facilities

CONTENTS

ACRONYMS AND GLOSSARY OF TERMS

ADA	Alcohol and Drug Addiction
ADR	Alternative Dispute Resolution
AERC	Africa Economic Research Consortium
AGO	Automotive Gasoline Oil
BCM	Business Continuity Management
BCP	Business Continuity Plan
CEO	Chief Executive Officer
COR	Crude Oil Revenue
COFEK	Consumers Federation of Kenya
CPA (K)	Certified Public Accountants of Kenya
CPS	Certified Public Secretary
CRA	Corruption Risk Assessment
CSI	Corporate Social Investment/ Customer Satisfaction Index
CSP	Corporate Strategic Plan
DAVs	Debit Adjustment Vouchers
EACC	Ethics and Anti-Corruption Commission
EHS	Environment Health and Safety
EPRA	Energy and Petroleum Regulatory Authority
ERM	Enterprise Risk Management
ERMP	Enterprise Risk Management Policy
ESG	Environmental Social Governance
ESIA	Environment, Social Impact Assessment
FOC	Fibre Optic Cable
FY	Financial Year
GAA	Government Advertising Agency
GHG	Greenhouse Gases
GoK	Government of Kenya
HAZOP	Hazard and Operability
HCV	Hydro-Carbon Value
HDip	Higher Diploma
HSC	Head of State Commendation
HSE	Health, Safety and Environment
HSEMS	Health Safety & Environment Management System
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
ILI	In-Line Inspection
ISACA	International Systems Audit and Control Association
JKIA	Jomo Kenyatta International Airport
KAA	Kenya Airports Authority
KMTC	Kenya Medical Training College
KOJ	Kisumu Oil Jetty
KOSF	Kipevu Oil Storage Facility
KOT	Kipevu Oil Terminal
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Company
KPRL	Kenya Petroleum Refinery Limited
KRA	Kenya Revenue Authority
KShs	Kenya Shillings
LLB	Bachelor of Laws
LPG	Liquefied Petroleum Gas
MCIPS	Member of Chartered Institute of Procurement and Supply
MDA	Ministries, Departments and Agencies
MIA	Moi International Airport
MIEK	Member Institute of Engineers of Kenya
MIOC	Management Integrity Oversight Committee
MIOG	Morendat Institute of Oil and Gas
MKISM	Member of Kenya Institute of Supplies and Management
MTCC	Morendat Training and Conference Centre
MTN	Mobile Telephone Network
NCDs	Non-Communicable Diseases
NCIP	Northern Corridor Integration Project
NDC	Nationally Determined Contribution
NEMA	National Environmental Management Authority
NOCK	National Oil Corporation of Kenya
NSSF	National Social Security Fund
NT	National Treasury
OAG	Office of The Auditor General
OGW	Order of the Grand Warrior of Kenya
OMCs	Oil Marketing Companies
PFM	Public Finance Management
PIC	Public Investment Committee
PSASB	Public Sector Accounting Standards Board
PwD	Persons with Disability
QMS	Quality Management System
REng	Registered Engineer
ROW	Right of Way
RUL	Remaining Useful Life
SAGAs	Semi-Autonomous Government Agencies
SCAC	State Corporations Advisory Committee
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Coordination Meeting
SDGs	Sustainable Development Goals
SLDP	Strategic Leadership Development Programme
SMC	Strategic Management Course
SOCA	Safety Observations and Corrective Actions
UNCDF	United Nations Capital Development Fund
URA	Uganda Revenue Authority
USD	United States Dollar
VAT	Value-Added Tax
VFD	Variable Frequency Drive
VSM	Vessel Scheduling Meeting
WIP	Work in Progress

CORPORATE **INFORMATION**

Kenya Pipeline Company Limited (KPC) is a State Corporation wholly owned by the Government of Kenya, with 99.9% shareholding by the National Treasury and a fractional less than 0.1% by the Ministry of Energy and Petroleum. Established in 1973 under the Companies Act, Cap 486 of the Laws of Kenya, KPC began its commercial operations in February 1978. The Cabinet Secretary for the Ministry of Energy and Petroleum represents KPC at the cabinet level, overseeing the company's general policy and strategic direction.

KPC's primary mission is to provide an efficient, reliable, safe, and cost-effective means of transporting petroleum products from Mombasa to the hinterland. To achieve this mission, KPC has constructed an extensive pipeline network, storage, and loading facilities dedicated to the transportation, storage, and distribution of these products. The current infrastructure includes 1,342 kilometres of pipeline, capable of handling approximately 14 billion litres of petroleum products annually.

This infrastructure is pivotal in driving economic growth and development throughout the East African Region. In alignment with this vision, KPC has formulated a Corporate Strategic Plan (CSP), known as KPC Vision 2025. This plan is aimed at establishing the company as Africa's premier oil and gas hub. The CSP, which underwent a mid-term strategy refocusing in August 2022, is built upon four foundational pillars:

- Business Leadership: Dominating and leading the market in Kenya.
- People: Fostering outstanding performance by all KPC employees.
- Systems and Processes: Implementing reliable and world-class technology and systems.
- Image and Reputation: Cultivating exceptional relationships with all stakeholders.

Diversification and Innovation

In recent years, KPC has embarked on a journey to diversify its revenue streams, venturing into new sectors such as the Fiber Optic Cable business and establishing the Morendat Institute of Oil and Gas. The Fiber Optic Cable initiative, launched in April 2022, aims to enhance the country's internet connectivity and create a new revenue stream by leveraging KPC's existing infrastructure. The Morendat Institute of Oil and Gas, on the other hand, offers specialized training in oil and gas management, operations, and maintenance, aligning with KPC's Vision 2025 to become a regional investment hub.

Through these innovative endeavors, KPC not only strengthens its core business but also contributes to the technological and educational advancement of the region, ensuring a sustainable and prosperous future.

Inter-sites pipelines at Kisumu (PS28) Depot

DIRECTORS

Faith Bett-Boinett	Chairman – Appointed 23 December 2022
Rita Okuthe	Ceased to be Chairman on 23 December 2022
Joe K Sang, EBS	Managing Director – Appointed Ag. Managing Director on 23 January 2023 and confirmed as Managing Director on 25 April 2023
Dr. Macharia Irungu, MBS	Ceased to be Managing Director on 1st January 2023
Prof. Njuguna Ndungu, EGH	Cabinet Secretary, National Treasury and Economic Planning – Appointed to the Cabinet on 27 September 2022
Hon. Amb. Ukur Yatani	Cabinet Secretary, Ministry of Energy and Petroleum, State Department for Petroleum – Ceased to be Director on 27 September 2022.
Mr. Liban Mohamed	Principal Secretary (PS), Ministry of Energy and Petroleum, State Department for Petroleum – Appointed on 2 December 2022
Andrew Kamau, CBS	Principal Secretary (PS), Ministry of Energy and Petroleum, State Department for Petroleum – Ceased to be Director on 2 December 2022.
Hon. Justin Muturi	The Attorney General – Appointed on 26 October 2022
Dr. Eng. Edward Musebe	Appointed on 18 August 2023
Irene Wachira	Appointed on 18 August 2023
Mutungwa Wambua	Appointed on 18 August 2023
Jane Njeri Mwangi	Appointed on 18 August 2023
Joyce Emanikor	Appointed on 18 August 2023
Sharon Irungu - Asiyo	Alternate Director, State Law Office
Amos Cheptoo	Alternate Director to Cabinet Secretary National Treasury and Economic Planning
Mohamed Birik Mohamed	Alternate Director to PS, State Department for Petroleum
Kenneth Wathome	Ceased to be Director on 18 August 2023
Jimmy Shiganga	Ceased to be Director on 18 August 2023
Elsie Mbugua	Ceased to be Director on 18 August 2023
Frank Ireri	Ceased to be Director on 18 August 2023
Carol Mugadi	Ceased to be Director on 18 August 2023

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
E-mail: 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

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
Nairobi, Kenya

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

PRINCIPAL BANKERS

Kenya Commercial Bank
Nextgen Mall
P.O. Box 30008-00100
Nairobi, Kenya

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

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

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

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

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

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

ABSA
Absa Headquarters
P.O. Box 30120-00100
Nairobi, Kenya

WHO WE ARE

Vision

Africa's Premier Oil & Gas Company

Mission

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

Values

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

The Corporate Strategic Plan (CSP) is anchored on four key pillars

Business leadership
Winning and leading the market in Kenya.

People
Amazing performance by all KPC employees.

Systems & processes
Reliable and best in the world technology and systems.

Image & reputation
Amazing relationships with all its stakeholders.

CRAFTING A SOLID FOUNDATION FOR THE FUTURE

The strong performance is attributed to sound fiscal management as well as cost containment measures among other policy interventions.

Dear Shareholders,

I am pleased to present to you the Report and Financial Statements of the Kenya Pipeline Company Limited for the 2022/2023 Fiscal Year. Indeed, FY2022/2023 was a period of solid performance. The Company remains self-sufficient despite market volatility among other emerging challenges. The strong performance is attributed to sound fiscal management as well as cost containment measures among other policy interventions. Further, the Company's improved financial performance was driven by resilience of our business processes and improved innovations through integration of systems to serve our customers efficiently. During the period under review, the Company ensured security of supply of petroleum products in Kenya and the region. All these efforts are geared towards crafting a solid foundation for the future.

Business Strategy

The Company sustained the implementation of strategic decisions in line with the Refocused Vision 2025 objectives. On business expansion, the company pursued initiatives aimed at increasing KPC's market share in Fibre-Optic Cable (FOC) business line, leading to the onboarding of additional customers. This is an ongoing initiative that will continue as we look into making this business stream solid and strong. We envisage that in the coming year, productive business initiatives will be undertaken to ensure KPC's growth is sustained. Key among these initiatives include capacity enhancement of existing pipelines, bottom loading facilities and storage facilities. During the period under review, we commissioned a bottom loading facility in Nakuru Depot that has had significant business impact in the region as well as on KPC's supply chain ecosystem. The KPC board remains focused on delivering a positive impact and to ensure that strategies being implemented are completed on time and in compliance with National Treasury guidelines on public investment management.

Customer Focus

Our customers are important, and we are conscious that customer engagement is a vital ingredient for business success. Undeniably, KPC is committed to achieving unprecedented customer satisfaction levels. During the period under review, the customer satisfaction index was 89%, even as we focus on an improved score in the coming year. Successful implementation of various projects has enhanced customer experience, and this has elevated the customer satisfaction index. The Company has employed all efforts to ensure that the customer is the focal point of all decisions related to service delivery. We are determined to foster customer loyalty, satisfaction and advocacy to achieve exemplary customer experience.

Sustainability Agenda

The Company's commitment to Environment, Sustainability and Governance (ESG) agenda is unequivocal. To this end, the board is keen to see the ESG agenda engrained in all our operations. We can only prosper through a shared values approach with the society by making more thoughtful and resource-efficient decisions and by collaborating with Kenyans to ensure their lives are impacted positively. Further, through our Foundation, Corporate Social Investment programmes have been implemented targeting communities, groups and individuals across the country with the sole objective of empowering and transforming lives at the grassroots. During the period under review, the company implemented projects that focused on the following areas:

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

Appreciation

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

I also wish to commend all staff for their tireless efforts and commitment to attaining KPC's targets and goals. Your dedication and commitment while playing your roles have enabled the Company to remain profitable and ensured that Kenya and the Region have a steady and uninterrupted fuel supply.

FAITH BETT - BOINETT (MRS)
BOARD CHAIRMAN

MANAGING DIRECTOR'S REPORT

A ROBUST BUSINESS RESILIENCE FOR THE FUTURE

Dear Shareholders,

Allow me to share with you the Kenya Pipeline Company Limited Annual report and Financial Statements for the Financial Year 2022/2023. Kenya Pipeline Company ("KPC" or the "Company") continues to make great financial strides despite market dynamics. Indeed, KPC financial accomplishment is an indicator of the significant role the Company plays towards supporting the Kenyan and regional economies. During the period under review, KPC executed strategies that have delivered excellent results, consistent with priorities outlined under our Strategy as well as strategies that enhanced business resilience despite economic challenges in the country and the Region. KPC hosts some of the Region's most vital and strategic infrastructure and currently has a combined asset base of over KShs 129 billion, placing it among the largest corporations in Kenya and the Region.

Financial Performance

The Company posted a 21% growth in profit before tax of KShs 7.6 billion for the year ended 30th June 2023 compared to KShs 6.3 billion achieved in the previous year. The higher profitability is mainly attributable to increased throughput volume and gains from foreign exchange for Dollar denominated sales.

Throughput

During the period under review, KPC recorded a 5% growth in throughput volumes to 8,597,451 m^3 from 8,183,995 m^3. On the domestic throughput front, the volumes dropped by 2% from 4,537,535 m^3 for the period ended 30th June 2022 to 4,451,254 m^3. Export volumes went up by 14% to 4,146,197 m^3 for the year ended 30th June 2023 compared to 3,646,460 m^3 in the previous year.

Revenue

Throughput revenue went up by 18% to KShs 30.9 billion for the year under review up from KShs 26.2 billion achieved in the previous year.

Operating Expenditure

During the period under review, KPC operated within the budgeted expenditure, but the total operating expenditure increased by 16% to KShs 24.9 billion from the previous year's KShs 21.5 billion.

Cash Position

The Company's cash reserves went up by 13% to KShs 11.7 billion compared to KShs 10.4 billion last year. The cash position went up as result of prudent cashflow and working capital management buoyed by improved collections from customers and foreign exchange gains on the forex reserves held.

Our Commitment

As a matter of priority, the management team is focusing on improving business resilience in the next Financial Year (2023/2024). Apart from growing our normal transportation and storage of petroleum products, we are looking at growing other business streams such as our Fibre Optic Cable (FOC), Morendat Institute of Oil and Gas (MIOG) and investments in Liquefied Petroleum Gas (LPG) in the next Financial Year (2023/2024) Indeed, the management is looking at ways of enhancing the Company's resilience in order to overcome any future volatility. We have made considerable progress from where we were a year ago despite global economic shocks and other extraneous challenges. Undeniably, we are confident that the investments we are making will lead to sustainable improvements for customers whilst creating long-term value for our shareholders and as well as boosting our business resilience into the future.

Acknowledgement

In conclusion, I take this opportunity to express my sincere gratitude to our shareholders, the Ministry of Energy and Petroleum and The National Treasury for their contribution through both policy and budgetary support. Further, I wish to salute our Board of Directors for their wisdom, tenacity and audacity in crafting a better KPC that will remain strong into the future.

I also wish to recognise the role played by our customers, who continue to support our initiatives and take up our various product offerings. They remain a crucial stakeholder without whom we would not have achieved our set objectives and financial goals. I also take this opportunity to congratulate KPC's staff for their continued diligence and commitment. It is through their tireless efforts and assiduousness that we have been able to move this company forward.

JOE SANG, EBS
MANAGING DIRECTOR

Throughput
8.6b Ltrs

Revenue
KShs30.9b

Cash Reserves
KShs11.7b

BOARD OF DIRECTORS

FAITH BETT - BOINETT

BOARD CHAIRMAN

Mrs. Faith Boinett is a lawyer by profession with expertise in legal risk and compliance, governance, public financial management, human resources, public sector strategic partnership and alliances and is an educator.

She has over 20 years working experience in the public and private sectors. She is the Managing Partner at Boinett & Bett Company Advocates. She also serves as Chairperson of the Board Finance and General Purposes Committee of Nyayo Tea Zones Development Corporation and the Privatization Commission. In addition, she sits on the Board of Management of Moi Girls High School, Eldoret.

During her 20 years of experience, she had direct involvement in management of several Semi-Autonomous Government Agencies (SAGAs) and higher education institutions as Director of the Board of Management for State Corporations. In these roles, she has provided strategy formulation and implementation oversight on statutory obligations, policies, practices and processes that direct and control public and private sector organisations.

Mrs. Boinett has good understanding and interpretation of Kenya's Constitution and various statutes including good abilities in litigation, conveyancing, pleadings, statutory drawings and alternative dispute resolution (ADR), company law, the Employment Act 2007, Occupational Safety and Health Act 2007, Labour Institutions Act, Labour Relations Act, 2007 and WIBA 2007 amongst others.

She is a member of FIDA Kenya and a champion of women's rights and those of other disadvantaged people. The firm where she serves as Managing Partner has been ranked among the best-performing law firms in fighting for children's and women's rights.

Board of Directors

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

The Hon. Justice Justin Muturi served as the 7th Speaker of the National Assembly of Kenya from 2013-2022. He is the first Speaker to serve following the re-establishment of a bicameral Parliament, as mandated by the Constitution of Kenya, 2010.

Hon. Muturi served as a Member of Parliament for Siakago Constituency from 1999-2007. He served as Opposition Chief Whip and Chairman of the Public Investment Committee (PIC) during the 10th Parliament.

He was formerly a Judiciary employee serving as a Principal Magistrate between 1982 and 1997 before retiring from Judicial Service. He also served as the Chairman of the Judges and Magistrates Association during the time. He was a member of the Africa Parliamentarians Network Against Corruption, Global Organisation of Parliamentarians Against Corruption and the Parliamentary Network on the World Bank.

PROF. NJUGUNA NDUNGU, EGH
CABINET SECRETARY, THE NATIONAL TREASURY

Prof. Njuguna Ndung'u is the Cabinet Secretary, The National Treasury and Economic Planning. Prior to the current appointment, he was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor in economics at the University of Nairobi, and a former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Programme Specialist at the International Development Research Centre (IDRC) and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis.

He holds a PhD in Economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, the Advisory Committee of the Alliance for Financial Inclusion that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the United Nations Capital Development Fund (UNCDF). He is a member of the Better than Cash Alliance, a partnership of governments, companies and international organisations that accelerates the transition from cash to digital payments in order to help achieve the Sustainable Development Goals.

MOHAMED LIBAN
PRINCIPAL SECRETARY STATE DEPARTMENT FOR PETROLEUM

Mr. Mohamed Liban is the Principal Secretary Ministry of Energy for the State Department for Petroleum having been appointed to the position in December 2022. Prior to that, he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019.

Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions he held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health.

Among other qualifications, Mr. Liban holds a Master of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTC), International Diploma in Community Eye Health from the University of London and, Higher National Diploma in Ophthalmology from KMTC. He has also attended several human resource management courses.

Mr. Liban is a Life Member of the Kenya Society for the Blind and the Kenya Red Cross Society.

Board of Directors

JOE SANG, EBS
MANAGING DIRECTOR

Mr. Joe Sang has over 15 years hands-on experience gained in a variety of senior positions in private and public sector organisations including being General Manager Finance & Strategy at KPC, Group Head of Business Performance & Planning at East African Breweries Limited and Finance Director at East African Maltings Limited. He also worked for Unga Group and the National Oil Corporation of Kenya (NOCK). Equipped with a strategic mindset, he believes that his philosophy of developing others to deliver great business performance is critical as KPC transforms to become Africa's premier oil and gas Company. He is a Certified Public Accountant - CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Joe holds a Bachelor of Arts degree in Economics and a Master of Business Administration in Strategy from the University of Nairobi.

DR. ENG. EDWARD MUSEBE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. (Eng.) Edward Musebe Achieng is a registered Engineer with the Engineers Board of Kenya. He has a wealth of business management experience having worked as Managing Director of Chemelil Sugar Company Limited and other leading commercial companies including Diageo and Magadi Soda.

He is an Assistant Professor in Strategic Management and Leadership at the United States International University-Africa and a Director of Carbacid Company Limited. He served as the non-executive Chairman of the Kenya Broadcasting Corporation from 2013 to 2016 and has been a Director at the Kenya Institute of Mass Communication.

Dr. Musebe holds a PhD in Business Administration from the University of Nairobi, a Master's degree in Business Administration from the United States International University-Africa and a BSc in Mechanical Engineering from the University of Nairobi.

Board of Directors

JANE NJERI MWANGI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Jane Mwangi has a wealth of experience in cooperatives and administration, having been in the field for more than 15 years. She has hands-on experience in projects coordination for local and county governments.

She is a holder of a Diploma in Cooperatives Management.

JOYCE EMANIKOR
INDEPENDENT NON-EXECUTIVE DIRECTOR

Hon. Mrs. Joyce Emanikor is a development specialist with bias in education and environment.

She has been a legislator in the Kenya National Assembly for two consecutive terms, 2013-2022, where she played roles in oversight, legislation, representation, budgeting and Parliament leadership. She sponsored a bill and several legislative amendments in Parliament and participated in various Parliamentary Committees.

Hon. Emanikor previously worked in the fields of education as an Emergency Education Consultant for UNICEF, Kenya Country Office, Emergency Response Programmes and Development for the UN, the Government of Kenya, International non-governmental organisations (NGOs), faith Based organisations (FBOs), and community-based organisations (CBOs).

She is a recipient of the Head of State Commendation (HSC), having been bestowed the award in December 2010 for outstanding contribution to development in Turkana.

Hon. Emanikor is the holder of a Master of Arts in Development Studies, a BA in Community Development & Peace Studies and is currently undertaking a PhD in Environmental Governance and Management at the University of Nairobi.

IRENE WACHIRA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Irene W. Wachira is a seasoned corporate strategist and leader with two decades of experience in corporate strategy, finance, business development and compliance. Her career highlights include her role as CEO of The Croft (K) Ltd., a Nairobi-based real estate development company, as Operations Manager with BP North America and as a Financial Intelligence/Compensations Executive with Citi Group in New York, among other functions.

Ms. Wachira's competencies span across board governance, corporate strategy, financial analysis, budgeting, project management, risk management, and regulatory compliance. She is known for her ability to drive change, build strong teams and maintain stakeholder relations.

She holds a BA in Psychology with a Minor in Economics and is a certified Project Management Professional (PMP), GSRE, and AML Compliance specialist.

Board of Directors

MUTUNGWA WAMBUA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Mutungwa has over 14 years' experience gained in a variety of senior positions in private and public sector organisations. He is a devoted human resource professional and businessman.

Mr. Mutungwa has strong technical skills acquired from many years of experience working in the IT field and has a comprehensive knowledge on the latest IT software and systems, having worked at Capital Software Company as HR Assistant and ultimately as Branch Manager in charge of HR and Technical Support.

Mr. Mutungwa is a Director of Techno Sphere Solutions where he is in charge of administration, marketing and Management. He is a Director and Chief Executive Officer (CEO) of Wavenet Systems Ltd, a startup company and also has business acumen in logistics.

He is currently pursuing a master's degree in strategic management. He possesses a diploma in Information Technology and a Diploma in Human Resource Management.

SHARON IRUNGU-ASIYO, HSC
REPRESENTATIVE OF THE ATTORNEY GENERAL

Ms. Sharon Irungu-Asiyo, HSC is an Advocate of the High Court of Kenya and is currently a Principal State Counsel at the Office of the Attorney General. She has over 15 years post-admission experience to the Roll of Advocates in both private and public sector. She majors in commercial and corporate law, international business and international financial transactions. As a public sector legal practitioner, Ms. Irungu-Asiyo is currently based at the Government Transactions Division at the Office of the Attorney General. Her primary duties entail drafting, vetting and reviewing Government contracts, negotiating commercial and financial agreements on behalf of the Government and issuing advisory opinions on emerging issues and areas of law that have an impact on Government contracts.

As an alternate member representing the Hon. Attorney General in the Board of Kenya Pipeline Corporation, Ms. Irungu-Asiyo provides strategic leadership on emerging issues of law affecting the management and operational aspects of KPC.

She has a Bachelor of Laws (LLB) Degree and a Post-Graduate Diploma in Legal Studies from the Kenya School of Law.

Board of Directors

MOHAMED BIRIK MOHAMED, OGW
ALTERNATE DIRECTOR TO PS ENERGY & PETROLEUM

Mr. Mohamed Birik was appointed Secretary, Administration in the State Department for Petroleum in 2021. Prior to this deployment, he was the Regional Commissioner, North Eastern, where he served from 2018 to 2020.

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

Mr. Birik holds a Bachelor of Arts in Education degree from the University of Nairobi and is currently pursuing a Masters in Peace and Conflict Resolution at Kenyatta University. He has attended various courses at the Kenya Institute of Administration (KIA) including Advanced Public Administration, Strategic Leadership Development Program (SLDP) and Senior Management Course (SMC).

Other notable courses attended include a Certificate Course in Management at the Center of Excellence for Stability of Police Units in Italy and, Kenya – Uganda Border Conference.

FLORA OKOTH
GENERAL MANAGER (COMPANY SECRETARY & LEGAL SERVICES)

Mrs. Flora Fiona Okoth has over 28 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 a sole practitioner in various stages of her career. She has acquired extensive board experience having served two large organisations as Company Secretary. Flora has also chaired the board of a community development NGO, the Community Aid International for five years from 2012 – 2017.

Mrs. Okoth has a Master of Laws (LLM) in International Economic Law from the University of Warwick in the United Kingdom, an Executive MBA degree from the United States International University – Africa, Bachelor of Laws degree (LLB) from University of Nairobi and Diploma in Law from the Kenya School of law.

She is also a member of the Law Society of Kenya (LSK) and a certified Public Secretary (CPS) since 2005.

THE EXECUTIVE **MANAGEMENT**

JOE K. SANG, EBS
MANAGING DIRECTOR

MBA (Strategy), BA Economics, CPA(K)

PIUS MWENDWA
GENERAL MANAGER (FINANCE)

Mcom (Finance Option), B. Com (Finance), CPA(K)

ZILPER M. ABONG'O
GENERAL MANAGER (STRATEGY)

MSc (Economics & Policy of Energy & Environment), BA

ENG. DAVID MURIUKI
GENERAL MANAGER (INFRASTRUCTURE)

MBA (Strategic Management), BSc (Mechanical Engineering), Registered Engineer (REng), MIEK

ENG. DEREK OKOVA
GENERAL MANAGER (PIPELINE OPERATIONS & MAINTENANCE)

MSc. Civil Engineering, BSC. Civil Engineering

DINAH J. KIRWA
GENERAL MANAGER (HUMAN RESOURCE & ADMINISTRATION)

MPhil (Human Resource Development), BA, HDip (HR Management), CHRP

MAUREEN MWENJE
GENERAL MANAGER (SUPPLY CHAIN)

LLM (Law in Development), LLB, Diploma (Law), MCIPS, MKISM

FLORA OKOTH
GENERAL MANAGER (COMPANY SECRETARY & LEGAL SERVICES)

LLM (International Economic Law), LLB, Diploma (Law), CPS, Executive MBA

DR. NANCY KOSGEI
DIRECTOR, MORENDAT INSTITUTE OF OIL AND GAS (MIOG)

PhD (Developmental Studies), MA (Project planning & management), BA (Community development)

CAXTON NJUGA
Ag. GENERAL MANAGER (AUDIT)

MBA, B. Com (Finance), CPA(K), ISACA

TOM MAILU
Ag. GENERAL MANAGER (KPRL)

MA (Economics), BA (Economics)

MANAGEMENT TEAM

ANTONY NDEGWA
FINANCE & ACCOUNTING MANAGER

SAMSON SOIMO
REVENUE & COMMERCIAL SERVICES MANAGER

ENG. MOSES TAWUO
MAINTENANCE MANAGER

GRACE NJOROGE
MARKETING & BUSINESS DEVELOPMENT MANAGER

GLORIA KHAFAFA
LEGAL SERVICES MANAGER

DR. DISTERIUS NYANDIKA
RISK & QUALITY ASSURANCE MANAGER

ANDREW KIPKEMBOI
CORPORATE COMMUNICATIONS MANAGER

AMOS MUGIRA
QUALITY CONTROL MANAGER

CAROL KIPLAGAT
SAFETY, HEALTH & ENVIRONMENT MANAGER

JOEL MBURU
SUPPLY LOGISTICS MANAGER

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

PAMELA ONDAGO
CONSULTANCY MANAGER (MIOG)

ENG. ANDREW BIRIR
PROJECT CONSTRUCTION MANAGER

PAUL NJUGUNA
PROJECTS PLANNING RESEARCH & DEVELOPMENT MANAGER

SHEILA CHEPSIROR
ADMINISTRATION MANAGER (KPRL)

RACHEL GATHONI MUIRURI
FOUNDATION MANAGER

CAPT. BONIFACE NDAKA
AIRWING MANAGER

THOMAS NGIRA
HUMAN RESOURCE MANAGER

KENNETH SABILA
Ag. SECURITY MANAGER

LABAN KOSGEY
Ag. ICT MANAGER

ELIZABETH AKINYI
Ag. CORPORATE PLANNING MANAGER

NANCY RONO
Ag. PROCUREMENT MANAGER

WILLIAM RUTTO
Ag. ADMINISTRATION MANAGER

MARY KEMBOI
Ag. FINANCE MANAGER (KPRL)

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Over the reporting period, KPC effectively delivered on its core mandate which is to transport and deliver petroleum products to the hinterland and progress its strategic growth agenda. KPC's strategic objectives are guided by the 10-year plan for the period 2015/16 - FY 2024/25 focused on transforming KPC to a diversified oil and gas business. The Plan was reviewed and recalibrated to align the strategic objectives and targets to current realities through an Addendum approved by the Board of Directors on 5th August 2022.

KPC transformational plan is anchored on the following four pillars.

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

All of KPC's annual work plans were aligned to the above four strategic pillars and the revised strategic objectives and action plans.

Welding of pipeline

KPC's achievement against set performance targets for FY 2022/23

The Company's achievement against its set performance targets for FY 2022/23 are as indicated in the table below:

Strategic Objective	Action Plans	KPI for 2022/23	Achievements
Business leadership			
Grow existing business	Rehabilitate Port Reitz Tanks	Project implementation as per work plan	44% progress made against target of 60%. The implementation of the scope works has significantly been affected by rain at site and sludge disposal at Kenya Petroleum Refinery Limited (KPRL) land.
	Truck loading in KPRL	Complete project by December 2022	The contract was terminated due to non-performance. Tender documents for direct procurement were submitted to contractor but the tender was terminated due to non-responsiveness.
	LPG truck loading (skid)	Complete project by June 2023	44% progress made against target of 92%. The project continues to progress slowly due to slow response from the contractor. Following review, the contractor has been issued with a "Slow Progress" notice letter and is required to provide a plan and measures on how to recover lost time and deliver the project on time.
	Construct truck-loading facilities in Nairobi	Project Implementation as per work plan	70% progress made against target of 92%. Wet ground conditions affected progress of construction of the damp tank.
	Expand the FOC business.	Implementation of the approved FOC business expansion plan	Budgetary proposals and Project Concept Notes on final stages of approval to Board.
Diversification of business and revenue base	Develop LPG Import Handling and Storage facility in Mombasa	• Complete FEED • Secure budget • Procure Contractor	98% progress made against targeted 100%. The works are nearly complete.
Embed ESG in business decisions	Structure a sustainable ESG strategy and Metrics for KPC	• Metrics for Energy efficiency • Carbon offset scheme	ESG embedding process in planning stage.
People Pillar			
An organisation structure that is aligned to the achievement of the Strategy	Review of Company Structure	Revised organisation structure	Draft organisation structure developed and awaiting Board approval.
Improve performance of the organisation through effective talent management	Enhance staff learning and growth	Minimum of 3-man days training per staff	50% of staff were trained.
	Develop an organisation competency framework	Critical roles for succession identified	Identification of critical roles was completed.
		Talent map of defined skills & competencies required for career progression	Talent map of defined skills and competences is ongoing and will be progressed in the next financial year.

KPC's achievement against set performance targets for FY 2022/23

Strategic Objective	Action Plans	KPI for 2022/23	Achievements
Create an organisation culture that supports change and high employee engagement	Develop and roll out a change management programme	Roll out of culture change programme	Culture Audit has been done and report submitted to management. Awaiting Board approval.
	Develop and implement wellbeing programmes	Roll out of bespoke wellness programmes	479 staff members and dependents were sensitised on prescribed sensitisation package for Non-Communicable Diseases (NCDs), prevention of HIV, and Alcohol and Drug Addiction (ADA) and mental wellness on 26th to 30th June 2023 during a cancer screening exercise for Nairobi and Coast regions. 113 staff members and their spouses were sensitised on mental wellness in marriage on 17th & 24th June 2023 at KPC Embakasi Estate. 163 youth were sensitised on prescribed on mental wellness on 6th May 2023 at KPC Embakasi Estate. 236 stakeholders from the oil marketing companies in PS 27 Eldoret were sensitised on mental health awareness, prevention of HIV/ AIDS and prevention and management of ADA.
Strengthen leadership quality and build integrity	Strengthen the leadership pipeline	Leadership competency framework Develop career plans for key leaders	Due to a Presidential directive on cost cutting, the training budget was reduced to KShs 80 million hence giving challenges in achievement of this target.
Build HR Bench strength	Develop an HR & A operating business model	Enhance HR business partnership Succession Planning for critical roles	To be firmed up in the review in the new structure.
Image and reputation Pillar			
Enhance KPC's image	Develop Foundation publicity and visibility plan	Design a CSI Implementation framework; policies, procedures, work instructions with milestones for each quarter	Foundation Publicity and Visibility Plan developed and presented to the Board
	Develop a media strategy to enhance awareness on Company initiatives and achievements.	Media Strategy in place	Media Strategy developed and presented to the Board.
	Develop plan for 100 days Rapid Results Initiative (RRI) on Branding	Enhanced brand health and brand leadership	100 days Rapid Results Initiative on Branding Plan developed in the 1st Quarter.

KPC's achievement against set performance targets for FY 2022/23

Strategic Objective	Action Plans	KPI for 2022/23	Achievements
Improve stakeholder relationships	Continuous realignment of media relationship strategy to emerging issues	• Progressive increase in positive publicity • Establish an image rating system for continuous improvement	• KPC received positive coverage in both electronic and print Media. Notable articles appeared in Business Daily, Standard, Star, Daily Nation, Corporate Watch Magazine, Business Monthly and CEO Africa. KPC had 295 stories. 204 were positive, 38 negative and 53 neutral. 69.1% positive stories, 12.9% negative and 17.9% neutral. • Brand Health and Corporate Reputation Indices to be determined once a consultant is onboarded to undertake brand health and leadership surveys.
	Develop a stakeholders' map for implementing stakeholder management	Stakeholders' map by Q1	Stakeholder Mapping completed and presented to the Board.
Strengthen internal and external communication	Develop and roll out a cohesive communication strategy	• Roll out communication strategy. • 90% staff awareness on KPC issues	Communication Strategy developed and presented to the board. Roll out to be carried out in 2023/24 FY.
Systems and processes Pillar			
Enhance and Integrate systems and processes	Integrate core KPC system: HSEMS and QMS; Laboratory systems	Certification of the Integrated Management Systems	KPC Awarded ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 valid up to 4th July 2025 and 7th December 2022 to 7th December 2025 respectively subject to satisfactory bi-annual maintenance audits (Surveillance) for ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 conducted between 6th – 21st February 2023.
	Consolidate all information systems and related resources under one functional area	All systems under one functional area	Consultations in progress.
	Re-engineer work process/procedures	Work process / procedures flow charts	Business process re-engineering will form be part of the ICT strategy implementation to achieve operational excellence processes will be reviewed before adoption of technology.
Deploy appropriate emerging technology to drive growth	Develop and adopt a next generation technologies strategy	Approved next generations technologies strategy	Draft ICT strategy was developed and presented to Management, awaiting Board approval.
	Adopt energy efficient technologies	Solarisation of HQ	86% progress made against targeted 94%. Project has lagged due to delays in delivery of materials by the contractor to complete the remaining part of the work.
		Alternative power supply plan for depots and stations (solarisation)	

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process used to direct and manage the business affairs of an organization, Kenya Pipeline Company Limited (KPC) included. It helps to enhance corporate performance in its systems, processes and operations in order to safeguard the interests of all stakeholders. This ensures Board and Management accountability and helps build public trust in the Company.

The Board of KPC is responsible for the governance of KPC and is accountable to all its stakeholders by overseeing the effective management and control of the Company. Transparency, accountability, and disclosure are the key focus areas of KPC's Board oversight. This is well demonstrated in KPC's audited Financial Statements over the years. Management has also implemented an enterprise risk assessment framework where risks are identified, monitored, and controlled.

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

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

Board Composition

As of 30th June 2023, the KPC's Board of Directors constituted of (10) Members comprising of a non-executive Chairman, the Cabinet Secretary, The National Treasury, the Permanent Secretary, State Department of Petroleum, Ministry of Energy and Petroleum, the Attorney General, the Managing Director and five (5) independent non-executive directors with a mix of skills and competencies. The non-executive directors are independent of Management.

The Board is compliant on the prevailing requirements of membership. Two (2) members have a Finance and Accounting background and are members of ICPAK. The Board composition also complies with the Constitutional requirement of gender balance.

Board Committees

The Board has established four standing Committees with specific terms of reference to exercise the Board's delegated responsibilities. The Committees are namely the Audit, Human Resources, Technical and Finance Committees. The Board had also established one (1) Ad-hoc Board Committee for Staff Welfare and Morale whose term lapsed on 20th May 2023. The Board Audit Committee complies with the prevailing Guidelines on Audit Committees.

Board Meetings

Full Board and Committee Meetings are held in accordance with the Annual calendar as well as the respective Charters, save in exceptional instances where critical business matters arise.

Forty-four (44) meetings were held in the year ending 30th June 2023. The attendance was as shown in the table below:

Attendance at meetings held in the year ending 30 June 2023

MEETING	NO. OF MEETINGS
Full Board	5
Special Full Board	7
Board/Management breakfast meeting	1
Board Finance Committee (BFC)	4
Special Board Finance Committee (SBFC)	1
Board Human Resource Committee (BHRC)	6
Board Human Resource Committee retreat	1
Special Board Human Resource Committee (SBHRC)	6
Board Technical Committee meetings (BTC)	3
Board Audit Committee (BAC)	3
Special Board Audit Committee (SBAC)	2
Ad-Hoc Board Committee on Staff Morale & Welfare (ABSMW)	2
Joint Board Finance and Board Technical Committee	2
Annual General Meeting	1
TOTAL	**44**

Conflict of Interest

The Board has ensured that there is a policy on the Management of Conflict of Interest in place.

KPC also maintains a conflict-of-interest register which is present at every Board meeting to ensure that any Member in attendance with a conflict of interest declares so and records it in the register before the meeting. Such Member is forbidden from taking part in any discussions and decision-making processes regarding any subject where the conflict of interest arises.

One (1) conflict of interest was declared in the year and registered in the conflict of interest register. The Member who declared the conflict of interest did not participate in the discussion of the Board when the matter from which the conflict arose was being discussed in compliance with the law.

The Office of the Inspectorate of State Corporations

In accordance with Section 18(2) of the State Corporation Act, the Inspector General (Corporations) has the power to attend meetings of any state corporation including the meetings of the Board and its Committees. During the year, Mr. Chrisologus Makokha was the appointed representative of the Inspector General (Corporations) at all the Company's full Board and Board Committees meetings.

Notices and Board packs for all Board and Committee meetings were shared with him. The appointed representative attends Board meetings at their discretion.

Board Induction

Within a month of appointment of new Directors to the Board, an induction programme is prepared, and Management gives the new Members detailed presentations of the company including but not limited to the Company's strategy, the financial performance, vision, mission, values and regulations that govern the organization. The new Members also visit the company's installations to understand the business from a broader perspective.

Board Development Programme

Every year, a Board Training calendar is prepared based on the Board's training needs analysis, reviewed and approved by the Board. Members attend the various trainings, workshops and conferences in the Calendar and any such trainings, workshops and conferences that may not be in the calendar that are necessary for the development and knowledge enhancement of the Board.

The development programmes are both local and international.

Board Evaluation

The State Corporations Advisory Committee conducts an annual Board evaluation to determine their performance. The evaluation is conducted in a 360-degree module where the Members evaluate entire Board's performance, the Chairperson is evaluated by all Members, the Chairperson evaluates each Member, and the CEO is evaluated by all Members.

The State Corporations Advisory Committee issues the evaluation results at a later date to the Board highlighting areas of good performance and aspects that require improvements. Through the evaluation results, the Board evaluates itself and devises strategies on how to perform better.

The evaluation results for the year are yet to be submitted by the State Corporations Advisory Committee.

Board Remuneration

Pursuant to *Mwongozo: The Governance Code of Governance for State Corporations*, Board Members are entitled to a remuneration. The Directors' letters of appointments as well as various circulars from the Government give provisions and guidelines on when and how much fees and allowances the Directors are entitled to for conducting the Company's business.

The Directors' annual fees are paid upon approval by the shareholders at the Annual General Meeting. An Annual General Meeting has not been held in the year and therefore their fees for the year have not been paid.

Governance Audit

A governance audit is conducted by an accredited governance auditor in compliance with the *Mwongozo: The Code of Governance for State Corporations* and the Board Charter.

The audit assesses KPC's governance practices based on the following parameters:

a. Ethical leadership and strategic Management
b. Transparency and Disclosure
c. Compliance with Laws and Regulations
d. Communication with Stakeholders
e. Board Independence and governance
f. Board Systems and procedures
g. Consistent shareholder and shareholders' value enhancement
h. Corporate social responsibility

Code of Ethics and Conduct

KPC ensures that all its Board Members have read, understood and signed a code of ethics policy that is aligned with code of ethics set out in the Constitution of Kenya, 2010 and the KPC's core values.

FLORA OKOTH (MRS)
COMPANY SECRETARY

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SCORECARD

Pius Mwendwa
GENERAL MANAGER (FINANCE)

5year
IMPRESSIVE FINANCIAL PERFORMANCE

Solid Balance Sheet and Returns to the shareholder

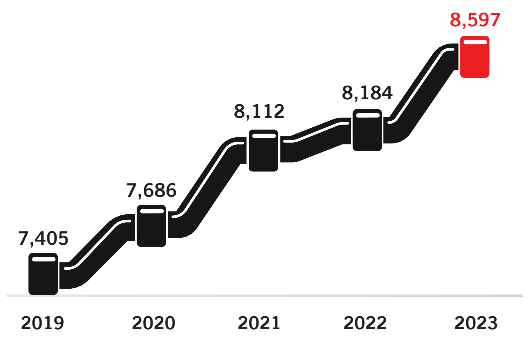
Total taxes paid grew by 12% to KShs 3.3b in the FY-2023

Kenya Pipeline Company has posted impressive financial performance for the last five years. The Company continues to show resilience despite the difficult operating environment given macro-economic pressures, volatile financial markets and persistent inflationary pressures.

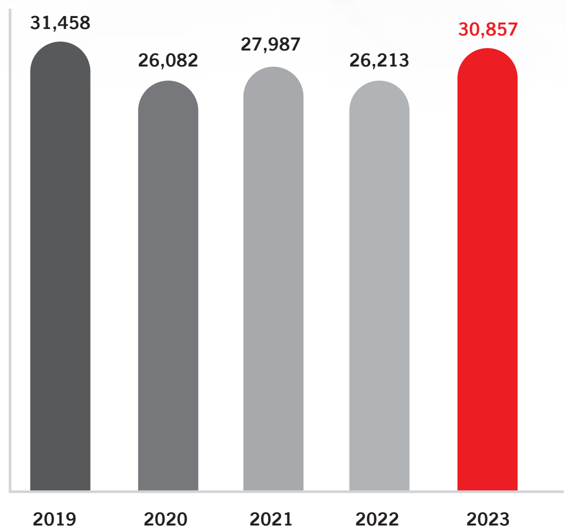
Throughput revenues continued the growth trajectory buoyed by favorable foreign exchange rates from export sales. This has impacted the Profit Before Tax positively which is on an upward trajectory.

Taxes paid in the form of Customs duty, Value Added Tax (VAT), Pay As You Earn (PAYE), Withholding VAT and Withholding tax – Rental grew by 12% to Kshs.3.3 billion.

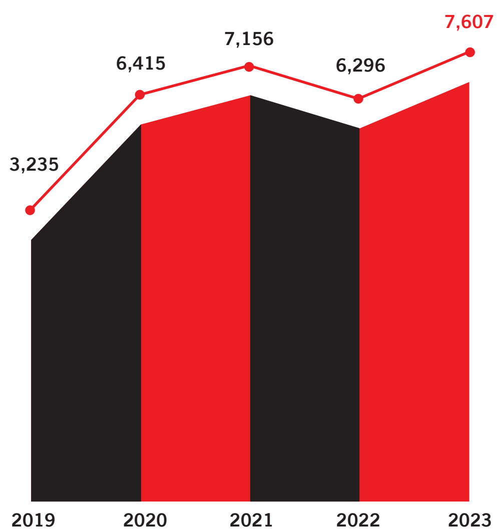
Throughput (M^3 '000')



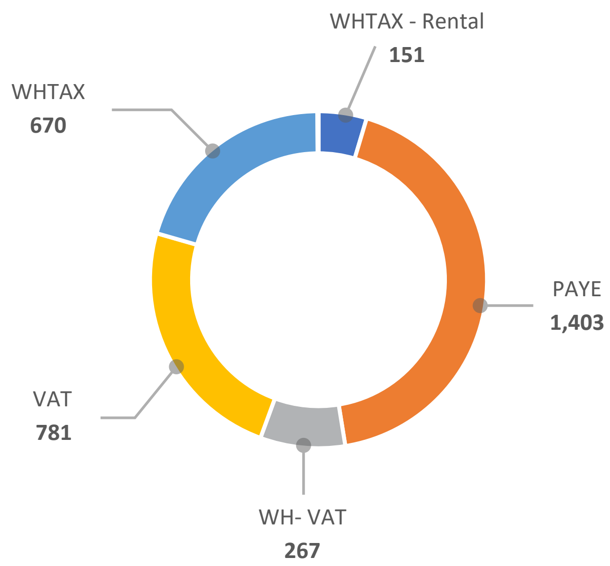
Total Revenue (KShs. Millions)



Profit Before Tax (KShs. Millions)



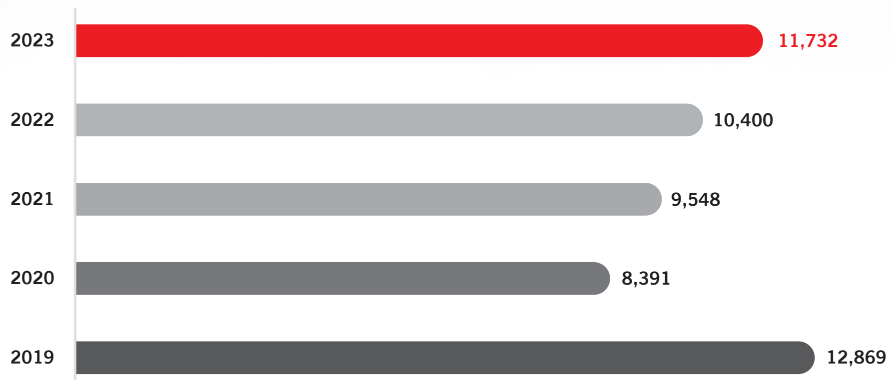
Taxes paid in the 2022-2023 financial year (KShs. Millions)



Despite the marginal decrease in asset base, the company continues to invest in capital projects like the Liquified Petroleum Gas (LPG) importation, handling and storage facilities, Leak and intrusion detection and the Supervisory Control and Data Acquisition (SCADA) system, Line IV (Nairobi-Eldoret) capacity enhancement and Nairobi Terminal (PS10) bottom loading facility.

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

Cash & Cash Equivalents (Kshs. Millions)

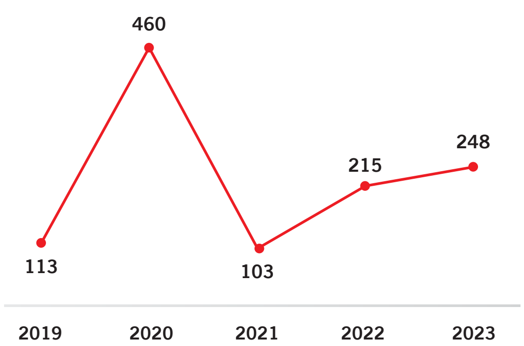


The Company is in the process of acquiring the Kenya Petroleum Refineries Limited (KPRL). This will provide additional storage capacity to complement storage at Kipevu Oil Storage Facility (KOSF) and reduce demurrage charges. KPRL has large tracts of land which Kenya Pipeline Company will use for future business expansion.

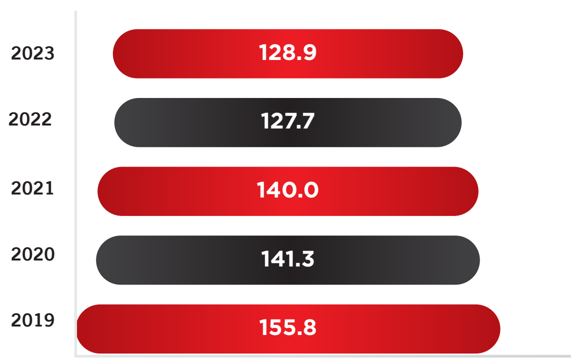
KPC's Nakuru depot bottom loading facility, completed in FY2023, is a major milestone owing to reduced air emissions, enhanced safety through minimal spillage of petroleum products and improved service delivery and product distribution turnaround time. The Nairobi to Eldoret line (Line 4) will also be upgraded to increase flowrate to Western Kenya so as to satisfy the surging demand in that area for both local and export customers.

The KPC is also diversifying its revenue sources by investing in LPG bulk storage and handling facilities in Nairobi and Mombasa. The Company will build on the existing LPG business and the facility at KPRL.

Earnings Per Share (KShs.)



Total Assets (Kshs. Billions)



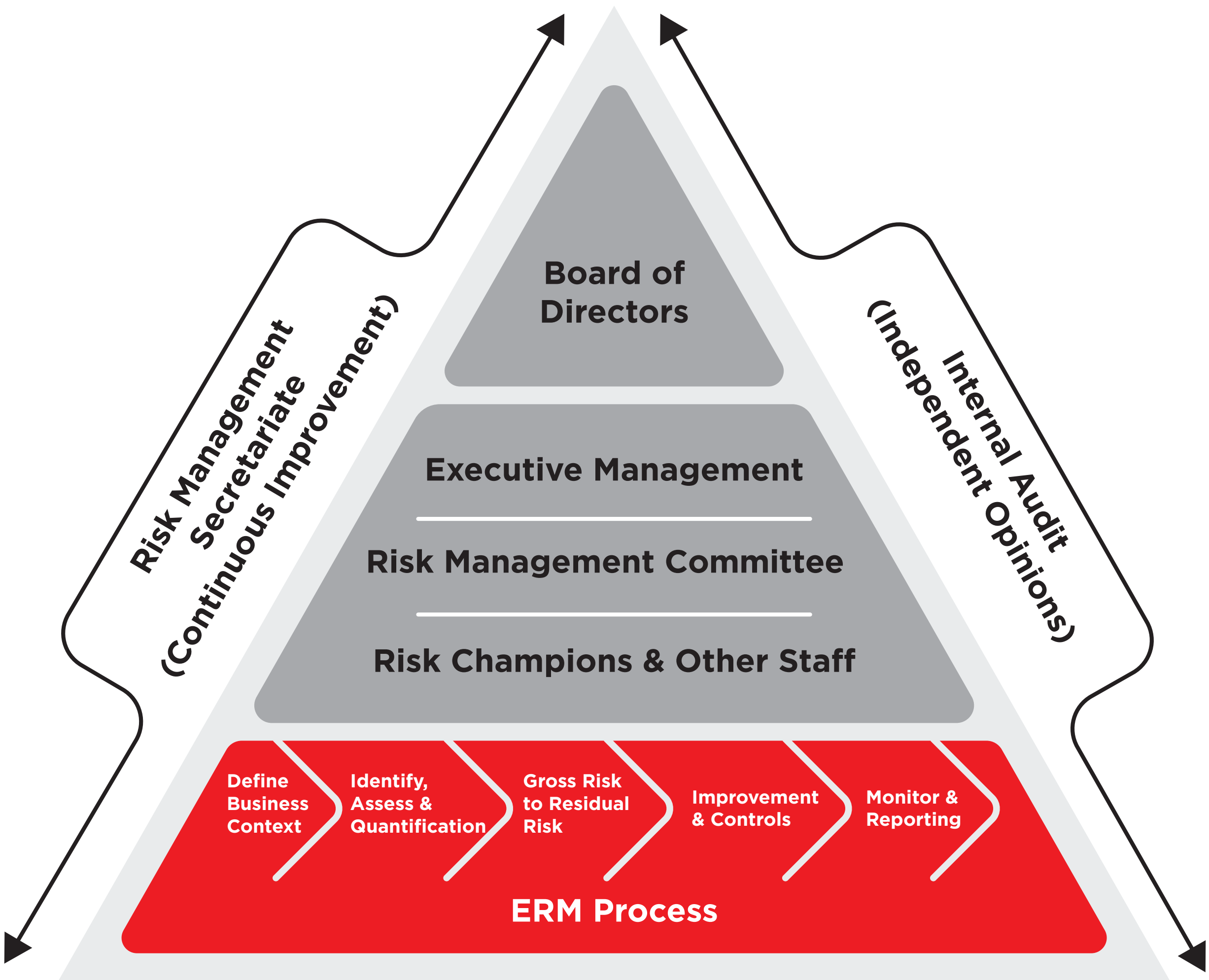
KPC's bottom loading facilities in our Nakuru, Kisumu and Eldoret depots are a major milestone owing to reduced air emissions hence environmental sustainability, enhanced safety through minimal spillage of petroleum products and improved service delivery and product distribution turnaround time.

INTEGRATED RISK MANAGEMENT REPORT

The company continues to embed its Enterprise Risk Management (ERM) framework with strong support from Management and the Board of Directors. The commitment of resources towards the implementation of ERM framework has deepened risk integrated approach in the Company. The annual ERM programme guides the implementation of risk management activities and has ensured that the company-wide risk assessment exercise is formalised and documented in risk register matrices in all stations, terminals, and functional business units. The aggregation and prioritisation of KPC risk portfolio has continued to inform decision making and resource allocation. During the process of implementing the ERM annual programme, due attention is paid to ensure risk management optimisation in the current dynamic and competitive business environment.

1.0 KPC ERM DESIGN

The company applies an elaborate ERM design. It entails, establishing the business context, risk identification and assessment, drive risk assessment from gross to residual risk, continual improvement of risk management and controls and the monitoring and reporting of key risks. The company ERM design is as depicted below:



2.0 PRINCIPAL RISKS AND KEY MITIGATIONS IMPLEMENTED

During the Financial Year 2022/2023 KPC undertook a company-wide risk assessment to formally re-evaluate its risk portfolio and developed mitigation measures for implementation to manage the risks. Subsequently, through a rigorous review process guided by the ERM policy, the top 10 corporate risks (principal risks) were generated and escalated as per policy. A quarterly monitoring exercises is undertaken to monitor and report on the status of implementation action designed to mitigate the principal risks. The principal risks and the mitigation measures implemented during the Financial Year 2022/2023 are as shown in Table below:

2.1 PRINCIPAL CORPORATE RISKS

Principal risks and the mitigation measures implemented during the Financial Year 2022/2023

Risk Category	No.	Risk	Key Mitigations	Risk Direction
Strategic	1.	**Market Share** Increased competition and delays in implementation of the capacity enhancement projects may lead to the loss of market share (both local and export).	• Conducted several stakeholder engagements on export market during the year to resolve Non-Tariff Barriers (NTB) and development of the petroleum sector. • Initiated survey in all service delivery points to gain insights on customer needs, satisfaction and experience. • Undertook market analysis and intelligence to understand its dynamics and address emerging challenges. • Monitored implementation of Pipeline Infrastructure Enhancement Plan aimed at enhancing pipeline capacity to meet customer demand. • Implemented the parallel running of line 5 pumps which resulted to improved product flowrate performance from an average of 950M3/hr to 1,300M3/hr building sufficient stocks in hinterland depots for uptake by our customers.	
	2.	**Reputation** Concern that adverse publicity arising from negative press coverage will damage the company image and brand.	• Sustained positive image/stories from continued engagements and partnership with media through opinion articles with business writers and organised media "meet and greet" by KPC top management. • Reviewed Communication Policy to incorporate best practices. • Executive management undertook media interactions, held meetings and interviews with reputable media firms in various forums.	
	3.	**Project Execution** Concerns that company projects under implementation may not be delivered on time, cost and quality thus impacting negatively on the project objectives.	• Preparation of project risk registers for all ongoing company projects. • A draft stakeholder engagement procedure was developed to guide project implementation teams. • End-to-end Project Management Framework (PMF) was approved for adoption to enhance effective and efficient project management.	

Risk Category	No.	Risk	Key Mitigations	Risk Direction
	4.	**Delays in KPRL Takeover** KPRL takeover had clear timelines. Concerns are that delayed takeover of the facility may hold back key strategic investment decisions that were initially envisioned to spur growth of KPC business.	◆ Engaged services of a transactional advisor during the period under review whose final report was submitted on 30th January 2023 to KPC for decision making. ◆ A position paper on takeover was prepared and submitted to the Ministry of Energy and Petroleum (MOEP) and the National Treasury to fast-track conclusion of the takeover. ◆ Quarterly reporting on the status of the takeover was undertaken.	
Operational	5.	**Pipeline Integrity** Delayed implementation of pipeline integrity inspection report recommendations and maintenance programme may compromise the integrity of the pipeline system.	◆ Completed Inline Inspections (ILI) for Lines 4 & 6 and initiated repair works as per recommendation in the ILI report. ◆ Implementation of recommendations from the ILI Report for Line 5 were completed in areas with 80% metal wear while repairs on the remaining areas are ongoing in earnest. ◆ Initiated re-tendering for the Inline Inspection for Lines 2 and 3. ◆ Monitored adherence to the approved maintenance plan for the FY2022/23.	
	6.	**Cyber Security Threat** Increased use of remote access, personal and mobile devices on company network, enhanced integration with 3rd parties and increase in global cyber-attacks are a major concern for the company.	◆ Procurement of an integrated cybersecurity management system was concluded in May 2023. ◆ Specialised training on system security was undertaken for ICT team to enhance capacity and capability on information security. ◆ Continuous online monitoring, close-out of system vulnerabilities and reporting was carried out throughout the period under review. ◆ Collaborated with National Computer & Cybercrime Coordination Centre (NC4) in the areas of audit, training and capacity building.	
Environmental, Health and Safety	7.	**Physical Security** KPC pipeline and its auxiliary facilities constitutes strategic infrastructure to the country and the region that needs to be highly safeguarded from any disruption of catastrophic nature such as unauthorised access, vandalism and terrorism that may cause harm to staff, damage to company facilities and disruption to supply of petroleum products.	◆ Sustained collaboration with other external security multi-agency teams for security intelligence on our installations and terror incidences in the country and the region at large. ◆ The company was involved in the Energy and Petroleum Security Committee Programme. ◆ KPC Management initiated the process of developing a comprehensive Security Strategy Plan.	

Risk Category	No.	Risk	Key Mitigations	Risk Direction
	8.	**Environmental** Hydro-carbon release due to product spillages and leakages could lead to environmental pollution and impact negatively on people and environment.	• Collaborated with Kenya Ports Authority (KPA) and Kenya Airports Authority (KAA) and reviewed Emergency Response plans for Kisumu Oil Jetty (KOJ) and Kipevu Oil Terminal 2 (KOT2). • Conducted process safety audits to ascertain the integrity of the installed pipeline systems equipment along Line 4&6. • Trained nominated staff on oil spill management and Oil Spill Mutual Aid Group (OSMAG) response to manage marine pollution.	
	9.	**Fire** KPC transports and stores highly inflammable products. A fire outbreak could lead to catastrophic consequences.	• The Company continued implementation of projects aimed at automating the firefighting system along the Mombasa-Nairobi Pipelines at Nairobi Terminal (PS10) and Jomo Kenyatta International Airport (JKIA)depot (PS09). • Conducted training on basic firefighting skill to staff members. • Carried out fire safety and process safety audits to identify potential hazards, existing control lapses and areas of continual improvement.	
Legal & Regulatory	10.	**Litigation** Due to the nature of its operations, the Company can sue and be sued, leading to increased litigation costs. The Company has high liability legacy cases yet to be determined.	• Lessons learnt from the litigation cases and outcomes were shared with staff. • Initiated a programme to sensitise staff on the Alternative Dispute Resolution (ADR) procedure. • Initiated and prepared quarterly legal advisory on settlement of cases out of court. • The company legal team continued to prioritise hearings of all KPC matters in court, review and respond to status reports from external counsel.	

LEGEND	
Risk Direction	Description
	Indicators showing risk severity decline over the period
	Indicators showing risk severity remained stable over the period
	Indicators showing risk severity increase over the period

In comparison with previous FY 2021/2022, three risks were dropped from the top 10 corporate risks. These were: Strategy execution control, Pipeline capacity constraints and fuel supply disruptions following re-evaluation of the Company's risk profile, review of risk drivers and implementation of mitigation controls. In their place, the following risks were elevated to the top 10 corporate risks in FY2022/23: Market share, Cyber security threat and delay in KPRL takeover.

3.0 EMERGING / EVOLVING RISKS

During the period under review, the company proactively monitored the business environment to identify any significant emerging and evolving risks. Some of the key emerging/evolving risks reported during the period are:

i. **G2G Operationalisation:** Following the introduction of the Government-to-Government (G2G) arrangement for importation of fuel products into the country that was implemented with effect from April 2023, there are concerns that some of the earlier challenges that impacted consistent supply of petroleum product and alignment with our customers may have an impact on throughput performance, especially for the export market. The Company adopted a change management programme during this transition period through organised engagement forums with our stakeholders for purposes of alignment.

ii. **Change in Taxation regime:** Increased cost of fuel prices due to rise in Value Added Tax (VAT) introduced through the enactment of the Finance Act 2023 may lead to constrained demand as consumers disposable income declines. This may impact uptake of petroleum products and contribute negatively on KPC's throughput performance. Whereas the Finance Bill is under litigation, monitoring of the possible impact is continual. On the other hand, the Company has developed marketing strategies to sustain and grow market share during the next financial year.

iii. **Foreign Exchange Fluctuations:** The possibility that the Company may be impacted negatively due to fluctuations in foreign exchange that may result in increased project costs and liability on loan repayment particularly on those denominated in foreign currency. The company enhanced controls in project management and initiated plans to accelerate loan repayment to reduce its liabilities.

iv. **Organisation culture:** Concerns that staff attitude, expectations and work ethic practices are not well aligned with organisational strategic objectives, which may negatively impact on the performance of the organisation. During the year under review, management implemented measures aimed at enhancing professional work culture through celebration of success, breaking the barriers between management and staff, enhancing internal communication mechanisms on management decisions and fostered of open feedback during town hall meetings.

4.0 BUSINESS CONTINUITY MANAGEMENT

The overall objective of KPC's business continuity management is to ensure business resilience in the event of a major disruption through timely resumption and delivery of essential business activities as provided for in the Company's Business Continuity Management (BCM) Policy.

In line with the Policy, periodic testing of our business continuity plans (BCPs) is undertaken for purposes of testing and validating our policies and procedures and to identify opportunities for continuous improvement. During the year under review, the BCP testing and exercising was carried out between 6th and 10th March 2023 at our Nakuru (PS 25) Depot. This was the first time in the Company the exercise was conducted in a loading depot such as Nakuru (PS25) for purposes of enhancing awareness. The depot provided varied operational activities such as truck loading, product receiving from the mainline into tanks, tank farm processes, laboratory, and information communication technology among other mission critical processes that were subjected to business continuity testing.

The main objective of the BCP testing and exercising was to:

i. Assess resilience of the loading depot in supporting KPC business operations in case of occurrence of a catastrophic event by testing the level of preparedness and response time.

ii. Evaluate validity and relevance of Business Continuity Plans (BCPs) at both depot and departmental level.

iii. Enhance awareness and embed business continuity management at the depot and to all our stakeholders with a view to building operational resilience in the Company.

iv. Develop personnel competencies and confidence by giving them practice in carrying out their roles during the simulation.

Arising from the exercise, areas of opportunities for improvement were identified and plans for their implementation developed. Key among them is improvement of inter-organisational coordination's, alignment with stakeholders/dependencies, gaps in resources, improving individual and team performance. Implementation of the foregoing improvement action plans to enhance our BCM capabilities will be prioritised going forward.

Pipeline inspection (pigging) process at PS 7 to ensure the integrity of the pipeline.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The KPC has an elaborate Environmental, Social and Governance (ESG) system in place, ensuring our business decisions have positive impact on society and environmental sustainability. This assessment relates to aspects such as resource use efficiency, carbon impact and social benefits to stakeholders. It also measures approach to diversity and inclusion initiatives, and development of responsible business practices. These achievements are detailed below.

SOCIAL

Employee welfare

KPC meets the Constitutional threshold composition of gender in its workforce and is bound by the Human Resources Policy and Procedures Manual (HRPPM)

Why it matters

Ensuring at least **30%** of employees are women helps to ensure women's participation in the workplace in line with tenets of non-discrimination

Implementation of the Access to Government Procurement Opportunities (AGPO) for disadvantaged groups: women, youth and people living with disabilities

KPC Investment KShs **668,536,925**

Why it matters

This ensures inclusivity of disadvantaged groups in Government procurement through affirmative action

Partnership with communities

Working in partnership with communities by provision of employment (labour) and maintenance of seedlings and market for seedlings for reafforestation

KPC Investment KShs **30,491,425**

Why it matters

There is shared value by having communities benefitting and KPC makes a significant contribution to support Kenya towards meeting its climate change mitigation targets

Responsible supply chain and supplier relations. KPC has complied with the Presidential Order Number 2 of 2018 on automation of procurement processes through user-friendly Supplier Relations Management (SRM), giving all potential suppliers an equal opportunity

Why it matters

Automating procurement gives all an equal chance ensuring non-discrimination

Having a resourced community investment policy

KPC Investment KShs **100,000,000**

Why it matters

The kitty enables KPC to strategically support disadvantaged communities with specific focus on water, health, education infrastructure and bursaries for needy students

The Inuka Scholarship Programme of the KPC Foundation sponsors students with disabilities to access secondary education ensuring one girl and one boy from the 47 counties benefit

KPC Investment KShs **3,392,101**

Why it matters

658 beneficiaries have benefited from the programme since its start seven years ago

Donating to good causes. KPC donated to Consumers Federation of Kenya (KOFEK) KShs. 1.5 million; Riat Mama Mboga Group KShs 1 million, Mama Doing Good – an initiative of the First Lady of the Republic of Kenya KShs 1 million, Compassionate Women Group KShs 500,000.00 and Nakuru Medical Camp KShs 460,000.00

KPC Investment KShs **4,460,000**

Why it matters

Empowering disadvantaged communities to improve health and livelihoods

Social Impacts

How the KPC impacts on society relates to both its workers and communities within which it operates. For its workers the most important aspects are welfare, prevention of accidents, having a safety culture, diversity and inclusion. KPC has in place a detailed Occupational Health, Safety and Environmental Management System that guides implementation of related programmes. The management system also includes social performance aspects, in response to the large infrastructure projects environmental social safeguards (ESS) to mitigate against impacts to workers and communities.

For the period 2022-23, KPC achieved stellar performance in compliance with all local legislation relevant to its operation. This relates to having all operational licenses as required legally; including:

- Energy and Petroleum Regulatory Authority (EPRA) depot Licenses and a Pipeline Operational License.
- National Environment Management Authority (NEMA) Environmental Licensing for effluent discharge, stack emission, Environmental and Social Impact Assessment (ESIA) license for PS 10 Bottom Loading, PS 22 Line 4 Capacity Enhancement, Asbestos Disposal Licenses for Nairobi Terminal, Maungu and Changamwe and Embakasi Depot.
- Department of Health and Safety Services (DoHSS) workplace certificates.
- Annual Environmental Audit Improvement Orders by NEMA.
- This licensing requirements have ensured consideration for stakeholders (internal and external) involvement in all aspects of KPC operations and projects with the aim of ensuring environmental and social sustainability.

ENVIRONMENT

Climate action

Installing a 225kw solar plant at KPC HQ to provide clean energy

KPC Investment
KShs **41,005,332**

Why it matters

Clean energy contributing to Kenya's climate change mitigation targets as per the NDC

Retrofitting the Spirit Petroleum Product tanks from single floating roof type to dome roof

KPC Investment
KShs **816,003,560**

Why it matters

Higher efficiency in curbing fugitive emissions from the Company's storage tanks as per Climate Change Act, 2016

Investment in low-carbon energy efficiency technologies through installations of Variable Frequency Drive (VFD) that limit the energy consumption of the mainline pump

KPC Investment
KShs **875,999,807**

Lore

Why it matters

This has achieved energy saving of **97,194,359.26 Kwh** per annum resulting in reduction of **52,1933 tCO2** emission and cost saving of KShs. 875,999,807.43 per annum as per the latest Energy Audit of KPC facilities

Undertaking annual stack emission monitoring and acquisition of stack emission license for all KPC sites

Why it matters

This will compliment a baseline carbon emission assessment

Reafforestation

Planting of **299,341** mangroves and other indigenous tree seedlings at Jomvu Kuu Creek in Mombasa County, Mwingi in Kitui County and Ngong Forest in Kajiado County

KPC Investment
KShs **30,491,425**

Why it matters

Linking environmental conservation with community livelihoods and bringing to bear the power of stakeholders partnerships. The trees will eventually contribute to carbon offset as mangrove forests have some of the largest carbon sink capacities

GOVERNANCE

Corporate Governance

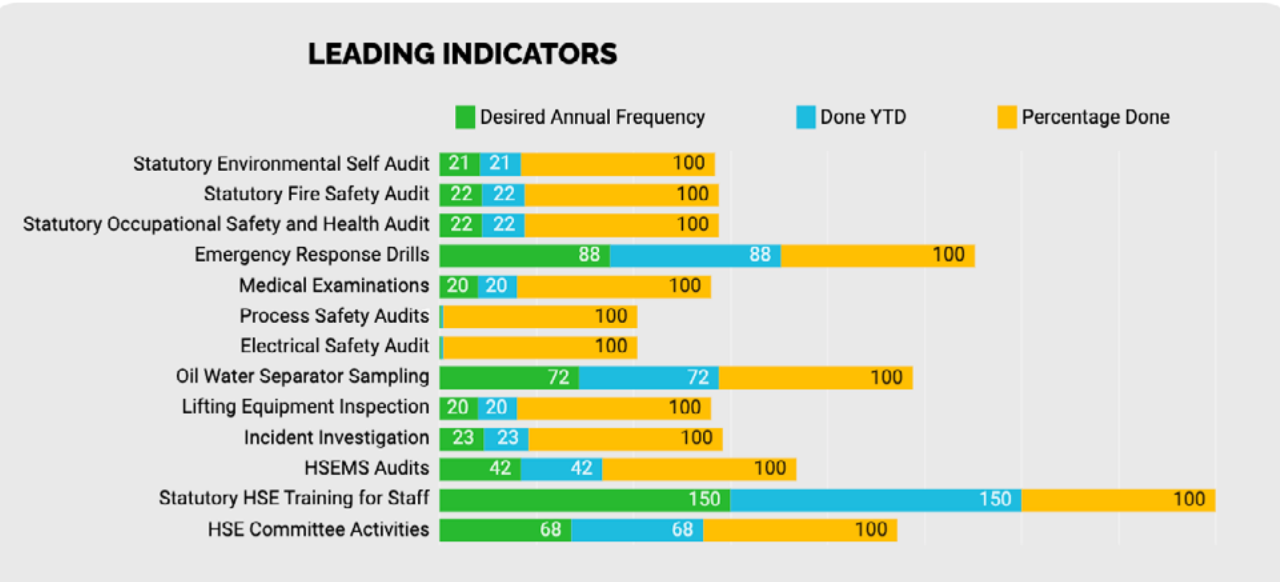
The Company's commitment to Environment, Sustainability and Governance (ESG) agenda is unequivocal. To this end, the board is keen to see the ESG agenda engrained in all our operations

KPC Board Chairman commitment to institutionalising ESG - Mrs. Faith Bett Boinet

Why it matters

Ensures that KPC is a corporate member of the global family that is committed to tenets of Sustainability as espoused in the UN Sustainable Development Goals

In addition, KPC has gone beyond local legislative compliance to commit to international certification in EHS management for ISO 14001:2015 on Environmental Management Standard; the ISO 45001:2018 on Occupational Health and Safety and ISO 9001:2015 on Quality Assurance. These voluntary international certifications demonstrate our commitment to higher standards over and above the local legislative requirements on Environment, Occupational Health and Safety (EHS) management. Adherence to these standards has greatly improved operational impacts and risk relating to the environment such as efficient resource use, waste management and carbon footprint reduction through reduced electricity consumption, which is our biggest source of emissions from our mainline product pumps operations besides fugitive emissions.



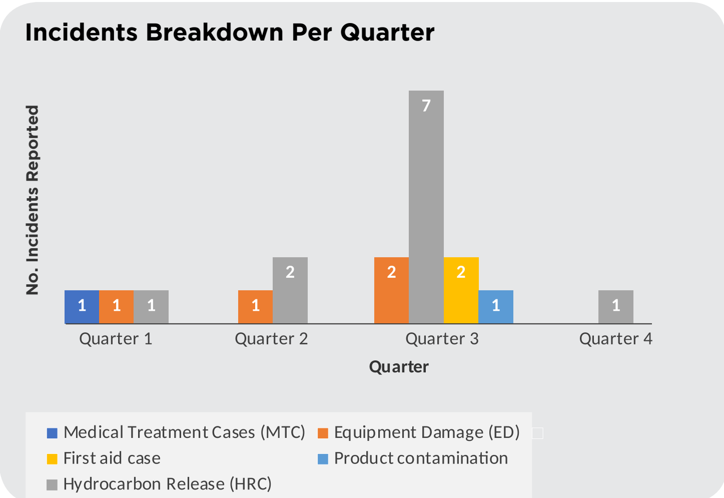
Accident/Incident Prevention

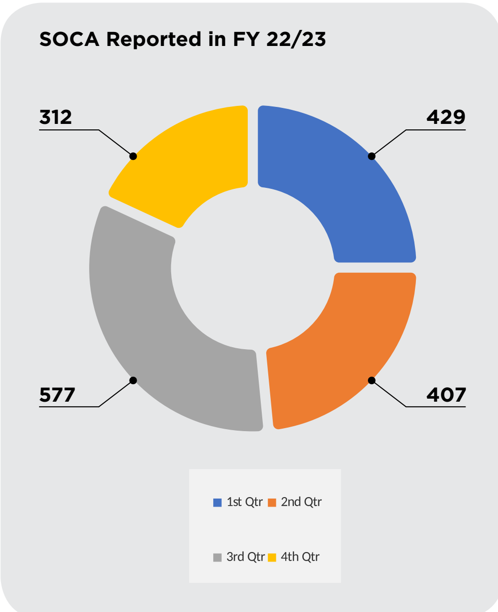
Under the Prevention of accident/Incident or Zero Harm Policy, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and assessments for its operations. This helps in coming up with control measures to prevent occurrence of hazards and in mitigation measures to reduce their consequences. As a result, KPC has in place site-specific emergency response and risk management plans.

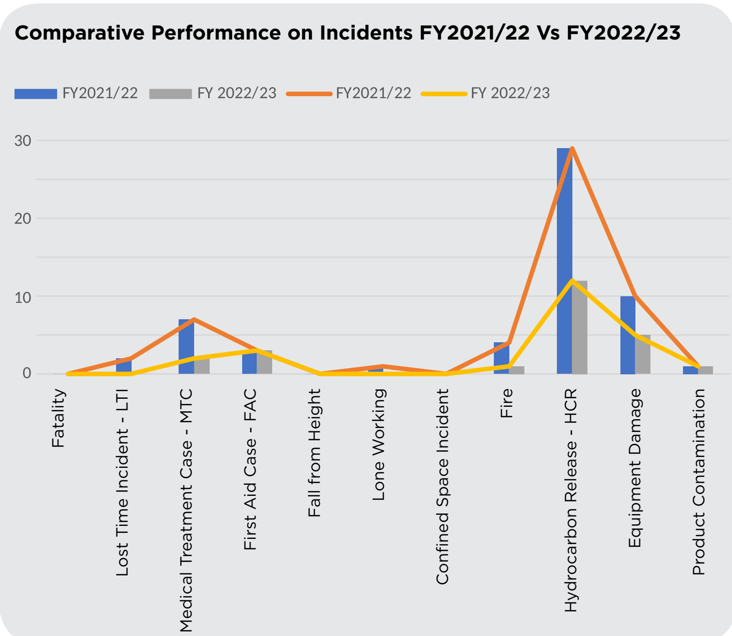
This policy aims to foster a proactive environment and safety culture. Programmes running under this pillar include the Safety Week, World Environment Day, Safety Observations and Corrective Action (SOCA) reporting and reward and recognition programmes. This ensures proactive Health, Safety and Environment (HSE) management.

During FY 2022/23, KPC did not record any fatality within its operations with a total of 19 reportable incidents related to one medical injury case, two equipment damages and three major hydrocarbon release incidents. The rest were minor incidents of hydrocarbon release and first cases, equipment damage incidents within KPC premises. During the period a total of 1,725 Safety Observations and Corrective Actions (SOCA) were reported. We note that the major hydrocarbon release incidents were attributed to incidences of attempted pilferage from our pipelines such as the incident that occurred in Kisumu and Ngong Forest with one hydrocarbon release incident attributed to an operational incident.

These incidents as captured in the graph below are much lower compared to the previous years where we had major oil spill incidents. The SOCA reporting's numbers keep improving, pointing towards our pre-emptive incidents management system where all staff and contractors within our worksites ensure all potential hazards are reported and corrective actions are taken prior to the escalation of observations to incidents. This has been achieved on the back of a recognition and reward scheme where reporting is encouraged, recognised and rewarded annually during the World Safety Week and Environment Day commemorations.







Based on improved safety culture management and performance targeting requirement for individual staff in SOCA reporting, safety walkabouts involving management, sharing of learning points from incidents and follow up of incidents close out has resulted in the number of incidents recorded being halved for the year 2022/23 compared to the previous year as presented in the graph.

Community Engagement and Support

As part of its corporate social investment to address stakeholders' involvement in KPC operations, the Company sets aside a percentage of its profit revenue equivalent to KShs 100,000,000 for investment in communities within which it operates. These investments are in programmes such as water, health, education infrastructure and bursaries support to the local communities along pipeline Right of Way in 14 counties and marginal support to other counties nationwide. Through such involvement, EHS management has greatly improved with communities viewing themselves as part of KPC thereby, reporting in potential interference with KPC infrastructure and incidents. This interactive relationship has greatly assisted in increasing the speed with which KPC responds to incidents along its Right of Way.

The KPC undertakes annual self-environmental audits of its facilities to assess the EHS performance of the facilities. This audit involves assessment on impacts to communities, both internal and external, in terms of registering grievances in relations to issues such as noise level, air quality, environmental pollution, harm to the community among other parameters.

This engagement has allowed KPC to build relationships and support to communities resulting in social investment programmes that also help in communities assisting and aiding in pipeline Right of Way (ROW) monitoring and sharing of information's for reporting of incidents. During the period KPC has supported Jomvu Kuu community, Mombasa County, in mangrove forest rehabilitation and Ngong Forest resulting in planting of 145,341 seedlings countrywide at a total investment cost KShs 13,991,625

Tree planting by CS Energy and Petroleum - Davis Chirchir in Mau Forest

Climate Change and Resource Efficiency Impact

The KPC, in climate change mitigation efforts and in line with the National Climate Change Framework Policy, has instituted various actions geared towards meeting the nationally determined contribution (NDC). The NDCs constitute Kenya's commitments to meeting mitigation targets aimed at reducing the country's Green House Gas (GHG) as per the Paris Climate Agreement. Among commitments by KPC towards this end include:

- Installing a 225kw solar plant at KPC HQ to provide clean energy to the facility at a cost of KShs 41,005,332.52.
- Undertaking annual stack emission monitoring and acquisition of stack emission license for all KPC sites. This will compliment a baseline carbon emission assessment process that has commenced with procurement process ongoing.
- Planting of 299,341 mangroves and other indigenous tree seedlings at Jomvu Kuu Creek in Mombasa County, Mwingi in Kitui County and Ngong Forest in Kajiado County. These tree planting activities were undertaken in partnership community forest associations, Kenya Forest Service, the National Environment Management Authority (NEMA), Kitui Women Group and Mombasa County Government among other stakeholders. KPC's investment for these activities was KShs 30,491,425, which went to the community to support sourcing of seedlings and towards labour and maintenance works hence greatly improving the livelihoods of the communities. To ensure survival of the trees, KPC is supporting maintenance programmes for replacement of damaged seedlings and monitoring. These trees will eventually contribute to carbon offset as mangrove forests have some of the largest carbon sink capacities.

225kWp solar photovoltaic power plant at the KPC HQ

- Retrofitting the Spirit Petroleum Product tanks from single floating roof type to dome roof with floating roof with one 11TK201 converted in 2021 and plans underway to retrofit tanks 14TK201, 14TK501 & 502 within FY 2023/24.
- Port Reitz Tanks rehabilitation of dome roof tanks to curb fugitive emissions at KShs 816,003,560.50
- All tanks constructed since 2016 after the Climate Change Act came into force, have been dome roofed with higher efficiency in curbing fugitive emissions from the Company's storage tanks.
- Investment in low-carbon energy efficiency technologies through installations of Variable Frequency Drive (VFD) that limit the energy consumption of the mainline pump. This has achieved energy saving of 97,194,359.26 Kwh per annum resulting in reduction of 52,1933 tCO_2 emission and cost saving of KShs 875,999,807.43 per annum as per the latest Energy Audit of KPC facilities.

These achievements clearly show that KPC has been an industry leader in environmental sustainability in the country and a pillar in helping the country to fulfill its emission reduction targets under the United Nations Framework Convention on Climate Change.

KPC's Eng Roselane Ambasi showcases the Variable Frequency Drive (VFD) system

Employee welfare

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

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

1. Induction – Newly appointed persons and transferred staff are taken through a comprehensive induction programme to familiarise them with the nature of business and operational processes of KPC. Both new and transferred staff undertake a two (2) weeks induction programme from the date of reporting.
2. Training Needs Assessment (TNA) – This is carried out to identify competency gaps that require training intervention. Thereafter, staff undergo actual training and a follow up of an evaluation to establish the impact of the training. It is a requirement that all staff must attend a minimum of three (3) days training in a given Financial Year.

   In addition, staff members are sponsored for various trainings depending on availability of funds to assist them acquire additional job qualifications.
3. Professional Subscription – The Company meets the cost of initial registration to a professional body as well as subsequent regular subscriptions, practising certificates and the cost for CPD trainings.

Emphasis is put on the following: -

a. **Continuous Professional Development (CPD) training for professional staff to keep abreast of current trends within their respective professions.**
b. **Automation of staff appraisal system.**
c. **Enhancement of compliance to SRC guidelines on rewards and sanctions policy.**
d. **Establishment of HR Management Advisory committee.**

Board members award staff during a townhall meeting held at PS 1 (Changamwe).

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

1. Development of the performance management Policy as contained in the HR Policy and Procedure Manual, 2019 which clearly defines the objectives, process, period and ratings to govern performance at KPC.
2. Automation of the staff appraisal system by implementing the SAP HCM Performance management module which raised staff participation in the appraisal process to 100%.
3. Enhancement of compliance to SRC Guidelines on rewards and sanctions through alignment of the KPC Reward and Sanction Policy to the SRC Guidelines on Performance Rewards and Sanctions
4. Establishment of a HR Management Advisory Committee responsible for reviewing and advising the MD on several HR management and development issues, one of which includes staff performance management.

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

Marketplace practices

a) Responsible competition practice

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

KPC has built trust with primary customers of both petroleum products and its Fibre Optic Cable; a relationship based on equal treatment, intensive and personal customer relations and continual customer satisfaction surveys aimed at improving services

b) Responsible supply chain and supplier relations

In accordance with Article 227 of the Constitution of Kenya, 2010 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 the Constitution are achieved. KPC further strictly adheres to public procurement laws in order not only to ensure fairness and transparency in procurement process but also realise value for money for the Company and, therefore, the Kenyan taxpayer. It is in this regard that KPC has complied with the Presidential Executive Order Number 2 of 2018 on automation of procurement processes through a user-friendly Supplier Relationship Management (SRM) system. The system enables all potential suppliers to register online as KPC suppliers from wherever they may be. It allows suppliers to bid and be evaluated online, making the whole process fair and transparent. All suppliers are given equal opportunity to bid through the 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 it and are, therefore, able to bid. KPC further conducts supplier appraisals which give suppliers feedback on areas of weakness with a view of helping them do business with KPC.

Finally, KPC has continued to successfully implement the Government's policy on access to Government procurement opportunities (AGPO) for disadvantaged groups namely, women, youth and persons with disabilities. In the year under review, business worth KShs 668,536,925 was awarded to these groups.

c) Responsible marketing and advertisement

The KPC has 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 corporate companies to integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner. CSI enables corporate bodies to establish best commercial practices, create wealth and improve society.

Through its Foundation, KPC endeavours to have a positive impact on the people of Kenya through transforming the lives of individuals, groups and communities and caring for the environment while at the same time enhancing its corporate image, brand and reputation. The Company, therefore, has continued to implement various impactful development programmes that are responsive to our stakeholders' needs. The KShs 100 million set aside for CSI has positively impacted communities countrywide.

The following are the Foundation thematic Areas:

	Special Groups Empowerment Women, Youth and Persons with Disabilities (PwD)
	Education
	Health
	Environmental Conservation
	Water and Sanitation
	Sports for Development

All six areas are aligned to the Government of Kenya's development and economic agenda, Sustainable Development Goals (SDGs) and Vision 2030.

1. Implementation of CSI Plan for 2022/2023

1.1. Overview

In FY 2022/2023, the KPC Foundation undertook the commitment to implement CSI Programmes/Projects worth more than KShs100 million as per the Focus Areas.

The table below shows the status of implementation of projects and programmes under each area of focus as at 30th June 2023.

Completed and ongoing implementation as of 30 June 2023

Focus Area	Planned	Completed Programmes	Ongoing Programmes
Clean Water	1	1	0
Education	18	16	2
Emergency	1	1	0
Empowerment	7	7	0
Environment	2	2	0
Health	8	7	1
INUKA	1	0	1
Sports	4	4	0
Grand Total	**41**	**37**	**4**

1.2. CSI Projects and Activities

1.2.1. Mangrove Forest Replacement of seedlings

The KPC foundation Adopted 75 acres at Jomvu Kuu Creek, Mombasa County where 206,000 seedlings have been planted. During the period under review, KPC Foundation donated KShs 1,050,000 to Bidii Greek towards a replacement of the mangrove trees which had dried up.

Community members participate in a tree planting exercise supported by KPC in Jomvu, Mombasa

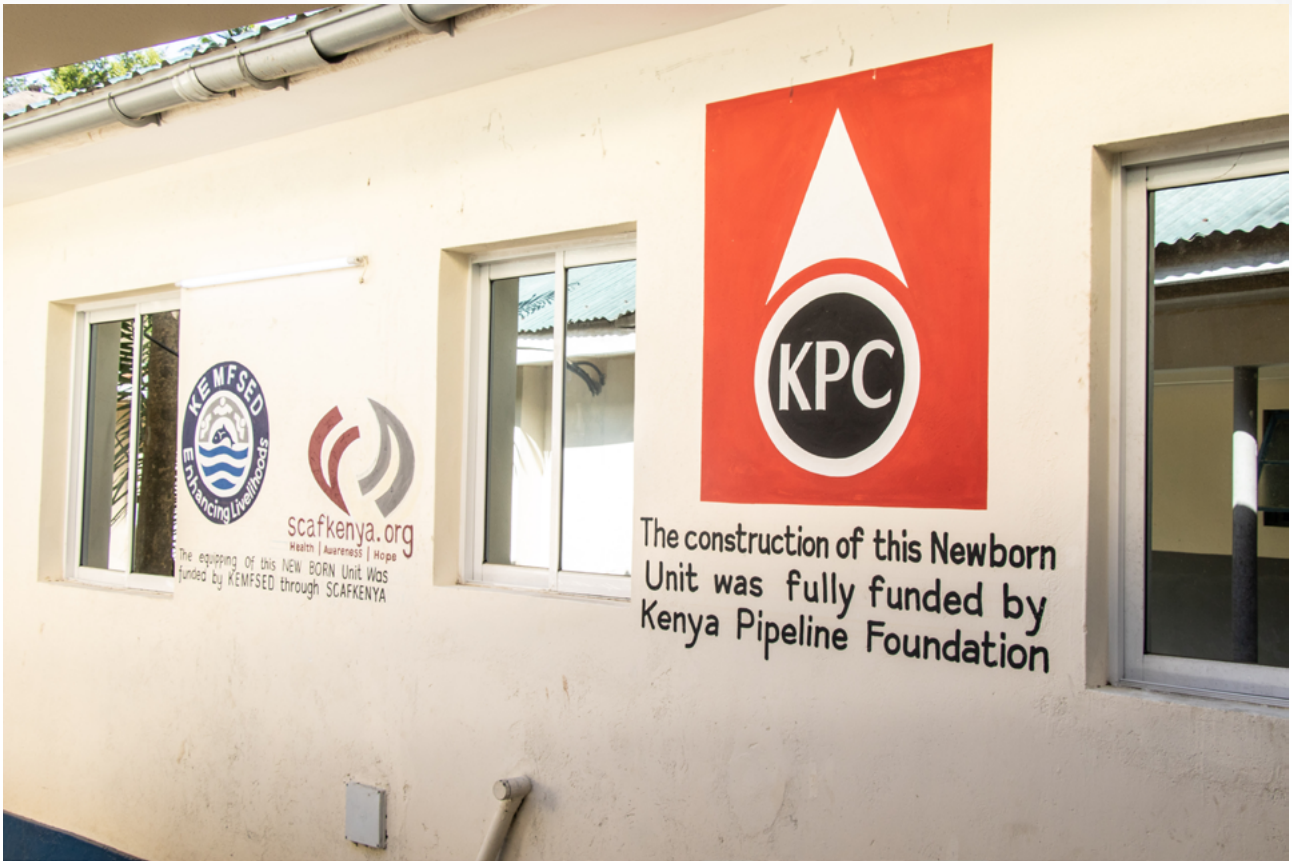
KPC staff participate in planting mangrove trees in Jomvu, Mombasa

KPC Director Mutungwa Wambua, MD Joe Sang, and SHE Manager Carol Kiplagat during the mangrove tree planting exercise in Jomvu, Mombasa.

1.2.2. Port Reitz Hospital

As part of its CSI, KPC committed to fund the construction of a newborn unit at the Port Reitz Hospital in Mombasa County at a cost of KShs 4,992,504 during the FY 2022-2023.

The value of works done by the Contractor as at 29th May 2023 was KShs 3,821,130 The amount was paid during the period under review. The facility is nearing completion.



Port Reitz Hospital, fully funded by the KPC Foundation

1.2.3. St. Mary's Girls Secondary School

The KPC Foundation funded the construction of a Dining Hall at St. Mary's Girls Secondary School in Homabay County.

During the period under review, an inspection was undertaken at the facility and the second payment of KShs 1,044,000 was effected thereafter.

1.2.4. Inuka Scholarship

The KPC Foundation, under its INUKA Scholarship scheme, sponsors students with disabilities to access their secondary school education across the country. The students are selected from each of the 47 counties, a boy and a girl each year. So far, the programme has supported over 658 beneficiaries since it started seven years ago.

During the period under review, KPC Foundation disbursed school fees to various schools amounting to KShs 3,392,101.

1.2.5. Donations

The KPC Foundation supported various groups through donations and participation during the period under review. These are summarised in the box below.

1) Partnership between KPC and COFEK

During the period under review, KPC Foundation was able to donate KShs 1,500,000 towards the partnership between KPC and Consumers Federation of Kenya (COFEK)

2) Riat Mama Mboga Group.

KPC Foundation donated KShs 1 million to the group on 29th April 2023. KPC Team participated in the handing over of the cash to the women's group at Rarieda Constituency, Siaya County. The ceremony was led by the Cabinet Secretary for ICT.

3) Mama Doing Good

The KPC received a request from Mama Doing Good, an initiative of the First Lady of the Republic of Kenya, for partnership to support the First Lady's commitment to the National Tree Growing and Restoration Campaign. The Office of the First Lady requested the KPC Foundation to support with acquisition of tree seedlings to be planted in various regions of the country. KPC Foundation donated KShs 1,000,000 to this cause.

4) Compassionate Women Group.

KPC Foundation donated KShs 500,000 to the Compassionate Women Group at Karen Africa Gospel Church, with the objective of empowering the Women Group.

5) Nakuru Medical Camp

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

KPC Foundation conducted a two-day free medical camp at the Nanyuki Maili Nane dispensary following the commissioning of the facility. Construction of the facility was fully-funded by KPC Foundation.

(From left) KPC Foundation Board of Trustees Members Carol Kiplagat, Zilper Abong'o, Irene Wachira and KPC MD Joe Sang handover a cheque to Kenya Red Cross Society's Emergency Response Manager Anthony Muchiri (right) and Partnerships and Resource Development Officer Fiona Guantai (second right) in aid of the Embakasi gas explosion victims.

1.3. Monitoring and Evaluation/Impact Assessment Activities

KPC undertakes monitoring and impact assessment for CSI Projects on an annual basis. The Port Reitz Sub-County Hospital, whose construction was fully funded by the KPC Foundation, is anticipated to transform maternal and child health services in Mombasa County and significantly diminish neonatal mortality rates in the region.

The mangrove forests rehabilitation program in Mombasa County has a tree survival rate of 93% largely ensuring the success of our environmental conservation efforts. The trees provide carbon sinks thereby removing GHGs from the atmosphere helping in reversing impacts attributed to emission gases. KPC is striving to offset its GHG emissions with validation of carbon credit from this plantation

The Maili Nane Dispensary in Laikipia County is strategically located making the facility a central point for the community, ensuring that residents in and around Nanyuki have access to essential medical services. The facility is equipped with modern medical infrastructure, diagnostic equipment, consultation rooms and specialized treatment areas

Kwa Hola Primary School in Mombasa County and Kipsing Secondary School have gone a long way in enhancing the provision of education services in the two regions.

KPC Foundation sponsored the construction of an administration block at a cost of KShs **4 million** *at* **Kwahola Primary school** *in Mombasa County.*

Left to Right: KPC Board Member Irene Wachira, Maili Nane dispensary manager Rose Karimi, KPC MD Joe Sang, Laikipia County Governor H.E. Joshua Irungu, Laikipia County Chief Officer for Heath Dr. Timothy Panga and Laikipia County CECM Health Albert Taiti during the unveiling of the Maili Nane dispensary in Nanyuki, Laikipia County. The facility was constructed by KPC's philanthropic arm- The KPC Foundation.

STAKEHOLDER MANAGEMENT

Stakeholder management is a critical component to the successful delivery of the corporate strategy. During the period under review, KPC participated in various engagements to promote cordial relationships with the stakeholders who significantly impacted the Company's achievements.

The primary stakeholders are the Oil Marketing Companies (OMCs). The OMCs receive daily updates on the products available, status and planned engagements. For FY2022/23 performance, the top five marketers commanded an aggregated market share of 50%. These are Vivo Energy Kenya Ltd, Total Energies, Rubis Energy Kenya PLC, Lake Oil and Ola energy. The top 20 commanded 78% while the remaining OMCs share 22% of the market.

1. Stakeholder engagement forums:

- The KPC's top leadership visited the Kenya Revenue Authority (KRA) head office on 11th April 2023 to discuss KPC/KRA system challenges and ways of enhancing service delivery by both parties.
- The KPC hosted Oil Marketing Companies to a breakfast meeting at the Boma Hotel on 17th April 2023 to appreciate their patronage and discuss industry challenges and support required to enhance service delivery.
- To enhance stakeholder relationships and customer experience, KPC hosted OMCs from Uganda to a breakfast meeting held on 10th May 2023 at Mestil Hotel & Residences in Kampala, Uganda. The meeting was attended by Cabinet Secretary Ministry of Energy and Petroleum and Principal Secretary, State Department for Petroleum, the National Assembly Departmental Committee on Energy members, KPC Board Chairperson, Managing Director and the Management team. Also in attendance was Ministry of Energy and Mineral Development Uganda and officials, Oil Marketing Companies CEOs and representatives, The Kenya High Commission – Uganda, Uganda Revenue Authority (URA), Kenya Ports Authority (KPA) representative and industry stakeholders. The forum engaged on pertinent issues and developments in the Oil and Gas Sector, capacity enhancement programmes and the enhanced Eastern Pipeline operational capacity, importation of petroleum products through G2G arrangement among other industry-related issues.
- The KPC also participated in a panel discussion on the future of Oil and Gas in the face of energy transition during the 10th East Africa Petroleum Conference & Exhibition 2023 (EAPCE 23) held at Kampala Serena Hotel between 9th and 11th May 2023. The theme of the conference was East Africa as a hub for Investment in the Exploration and Exploitation of Petroleum Resources for Sustainable Energy & Socioeconomic Development. The Company also showcased its business lines including Fibre Optic Cable and Morendat Institute of Oil and Gas.

Cabinet Secretary, Ministry of Energy and Petroleum Mr. Davis Chirchir (L) as a panelist at the 10th EAPCE 23 held at Kampala.

KPC Marketing & Business Development team led by Marketing and Business Development Manager Ms. Grace Njoroge pose for a photo with Nairobi Oil Marketing Companies during a customer feedback forum in KPC Headquarters, Nairobi.

Mahathi Infra's CEO Mr. Dinesh Donadi giving a brief on Jetty operations to Ministry of Energy and Petroleum officials, the National Assembly Departmental Committee on Energy members and KPC Management team.

KPC team posing for a photo with Director General Communications Authority of Kenya Mr. Ezra Chiloba during Connected Summit at Leisure Lodge Golf and Resort, Diani.

2. KOJ and Mahathi Infra Uganda visits

The KPC MD led a team of dignitaries from the Ministry of Energy and Petroleum on a tour of the Kisumu Oil Jetty (KOJ) on 5th May 2023. The team also visited Mahathi-Infra Uganda facility in Entebbe, Uganda, which is a complementary facility, to the KOJ on 8th May 2023.

3. Golf Tournaments and Tree Planting

To enhance stakeholder relationship, KPC sponsored several Golf Tournaments and planted trees aimed at addressing the impacts of climate change as part of the Government's campaign to enhance forest cover to 10%.

10%
FOREST COVER ENHANCEMENT

4. Connected Summit

As part of KPC's Fibre Optics Cable (FOC) marketing and publicity efforts, KPC attended the Connected summit held between 2nd and 5th April, 2023 at Leisure Lodge Golf and Resort, Diani, Kwale County. The theme was Digital Economy: "Endless Opportunities Shaping Our Future"

5. Fibre Optic Cable (FOC)

For wider reach connectivity in FOC, KPC through the Marketing and Business Development Department reached out and visited its fibre clients; Safaricom, Airtel, Mobile Telephone Network (MTN), Wananchi, Seacom, Unwired Communications Ltd and Bandwidth Cloud Services Group, among others. A cross functional team also reviewed a business case for lit fibre as part of product diversification.

6. Northern Corridor Intermodal Transport Summit

The KPC attended a regional workshop held between 6th and 9th June 2023 at Panari Hotel. The purpose of the forum was to create a platform for policy dialogue on transport and trade facilitation in addition to promoting multi-modal transport in the Northern Corridor Region.

> *"The KPC participated in the Northern Corridor Integration Project (NCIP) National Focal Point Persons Retreat ..."*

7. Northern Corridor Lake Victoria waterways

The KPC participated in the Northern Corridor Integration Project (NCIP) National Focal Point Persons Retreat organised by the state department for East African Community held in Machakos between 1st and 4th May 2023. The objective was to develop a baseline report and update the status, identify priority areas in all clusters, develop a roadmap for intervention on NCIP and constitute the National NCIP cluster team where KPC is under Refined Petroleum Products Pipeline Development cluster.

8. Customer satisfaction survey

A customer satisfaction survey was undertaken between 19th and 23rd June 2023 to assess the Customer Satisfaction Index and identify any emerging customer pain points across all KPC service delivery points with an aim of resolving customer them and increasing customer satisfaction.

89%
CUSTOMER SATISFACTION INDEX

9. Vessel Schedule Meetings (VSM) and Supply Coordinators Meetings (SCM)

The KPC engaged in meetings held by the petroleum industry to plan for import cycles, enhance prompt resolution of industry challenges and promote cordial relationships with all stakeholders.

STATEMENT ON LEADERSHIP AND ETHICS

The KPC Management is committed to promoting and fostering an organisational culture that does not tolerate any acts of fraud or corruption and continues to strive towards ensuring that appropriate structures are instituted to facilitate mainstreaming integrity and promoting an ethical culture in the Company. Towards this effort, the Company re-constituted the Management Integrity Oversight Committee (MIOC), the apex Corruption Prevention Committee chaired by the Managing Director and members being the Executive Management team, which provides oversight to the integrity programme, and supports Integrity champions spearheading corruption prevention activities within the respective regions. Regional Integrity Assurance Committees were re-constituted and thirty new members were trained as Integrity Assurance Officers by the Ethics and Anti-Corruption Commission (EACC). A teambuilding session for all the Integrity Committees was organised to improve cohesion and encourage the champions to be vibrant.

Several Integrity policies have been developed and operationalised 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. During the period under review, the Whistleblower Policy was reviewed to align it with the Bribery Act Regulations (2021), and the KPC Procedures for Prevention of Bribery and Corruption. The KPC Employees have been issued with copies of the Code of Ethics and the Anti-Corruption Policy and signed commitment to the Code in line with the requirements of the Public Officer Ethics Act, 2016, while the new employees that joined during the period under review were issued at the time of induction.

To identify corruption prone areas within the corporate processes, Corruption Risk Assessments (CRA) are regularly undertaken and the Corruption Prevention/Mitigation Plans

Several Integrity policies have been developed and operationalised as guidelines for the staff and Stakeholders and have been made available on the KPC website – www.kpc.co.ke.

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. For the current Financial Year 2022/23, the scope of focus in undertaking Bribery and Corruption Risk Assessment and developing the mitigation plans was expanded to include all functional areas in the Company. Quarterly reports on the implementation status were collated and submitted to the Ethics and Anti-Corruption Commission in line with the PC guidelines and other governance compliance agencies.

Staff are regularly sensitised on the principles of ethical conduct and integrity and the consequences of corrupt practices, face to face and through online training. During the period under review, sensitisation on the Bribery Act and the Corporate Procedures for prevention of bribery and corruption was carried in some of the terminals with the remaining targeted for the next financial year.

Staff are encouraged to report any suspected incidences of corruption using several mechanisms which KPC has put in place including but not limited to anonymous email-report. corruption@kpc.co.ke, integrity boxes or in-person reporting as outlined in the Procedures for Prevention of Bribery and Corruption and the Anti-Corruption Prevention Policy. The Managing Director jointly with the apex Corruption Prevention Committee, are committed to ensure protection of whistleblowers, informants, and witnesses against any reprisal or detrimental action, or any form of victimisation for making bribery or corruption disclosures in line with the Bribery Act, 2016, the Bribery Regulations, 2021, KPC Procedures for prevention of Bribery and Corruption, and KPC Whistle Blower Policy (Rev.2023).

The measures for protection against retaliation, reprisal or victimisation of any person who reports in good faith, any knowledge or suspicion of an act of bribery or corruption have been clearly outlined in the Bribery and Corruption Procedures. The consequences for any person who harasses, intimidates, victimises or takes any detrimental action against a whistleblower, informer, or witnesses are outlined in the whistleblower Policy in line with the Bribery Act, Regulations, 2021 and the KPC Procedures for the Prevention of Bribery and Corruption.

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.

FINANCIAL PERFORMANCE

In 2023, The Company continued to demonstrate resilience by weathering a volatile operating environment characterized by unprecedented foreign exchange regime, the onset of Russia-Ukraine war that disrupted the supply chain of major commodities and heightened inflation.

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 30th June 2023, 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	7,607,438,155
Tax charge	(3,108,010,211)
Profit after tax for the year	**4,499,427,944**

DIVIDEND

The directors do not propose the payment of any dividends in respect of the year.

(FY 2021 - **KShs 8.0 billion**, FY 2020 - **KShs 2.7 billion**).

DIRECTORS

The current Directors are as shown on pages 14 to 19.

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, 2010 and the Public Audit Act, 2015

By Order of the Board

Company Secretary

Nairobi

26 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's Financial Statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the Financial Year ended on 30th June 2023. 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 Public Finance Management (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 30th June 2023, and of the Company's financial position as at that 30th June 2023. 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 26th September 2023 and signed on its behalf by:

Faith Bett - Boinett (Mrs)
BOARD CHAIRMAN

Joe Sang, EBS
MANAGING DIRECTOR

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Pipeline Company Limited set out on pages 69 to 118, which comprise of the statement of financial position as at 30 June, 2023, 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, the financial statements present fairly, in all material respects, the financial position of the Kenya Pipeline Company Limited as at 30 June, 2023, 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 Opinion

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 opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The approved budget of the Company for the year ended 30 June, 2023 was Kshs.25,398,837,998 and Kshs.16,304,543,907 in respect of recurrent and development expenditure respectively. However, review of budget implementation revealed that the Company spent Kshs.9,475,611,943 on capital expenditure against the approved budget, resulting in under absorption of Kshs.6,828,931,964 or 42%. The underspending indicates that some of the planned activities during the year were not undertaken, thus affecting service delivery to the public.

2. Leasehold Land

Included in the leasehold land balance of Kshs.15,775,062,079 as disclosed in the statement of financial position and Note 18 to the financial statements, is a parcel of land with a net book value of Kshs.5,113,469,985 which the Company was allocated by the Government in 1976. However, the Company did not have a title deed for the parcel. Further, information provided during the audit indicates the parcel where Embakasi Depot is situated, had its title deed issued to the Kenya Airports Authority.

Additionally, a parcel of land located in Mombasa County was carried in the books at Nil netbook value since it had been fully amortized. However, during the re-valuation of the Company's assets by an independent valuer in 2019, the land was valued at Kshs.750,000,000. The Company could not carry the new cost to its books due to the expiry of the allotment on 1 July, 2019. However, the Company has developed critical, strategic and high value infrastructure in the two parcels of land which serves the country both at Jomo Kenyatta International Airport and Moi International Airport respectively. Although Management had written several times to the Ministry of Lands, Public Works, Housing And Urban Development, National Land Commission and the Kenya Airports Authority to have the parcels transferred and leases renewed , no responses had been received at the of audit.

In the circumstances, the ownership and completeness of the leasehold land balance of Kshs.15,775,062,079 could not be ascertained.

My opinion is not modified in respect of these matters.

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

Unresolved Prior Year Matters

In the audit report of 2021/2022 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved most of the issues or given any explanation for failure to resolve them.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be provided after that date. The other information does not include financial statements and my audited report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Penalties and Interests on Delayed Payments

The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs.11,320,442,848 which, as disclosed in Note 11 to the financial statements includes an amount of Kshs.3,027,732,573 in respect of penalties and interest. However, review of documents provided in respect of the matter revealed that Management contracted Zakhem International Construction (Kenya) Ltd for construction of a new Nairobi – Mombasa oil pipeline at a cost of USD 484,502,886.40 inclusive of taxes. However, a dispute arose regarding Extension of Time (EoT) with claims on EoT amounting to USD 204,511,82 leading to appointment of an expert scheduler in 2018, who determined the total payable as USD 44,019,025 in respect of the four (4) EoT claims. However, one claim, EoT 5 was not assessed.

Despite the assessed amount having been agreed by both parties, Management declined to pay the amount leading to the Contractor seeking redress in the High Court in a suit filed on 26 September, 2019. Subsequently, Management agreed to have the matter settled out of court and a consent was agreed where the Company agreed to pay a sum of USD 59,075,359.32 (Kshs.8,297,134,216) owed to the Contractor and interest of USD 21,546,094.32 (Kshs.3,026,148.947).

According to Management, delay in settling of the payments was occasioned by a directive from The National Treasury to clear with the Directorate of Criminal Investigation (DCI) and seek guidance from the Attorney General. However, the non-settlement of the amount led to accumulation of penalties and interests which could have been avoided. Further, the legal costs could have been reduced had Management settled the uncontested sums.

In the circumstances, the justification and rationale for delay in settlement of uncontested contractor claims which were subject to interest and penalties was not ascertained.

2. Court Award Against the Company

The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs.11,320,442,848. As disclosed in Note 11 to the financial statements, the amount includes Kshs.885,575,021 in respect of court awards. Review of records of court cases revealed that a firm engaged by Management to undertake construction of the Company Head Offices in the year 2000 had sub-contracted a local furniture dealer to take up some of the works at a cost of Kshs.573,022,382. However, a dispute arose between the Company and the Sub-Contractor resulting in legal proceedings against the Company instituted by the Sub-Contractor. The matter was later settled out of court on KPC application where a settlement of Kshs.634,723,979 was agreed. According to case records, the Arbitrator had determined that KPC Management acted in breach of contract by denying the Sub-Contractor the opportunity to perform the contract and further denying the Sub-Contractor access to the site while engaging other parties to undertake the works subject to the sub-contract terms and specifications.

In the circumstances, the Company incurred expenditure for services not rendered, hence value for money was not obtained.

3. Impairment of Proposed Conversion of Line 1 for Conveyance of Mzima Water

The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs.11,320,442,848. As disclosed in Note 11 to the financial statements, the amount includes Kshs.1,175,351,838 incurred on other office and general expenses. Review of the expenses revealed an impairment provision of Kshs.332,873,006 for the proposed conversion of Line 1 for Conveyance of Mzima Springs Water Project. As reported in the previous year, the Company commenced works to convert Mombasa-Nairobi (Line 1) Oil pipeline to supply water from Mzima Springs to Mombasa City and its environs.

Further, review of documents relating to the project revealed that the project was initiated by the Management before requisite approvals were obtained from the Water Services Regulatory Board (WASREB) and the National Environment Management Authority (NEMA). There was no business case or feasibility studies conducted to assess the project viability before commencement of the works and no Service Level Agreements or Memorandum of Understanding were signed between the KPC and Coast Water Works Development Authority (CWWDA) which the Company intended to sell the water to.

No justification was provided on why Management embarked on a project of such magnitude before conducting a business case assessment, obtaining the necessary approvals, and having agreement with intended purchaser of the product.

In the circumstances, the value for money incurred on the project could not be confirmed.

4. Uncertainty over Liquified Petroleum Gas Project in Mombasa

Note 11 to the financial statements reflects Kshs.1,175,351,838 in respect of other office and general expenses. Review of the expenses revealed an impairment provision of Kshs.192,639,904 in respect of Liquified Petroleum Gas (LPG) project in Mombasa County. The amount was incurred on demand studies, Environmental and Social Impact Assessment (ESIA) Front End Engineering Designs (FEED) and cost estimation for recommended storage facilities.

While the Company obtained approvals from the Ministry of Energy and Petroleum and The National Treasury in June, 2023 to continue with the project, a Ministerial directive was later issued to Management to lease part of the refinery land to a private company which had submitted a proposal to the Ministry for development of an LPG terminal facility in Mombasa. Management has since made an impairment provision in view of the latest developments.

Further, the current revenues from LPG to the Company, and projected future earnings from the proposed facility may be negatively impacted should the private company develop the facilities. In addition, it was not confirmed whether the Company will be compensated for the costs amounting to Kshs.192,639,904 incurred on the feasibility studies and engineering designs for the project.

In the circumstances, the value for money the expenditure amounting to Kshs.192,639,904 incurred on the project could not be confirmed.

5. Lack of Operational Framework for New Kipevu Oil Terminal

The statement of profit or loss and other comprehensive income reflects direct costs of Kshs.13,217,831,223. As disclosed in Note 7 and Note 12 to the financial statements, the amount includes pipeline maintenance costs of Kshs.3,689,906,596, incurred in respect of the entire pipeline infrastructure comprising of oil terminals, tanks, pipeline, booster pumps, loading facilities and a jetty among others.

Review of the pipeline infrastructure revealed that the Company operates two oil terminals at Kipevu in Mombasa Port comprising of Kipevu Oil Terminal (KOT) which handles jet fuel and New Kipevu Oil Terminal (KOT 2) which handles Premium Motor Spirit (PMS) and Automotive Gas Oil (AGO) at the point of discharge from the vessels. The two terminals were developed and are owned by Kenya Ports Authority (KPA). However, KPC has been operating KOT 2, which was commissioned in January, 2022, without a documented framework, and as such, it was not clear which entity was responsible for its maintenance. In addition, it was not clear who among the two corporations was responsible for mitigation in case of unforeseen glitches.

In the circumstances, the matching of revenue to costs associated with the terminal could not be confirmed.

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. Board and Committees Meetings

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

i. Membership of Board Committees is expected to'be a maximum of one third (1/3) of Board membership as guided by the Mwongozo Code of Governance for State

Corporations. However, the Audit Committee, the Human Resource Committee, the Finance Committee and the Technical Committee have five (5) Members each instead of the maximum three (3) members.

ii. Review of the reconstituted Board Committee Members revealed that one of the Directors was a Member of three (3) Board Committees which contravened paragraph 4 of the Office of the President Circular referenced OP/CAB.9/1A dated 11 March, 2020, on Establishment of Board Committees, which provides that Members can only sit in a maximum of two Board Committees.

iii. During the year under review, the Board and Board committees held a total of forty-four (44) committee meetings instead of the allowed maximum of twenty (20). The approval for the additional meetings was not provided for audit review.

iv. During the year under review, the Board formed an Ad-Hoc Committee to look into staff morale and welfare. However, the mandate assigned to the Committee mirrored the functions of the Board's Human Resource Committee, hence the matter would have been dispensed by the already existing committee structures.

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

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.10,073,913,598 which is net of provisions for bad and doubtful debt and as disclosed in Note 24 to the financial statements. As disclosed in Note 24 to the financial statements, the balance includes Kshs.2,148,095,283 as receivables from Oil Marketing Companies (OMCs) which have been outstanding for more than 180 days.

Although a provision was made in the financial statements for long outstanding receivables, Transportation Service Agreements with OMCs provides that after 45 days and upon notice to an OMC, KPC is at liberty to sell all such products and apply the proceeds of such sale in or towards the satisfaction of such lien and all proper charges and expenses in relation thereto. Management indicated that measures put in place to collect debts from the Oil Marketing Companies within the existing framework which included reminders to pay before due dates, suspension of services to OMCs who do not pay within 30 days, have not yielded the intended results.

Further, the trade and other receivables amount includes long outstanding receivables from KAA Hydrant System Facility of Kshs.733,248,779 whose recovery was in doubt, and for which a provision was made during the year under review. However, no evidence was provided of actions, if any, taken by Management to recover the long outstanding balance.

In the circumstances, the effectiveness of internal control measures put in place to collect outstanding debts could not be confirmed.

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 controls, 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 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 controls 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 Management.

- Conclude on the appropriateness of 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 controls 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.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 April, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022 Restated
		KShs	KShs
Revenue	6	30,857,218,143	26,213,394,371
Direct Costs	7	(13,217,831,223)	(13,545,218,703)
GROSS PROFIT		**17,639,386,919**	**12,668,175,667**
Finance Income	9(a)	883,056,483	823,215,642
Other Income	8	977,868,372	635,347,479
Other Gain/(Losses)	10	1,111,419,800	563,957,638
OTHER REVENUE		**2,972,344,656**	**2,022,520,759**
OPERATING EXPENSES			
Administration Expenses	11(a)	(11,320,442,848)	(6,490,626,668)
Provision for Bad Debts	11(b)	(84,506,786)	(976,166,747)
Provision for Aging penalties	11 (b)	(629,234,723)	-
Waiver of Aging Penalties	11 (c)	-	(90,972,336)
Finance Costs	9(b)	970,109,062)	(836,785,562)
TOTAL OPERATING EXPENSES		**(13,004,293,419)**	**(8,394,551,313)**
PROFIT BEFORE TAXATION	13	7,607,438,155	6,296,145,113
TAXATION CHARGE	14 (a)	(3,108,010,211)	(2,394,908,448)
PROFIT AFTER TAXATION		**4,499,427,944**	**3,901,236,665**
		KShs	**KShs**
Earnings per Share	15	248	215
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)		1,327,713,990	-
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		**1,327,713,990**	**(5,770,462,500)**
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		**5,827,141,934**	**(1,869,225,835)**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	Note	2023 KShs	2022 Restated KShs	2021 Restated KShs
Non-Current Assets				
Property, plant and equipment	17	84,055,476,767	86,129,189,345	97,149,447,050
Leasehold land	18	15,775,062,079	16,517,740,255	17,415,890,672
Intangible assets	19	27,652,017	23,592,295	30,308,870
Right-of-Use (ROU) Asset	20	98,643,722	-	-
Investments	21	36,306,359	36,306,359	36,306,359
Retirement benefits	22	1,327,713,990	-	-
Long Term receivables	24	3,316,663,265	3,142,126,450	3,117,018,373
		104,637,518,200	**105,848,954,704**	**117,748,971,324**
Current Assets				
Inventories	23	2,440,530,782	2,343,922,959	2,608,031,945
Trade and other receivables	24	10,073,913,598	8,283,971,264	9,160,335,600
Taxation recoverable	26	-	827,398,507	888,115,224
Short term deposits	25(a)	9,338,957,389	7,786,148,607	7,086,097,763
Bank and cash balances	25(b)	2,392,813,774	2,614,218,743	2,462,154,764
		24,246,215,543	**21,855,660,079**	**22,204,735,296**
Total Assets		**128,883,733,743**	**127,704,614,783**	**139,953,706,620**
SHAREHOLDER'S FUNDS AND LIABILITIES				
Capital and Reserves				
Share capital	27	363,466,007	363,466,007	363,466,007
Share premium		512,288,916	512,288,916	512,288,916
Retained earnings	29	76,831,827,757	70,812,999,502	74,911,762,837
Revaluation reserve	28	11,536,027,639	17,052,060,642	21,282,415,380
		89,243,610,319	**88,740,815,067**	**97,069,933,140**
Non-Current Liabilities				
Deferred taxation	30	20,188,051,145	20,072,668,334	19,724,588,796
Syndicated long term loan	33(a)	3,367,442,249	10,098,826,050	13,864,936,579
Lease Liability	32	75,659,687	-	-
		23,631,153,082	**30,171,494,384**	**33,589,525,375**
Current Liabilities				
Trade and other payables	30	10,816,511,667	3,662,885,082	4,592,602,577
Due to related parties	35(c)	80,000,000	80,000,000	80,000,000
Tax Payable	25	1,715,803,852	-	-
Current portion of long-term Loan	33(b)	3,367,459,000	5,049,420,250	4,621,645,527
Lease liability	32	29,195,824	-	-
		16,008,970,343	**8,792,305,332**	**9,294,248,104**
Total Shareholder's Funds and Liabilities		**128,883,733,743**	**127,704,614,783**	**139,953,706,620**

The Financial Statements on pages 70 to 130 were approved and authorised for issue by the Board of Directors on 26 September 2023 and signed on their behalf by:

Board Chairman	Managing Director	Head of Finance
Faith Bett - Boinett (Mrs)	**Joe Sang, EBS**	**Pius Mwendwa**
		ICPAK M/NO:4454

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	REVALUATION RESERVE	TOTAL EQUITY
	KShs	KShs	KShs	KShs	KShs
As previously reported	**363,466,007**	**512,288,916**	**74,553,065,574**	**23,614,175,328**	**99,042,995,825**
Prior year adjustments	-	-	358,697,263	(2,331,759,948)	(1,973,062,685)
As at 1 July 2021	**363,466,007**	**512,288,916**	**74,911,762,837**	**21,282,415,380**	**97,069,933,140**
Profit for the year	-	-	3,824,503,143	-	3,824,503,143
Prior year adjustment of profits	-	-	76,733,522	-	76,733,522
Provision for Line 1 impairment	-	-	-	(5,770,462,500)	(5,770,462,500)
Adjustment of vendor debit balances	-	-	-	(191,030,988)	(191,030,988)
Dividends paid	-	-	(8,000,000,000)	-	(8,000,000,000)
Deferred tax charge to equity	-	-	-	1,731,138,750	1,731,138,750
As at 01 July 2022	**363,466,007**	**512,288,916**	**70,812,999,502**	**17,052,060,642**	**88,740,815,067**
Under/(Over) provision for depreciation for the year	-	-	-	289,384,037	289,384,037
Profit for the year	-	-	4,499,412,270	(5,059,634)	4,494,352,636
Deferred Tax Charge to reserves	-	-	-	(1,349,377)	(1,349,377)
Additional Capitalisation of Line 5	-	-	-	(6,618,571,204)	(6,618,571,204)
Fair value adjustment through reserves	-	-	316,239,688	(449,867,505)	(133,627,817)
Line 1 impairment	-	-	-	1,269,430,680	1,269,430,680
Adjustment of RB Asset	-	-	1,203,176,297	-	1,203,176,297
As at 30 June 2023	**363,466,007**	**512,288,916**	**76,831,827,757**	**11,536,027,639**	**89,243,610,319**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 KShs	2022 Restated KShs
CASH FLOWS FROM OPERATIONS			
Cash generated from operations	36(a)	21,172,365,228	14,370,609,505
Interest received	9(a)	883,056,483	823,215,642
Interest expense	9(b)	(970,109,062)	(836,785,562)
Interest expense on lease liability		(11,353,575)	-
Utilisation of income tax credit		-	60,716,719
Net cash generated from operating activities		**21,073,959,074**	**14,417,756,304**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	(2,680,689,169)	(691,298,979)
Proceeds from disposal of property, plant and equipment		-	23,384,758
Exceptional capital expenditure	17(b)	(6,618,571,204)	
Purchase of intangible assets	19	(13,726,737)	(23,455,380)
Purchase of investment - KPRL	23	(162,624,834)	(3,170,784)
Net cash flows used in investing activities		**(9,475,611,943)**	**(694,540,385)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liability		(19,747,084)	-
Dividends paid	16	-	(8,000,000,000)
Repayment of borrowings	36(b)	(10,247,196,232)	(4,871,101,097)
Net cash flows from financing activities		(10,266,943,317)	(12,871,101,097)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,331,403,814	852,114,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		10,400,367,349	9,548,252,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**11,731,771,163**	**10,400,367,349**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Rationalized budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Var
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Throughput revenue	29,681,326,545	-	29,681,326,545	29,924,259,711	255,448,779	1%
Other income	1,049,377,146	-	1,049,377,146	2,573,042,071	1,539,934,624	145%
Total Income	**30,730,703,691**	**-**	**30,730,703,691**	**32,511,542,027**	**1,795,383,403**	6%
Expenses						
Compensation of employees - employee emoluments	8,135,742,181	-	8,135,742,181	6,281,749,401	1,853,992,780	23%
Other employee costs	1,117,674,463	373,695,552	1,491,370,015	1,370,287,108	121,082,907	8%
Direct costs excl. depreciation and electricity	3,499,897,993	(190,679,257)	3,309,218,736	2,468,139,799	841,078,937	25%
Administration costs excl. depreciation and electricity	1,919,459,177	255,111,558	2,174,570,735	2,472,299,396	(297,728,661)	-14%
Depreciation & Amortisation	7,301,854,823	(357,406,828)	6,944,447,995	5,734,355,250	1,210,092,745	17%
Electricity	2,062,500,000	260,000,000	2,322,500,000	2,275,148,796	47,351,204	2%
Finance cost	663,581,508	357,406,828	1,020,988,336	958,755,487	62,232,849	6%
Court award	-	-	-	885,575,021	-	-
Interest expense	-	-	-	3,027,732,573	-	-
Foreign exchanges loss (gain)	-			(1,111,419,800)	1,111,419,800	-
Aging penalties	-			629,234,723	(629,234,723)	-
Provision for bad debts	-			(101,994,128)	101,994,128	-
Total expenditure	**24,700,710,145**	**698,127,853**	**25,398,837,998**	**24,889,863,626**	**508,974,372**	**2%**
Surplus for the period	**6,029,993,546**		**5,331,865,693**	**7,607,438,155**	**2,275,572,462**	**43%**
Capital expenditure						
Capital investments	**8,694,224,192**	**7,610,319,715**	**16,304,543,907**	**9,475,611,943**	**6,828,931,964**	42%
Total Approved budget	**33,394,934,337**	**8,308,447,568**	**41,703,381,905**	**34,365,475,570**	**7,337,906,335**	18%

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 Public Sector Accounting Standards Board (PSASB) has considered the requirements of the Public Finance Management Act, 2012 (PFM Act, 2012) which these statements comply with, the importance that the budgetary information would provide to the users of the Statements and the fact that the public entities make their budgets publicly available and decided to include this Statement under the IFRS compliant financial statements.

Explanation of the Variances:

i. The budget adjustment of KShs 8,308,447,568 includes supplementary budget of KShs 7,610,319,715 for capital expenditure and KShs 698,127,853 for recurrent expenditure.

ii. The favourable budget variance on revenue performance is on account of improved tariffs and better foreign exchange rate. Further it is propelled by higher than budgeted Penalty Income.

iii. Throughput and revenues were higher than PY on account of improved volumes coupled with a better foreign exchange regime.

iv. Savings on employee costs are attributable to savings on restructuring costs and lower than anticipated annual increment.

v. Direct costs had a cost saving of 25% occasioned by ongoing major maintenance activities on tanks. Maintenance activities are yet to be complete by the end of the financial year.

vi. Savings on administrative costs were on account of austerity measures by management and utilisation of internal resources.

vii. The higher expenditure on finance costs was occasioned by high interest rates due to the increased Secured Overnight Financing Rate (SOFR) coupled with the depreciating shilling, which exposed the Company to higher than projected interest payments.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The KPC is established by and derives its authority and accountability from the Companies 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 the 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 KPC and all values rounded off to the nearest Kenya Shilling.

The Financial Statements have been prepared in accordance with the PFM Act, 2012 the Companies 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) New and amended standards and interpretations in issue and effective in the year ended 30th June 2023

IFRS 17 Insurance Contracts (Issued 18 May 2017)

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

The Company does not issue insurance contracts. The adoption of IFRS 17 has not had significant effects on the Financial Statements.

The amendments are effective for annual periods beginning on or after 1st January 2023.

IAS 8-Accounting Policies, Errors, and Estimates

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

The adoption of the amendments to International Accounting Standards (IAS) 8 has not had significant effects on the Financial Statements of the Company.

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

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

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

The amendments to IAS 1 have not brought about significant changes to the accounting policies disclosed.

The amendments are effective for annual periods beginning on or after 1st January 2023.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the Company's Financial Statements.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.

The amendments are effective for annual periods beginning on or after 1st January 2024. Earlier application is permitted.

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

The amendments are effective for annual periods beginning on or after 1st January 2024. Earlier application is permitted.

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 2023.

4. SUMMARY OF ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these Financial Statements are set out below:

a) Revenue recognition

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

i. Revenue from transportation and storage of petroleum products; is recognised in the year in which the Company delivers services to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.
ii. Finance income comprises interest receivable from bank deposits and investment in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
iii. Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

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

v. Other income is recognised as it accrues.

b) Property, plant and equipment

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

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

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

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

c) Depreciation and impairment of property, plant and equipment

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

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

Freehold land	Nil
Buildings - residential	2% or unexpired lease period
Buildings - industrial	2% or unexpired lease period
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 recognised 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 licences, which are capitalised 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) Amortisation and impairment of intangible assets

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

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

f) Investment property

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

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

g) Finance and operating leases

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

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

h) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under the 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 through profit or loss (FVTPL).

j) Unquoted investments

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

k) Inventories

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

l) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. The Company has a credit period of 45 days after which they are considered as credit impaired. These are assessed for impairment on a continuing

basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end as follows:

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

m) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area from where the entity operates and generates taxable income. Current income tax relating to items recognised directly in net assets is recognised 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 from where the entity operates and generates taxable income.

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 recognised 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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 recognised outside surplus or deficit is recognised outside surplus or deficit. Deferred tax items are recognised in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Cash and cash equivalents

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

p) Borrowings

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

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

q) Trade and other payables

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

r) Retirement benefit obligations

The Company operated a defined benefit contribution pension scheme for eligible employees until 30th June 2006. With effect from 1st 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 recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised 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 categorised 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 recognised 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 the National Social Security Fund, a statutory defined contribution pension scheme. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of KShs 200 per month per employee.

s) Provision for staff leave pay

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

t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in

foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

u) Budget information

The rationalised budget for FY 2022/23 was approved by the National Treasury on 21st July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The KPC's 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 70 of these Financial Statements.

v) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into

in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the entity recognises 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 recognised are measured at their fair value. To the extent that an asset has been recognised, the entity also recognises a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the Financial Year end with a significant impact on the Financial Statements for the year ended 30th June 2023.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company 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 Company. Such changes are reflected in the assumptions when they occur.

Sources of Estimation Uncertainty

Actuarial valuation of defined benefits plan

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

Impairment of assets

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

Useful lives and residual values

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

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

Impairment losses on trade and other receivables

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

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

Provisions

Provisions are recognised 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.

6. REVENUE

	2023 KShs	2022 KShs
Local service fees	10,716,629,873	10,321,262,338
Export service fees	15,124,970,592	12,452,848,364
Kipevu Oil Storage Facility fees	3,833,163,912	3,185,445,650
Penalties on overstayed product	1,083,963,612	104,416,342
Penalties from ASE	1,267,906	1,170,106
KPRL lease income	8,724,452	12,491,324
Liquefied Petroleum Gas sales	28,254,689	44,098,853
Crude oil revenue (COR)	60,243,107	91,661,393
	30,857,218,143	**26,213,394,371**

7. DIRECT COSTS

	2023 KShs	2022 Restated KShs
Pipeline maintenance staff costs (Note 12)	3,689,906,596	3,556,532,740
Depreciation	4,468,675,993	5,329,561,590
Pipeline maintenance costs	2,353,031,732	2,530,110,019
Electricity and fuel	2,280,676,677	1,822,940,919
Insurance	306,104,766	206,076,813
Other maintenance costs	115,108,068	99,091,445
Amortisation expense	4,327,392	905,178
	13,217,831,223	**13,545,218,703**

8. OTHER INCOME

	2023 KShs	2022 KShs
Rent income	110,984,293	108,797,126
Helicopter income	810,622	-
Hydrant Income	43,971,648	83,755,520
Income from collateral financing	132,749,414	89,437,840
Non-Refundable Tender Deposits	-	3,883,194
Morendat Training and Conference Centre (MTCC) /MIOG collections	126,047,724	148,281,188
Laboratory income	4,499,925	1,332,460
FOC lease income	263,744,080	161,568,230
Income from communication equipment	186,159	177,294
Miscellaneous income	108,375,593	17,571,593
Write-back of provision	186,500,914	20,543,032
	977,868,372	**635,347,479**

9. a) INTEREST INCOME

	2023	2022
	KShs	KShs
Interest from commercial banks	832,722,584	775,130,094
Interest on staff loans	50,333,899	48,085,548
	883,056,483	**823,215,642**

9. b) FINANCE COSTS

	2023	2022
Loan Interest	958,755,487	836,785,562
Lease liability interest	11,353,575	-
	970,109,062	**836,785,562**

10. OTHER GAINS & LOSSES

	2023	2022
Gain/(Loss) on disposal of PPE	(34,340,302)	12,877,713
Foreign exchange (Loss)/Gain	1,145,760,102	551,079,925
	1,111,419,800	**563,957,638**

11. a) ADMINISTRATION EXPENSES

	2023	2022 Restated
	KShs	KShs
Administrative staff costs (Note 12)	3,705,870,291	3,322,835,468
Depreciation and lease amortisation	1,261,351,866	1,457,431,638
Depreciation of Right-of-Use asset	25,958,873	-
Other office and general expenses	1,175,351,838	921,272,193
Impairment loss on Work in Progress (WIP)	508,428,162	71,011,105
Inventory provisions	(18,777,604)	2,625,575
Travelling, mileage and entertainment (Note 12)	80,885,390	56,830,542
Advertising and printing expenses	67,657,733	60,655,087
Corporate Social investment	83,286,320	120,002,748
Staff training (Note 12)	159,063,403	147,501,118
Rent and rates	12,212,718	32,826,145
Consultancy fees	53,704,227	80,839,656
Telephone and postage	44,368,736	42,550,809
Legal and professional expenses	91,062,337	52,247,219
Court awards	885,575,021	537,928
Motor vehicle expenses	91,632,684	60,180,979
Buildings repairs and maintenance	14,377,224	12,698,384
Bank charges	12,226,480	13,545,973
Penalties & Interest	3,027,732,573	-
Auditors' remuneration	7,737,931	12,028,821
Directors Expenses:		
Directors' fees/honoraria	6,360,000	6,372,000
Board Retreats and general expenses	1,705,492	1,284,959
Sitting /duty allowance	7,336,000	6,100,000
Training expenses	9,540,563	3,667,172
Travel expenses and Subsistence allowances	5,794,591	5,581,150
	11,320,442,848	**6,490,626,668**

b) PROVISION FOR BAD & DOUBTFUL DEBTS	2023 KShs	2022 KShs
Provision for long outstanding debts	84,506,786	976,166,747
Provision for ageing penalties	629,234,723	-
	713,741,509	**976,166,747**

c) WAIVER OF AGING PENALTIES	-	**90,972,336**

12. STAFF COSTS

	2023 KShs	2022 KShs
Salaries and wages, (inclusive of travel, mileage, staff training and entertainment)	6,506,938,837	6,045,287,252
Group life and medical cover	516,512,670	419,518,372
Pension-company contribution	491,912,594	507,626,244
National Social Security Fund (NSSF) Company contribution	9,988,920	3,692,747
Leave pay provision	(28,519,067)	-
Gratuity provision	57,698,557	50,297,846
Fringe benefits tax	30,277,700	20,337,274
Staff welfare	50,915,471	36,940,132
	7,635,725,681	**7,083,699,867**
Split as follows:		
Direct staff costs (Note 7)	3,689,906,596	3,556,532,740
Administrative staff cost (Note 11)	3,945,819,085	3,527,167,128
	7,635,725,681	**7,083,699,867**

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

	2023 KShs	2022 KShs
Permanent management	647	674
Permanent unionisable	685	724
Contract managers	41	47
All other contract staff i.e. MTCC, GYM, Volleyballers	45	112
Temporary staff (relief drivers)	4	14
TOTAL	**1,422**	**1,571**

	2023 KShs	2022 KShs
Provision for Leave Pay – B/Sheet		
Balance at beginning of the year	144,653,920	161,553,678
Additional provision at end of year	102,400,221	69,700,473
Leave paid out or utilised during the year	(41,294,678)	(86,600,232)
Balance at the end of the year	**205,759,463**	**144,653,920**

Leave Pay Provision/Charge to P&L	2023 KShs	2022 KShs
Provision made during the year	61,105,543	-
Unutilised Leave paid in the year (Ex-Staff)	3,016,794	-
Prior year provisions write-back	(92,641,404)	-
Balance carried at the end of the year	**(28,519,067)**	-

13. PROFIT BEFORE TAX

	2023 KShs	2022 KShs
The profit before tax is arrived at after charging/(crediting):		
Staff costs (Note12)	7,635,725,681	7,084,659,867
Depreciation of property, plant and equipment (Note 17)	4,982,012,039	5,859,576,034
Amortisation of assets (Note18,19 & 20)	778,302,084	928,322,372
Provision for bad and doubtful debts (Note 11(b)	713,741,509	976,166,747
Waiver of aging penalties (Note 11(c)	-	90,972,336
Directors' expenses (Note 11(a)	30,736,645	23,005,280
Auditors' remuneration (Note 11(a)	7,737,931	12,028,821
Loss/(Gain) on disposal of property, plant and equipment (Note 10)	34,340,302	(12,877,713)
Net foreign exchange loss (Note 10)	1,145,760,102	551,079,925
Interest receivable (Note 9(a)	(832,722,584)	(775,130,094)
Interest payable (Note 9(b)	970,109,062	836,785,562
Rent income (Note 8)	**(110,984,293)**	**(108,797,126)**

14. TAXATION

	2023 KShs	2022 Restated KShs
a) Tax charge		
Current taxation	3,009,935,907	315,690,160
Deferred tax (Note 30)	(128,922,045)	2,079,218,287
Prior Year Adjustment	226,996,349	
Total taxation charge	**3,108,010,211**	**2,394,908,447**
b) Reconciliation of expected tax based on accounting profit:		
Accounting profit before taxation	7,607,438,155	6,296,145,113
Tax at the applicable rate of 30%	2,282,231,447	1,888,843,534
Expenses not deductible for tax purposes	611,914,084	506,064,914
Income not subject to tax	(13,126,966)	-
Prior year adjustment	226,996,349	-
Total taxation charge	**3,108,010,211**	**2,394,908,448**

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	2023 KShs	2022 Restated KShs
Net profit after taxation	4,499,427,944	3,901,236,665
Number of ordinary shares in issue	18,173,300	18,173,300
Earnings per share	**248**	**215**

16. DIVIDENDS PER SHARE

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. There is none declared for the financial year ended 30 June 2023.

Particulars	2022-2023 KShs	2021-2022 KShs
At the beginning of the year	-	8,000,000,000
Paid during the year	-	(8,000,000,000)
Balance At end of year	-	-

17. PROPERTY, PLANT AND EQUIPMENT

a) FIXED ASSSET MOVEMENT SCHEDULE AS AT JUNE 30, 2023

	Freehold Property	Buildings and Roads	Pipeline, Pumps & Tanks	Equipment, Furniture & Fittings	Helicopters	Motor Vehicles & Tractors	Capital Work-in-Progress	Total
COST	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
1st July 2022 Restated	1,920,242,500	7,757,466,982	73,682,563,173	18,883,799,009	183,275,000	1,212,613,350	373,526,780	104,013,486,794
Additions (Acquisitions)	-	-	44,613,152	222,587,238	-	42,077,586	2,371,411,193	2,680,689,169
Transfers from WIP	-	15,573,217	103,813,602	246,529,408	-	38,663,793	(404,580,020)	-
Disposals	-	(349,768,720)	(991,087,067)	(48,002,111)	-	(21,462,466)	-	(1,410,320,363)
Adjustment - Impairment in value	-	-	894,307,979	-	-	-	(508,428,162)	385,879,817
At 30th June 2023	**1,920,242,500**	**7,423,271,479**	**73,734,210,839**	**19,304,962,134**	**183,275,000**	**1,271,892,264**	**1,831,929,792**	**105,669,784,007**
DEPRECIATION								
1st July 2022 Restated	-	1,374,537,228	10,361,279,126	4,761,478,833	54,982,500	807,432,251	-	17,359,709,938
Charge for the year	-	376,484,177	3,024,129,134	1,252,967,347	18,327,500	310,103,881	-	4,982,012,039
Eliminated on disposal	-	(288,551,580)	(375,581,361)	(41,819,472)	-	(21,462,326)	-	(727,414,738)
At 30th June 2023	-	1,462,469,825	13,009,826,899	5,972,626,709	73,310,000	1,096,073,807	-	21,614,307,239
NET BOOK VALUE: At 30 June 2023	**1,920,242,500**	**5,960,801,654**	**60,724,383,940**	**13,332,335,425**	**109,965,000**	**175,818,457**	**1,831,929,792**	**84,055,476,767**
COST								
1st July 2021 Restated	1,920,242,500	7,751,468,788	79,391,584,253	18,593,291,631	183,275,000	1,128,530,684	216,920,335	109,185,313,181
Additions (Acquisitions)	-	-	10,548,512	118,908,691	-	105,096,316	456,745,461	691,298,979
Transfers from WIP	-	5,998,194	50,892,909	172,236,809	-	-	(229,127,911)	-
Disposals	-	-	-	(638,121)	-	(21,013,650)	-	(21,651,771)
Adjustment - Impairment in value	-	-	(5,770,462,500)	-	-	-	(71,011,105)	(5,841,473,605)
At 30th June 2022 Restated	**1,920,242,500**	**7,757,466,982**	**73,682,563,173**	**18,883,799,009**	**183,275,000**	**1,212,613,350**	**373,526,780**	**104,013,486,784**
DEPRECIATION								
1st July 2021 Restated	-	991,991,215	7,314,368,097	3,154,554,490	36,655,000	538,297,327	-	12,035,866,130
Charge for the year as reported		383,301,315	3,577,620,176	1,788,726,350	18,327,500	278,812,999	-	6,046,788,340
Prior year adjustment		(755,303)	(6,121,647)	(181,164,106)	-	828,750	-	(187,212,306)
Eliminated on disposal	-	-	-	(637,901)	-	(10,506,825)	-	(11,144,726)
At 30th June 2022 Restated	**-**	**1,374,537,228**	**10,885,866,626**	**4,761,478,833**	**54,982,500**	**807,432,251**	**-**	**17,884,297,438**
NET BOOK VALUE: At 30th June 2022	**1,920,242,500**	**6,382,929,754**	**62,796,696,547**	**14,122,320,176**	**128,292,500**	**405,181,099**	**373,526,780**	**86,129,189,345**

Capital work in progress

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

b) Exceptional Capital Expenditure

During the FY2022/2023, the Company paid KShs 6,618,571,203 in respect of Line 5 Project which were part of the contested payment certificates that were agreed upon reconciliation by a multi-agency team. This was not factored as part of asset additions since the asset had been revalued and values adopted as at 30th June 2019.

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

	Level 1	Level 2	Level 3	Fair value as 30 June
30th June 2023	**KShs**	KShs	KShs	**KShs**
Buildings and roads	-	-	5,956,560,028	5,956,560,028
Pipeline, pumps & tanks	-	-	60,512,580,427	60,512,580,427
Equipment, furniture & fittings	-	-	11,578,066,630	11,578,066,630
Helicopters	-	-	109,965,000	109,965,000
Motor vehicles & tractors	-	-	178,089,140	178,089,140
	-	-	**78,335,261,225**	**78,335,261,225**

	Level 1	Level 2	Level 3	Fair value as 30 June
30th June 2022	**KShs**	KShs	KShs	**KShs**
Buildings and roads	-	-	6,378,688,128	6,378,688,128
Pipeline, pumps & tanks	-	-	62,584,893,034	62,584,893,034
Equipment, furniture and fittings	-	-	12,368,051,380	12,368,051,380
Helicopters	-	-	128,292,500	128,292,500
Motor vehicles & tractors	-	-	407,451,782	407,451,782
	-	-	**81,867,376,825**	**81,867,376,825**

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

ASSET DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NBV
	KShs	**KShs**	**KShs**
Freehold land	46,337,509	-	46,337,509
Buildings and roads	9,554,691,089	4,338,840,027	5,215,851,062
Plant and machinery	66,007,162,596	15,665,050,816	50,342,111,780
Helicopters	388,831,318	388,831,298	20
Motor vehicles	784,777,881	608,934,324	175,843,557
Computers & related equipment	1,463,681,846	1,308,346,702	155,335,144
Office equipment, furniture & fittings	25,081,267,925	5,863,317,280	19,217,950,645
Total	**103,326,750,164**	**28,173,320,447**	**75,153,429,717**

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

	Cost	Normal Depreciation
Buildings & roads	205,636,622	41,127,324
Pipeline, pumps & tanks	52,683,388	3,860,684
Equipment, furniture & fittings	1,370,805,893	361,212,909
Motor vehicles & tractors	502,208,757	125,552,189
Intangible assets	1,896,584,188	632,194,706

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

	2023 KShs	2022 KShs
Total depreciation as per property, plant & equipment (Note 17)	**4,859,415,566**	**6,046,788,340**
Direct costs (Note 7)	4,582,373,910	5,575,656,582
Administrative costs	277,041,655	471,131,758
	4,859,415,566	**6,046,788,340**

18. LEASEHOLD LAND

	2023	2022 Restated
COST\VALUATION	**KShs**	**KShs**
1st July	**18,729,306,450**	**18,729,306,450**
Additions	-	-
Disposals	-	-
As at 30th June	**18,729,306,450**	**18,729,306,450**
AMORTISATION		
1st July	**(2,211,568,175)**	**(1,313,417,758)**
Charge for the year	(742,676,197)	(898,150,417)
As at 30 June	**(2,954,244,371)**	**(2,211,568,175)**
NET BOOK VALUE	**15,775,062,079**	**16,517,738,275**

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

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

19. INTANGIBLE ASSETS

	2023	2022
COST	**KShs**	**KShs**
1st July	1,920,039,498	1,896,584,118
Additions	13,726,737	23,455,380
30th June	**1,933,766,235**	**1,920,039,498**
AMORTISATION		
1st July	1,896,447,203	1,866,275,248
Charge for the year	9,667,015	30,171,955
30th June	1,906,114,218	1,896,447,203
NET BOOK VALUE	**27,652,017**	**23,592,295**

Intangible assets comprise cost of purchased computer software. Computer software costs are amortised over three years.

20. RIGHT-OF-USE (ROU) ASSET

	2023	2022
COST	**KShs**	**KShs**
At start of year	-	-
Additions	124,602,595	-
At end of year	**124,602,595**	**-**
AMORTISATION		
At Start of year	-	-
Charge for the year	(25,958,873)	-
At end of year	**(25,958,873)**	**-**
Net Book Value	**98,643,722**	**-**

As a lessee, the Company entered into a lease agreement in June 2022 for leasing motor vehicles from Government identified dealers. The leased motor vehicles were delivered in September and October 2022.

The following are the amounts recognised in the profit or loss.

	2023	2022
	KShs	**KShs**
Depreciation expense of right-of-use assets	25,958,873	-
Interest expense on lease liability	11,353,575	-
Expense relating to maintenance costs	28,790,092	-
	66,102,540	**-**

21. INVESTMENTS – at cost

	2023 KShs	2022 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.

22. 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 (2022 - nil). An actuarial valuation of the scheme's assets and the present value of the defined benefits obligation as at 30th June 2023 was carried out in August 2023 by the scheme's actuaries, Ruparelia Consultants Ltd. for the purpose of preparing IAS 19 Disclosures. The valuation included prior year disclosures hence FY 2021 comparative figures are provided in this note.

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

Particulars	2023	2022
Discount rate(s)	15%	13.3%
Future salary increases	5%	5.0%
Future pension increases	0%	0.0%

Particulars	2023	2022
Mortality (pre-retirement)	A1949 - 1952	A1949-1952
Mortality (post-retirement)	PMA/PXA 1992 ales	a (55) m/f
		At rates consistent with similar arrangements
Withdrawals		At rates consistent with similar arrangements
Ill health		50% at 55 and 100%
Retirement age	at 60 years	60 years

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

Particulars	2023	2022
	KShs	KShs
Total service cost	-	**48,016,365**
Interest costs:		
Interest cost on defined benefit obligation	762,896,412	780,214,291
Interest income on plan assets	(1,057,076,174)	(1,082,830,300)
Interest on the effect of the asset ceiling	**286,642,070**	**130,588,098**
Net interest income	**(7,537,692)**	**(172,027,911)**
Components of defined benefits plan recognised in profit or loss	**(7,537,692)**	**(124,011,546)**

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

Particulars	2023	2022
	KShs	KShs
Present value of funded defined benefit obligation	4,689,674,125	5,978,782,568
Fair value of plan assets	7,345,102,105	8,133,986,099
Net underfunding in funded plan	(2,655,427,980)	(2,155,203,531)
Limit on defined benefit asset	1,327,713,990	2,155,203,531
Present value of defined benefit (asset)	**(1,327,713,990)**	-

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

Particulars	2023	2022
	KShs	KShs
Net asset at the start of the year	2,155,203,531	939,482,722
Net income recognised in the income statement	286,642,070	130,588,098

Particulars	2023 KShs	2022 KShs
Employer contributions		
Amount recognised in other comprehensive income	(1,114,131,611)	1,085,132,711
Present value of overfunded defined benefit asset	**1,327,713,990**	**2,155,203,531**

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

Particulars	2023 KShs	2022 KShs
Opening defined benefit obligation	5,978,782,568	5,835,855,968
Current service cost	-	48,016,365
Interest cost	762,896,412	780,214,219
Contributions from plan participants	-	-
Actuarial (gain)/loss	(1,550,929,083)	(143,664,297)
Benefits paid	(501,075,771)	(541,639,758)
Closing defined benefit obligation	**4,689,674,125**	**5,978,782,568**

Particulars	2023 KShs	2022 KShs
Opening fair value of plan assets	(8,133,986,099)	(8,060,965,923)
Interest income on plan assets	(1,057,076,174)	(1,018,795,042)
Contributions from the employer	(117,000,000)	-
Employee contributions	-	-
Benefits paid	501,075,771	541,639,758
Return on plan assets excluding amount in interest income	1,461,884,397	468,170,366
Closing fair value of plan assets	**(7,345,102,105)**	**(8,133,986,099)**

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

Particulars	2023 KShs	2022 KShs
Equity instruments	1,214,433,342	1,722,464,722
Debt instruments	3,784,716,638	3,945,065,494
Property	2,039,900,000	2,236,592,730
Call and fixed deposit	306,052,125	194,442,101
Total Scheme (Assets)	**7,345,102,105**	**8,133,986,099**

c) Defined Contribution Scheme:

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

23. INVENTORIES

Particulars	2023	2022
	KShs	KShs
Spare parts and consumables	2,504,004,345	2,428,756,401
Provision for obsolete stocks	(63,473,563)	(82,357,419)
Provision for Stock	-	(2,476,023)
	2,440,530,782	**2,343,922,959**

Reconciliation of impairment allowance for inventory

	FY 2023	FY 2022
At the beginning of the year	**82,357,419**	**79,731,844**
Additional provisions during the year	-	2,625,575
Recovered during the year	(18,883,856)	-
Written off during the year	-	-
At the end of the year	**63,473,563**	**82,357,419**

24. TRADE AND OTHER RECEIVABLES

Particulars	2023	2022 Restated
	KShs	KShs
Trade receivables	13,154,750,471	10,065,175,278
Staff loans and advances	1,917,944,862	1,770,135,850
VAT recoverable	2,504,057,082	1,744,055,338
With-holding tax receivable	63,629,621	74,175,474
Prepaid construction costs	106,656,301	106,656,301
Prepaid expenses	214,827,927	1,088,946,759
Refundable deposits	9,477,446	9,477,446
Other debtors	3,459,097,441	3,104,510,456
	21,430,441,153	**17,963,132,902**
Provision for bad and doubtful debts	(8,039,864,291)	(6,537,035,188)
	13,390,576,861	**11,426,097,714**

Particulars	2023 KShs	2022 Restated KShs
Recoverable as follows:		
Current Assets:		
Within one year	**10,073,913,596**	**8,283,971,264**
Non-current assets:		
After one year -staff loans-	1,450,012,416	1,438,100,435
Long-term receivables	1,866,650,849	1,704,026,015
	13,390,576,861	**11,426,097,714**

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

Ageing analysis of the Trade receivables was as follows:

Particulars	2023 KShs	2022 KShs
Less than 30 days	3,981,482,420	2,365,428,549
Between 30 and 60 days	62,859,556	1,284,157,695
Between 61 and 90 days	365,073,880	119,129,164
Between 91 and 120 days	15,283,338	298,743,388
Over 120 days	5,742,414,646	5,997,716,481
	10,167,113,870	**10,065,175,278**

Provision for Bad & Doubtful Debts

Description	Specific Provisions KShs	General Provisions KShs	Other Provisions KShs	Total KShs
Balance at the Start of year	6,506,260,359	30,774,829	-	6,537,035,188
Additional Provisions	891,514,904	20,328,129	-	911,843,033
Recovered during the year	(187,416,188)	-	-	(187,416,188)
Change due to Forex Valuation	778,402,259	-	-	778,402,259
Balance at the end of the year	**7,988,761,334**	**51,102,957**	**-**	**8,039,864,291**

25. CASH AND SHORT-TERM DEPOSITS

a) Short Term Deposits	2023	2022
	KShs.	KShs.
Fixed deposits	**9,338,957,389**	**7,786,148,607**

The fixed deposits have a tenor of three months and the effective interest rate in the year was 10.55% p.a. (2022 – 9.25%).

Fixed Deposit as at June 30, 2023

Bank name	Amount	Interest rate
NCBA	351,497,503	9.00%
Equity Bank	2,490,444,976	9.80%
ABSA Bank	400,000,000	12.25%
Cooperative Bank	2,502,158,923	9.70%
KCB Bank	3,594,855,996	12.00%
	9,338,957,398	**10.55%**

b) Bank and Cash Balances

	Particulars	Account No.	2023	2022
			KShs	KShs
1.	ABSA Bank Kenya Plc	0948011697	197,511	216,519
2.	NCBA Bank Kenya (KShs)	6634970017	29,794,481	416,421,317
3.	NCBA Bank Kenya (USD)	6634970025	30,045	1,016,112,413
4.	Standard Bank (KShs)	104023872500	354,423,753	143,417,057
5.	Standard Bank (USD)	8704023872500	706,681,777	539,206,130
6.	Stanbic Bank (KShs)	100000534425	357,418,475	177,823,855
7.	Stanbic Bank (USD)	100000681347	356,790,898	79,934,514
8.	Citibank (KShs)	104052002	400,847,575	71,225,159
9.	Citibank (USD)	104052029	84,075,886	36,886,316
10.	Coop-Bank	1136028439200	41,204,429	46,642,403
11.	Coop-Bank (USD)	2120028439200	583,708	20,290,531
12.	Equity Bank (KShs)	560291247368	21,903,890	28,952,278
13.	Equity Bank (USD)	560261355277	35,578,841	2,310,305
14.	Kenya Commercial Bank	1108981061	2,246,521	32,001,476
15.	Petty Cash		1,035,984	2,778,473
			2,392,813,774	**2,614,218,743**

26. TAXATION (RECOVERABLE)/PAYABLE

Particulars	2023 KShs	2022 Restated KShs
Balance brought forward	(827,398,507)	(888,115,224)
Charge for the year (Note 14(a))	3,009,935,907	315,690,160
Installment tax payments in the year	(237,070,900)	(103,336,300)
Balance of FY 2022 tax paid	(115,243,217)	-
Withholding tax paid on rent income	-	(26,813,675)
Advance tax paid	-	(734,610)
Withholding tax paid on interest income	(114,419,432)	(124,088,856)
	1,715,803,852	**(827,398,507)**

27. SHARE CAPITAL

Particulars	2023 KShs	2022 KShs
Authorised: 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**

28. 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.

The Company contracted an independent valuer, M/S Tysons Limited, to carry out valuation of its Land and certain classes of Property, Plant and Equipment and which amounts were adopted on June 30, 2021.

29. 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.

30. DEFERRED TAX LIABILITY

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

Particulars	2023 KShs	2022 Restated KShs
Deferred tax liability		
Accelerated capital allowances	17,265,686,710	18,265,076,393
Deferred tax on revaluation surplus	3,942,813,371	3,698,508,515
Interest receivable	(31,456,653)	

Particulars	2023 KShs	2022 Restated KShs
Unrealised exchange gains	842,816,786	266,729,552
	22,019,860,213	**22,230,314,460**
Deferred tax assets		
Provisions	(1,861,402,184)	(1,685,100,115)
Interest payable	29,593,117	
Deferred tax on tax losses	-	(472,546,009)
	(1,831,809,067)	**(2,157,646,125)**
Net deferred tax liability	**20,188,051,145**	**20,072,668,334**
The movement in Deferred Tax was as follows:		
At 1st July (as previously reported)	20,072,668,334	19,803,685,014
Prior year adjustment (Note 33)	-	(79,096,216)
	20,072,668,334	19,724,588,798
Deferred tax charge to Profit or Loss (Note 14)	(128,922,045)	2,079,218,287
Deferred tax charge to equity	244,304,856	(1,731,138,750)
At the end of the year	**20,188,051,145**	**20,072,668,334**

31. TRADE AND OTHER PAYABLES

Particulars	2023 KShs	2022 Restated KShs
Trade payables	5,138,225,002	984,873,689
Other payables	5,449,478,932	2,513,659,899
Catering, training & tourism development levy	(182,134)	-
Leave pay provision	205,759,462	144,653,919
Withholding tax payable	23,230,404	19,697,574
	10,816,511,667	**3,662,885,082**

32. LEASE LIABILITY

	2023 KShs	2022 KShs
At start of year	124,602,595	-
Additions for the year	-	-
Interest charge	11,353,575	-
Payment of interest	(11,353,575)	-
Payment of principal	(19,747,084)	-
	104,855,511	**-**

The carrying amount of the current portion is KShs 29,195,824 while the non-current portion is KShs 75,659,687

33. LONG TERM LOAN

Particulars	2023 KShs	2022 KShs
Syndicated loan (Long term portion)	3,367,442,249	10,098,826,050
Syndicated Loan (current portion)	**3,367,459,000**	**5,049,420,250**

EXTERNAL BORROWINGS

Particulars	2023 KShs	2022 KShs
Balance at beginning of year	15,148,246,301	18,486,582,106
Borrowings during the year	-	-
Loan adjustment	1,833,851,182	1,532,765,290
Repayments during the year	(10,247,196,232)	(4,871,101,097)
Balance at the end of the year	**6,734,901,249**	**15,148,246,301**

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

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

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

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

34. DIVIDENDS PAYABLE

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

35. PROVISIONS

Provisions on Employee Benefits

Description	Long service leave	Bonus Provision	Gratuity provisions	Staff debtors provisions	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	144,653,919	550,614,875	91,903,663	-	787,172,457
Additional Provisions	-	254,872,864	57,698,557	281,200,437	593,771,857
Provision utilised	-	-	-	-	-
Balance at the end of the year	**144,653,919**	**805,487,739**	**149,602,220**	**281,200,437**	**1,380,944,314**

36. NOTES TO THE STATEMENT OF CASH FLOWS

Particulars	2023	2022 Restated
	KShs	KShs.
a) Reconciliation of operating profit to cash generated from operations		
Profit before tax	7,607,438,155	6,296,145,113
Adjustments for:		
Depreciation (Note 17)	4,982,012,039	5,859,576,034
Amortisation of leasehold land (Note 18)	752,343,211	898,150,417
Amortisation of intangible assets (note 19)	9,667,015	30,171,955
Amortisation of right-of-use asset (note 20)	25,958,873	-
Impairment loss on Work in Progress	508,428,162	71,011,105
Provision for bad debt	725,342,119	1,067,139,083
Adjustment of accruals and debit balances		(506,722,886)
Provision for stock obsolescence	56,880,396	2,625,575
Write back of stock provision	(18,777,604)	-
Retirement benefit plan credit	(7,537,693)	-
Loss/(gain) on disposal of property, plant and equipment (Note 10)	34,340,302	(12,877,713)
Interest income (Note 8(a))	(883,056,483)	(823,215,642)
Interest expense (Note 8(b))	970,109,062	836,785,562
Interest expense on lease liability	11,353,575	-
Forex adjustment on reserves	5,059,634	-
Fair value adjustment through Revaluation Reserve	633,390,246	-

Particulars	2023 KShs	2022 Restated KShs.
Fair value adjustment through Retained Earnings	42,574,290	-
Operating profit before working capital changes	**15,455,525,298**	**13,718,788,603**
Increase in inventories	(80,373,851)	261,483,411
Increase in trade and other receivables	(3,261,608,545)	(227,905,619)
(Increase)/Decrease in long-term receivables-Staff loans	(11,911,981)	(21,937,293)
Increase/(decrease) in provision for staff leave pay	61,105,543	(16,899,759)
Increase/(decrease) in loan adjustment	1,833,851,182	1,532,765,290
(Decrease)/increase in trade and other payables	7,175,777,583	(875,685,128)
Cash generated from operations	**21,172,365,228**	**14,370,609,505**
b) Analysis of changes in loans		
Balance at the beginning of the year	15,148,246,300	18,486,582,106
Repayments during the year	(10,247,196,232	(4,871,101,097
Foreign exchange gains/losses	1,833,851,182	1,532,765,290
Balance at end of the year	**6,734,901,249**	**15,148,246,300**
c) Analysis of cash and cash equivalents		
Short term deposits (Note 24(a)	9,338,957,389	7,786,148,607
Bank and cash balances	2,392,813,774	2,614,218,743
	11,731,771,163	**10,400,367,349**
d) Analysis of interest paid:		
Interest on loans	958,755,487	836,785,562
Interest on lease liability	11,353,575	-
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Interest paid	**970,109,062**	**836,735,562**

Particulars	2023 KShs	2022 Restated KShs.
e) Analysis of dividend paid		
Balance at beginning of the year		
2020 dividends paid	-	-
2021 interim dividends paid	-	8,000,000,000
Balance at end of the year	-	-
Dividend paid	**-**	**8,000,000,000**

37. 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 has provided full guarantees to all long-term lenders, both domestic and external, of the Company.

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:

a) Sales to related party

	2023 KShs	2022 KShs
Services provided to National Oil Corporation (K)	**20,392,856**	**222,294,877**

b) Expenses incurred on behalf of related parties

Services received from Kenya Power & Lighting Co Limited	2,275,148,796	1,816,130,640
Services received from Ministry of Energy	-	384,000,000
	2,275,148,796	**2,200,130,640**

c) Due to related party

Deferred Income from Ministry of Petroleum & Mining – LPG Project	**80,000,000**	**80,000,000**

d) Key management compensation

	2023 KShs	2022 KShs
CEO salaries and benefits	15,338,852	13,229,901
Key Management salaries and benefits	304,051,430	278,444,024
	319,390,282	**291,673,925**
Directors Expenses: (note 11(a)		
Fees & incentives	6,360,000	6,372,000
Board retreats and general expenses	1,705,492	1,284,959
Sitting /duty allowance	7,336,000	6,100,000
Training expenses	9,540,563	3,667,172
Travel expenses and subsistence allowance	5,794,591	5,581,150
	30,736,645	**23,005,280**

38. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

Particulars	2023 KShs	2022 KShs
The company as a lessor:		
Within one year	110,984,293	108,797,126
In the second to fifth year inclusive	443,937,172	435,188,505
	554,921,465	**543,985,632**

The lease rental income earned during the year in respect of company's property amounted to KShs 111 million (2022 – KShs 109 million).

Particulars	2023 KShs	2022 KShs
The company as a lessee:		
Within one year	1,505,293,791	1,313,335,075
In the second to fifth year inclusive	6,021,175,163	5,253,340,296
	7,526,468,954	**6,566,675,370**

The total rental expense incurred during the year amounted to KShs 1.5 billion (2022 - KShs 1.3 billion).

39. CONTINGENT LIABILITIES

Particulars	2023	2022
	KShs	KShs
Pending lawsuits	16,982,133,886	21,213,920,267
Guarantees and letters of credit	101,320,852	88,070,852
	17,083,454,738	**21,301,991,119**

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

40. 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 30th June 2023 the Company held 727,836.966m^3 (2022 – 467,947m^3) third-party fuel stocks with a Hydro-Carbon Value (HCV) of KShs 68,020,865,292 (2022 – KShs 53,852,917,029).

41. CAPITAL COMMITMENT

	2023	2022
	KShs	KShs
Amounts Authorised	16,304,543,907	7,667,242,345
Less: Amounts incurred and included in work-in-progress	**9,475,611,943,**	**717,925,143**

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

42. PRIOR YEAR ADJUSTMENTS

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

For the year ended 30th June 2022	Note below	As previously reported	Prior year adjustment	Restated
		KShs	KShs	KShs
Depreciation	(i)	6,046,788,340	(187,212,306)	5,859,576,034
Amortisation	(ii)	880,980,676	47,341,696	928,322,372
Taxation charge	(iii)	2,331,771,360	63,137,088	2,394,908,448
Effect on retained earnings	(iv)	70,377,568,717	435,430,785	70,812,999,502

b) Restatement of audited statement of financial position

For the year ended 30th June 2022	Note below	As previously reported	Prior year adjustment	Restated
		KShs	KShs	KShs
Assets				
Property, Plant & equipment		85,978,670,508	150,518,837	86,129,189,345
Leasehold land		18,580,547,384	(2,062,807,129)	16,517,740,255
		104,559,217,892	**(1,912,288,292)**	**102,646,929,600**
Equity & Liabilities				
Deferred tax liability	(v)	20,088,627,464	(15,959,130)	20,072,668,334
Revaluation Reserve	(vi)	19,383,820,589	(2,331,759,947)	17,052,060,642
Retained Earnings	(vii)	70,377,568,717	435,430,785	70,812,999,502
		109,850,016,770	**(1,912,288,292)**	**107,937,728,478**
For the year ended 30th June 2021		**As previously reported**	**Prior year adjustment**	**Restated**
Assets				
Property, Plant & equipment		97,186,140,519	(36,693,469)	97,149,447,050
Leasehold land		19,431,356,105	(2,015,465,433)	17,415,890,672
		116,617,496,624	**(2,052,158,902)**	**114,565,337,722**
Equity & Liabilities				
Deferred tax liability		19,803,685,014	(79,096,218)	19,724,588,796
Revaluation reserve		23,614,175,327	(2,331,759,947)	21,282,415,380
Retained earnings		74,553,065,574	358,697,263	74,911,762,837
		117,970,925,915	**(2,052,158,902)**	**115,918,767,013**

NOTES

(i) Relates to adjustments on depreciation expenses on completion of items recorded in the fixed assets register.

(ii) Relates to adjustment of additional amortisation charge after completion of items recorded in the fixed asset register.

(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 refinement of items recorded in the fixed asset register.

(v) Relates to the net impact on deferred tax liability as a result of adjustment 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 the retained earnings of adjustments recorded to depreciation expense and leasehold land amortisation on completion of refinement of items of property, plant and equipment.

43. 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 minimise 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 Programme focuses on the unpredictability of changes in the business environment and seeks to minimise 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 operations.

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 minimised by utilising foreign currency reserves to settle maturing obligations. Revenue is spread on a 50-50 basis in local and foreign currencies (USD). As at end of the year, the carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities are as follows:

	GBP	EUR	USD	ZAR
	KShs	KShs	KShs	KShs
At 30 June 2023				
Financial assets				
Bank and cash balances	-	-	1,182,620,554	-
Short term deposits	-	-	1,411,339,966	-
Trade receivables	-	-	7,546,330,267	-
	-	**-**	**10,140,290,787**	
Financial liabilities				
Trade payables	-	(136,484,578)	(933,645,090)	57,953
Long Term Loan	-	-	(6,734,901,241)	-
Net exposure	**-**	**(136,484,578)**	**2,471,744,456**	**57,953**

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

(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.

	2023	2023	2022	2022
	KShs	KShs	KShs	KShs
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - GB pounds				
+ 10 percentage point movement	1,842	1,289	(69,591,178)	(48,713,825)
- 10 percentage point movement	(1,842)	(1,289)	69,591,178	48,713,825
Currency – Euro				
+ 10 percentage point movement	(294,451)	(206,116)	(331,000,139)	(231,700,097)
- 10 percentage point movement	294.451	206,116	331,000,139	231,700,097
Currency - US dollars				
+ 10 percentage point movement	161,461,132	113,022,793	413,104,028	289,172,820
- 10 percentage point movement	(161,461,132)	(113,022,793)	(413,104,028)	(289,172,820)

The US Dollar's 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 favourable interest rates.

Sensitivity analysis

The Company 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 9,533,902 (2022: KShs 8,367,856). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 47,669,510 (2022 –KShs 41,839,278).

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 the debt control unit.

Trade receivables consist of major players in the petroleum oil industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee is requested.

The Company's maximum exposure to credit risk as at 30 June 2023 is analysed in the table below:

Particulars	Fully Performing	Past Due	Impaired	Gross Total
	KShs	KShs	KShs	KShs
Trade receivables	4,042,531,555	577,956,636	5,542,580,301	10,163,068,492
Other receivables	38,530,153	90,811,829	1,090,759,438	1,220,101,420
Bank balances	2,391,693,172	-	-	2,391,693,172
Short term deposits	9,338,957,389	-	-	9,338,957,389
	15,811,712,269	**668,768,465**	**6,633,339,739**	**23,113,820,473**

The Company's maximum exposure to credit risk as at 30th June 2022 is analysed in the table below:

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

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

c) Liquidity Risk Management

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

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

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

Particulars	Within 12 months	Over 12 months	Total
	KShs	KShs	KShs
At 30th June 2023:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	5,070,439,917	-	5,070,439,917
Other payables and accruals	5,510,515,998	-	5,510,515,998
	10,580,955,915	**80,000,000**	**10,660,955,915**
At 30th June 2022:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	1,200,490,747	-	1,200,490,747
Other payables & accruals	2,678,011,393	-	2,678,011,393
	3,878,502,140	**80,000,000**	**3,958,502,140**

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 Company's capital structure comprises of the following funds:

Particulars	2023	2022
	KShs	KShs
Revaluation reserve	12,945,945,335	19,383,820,589
Retained earnings	77,965,508,442	70,377,568,717
Capital reserve	875,754,923	875,754,923
Total funds	**91,787,208,701**	**90,637,144,228**
Total borrowings	6,734,901,249	15,148,246,300
Less: cash and bank balances	(11,730,650,651)	(10,400,367,349)
Net debt/ (excess cash and cash equivalents)	**4,995,749,402**	**4,747,878,951**
Gearing	**5%**	**5%**

44. INCORPORATION

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

45. EVENTS AFTER THE REPORTING PERIOD

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

46. CURRENCY

Financial statements are presented in Kenya Shillings (KShs.

APPENDICES

APPENDIX 1:

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	Person Responsible:	Status:	Timeframe:
	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 85,978,670,508 as disclosed in Note 17 to the Financial Statements. As previously reported, the balance is made up of fair values of the assets determined by an independent valuer engaged by the Management in 2019, which have been adjusted for accumulated depreciation in the three (3) years up to 30 June 2022. However, several assets comprising freehold land, buildings, fibre optic cable and motor vehicles with a book value of KShs 7,382,233,566 as at the time of valuation on 1 July, 2019 were not revalued by the independent valuer, and their current book value is based on the historical costs and previous revalued amounts adjusted for accumulated depreciation. This contravenes the requirements of the International Accounting Standard (IAS) 16 —Property, Plant and Equipment which provides that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. In the circumstances, the accuracy of the property, plant and equipment balance of KShs 85,978,670,508 could not be confirmed.	The non-valued assets with a book value of Kshs. 7.3 billion were revalued in July 2023 and the revalued figures adopted in the audited books of accounts in the financial year 2022/2023 The issue raised by the auditors relating to the assets not being valued was for various reasons as explained below: i) Balance of Kshs. 3.9 billion relates to communication equipment including Fibre Optics Cable (FOC) which had elements of both software and hardware components. However, FOC value was considered fair because it had been acquired one year before the revaluation in year 2018. ii) Some equipment not valued were combined and valued as one unit while they had been capitalized as separate assets with an estimated value of Kshs.1 billion. This anomaly was corrected in the year 2022/2023. iii) The other balances relate to non-valued assets, Kshs 2.4 billion	GM (Finance)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
2.	**Irregular Disposal of Company land** The statement of financial position reflects leasehold land valued at KShs 18,580,547,383 as further disclosed in Note 18 to the Financial Statements. Included in the value is a piece of land in Nakuru County measuring 19.07 hectares (47.10 acres) with a book value of KShs 697,661,254 from which a portion measuring 15.8 hectares (39 acres) was sold to a private company in 2007at a cost of KShs 7,890,000 and a transfer of title signed in 21st September 2021. Despite the land having been sold in 2007, the title of the land remained in the Company name until September 2021, when the lease title was signed off. In addition, the Company has over the years continued to reflect the value of the entire parcel in its books. An independent valuer engaged by the Company in 2019 to undertake the valuation of the Company assets reported that the Company only occupies 5 acres valued at KShs 75,000,000 with the rest of the parcel measuring 42.10 acres valued at KShs 625,000,000 being occupied by encroachers who had erected permanent structures on the land. Further, documents supporting disposal of the land including approval from the Company's Board of Directors and the National Treasury, land valuation report, invitation, receipt and evaluation of bids from interested parties and evidence of receipt of cash from the sale were not provided for audit review. In the circumstances, the accuracy, ownership and valuation of leasehold land valued at KShs 18,580,547,383 at 30 June 2022 could not be confirmed. Additionally, the regularity and value for money in respect of the sale of Company land could not be confirmed.	KPC has possession of 8 acres (3.27 ha) with a valid title deed. The 42acres (15.8 ha) were disposed after seeking approval from ministry of Finance. This was disposed as per the disposal PPDA Act 2005 Only 3 meters were encroached by a power sub station. An agreement was entered for change of common boundaries to enable KPC to take back the land encroached and cede an equivalent portion of the land by changing co-ordinates. A surveyor was engaged, and new beacon plus beacon certificate has been issued. The surveyor's report is pending registration of the amended deed-plan. Beacon Certificate for LR 111964/23	GM (Company Secretary, Legal Services)	Resolved	30th June 2023

<table>
<tr><th>Ref. No. on the external audit Report</th><th>Issue/Observations from Auditor</th><th>Management comments</th><th>Person Responsible:</th><th>Status:</th><th>Timeframe:</th></tr>
<tr><td>3.</td><td>Trade and Other Receivables
3.1 Inaccuracies in Provision for bad and Doubtful Debts

The Statement Financial position reflects trade and other receivables balance of KShs 8,299,164,842 which has been reported net of provision for bad and doubtful debts and long-term portion of the receivables. As disclosed under note 23 (b) to the Financial Statements, the Management made general and specific provisions for bad and doubtful debts at KShs 6,534,415,620 in respect of the receivables for the year under review. Review of the Receivables Ledger reflected a balance of KShs 5,356,240,930 in respect of the outstanding trade debtors as at 30th June 2022 that was over 180 days. A provision of 10% of the outstanding trade debtors for over 180 days in line with the Company's Policy on general provision would have translated to KShs 535,624,093. However, the management made provisions totaling KShs1,324,742,232 resulting in overprovision of KShs 789,118,139- which was not explained.</td><td>The movement in provisions is made up of Specific, General & Other provisions as detailed below:

SPECIFIC PROVISIONS: 941,341,586
GENERAL PROVISIONS: 28,244,728
OTHER PROVISIONS: 22,076,686
TOTAL PROVISIONS: 991,663,001
Change due to Forex Valuation: 332,879,231
1,324,742,232

i. As per the policy, a provision of 10% of the outstanding trade debtors for over 180 days should be made. In reporting financial year, there may seem to be an "overprovision" of Kshs. 434,995,555 but specific provisions have to be excluded first in full.

ii. The Management makes full specific provisions for trade debtors where the collection of the debt is doubtful. Full provisions are also made for debts that</td><td>GM

(Finance)</td><td>Resolved</td><td></td></tr>
<tr><td></td><td>3.2 Inaccuracies in Value Added Tax Recoverable

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

In the circumstances, the accuracy and completeness of VAT recoverable balance of KShs 1,744,055,338 could not be confirmed.</td><td>The amount of Kshs. 914,987,560.68 relates to debit adjustment vouchers (DAV's) KRA issued to KPC reducing KPC's tax credit. KPC contested the decision to KRA through Tax dispute Resolution.

KRA has acknowledged through letters to KPC that the V.A.A. claims are valid and are committed to resolve the issue. The returns for February, April and May 2016 were amended accordingly.</td><td>GM

(Finance)</td><td>Resolved</td><td>31st January 2024</td></tr>
<tr><td>4.</td><td>Unreconciled Related Entities Balances

The Statement of Financial position reflects balances of KShs 3,898,439,964 in respect of trade and other payables as disclosed in Note 30 to the financial statements. The payables balance includes KShs 210,869,118 due to Kenya Petroleum Refineries Limited (KPRL) as at 30 June, 2022. However, KPRL books and records as at 30 June, 2022 reflected an amount receivable from the Company as KShs 520,109,608 resulting in a variance of KShs 309,240,490. Although Management provided a reconciliation for the variance, the same was not acknowledged and was disputed by KPRL management.

In the circumstances, the accuracy of the trade and other payables of KShs 3,898,439,964 could not be ascertained.</td><td>The variance (KPC- KPRL) largely relates to withheld tax of 10% on lease rental payments at Kshs. 297,812,446.51. These amounts are withheld as per the respective Acts & KRA ruling.

The are other payables relate to contested invoices for Early Oil Pilot System (EOPS) and rent payments recovered from staff residing in KPRL staff housing estate that are now resolved.

KPC Management engaged with KPRL, and the balances have been cleared.</td><td>GM (Finance)</td><td>Resolved</td><td></td></tr>
</table>

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	Emphasis of matter				
1.	**Land Without Titles** **1.1 Freehold Land** The Statement of Financial position for the year ended 30 June 2022 reflects property, plant and equipment balance of KShs 85,978,670,508. As disclosed in Note 17 to the Financial Statements, included in the freehold land balance of KShs 1,911,111,785 are five (5) parcels of land valued at KShs 42,350,000, allocated to the Company in the 1970s and 1990s for pipeline infrastructure, for which the Company has no title deeds. According to Management, the land was allotted from trust land and there have been delays in demarcation of the areas and adjudication processes required to facilitate acquisition of title deeds. However, there was no evidence of efforts made by Management to ensure that the process of land adjudication is concluded and yet the lands were allocated to Kenya Pipeline Company more than 20 years ago. Further, review of the records maintained at the Company revealed that a parcel of land purchased from a private vendor could not be registered as the title deed for the plot is charged to Kenya Commercial Bank for loan taken by the owner. Although management indicated that it is engaging Kenya Commercial Bank directly to resolve the matter, no evidence of such engagement was provided. Further, no records of the said land were available at the Company and as such the carrying amount of the said parcel of land could not be confirmed. In the circumstances, the accuracy and completeness of Property Plant and Equipment of KShs 85,978,670,508.00 could not be ascertained.	**NAIVASHA MUCHIRINGIRI BLOCK 4/4224 0.04Ha** - the land was charged to KCB for a loan the seller (deceased) took from the bank. KPC successfully engaged the administrators of the estate of the seller and their lawyers. The charge on the property was discharged and the Original Title & Transfer released to KPC. KPC has obtained the Title. **PUMP STATION(PS) 26A L.R. NO UASIN GISHU/ BURNT FOREST/2/99** - In 1993/94, KPC purchased the parcel of land for the construction of permanent installations for the transition point at Sinendet, Burnt Forest. The land was later found to have been sold off to another buyer and KPC land had not been excised. KPC's ownership of PS 26 parcel is uncontested. Assurance has been given that they will deliver the title to KPC in 2024. **MAKINDU PS 6 KIBOKO "A" Settlement Scheme 29 Acres** - KPC was allotted the land by the Government of Kenya vide an offer letter dated 8th December 2005. Confirmation was made by the Ministry of lands in June 2023 that the parcel of land belongs to KPC. The process of preparing a discharge and a transfer of the land to KPC was ongoing. **MAUNGU PS-3 L.R No. 15030/2 13.26Ha** - KPC was allocated an unsurveyed plot of land in Maungu by the Commissioner of Lands in 1975. The process of acquisition of the title commenced on 20th July 2006. A Part Development Plan was prepared and forwarded to the Director of Physical planning on 13th July 2007. Upon inquiry of the status vide a letter dated 18th September 2023, officers at the Survey office confirmed that they were still trying to obtain the land records of the said parcel of land. **MTITO ANDEI - (PS-5) Mangelete Scheme/2454/Mtito Andei L.R No. 2454; 20.14 Ha** - The plot falls under the Mangelete Settlement Scheme. Due to the unregistered status of the Mangelete Scheme, the Title Deed for the plot is yet to be processed.	GM (Company Secretary, Legal Services)	Not Resolved	30th June 2024

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
2.	**Leasehold Land** Included in the leasehold land balance of KShs18,580,545,383.00 as disclosed in Note 18 to the Financial Statements is parcel of land with a net book value of KShs 5,210,102,489.00 which the Company was allocated by the Government in 1976. However, the Company did not have a title deed for the parcel. Further, information provided during the audit indicates the parcel where Embakasi Depot sits and carried in the books at KShs 5,210,102,489.00 has had its title deed issued to Kenya Airports Authority. Additionally, in a parcel of land located in Mombasa County was carried in the books at Nil netbook value since it had been fully amortised. However, during the re-valuation of the Company's assets by an independent valuer in 2019, the land was valued at KShs 750,000,000 The company could not carry the new cost to its books due to the expiry of the allotment on 1st July 2019. However, the Company continues to possess critical, strategic and high value infrastructure in the two parcels of land which serves the country both at Jomo Kenyatta International Airport and Moi International Airport. Although management had written severally to the Ministry of Lands and Housing, National Lands Commission and Kenya Airports Authority to have the parcels transferred and lease renewed on the matter, no responses were received. As a result, the accuracy and completeness of Property Plant and Equipment of KShs 18,580,547,384 could not be ascertained.	Vide a letter dated 13th February 2023, KPC wrote to the PS, Ministry of Energy and Petroleum requesting through his office for the Cabinet Secretary, Ministry of Lands and Physical Planning to: a) Approve the alienation of L.R. No. 9042 containing KPC's PS9 from IR 70118/1. b) Approve the issuance of a separate title to KPC for the L.R. No. 9042/225 measuring 10.22 Ha. c) Approve the alienation of L.R. No. MN/VI/4406 for KPC's Depot Ps 12 Mombasa from the mother title for Mombasa Airport Land. d) Issue a separate title to KPC for the L.R. No. MN/VI/4406 for KPC's Depot Ps 12 measuring 10 acres. On 21st July 2023 KPC wrote to KAA requesting for 99-year Leases at Peppercorn rent. On 27th September 2023 KPC had a meeting with the PS, Lands together with KAA and the National Land Commission. It was agreed in the said meeting that KAA would amend their policy to allow issuance of long-term leases to KPC for the JKIA and MIA fuel storage Depots.	GM (Company Secretary, Legal Services)	Not resolved	30th June 2024
3.	**Disputed Amount Payable to a vendor** As disclosed in Note 37 of the Financial Statements, contingent liabilities during the year amounted to KShs 21,301,991,119 comprising of KShs 21,213,920,267 and KShs 88,070,852 in respect of pending lawsuits and guarantees and letters of credit respectively. Included in the pending lawsuits is an amount of USD 3,845,695s (KShs 453,147,487) claimed by a vendor of hydrant pit valves and associated spare parts supplied to the Company in 2017/2018 financial year. The Company had made a 40% advance payment to the vendor, with the remainder 60% payable upon delivery acceptance of the items. Although the valves were received and later utilised at the Company, the price of the items was disputed and subjected by criminal investigations and prosecutions by Ethics and Anti-Corruption Commission (EACC). The vendor has since moved to court demanding for payment of the remaining 60% of the invoice amount. Management indicated that both cases were still pending before the High Court awaiting determination. In the circumstances, value of the items supplied by the vendor and the amount of liability owing to the vendor could not be ascertained.	The correct book entries have been made as per the auditor's recommendation by reclassifying the prepayment back to the liability ledger. The utilised parts have been expensed accordingly and the pending items are reflected in the balance sheet as stock items. These matters are still in court and are yet to be concluded.	GM (Finance)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	Report on Lawfulness and Effectiveness in use of Public Resources				
1	**Long Outstanding Balances** The Statement of the Financial position reflects trade and other receivables of KShs 11,656,908,350. As disclosed under note 23 to the financial statements, the balance includes KShs 10,065,175,278 in respect of trade debtors among them Oil Marketing Companies (OMCs), which had been outstanding for more than 180 days according to the aging analysis. According to the Transportation Service Agreements between OMCs and Kenya Pipeline Company (KPC), the Company shall have a lien on equivalent Product Quantity up to the extent of the exposure belonging to OMC in the custody of KPC after 45 days and shall be at liberty to sell all such products and apply the proceeds of such sale in or towards the satisfaction of such lien and all proper charges and expenses in relation thereto. However, there were no measures put in place to ensure that the debts are collected from the Oil Marketing Companies within the existing framework. Under the circumstances, it has not been possible to confirm the effectiveness of internal controls measures put in place to collect outstanding debt.	Total Trade debtors Receivable as at 30.6.2022 (oil marketing Companies) was Kshs. 8,310,057,984.19, while total the Trade debtors over 180 days was Kshs. 5,356,268,194.79 out of which Kshs. 3,396,261,485.75 relates to Kenol Kobil debt in which the case is still in court and a provision has been made for the full amount. The Company has put in place measures to ensure that debts are recovered within reasonable time. Customers are sent reminder before due dates and services are suspended if the customers do not pay within 30 days. Suspension is lifted on payment or written payment programme for the debt. Most of the outstanding debts are collected within 45 days for active customers and undisputed invoices. For dormant customers, management makes provision for debts over and above line fill. Management has appointed 11 lawyers to sell line fill for 11 OMC's with the highest debts.	GM (Finance)	Resolved	
2.	**Corporate Social Investment** **2.1 Non-Compliance with Policy on Budgeting** Review of the budget for the corporate social responsibility programmes revealed that Management set aside KShs120,000,000 which is above the threshold provided in the Company's Corporate Social Investment (CSI) policy which requires 1% of the company's profit before tax from the preceding year or KShs 100 million, whichever is higher, to be set aside for CSI programmes. The higher of the two is KShs 100 million which ought to have been the basis for budgeting for the corporate social responsibility programmes. Therefore, the Board and the Management are in breach of the set policies which may result in unplanned expenditure.	The company received a request for the additional Kshs. 20 Million from Rhino Ark Trust with support letter from Kenya Forest Service recommending that KPC supports the construction of an additional 60km electric fence at Mt. Kenya beyond Tigithi River. The Company sought the necessary approvals from the Board of Directors and the National Treasury for the reallocation as per the Treasury Circular Ref: DGIE/A/1/10. in consideration of the crucial need to conserve Mount Kenya Ecosystem as a critical water tower in the country. KPC has also revised its CSI policy to meet the emerging realities and capture the requirements arising from its recent registration.	GM (Strategy)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	2.2 Unbudgeted Expenditure During the year under review, the Company paid KShs 20,000,000 to a Charitable Trust towards labour costs to extend the Mt. Kenya fence by 60 kilometres from Tigithi River towards Nanyuki Forest Station as part of Corporate Social Investment. The donation followed a request on 19th May 2022 for the Trust for additional support. However, the project was factored in the approved annual Corporate Social Investment plan for the year under review. In addition, the company donated KShs 18,859,250 to the above Trust for similar works in April 2021. According to a monitoring and evaluation report done by Kenya Pipeline Company dated November 2022, the construction of the fence of the 60 kilometres was at 50% completion stage and was expected to be completed in December 2022. However, the additional funding of the project was done without ascertaining the completion status of the project. Under the circumstances, the regularity and validity of the expenditure could not be confirmed.	The company received a request for the additional Kshs.20million from Rhino Ark Trust with support letter from Kenya Forest Service recommending that KPC supports the construction of an additional 60km electric fence at Mt. Kenya beyond Tigithi River as part of KPC contribution on environmental conservation. The Company through its newly appointed Board of Trustees has also revised and adopted the CSI Policy (2023) to meet the emerging realities and capture the requirements arising from its recent registration as pertains to a charitable Foundation Trust.	GM (Strategy)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
3.	**Procurement of Goods and Services** **3.1 Irregular Award of Tender to a Technically Non-Responsive Tenderer** During the year under review, the Management advertised for tender for the construction of security fence at Pump Station 9- JKIA Embakasi on 12 October 2021. The tender was opened on 8 December 2021 and subsequently evaluated, and an evaluation report dated December 2021 issued. The evaluation committee in its report recommended re-tendering of the tender since all the six (6) bidders who were evaluated at technical evaluation were non-responsive and failed at technical evaluation stage. A professional opinion dated 17th January 2022 recommended termination of the tender. However, the Accounting Officer rejected the opinion and recommended re-evaluation of the tender. The evaluation committee re-evaluated the tender and recom ended the tender to be terminated and re-tendered noting that all the six (6) tenderers failed the technical evaluation. The technical requirement was for the bidders to provide relevant experience by fencing material manufacturer in similar works in the last five (5) years. Despite the recommendation of the re-evaluation excise, the head of procurement recommended to the Accounting Officer the award of the contract to one of the bidders in a professional opinion issued on 8 February 2022, at a cost of KShs 37,964,458 contrary to the recommendations. Under the circumstances, the legality of the award and suitability of the bidder to undertake the works could not be confirmed.	The construction of a perimeter security fence was to replace the existing chain -link fence. The perimeter fence is anti-climb modern high security it is used for securing similar facilities worldwide. The chain link fence that enclosed the KPC'S Airport depot was made of fabricated angle lines posts. Some sections of the fence were old and worn out, hence were very porous posing a serious security threat. Storage capacity of Embakasi depot is about 54,141 M3 of highly flammable product. An attack on such an installation would be catastrophic. Oil and gas industry is one of the most attractive targets for growing global terrorism and sabotage. Other security threats that depot is exposed to include vandalism, civil protests and organized crime. Embakasi being a strategic installation, which handles very sensitive and whose proximity to Jomo Kenyatta International Airport renders it as a target. safeguarding the depot and the Airport was done as an emergency. The evaluation report submitted by the evaluation committee indicated that the bidder submitted references for their works from two clients against the required three in the tender document. Upon review, it was confirmed that the bidder had relevant experience for their works from KenGen, State House, African Gas and Oil Company Limited (AGOL), Grain Bulk Handlers Limited and Shukrani Enterprises. These were more than the required refences from three clients. It was unfair to disqualify the bidder on this basis. Head of procurement is permitted in Section 84(2) of the PPADA Revised in 2022 enables to issue an independent Professional opinion on the procurement proceeding. The work has been performed according to set specifications and KPC has not encountered any challenges with the contractor during the construction of the fence. The evaluation report submitted by the evaluation committee indicated that the bidder submitted references for their works from two clients against the required three in the tender document. Upon review, it was confirmed that the bidder had relevant experience for their works from KenGen, State House, African Gas and Oil Company Limited (AGOL), Grain Bulk Handlers Limited and Shukrani Enterprises. These were more than the required refences from three clients. It was unfair to disqualify the bidder on this basis. Head of Procurement is permitted in Section 84(2) of the PPADA Revised in 2022 enables to issue an independent Professional opinion on the procurement proceeding. The work has been performed according to set specifications and KPC has not encountered any challenges with the contractor during the construction of the fence.	GM (Supply Chain)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	3.2 Procurement of Works Without Scope The Company awarded Contract for repair works of petroleum storage tank on 1st April 2021 at a cost of KShs 145,695,636. Review of documents in respect of the works revealed that the tank was last rehabilitated in 2007 where corrosion defects on the tank bottom, shell and floating roof were repaired, and the tank epoxy lined internally and painted externally for corrosion control. The tank started showing signs of wetness at the tank foundation indicative of product release from underneath the tank bottom in 2017. According to the tender and other documents reviewed, the tender was initiated and awarded without undertaking inspection by an expert to determine the scope of work to be done as required under paragraph 6.4.2.2 of the American Petroleum Institute (API) 653 on Tank Inspection, Repair, Alteration, and Reconstruction. On 27 September 2021 Management engaged an expert to carry out the inspection while the repair works were ongoing to determine the scope of works. The expert recommended complete replacement of the tank floor which had suffered significant corrosion metal loss to entail replacement of 16% of tank floor area and welding of repair patch covering 30% of tank floor area. The additional work resulted in additional costs of KShs 97,173,865. In the absence scope determination before commencement of work, the basis and necessity of the initial repair works could not be confirmed. As a result, it could not be confirmed whether the Company received value for money incurred on the tank repair works.	KPC notes the OAG concern, however, given that this Tank is strategic to the supply of jet fuel decommissioning the Tank to carry out inspection without any work being done would have resulted to long lead times and hence compromise the supply of fuel in the country. Currently the company is incurring demurrage from lack of ullage due to the ongoing works. The additional works were tendered differently but from the same contractor to ensure that no double payments will be incurred. Tank 14-TK-502 started showing signs of tank bottom leak in late 2017. Tender for API 653 for tank 14-TK-502, KPC/PU/011-OT/18-19, was advertised in FY FY2018-2019 and awarded to M/s Murban Engineering Ltd but unfortunately the Tenderer failed to submit performance bond within the tender validity period. A re-tender in FY2019/20 was not possible for lack of budget. To mitigate on product losses that was now on its 4th year, continued environmental pollution and increased risk of JET A-1 contamination, the most technical feasible option was to advertise both tenders for API 653 inspection and repair simultaneously in FY2020/21. Sequencing of the inspection and repair activities was impracticable for the following reasons: a) Decommissioning the tank for inspection could have aggravated the leaks (product losses) because of rigorous tank cleaning and desludging processes that precede the API 653 inspection and therefore the tank could not be put back to service immediately after inspection to allow for procurement of the repair contractor. b) Extended tank unavailability waiting for procurement of tank repair contractor could result in increased demurrage cost due to lack of sufficient storage of JET A-1 fuel at the Depot.	GM (Pipeline Operations & Maintenance)	Resolved	30 June 2024
		Sequencing of the inspection and repair activities was impracticable for the following reasons: a) Decommissioning the tank for inspection could have aggravated the leaks (product losses) because of rigorous tank cleaning and desludging processes that precede the API 653 inspection and therefore the tank could not be put back to service immediately after inspection to allow for procurement of the repair contractor. b) Extended tank unavailability waiting for procurement of tank repair contractor could result in increased demurrage cost due to lack of sufficient storage of JET A-1 fuel at the Depot.			

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
4.	**Unprocedural Implementation of Mzima Springs Water Project** The Statement of Financial position reflects property plant and equipment balance of KShs 85,978,670,508 as at 30 June, 2022. As disclosed in Note 17 to the financial statements, the amount includes work in progress of KShs 373,526,780 which further KShs 6,529,608 in respect of Line 1 conveyance for Mzima Water Project. The Mzima Springs Water Project was initiated through a presidential directive communicated through Head of Public Service letter dated 25th March 2022 to the Ministry of Petroleum and Mining in March 2022. In the directive, the Ministry of Petroleum and Mining was to facilitate the utilisation of the Mombasa-Nairobi Line 1 Oil Pipeline for supply of water from Mzima Springs to Mombasa City and its environs. The Board of Directors had earlier on February 9, 2022 approved the conversion of a portion of Line 1 pipeline to deliver water to Mombasa in collaboration with other Government agencies subject to a business case to justify the project been developed by the management, and that all approvals required from the relative Authorities including Wayleaves permit, National Environment Management Authority (NEMA), EPRA, National Construction Authority (NCA) and the Ministry of Water be issued before decommissioning of the line. The Project was allocated a budget of KShs 745,487,000 to be executed in two phases. Subsequently, Management appointed a business case technical team to determine the viability of the Project. The technical team came up with a business case which recommended two options comprising converting line1 for water conveyance and lease it to Coast Water Works Development Authority (CWWDA) at the current gazetted water tariff of KShs 68 per m3, or refurbish the 14-inch line 1, replace the corroded sections of the line to enable utilisation of existing pumps, and other associated facilities to complement the 20-inch Line 5 which has already attained its optimal capacity. This would improve flowrates to 880m3/hr and increase evacuation from Mombasa and alleviate ullage. However, the following anomalies observed: i) The Company operating a water pipeline was outside its mandate and had not obtained approval from the Water Services Regulatory Board (WASREB) before embarking on the project. ii) No evidence was provided to indicate that the business case was presented to the Board for deliberation and which of the two options was adopted for implementation. However, the conversion of the pipeline for water conveyance was ongoing and was at 64% completion as at the time of the audit.	The Mzima Springs Water project which was initiated through a presidential directive communicated to the Ministry of Petroleum and Mining involved utilization of the Mombasa-Nairobi Line 1 Oil Pipeline for supply of water from Mzima Springs to Mombasa City and its environs. An approval of the Company Board was subject to a business case to justify the project been developed by the management, and that all approvals required from the relative Authorities including Wayleaves permit, National Environment Management Authority (NEMA), Energy and Petroleum Regulatory Authority (EPRA), National Construction Authority (NCA) and the Ministry of Water be issued before Management proceeds with the decommissioning. Management appointed a business case technical team to determine the viability of the project. The technical team came up with a business case which recommended two options: the company to invest in line1 for water conveyance and lease it to CWWDA or refurbish the line to continue being used for petroleum products so as to increase evacuation from Mombasa and alleviate ullage. Further response on the anomalies noted: 1) The water project is a JV between Ministry of Petroleum and Mining and Ministry of Water, sanitation and irrigation as evidenced in the Presidential Executive Order issued to both ministries on the 25th March 2022. CWWDA falls under the latter Ministry. Its core business is water transportation and have the necessary WASREB approvals. The functions of KPC in the project are detailed in the Presidential Directive under item No. II 2) This was an agenda discussed in the 95th BOD meeting of 9th February 2022 3) The water project is a JV between Ministry of Petroleum and Mining and Ministry of Water, sanitation and irrigation as evidenced in the Presidential Executive Order issued to both ministries on the 25th March 2022. CWWDA falls under the latter Ministry. The initiative has been a JV between KPC and CWWDA. The latter have a heavy presence in the project as evidenced in the resource (Human and Machines) allocation to the project and Minutes of Meetings held on diverse dates. Their Participation in the project is a guarantee that there is consensus. 4) To forestall contamination, the following Procedure shall be adopted before putting the water for human consumption: - i). Upon completion of the project, the water will be allowed to flow to KPRL Tank 102 and be released to the environment through the Oil Water Separator in a controlled manner. The primary objective of this is to clean the pipeline as much as possible to rid of any remnant materials,	GM (Pipeline Operation & Maintenance)	Not Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	iii) The Company intended to sell water in bulk to Coast Water Works Development Authority (CWWDA) once the Project is completed. However, there was no Service Level Agreement or Memorandum of Understanding signed between the Company and CWWDA. As a result, there is no guarantee that CWWDA will agree to the proposal with the Company ought to have obtained before commencing the project. iv) The use of a petroleum pipeline for transportation of water may pose risks of contaminating the water with the residue petroleum in the pipe and effluent which may cause health and environmental concerns. v) On 19 January 2022, the Management wrote to National Environment Management Authority (NEMA) and sent all necessary documents for Environmental Impact Assessment (EIA) on decommissioning of Line 1, excavation, recovery, and relocation of a portion of 54 kilometres of the pipeline and use of 161 kilometres portion of the pipeline stretching from Mzima Springs to Mombasa for supply of potable water to Mombasa. NEMA responded indicating that the proposed project requires an Environmental Impact Assessment (EIA). However, no Environmental Impact Assessment (EIA) was carried out before commencing the project contrary to section 58 of the Environmental Management and Coordination Act, 1999 and Regulations, 2003, Legal Notice No. 101. Further, a consultant engaged by Management to conduct as assessment for the proposed decommissioning and utilization of Line 1 to deliver water to Mombasa was yet to conclude and prepare a final report on the same. In the circumstance, the propriety of the expenditure on the project and its value for money could not be confirmed.	ii). The Pipeline shall be disinfected. iii). The line shall be internally Lined with CIPP to convert it to food grade standard, iv). Samples shall be drawn from the pipeline at various sampling points and be tested to EAS 12:2018 East African Standard Portable Water Specification and Dutch standards 2000 limits, v). Thirdly, stakeholders shall be invited to extract samples and do an independent test on the water quality for results comparison. 5) NEMA was engaged and various correspondences shared on the ESIA. An independent report by a consultant engaged by KPC. Provision for impairment for the project has been made in the financial statements for FY2023.			
5.	**Incomplete Marine Loading Arm Project** The contract for the supply, installation, testing and commissioning of overhung marine loading arm at Kipevu Oil Terminal (KOT 1) was awarded to Hydro Pipeline Limited on 1st December 2017 and signed on 18th April, 2018 at a contract sum was KShs 43,438,520. The Project commenced on 4th November 2018 and was expected to take thirty-four (34) weeks and be completed on 2nd May 2019. The Project's objective was to replace the overhung marine loading arm as per the manufacturer's recommendation and to increase the discharge flow rate for the Dual-Purpose Kerosene (DPK) arm from 1700M^3/hr to 2500M^3/hr. In addition, the manufacturer's recommended number of years for the existing loading arms has been surpassed hence the need to mitigate any risks of failure.	The Marine loading has been transferred at cost from a Work in Progress (W.I.P.) to mechanical spares under inventory in the audited financial statements of FY 2022-2023. This will be used as a spare part in the KPC facilities. The project for Supply, installation, testing, and commissioning of overhung marine loading arm at Kipevu was conceived and approved in the FY 2017/18. Its objective was to replace the existing 10-inch Marine loading arm with a 12-inch marine loading arm with anticipated increment in product offloading flow rate to 2500m3/hr from 1700m3/hr, an increase of 47% and consequently reducing any demurrages that may be incurred.	GM (Supply Chain)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	Although materials were delivered to the site and expenditure amounting to KShs 17,084,749 incurred, installations, testing and commissioning had not been done. Management indicated that with the operationalisation of the new Kipevu Oil Terminal (KOT 2), the Project has since been overtaken by events as the old oil terminal where the marine loading arm would have been fixed will be decommissioned. The fate of the project and the equipment that were delivered are lying idle is therefore unknown. Under the circumstances, the value for the use of public resource has not been achieved as delayed completion of the project denies the company efficiency in discharge of products.	The procurement was through open tender method at a total cost of Kshs.43,438,520.00 (Inclusive of VAT and all taxes) to M/s Hydrolo Pipeline Limited on 1st December 2017. The contract was signed on 18th April 2018 for a period of 34 weeks (8 months). The contract commencement on 4th November 2018 and lapsed on 30th June 2021 after expiry of the third deed of variation. KPC issued notices of non-performance to the contractor. The contractor was unable to perform their contractual obligations. With construction and operationalization of Kipevu Oil Terminal (KOT) 2 with a higher flow rate, JET-A1 offloading currently being undertaken at KOT1 is planned to be relocated to KOT2 once the right valves are procured and installed at KOT2. In view of the new development, the KOT1 Marine Loading Arm installations works have been overtaken by events and are no longer desirable.			
6.	**Loss on Leased Facilities** As disclosed in Note 7 to the Financial Statements, are direct costs of KShs 2,451,573,897 in respect of pipeline maintenance. Included in the costs are lease payments to Kenya Petroleum Refineries Limited (KPRL) amounting to KShs 1,308,851,308 for use of pipeline network, storage tanks and associated infrastructure during the year under review. A comparison of total lease costs against total lease income for the year revealed that the Company realised income amounting to KShs 12,491,324 resulting to a net loss on the lease of KShs 1,296,359,984. In addition, the lease agreement revealed that the lease payments were based on expenses incurred by KPRL during the year covered by the lease agreement. However, the Company was not in control of costs incurred by KPRL and therefore could 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.	The Cabinet directed KPC to take over KPRL in 2016. The Company entered into a lease agreement with KPRL as it pursues the take-over. In line with the Lease agreement, KPC has been taking care of all the operating costs and investing in infrastructure at KPRL geared towards helping KPC in managing stock-outs and demurrage. Some of the investments include enhancing the storage facilities at Port Reitz. KPC is also looking at leveraging on KPRL to achieve some of its key strategic initiatives such as in Liquefied Petroleum Gas (LPG). Although the cost incurred at KPRL during the period was higher than the revenue generated directly at the facility, there are other opportunities and benefits which accrue from utilisation of KPRL facility. KPC is finalizing on the process of acquiring KPRL. The share transfer was successfully completed and took effect on 27 October 2023 making KPRL a fully owned subsidiary of KPC. A committee has been appointed to carry out post-acquisition processes.	Ag. GM (KPRL)	Resolved	
	Report on Effectiveness of Internal Controls, Risk Management and Governance				
	Composition of Board Committees Circular number OP/CAB.9/1A, dated 11th March 2020 and Paragraph B2 of Mwongozo, the code of governance for State Corporations provides that a Board may establish not more than four (4) committees including audit committee to deal with the conventional issues appertaining to the running of the state cooperation. The guidelines also provide that the Board may however constitute Ad-hoc Committees to deal with emerging issues that require focused attention, and which do not fall in the domain of regular Board Committees. Such Ad Hoc committees should have clear terms of reference and a limited lifespan. The number of members to any Committees should be no more than one third (1/3) of the full board to obviate the risk of a committee conducting its business within the framework of a full board structure.	i. The reconstitution of committees was done by the Board taking into account the need for Parent Ministry and The National Treasury representatives to be in the Audit, Technical and Finance committees for effective oversight and guidance of the Company. KPC will be seeking approval as guided by the March 11, 2020 Circular, of the committee membership with five members for approval/concurrence. ii. The latest reconstituted Board Committees has ensured that no member sits in more than two committees.	GM (Company Secretary, Legal Services)	Resolved	

Ref. No. on the external audit Report	Issue/Observations from Auditor	Management comments	Person Responsible:	Status:	Timeframe:
	During the year under review, the Company's Board of Directors comprised nine (9) members. Review of membership and record of minutes of committee meetings revealed the following anomalies; i) Membership of board committees is expected to be a maximum of one third (1/3) of Board membership as guided by the Mwongozo code of governance for State corporations. However, the Audit committee, the Human Resource Committee and the Technical Committee have five (5) members each while the Finance Committee has six (6) members instead of the Maximum three (3) members. ii) Review of the reconstituted Board Committee members revealed that two of the Directors were members of all the four Board Committees which contravened paragraph 4 of the Office of the President circular referenced OP/CAB.9/1A dated 11th March 2020, on Establishment of Board Committees which provides that members can only sit in a maximum of two board committees. iii) The Managing Director was a member of three of the Board Committees comprising Board Human Resource Committee, Board Technical Committee and the Board Finance Committee. However, Section 1.22(1) of the Mwongozo guidelines stipulates that the role of the Board should be separated from that of the Management. In the circumstance, the Board did not adhere to the guidelines.	iii. Unlike some State Corporations that have constitutive legislation specific for their establishment, KPC was incorporated under the Companies Act and is subject to the State Corporations Act, CAP 446 of the Laws of Kenya. Section 6(4) of the State Corporations Act explicitly states that the Boards of State Corporations include of the Chief Executive. The composition is stated in mandatory terms, unless a contrary composition is stated in the Articles of Association which is not the case for KPC. Section 8(e) of CAP 446 states that quorum for the meeting is two thirds of total number of members present which includes the MD. Article 1.1 item 4 of the Mwongozo states that the MD shall be a member of the Board with no voting rights. The MD is an ex-officio member of the Board, similar to the directors from Government that are representatives of offices set out in the Act and is only excluded in matters where a vote is required to be taken since all agenda is technically generated and owned by the CEO. Section 9 and sections 6 read together expressly state that a state corporation may establish committees consisting of members of the Board which members explicitly include the CEO. The CEO sits in the Committees as a substantive member and to table Management papers as the principle agent of the Board who executes Board policy and directives. The legal provisions above supersede MWONGOZO and unless amended, the MD is expressly designated under Section 6 of CAP 446 as being part of the Board. The only committee membership that excludes the CEO is Board Audit Committee for purposes of maintaining independence since the CEO is the primary auditee. The composition is well defined in the Public Finance Management Act,2012.			

Joe Sang, EBS
Managing Director

26 September 2023

APPENDIX 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	N/A						

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Kenya Pipeline Company		
	Breakdown of Transfers			
	FY FY2022/2023			
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.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

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

APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Name of the Organisation: KENYA PIPELINE COMPANY LIMITED

Telephone Number: Phone +254 20 2606500-4

Email Address: info@kpc.co.ke

Name of MD: Joe K. Sang

Name and contact details of contact person (in case of any clarifications): CAROL KIPLAGAT, SAFETY, HEALTH & ENVIRONMENT MANAGER +254 20 2606500-4

Project Name	Project Description	Project Objectives	Project Activities	Actual Expenditure (KShs)					Source of Funds	Implementing Partners/ Contractor
				1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Cost (KShs)		
Solarization of HQ	Installation of 225Kwh solar PV system for HQ lighting	Reduced energy costs and cabon footprint Compliance with regulatory framework and best industry practice in energy efficiency trends	Installation and commissioning of a solar PV plant at Headquater building Installation of occupancy sensors in Headquarter building Replacement of existing streelighting with solar streelighting	-	7,963,861.63	13,700,626.38	13,435,613.34	35,100,101.35	Own funds	KPC (Client) Adrian Kenya Ltd (Contractor)
Energy efficiency management through VFD	Upgrade of Low Voltage Switchboard at Kisumu Depot (PS28) C/W Energy efficiency variable-frequency drive (VFDs)	Replacement of old switchgear prone to regular breakdowns, and attainment of energy efficiency through use of VFD		-	9,253,337.40	-	12,337,783.20	21,591,120.60	Own funds	KPC (Client) Thames Electrical Limited (Contractor)
TOTAL								**56,691,221.95**		

APPENDIX VI: DISASTER EXPENDITURE REPORTING TEMPLATE

Programme	Sub-Programme	Disaster Type	Disaster Category	Expenditure item	Amount (KShs)	Comments
			Category of disaster related Activity that require expenditure reporting (response/recovery/ mitigation/preparedness)			
N/A	N/A	N/A	N/A	N/A		

APPENDIX VII: 5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

KENYA PIPELINE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE	2023	2022 Restated	2021	2020	2019
	KShs	KShs	KShs	KShs	KShs
Total Revenue	30,857,218,143	26,213,394,371	27,987,266,943	26,082,251,486	31,457,618,208
Direct Costs	(13,217,831,223)	(13,545,218,703)	(13,562,976,195)	(12,580,545,657)	(14,259,924,080)
Gross Profit	17,639,386,919	12,668,175,667	14,424,290,748	13,501,705,830	17,197,694,127
Other Income	1,902,787,258	1,199,305,117	470,667,422	409,502,259	415,798,178
Administration Expenses	(11,847,683,443)	(7,557,765,751)	(6,445,930,795)	**(6,338,223,815)	**(12,726,196,302)
Operating Profit	7,694,490,734	6,309,715,034	8,449,027,375	7,572,984,274	4,887,296,003
Net Finance Income	(87,052,579)	(13,569,921)	(1,538,664,128)	(1,435,104,177)	(1,821,488,427)
Profit Before Taxation	7,607,438,155	6,296,145,113	6,910,363,247	6,137,880,097	3,234,793,422
Taxation Charge	(3,108,010,211)	(2,394,908,448)	(5,227,628,302)	2,043,570,303	(1,186,873,779)
Net Profit After Taxation	**4,499,427,944**	**3,901,236,665**	**1,682,734,945**	**8,181,450,400**	**2,047,919,643**
Earnings Per share	248	215	93	450	113

**Administrative Expenses are inclusive of provision for bad debts of 713,741,509 for FY 2022/2023, KShs 1,060,758,651, KShs 59,089,148, KShs 141,092,919 and KShs 6,119,537,986 for FY 2021/22, FY 2020/21, FY 2019/20 and FY 2018/19 respectively.

5-YEAR FINANCIAL HIGHLIGHTS

KENYA PIPELINE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30,	2023	2022 Restated	2021	2020	2019
	KShs	KShs	KShs	KShs	KShs
Non- Current Assets					
Property, plant and equipment	84,055,476,767	86,129,189,345	97,149,447,050	102,986,250,783	109,264,841,810
Leasehold land	15,775,062,079	16,517,740,255	17,415,890,672	15,702,166,555	16,094,977,010
Right-of-use asset	98,643,722	-	-	-	-
Intangible assets	27,652,017	23,592,295	30,308,870	93,593,013	414,431,974
Investments	36,306,359	36,306,359	36,306,359	36,306,359	36,306,359
Retirement Benefit recoverable	1,327,713,990	-	-	1,285,627,233	1,285,627,233
Trade and other receivables	3,316,663,265	3,142,126,450	3,117,018,373	2,910,465,319	2,146,883,113
	104,637,518,200	**105,848,954,704**	**117,748,971,324**	**123,014,409,263**	**129,243,067,499**
Current Assets					
Inventories	2,440,530,782	2,343,922,959	2,608,031,945	2,182,234,022	2,232,089,622
Trade and other receivables	10,073,913,598	8,283,971,264	9,160,335,600	9,008,195,881	10,488,462,618
Taxation recoverable	-	827,398,507	888,115,224	876,808,106	977,416,079
Short term deposits	9,338,957,389	7,786,148,607	7,086,097,763	6,904,213,188	9,059,660,261
Bank and cash balances	2,392,813,774	2,614,218,743	2,462,154,764	1,487,229,820	3,809,591,698
	24,246,215,543	21,855,660,079	22,204,735,296	20,458,681,017	26,567,220,278
Total Assets	**128,883,733,743**	**129,832,520,132**	**142,005,865,522**	**143,473,090,280**	**155,810,287,778**

AS AT JUNE 30,	2023	2022 Restated	2021	2020	2019
	KShs	KShs	KShs	KShs	KShs
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	76,831,827,757	70,812,999,502	74,911,762,837	77,613,815,980	80,965,760,163
Revaluation Reserve	11,536,027,639	17,052,060,642	21,282,415,380	23,870,843,524	24,815,721,429
	89,243,610,319	**88,740,815,067**	**97,069,933,140**	**102,360,414,427**	**106,657,236,515**
Non-Current Liabilities					
Deferred taxation	20,188,051,145	20,072,668,334	19,724,588,796	14,597,966,425	15,840,089,771
Long term loan	3,367,442,249	10,098,826,050	13,864,936,579	17,703,118,633	21,364,418,281
Lease Liability	75,659,687	-	-	-	-
	23,631,153,082	**30,171,494,384**	**33,589,525,375**	**32,301,085,058**	**37,204,508,052**
Current Liabilities					
Trade and other payables	10,816,511,667	3,662,885,082	4,592,602,577	4,166,833,354	7,186,408,232
Due to Related Parties	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Tax payable	1,715,803,852	-	-	-	-
Current Portion Syndicated Bank Loan	3,367,459,000	5,049,420,250	4,621,645,527	-	300,000,000
Lease liability	29,195,824	-	-	4,564,757,441	4,382,134,978
	16,008,970,343	8,792,305,332	9,294,248,104	8,811,590,795	11,948,543,210
Total Shareholder's Funds and Liabilities	**128,883,733,743**	**129,832,520,132**	**142,005,865,522**	**143,473,090,280**	**155,810,287,777**

KENYA PIPELINE COMPANY LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,	2023	2022	2021	2020	2019
	KShs	KShs	KShs	KShs	KShs
Net cash generated from operating activities	21,073,959,074	14,417,756,304	13,538,886,066	13,119,135,990	14,993,419,365
Net cash from/(to) investing activities	(9,475,611,943)	(694,540,385)	(5,000,856,224)	(1,314,696,619)	(3,029,197,039)
Net cash from/(to) financing activities	(10,266,943,317)	(12,871,101,097)	(7,381,220,323)	(16,282,248,321)	(4,353,755,003)
Net increase/(Decrease) in cash and cash equivalents	1,331,403,814	851,114,822	1,156,809,519	(4,477,808,951)	7,610,467,323
Cash and Cash Equivalents at beginning of the period	10,400,367,349	9,548,252,527	8,391,443,008	12,869,251,959	5,258,784,637
Cash and Cash Equivalents at end of the Year	**11,731,771,163**	**10,400,367,349**	**9,548,252,527**	**8,391,443,008**	**12,869,251,959**

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