


2015

Annual Report & Financial Statements

KENYA PIPELINE COMPANY LIMITED

KENYA PIPELINE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2015

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Our Vision and Mission Statements

Vision

Africa's Premier Oil and Gas Company

Mission

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

Core Values

Integrity

Transparency

Accountability

Diligence

Team Spirit

Loyalty

Care for the Environment

CORPORATE INFORMATION

DIRECTORS	Mr. John Ngumi - Chairman Mr. Joe Sang - Ag. Managing Director Dr. Kamau Thugge, Principal Secretary, The National Treasury Mr. Andrew Kamau, Principal Secretary, State Department of Petroleum Mrs. Phoebe Ndonye -Alternate PS, State Department of Petroleum Mr. Eric Korir - Alternate PS, The National Treasury Mr. Marwa Maisori Mr. Jerry Simu Mrs. Faith Jepkemboi Bett - Boinett Mrs. Felicity N. Biriri Mr. Iltasayon Neepe (Major (Rtd)) Mr. Wahome Gitonga
AG. COMPANY SECRETARY	Ms. Gloria Khafafa, P. O. Box 73442 - 00200, Nairobi
REGISTERED OFFICE	Kenpipe Plaza Sekondi Road, Off Nanyuki Road, Industrial Area, P. O. Box 73442 - 00200, Nairobi.
PRINCIPAL AUDITORS	The Auditor General, Kenya National Audit Office, P. O. Box 30084 - 00100, Nairobi.
DELEGATE AUDITORS	Deloitte & Touche, Certified Public Accountants (Kenya), Deloitte Place, Waiyaki Way, Muthangari, P. O. Box 40092 - 00100, Nairobi.

CORPORATE INFORMATION

PRINCIPAL BANKERS

Commercial Bank of Africa Limited
Wabera Street
P. O. Box 30437 – 00100
Nairobi

CfC Stanbic Bank Limited
CFC Centre Chiromo Road
P.O. Box 72833 - 00200
Nairobi

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

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

PRINCIPAL ADVOCATES

Mohamed Muigai Advocates
MM Chambers 4th Floor
P. O. Box 61323 - 00200 Nairobi

Triple OK Law
5th Floor Block C, ACK House
1st Ngong Avenue, Off Bishop's Road
P. O. Box 43170 - 00100 Nairobi

Board of Directors

Mr. John Ngumi - Chairman

Mr. Joe Sang
Ag. Managing Director

Dr. Kamau Thugge
Principal Secretary
National Treasury

Andrew N. Kamau
Principal Secretary
State Dept of Petroleum

Mrs. Phoebe Ndonye
Alternate Director
State Dept of Petroleum

Mr. Eric Korir
Alternate Director
National Treasury

Mrs. Faith J. Bett - Boinet
Director

Mr. Wahome Gitonga
Director

Ms. Felicity N. Biriri
Director

Mr. Jerry Simo
Director

Mr. Marwa Kemero
Director

Mr. Neepe Iltasayon
Director

Ms. Gloria Khafafa
Ag. Company Secretary

Photo Gallery

KEY PERFORMANCE HIGHLIGHTS

Revenue Kshs 21.4 billion	Profit Before Tax Kshs 10.7 Billion	Throughput Volumes 5.8 Million M^3	Earnings Per Share Kshs 397	Asset Base Kshs 73.9 Billion
6%	4%	3.3%	1%	8%

Stock piling of pipes at Pump Station No 5 - Maungu for the Line 1 Replacement Project

Dear Shareholders,

On behalf of the Board of Directors, I am honoured to present to you the Annual Report and Financial Statements of the Kenya Pipeline Company Limited ("KPC" or the "Company") for the Fiscal Year ended 30th June, 2015, a year that saw the Company continue its track record of recent years of solid financial performance, ample testimony to having the right strategy, strong leadership and a dedicated workforce.

Economic Environment

During the period under review, Kenya and the surrounding East African countries registered strong economic growth, with the region averaging 6.7%, one of the highest growth rates worldwide.

In Kenya, this growth was accompanied by broadly stable interest and exchange rates. Therefore, the Company was able to reap from both economic and macroeconomic stability to continue its heavy investment in enhancing its pipeline and pulling capabilities.

Turning to the oil and gas sector: while midstream, which is where KPC operates, continued with its recent growth, the potential for the upstream sector to become a major contributor to the Kenya and regional economies became increasingly evident, notwithstanding lower oil and gas prices, a phenomenon driven by a combination of slower global growth and increased oil and gas supply. KPC is well placed to exploit the midstream opportunities presented by this growth in the regional oil and gas sector, and is already part of the Kenya Government's efforts to build a crude oil pipeline to Lamu.

Growth Strategy

During the year under review, the Board approved and adopted KPC Vision 2025 - a 10-year transformational plan aimed at creating a world class oil and gas organization with the end goal being to become Africa's Premier Oil and Gas Company. KPC Vision 2025 has five strategic pillars:

i. Business Leadership in the Kenya Oil and Gas Sector

This pillar recognizes KPC's unique positioning to pursue growth, expansion and diversification based on the platform of its existing business. Key projects to drive this Pillar include:

a) The new 20-inch 450-km ultra-modern petroleum products pipeline ('Line V') from Mombasa to Nairobi. The new line will enhance product flow of 730 thousand litres per hour on the existing pipeline to one million litres per hour to meet growing local and regional demand in the next 30 years. Anticipated completion date is September 2016.

b) The 10-inch 122-kilometre pipeline ('Line VI') from Sinendet in Nakuru County to Kisumu which is intended to increase volumes of product moved by an additional 360 thousand litres per hour. Anticipated completion date is April 2016.

c) The Hoima - Lokichar - Lamu Crude Oil Pipeline for which the Company expects to be the Government's implementing agency for its construction and operation. Inception of construction of this pipeline, and its scope, will depend on the final decisions taken by the Kenya Government in conjunction with other regional Governments.

d) Liquefied Petroleum Gas (LPG) which will involve the construction of an inland distribution depot intended to make access to cooking gas affordable to more Kenyans. KPC will work closely with the Ministry of Energy & Petroleum to get this project going.

In addition to these individual projects, I am happy to report that KPC has engaged County Governments and other stakeholders to gain buy-in into its pipeline expansion and storage strategy across the country. This strategy is designed to meet KPC's mandate of transporting and storing petroleum products safely across the country, thereby supporting the Government's agenda of delivering affordable and accessible energy to Kenyans to power economic growth. KPC is determined to make this agenda a reality in the shortest possible time.

ii. Geographic Expansion across East Africa

The Company has developed a comprehensive strategy to drive geographic expansion in the Eastern Africa region that is served through petroleum exports transiting through the pipeline depots in Kisumu and Eldoret. In pursuance of this strategy, plans are underway initially to establish marketing presences in the region, to be followed by discussions with regional counterparts and other stakeholders aimed at developing regional pipelines plus oil and gas handling facilities.

iii. People

Our people are the most critical resource we have. In pursuance of the goal of improving our people, we have embarked on exercises in job analysis and profiling, job rotation and right sizing key departments to make them fit-for-purpose. We have also continued our investment in on-the-job and campus training. We are confident the benefits of these initiatives will come through from Fiscal Year 2015-16. We have also invested in ensuring our people understand and are bought into KPC Vision 2025, and the response has been overwhelmingly positive.

iv. Systems and Processes

The Company's new strategy calls for operational excellence in order to deliver high quality services. In line with this, KPC has a continuous strategy of enhancing the application of modern technology as a business driver. In this regard, we will continue pursuing the integration and optimization of different information application systems and technology platforms currently deployed in the Company. We will also intensify our internal and external communication with the aim being to ensure all stakeholders understand what it is we are aiming to achieve, and have bought into this goal.

v. Image and Reputation

Our Vision is to be Africa's Premier Oil and Gas Company. Our Mission is to transform lives through safe and efficient delivery of quality oil and gas products from source to customer. An integral part of both is our Image, and our Reputation for doing good. We are focused on ensuring that our image and our reputation are and remain at the highest levels possible. This calls for structured proactive engagement with all our stakeholders, and real, visible and genuine acts of good corporate governance. We will keep our promise.

Appreciation

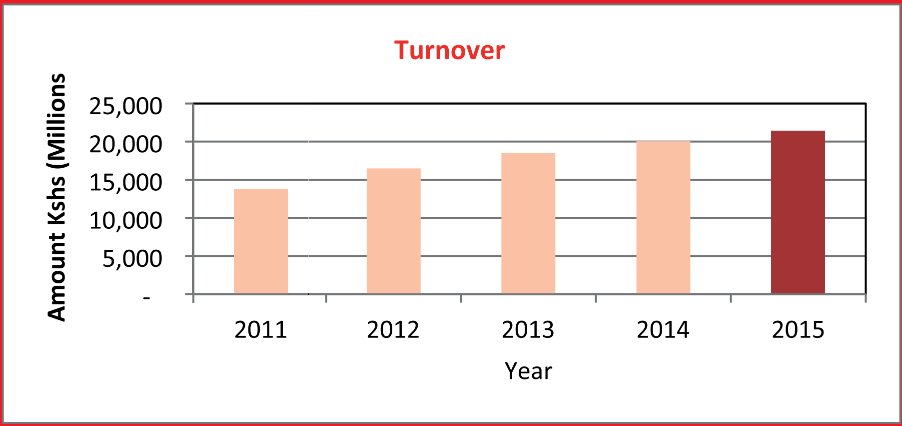
May I, on behalf of the Board, management and staff, start by thanking our customers. We do not exist without you. We are aware of this, and will continue to strive for excellence in our service to you. Next to our Shareholders, the National Treasury and the Ministry of Energy and Petroleum. We understand the competing demands on your time and resources, and are grateful for the support and latitude extended to the Board and management to enable KPC meet its mandate to Kenyans.

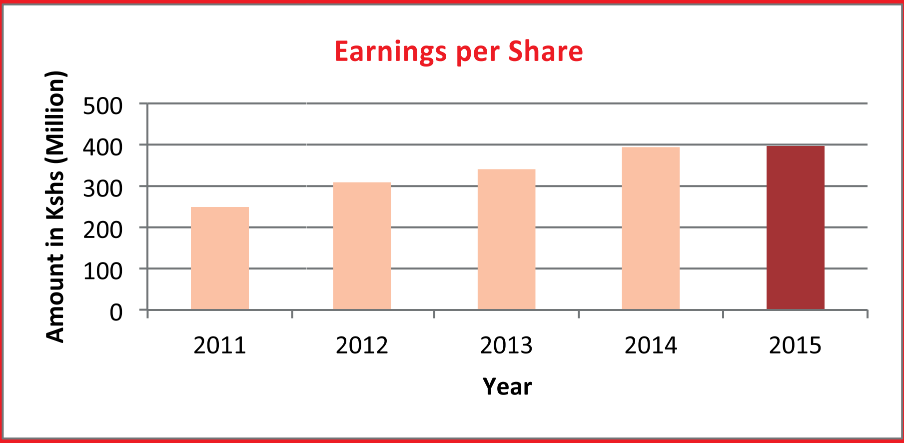
Finally, and very much of equal importance, let me express my appreciation to my fellow directors for their commitment to the Company throughout the year. Being non-executive directors of public bodies calls for commitment to service over and beyond the norm, frequently eating into scarce time and energy, and I am very grateful for having an active, interested and vocal Board whose members have demonstrated genuine desire to leave a better KPC and whose work, through the Main Board and the various Board Committees, is critical in the drive to achieve KPC's Vision and Mission.

May I also express the Board's heartfelt thanks to management and staff. KPC is in the midst of a transformation, never an easy task, and the Board truly appreciates the effort management and staff are putting into this drive.

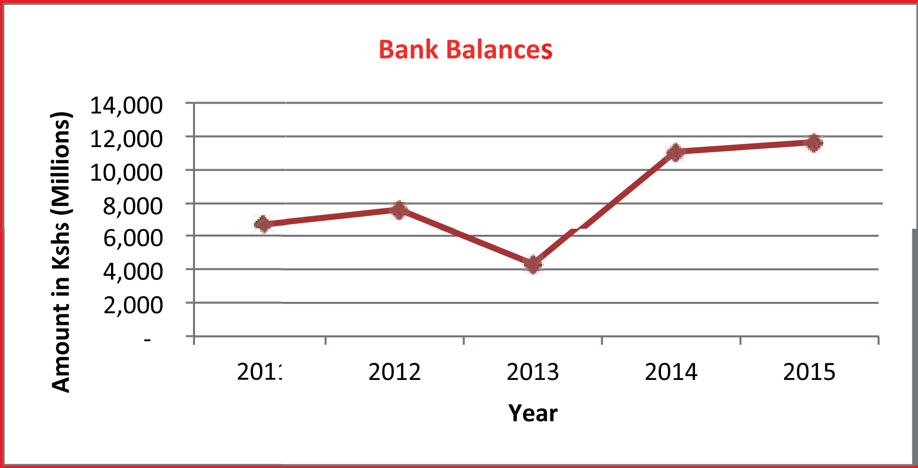
JOHN NGUMI
BOARD CHAIRMAN

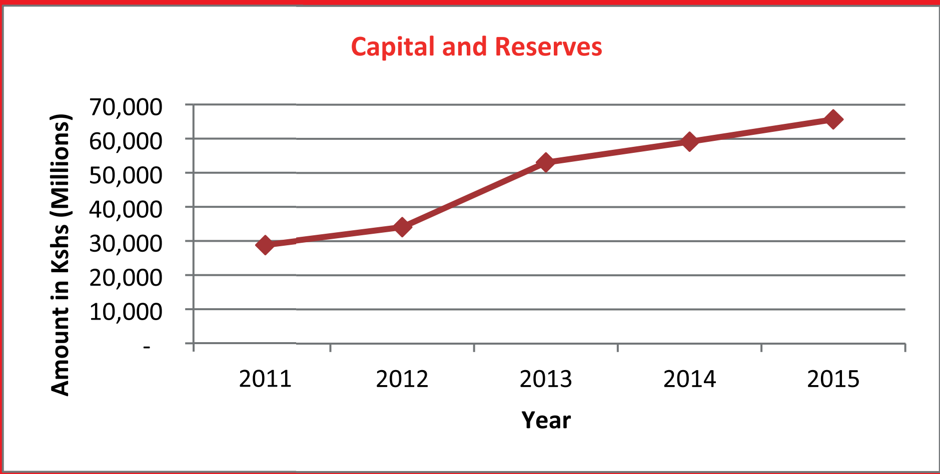
Business Trends to 2015

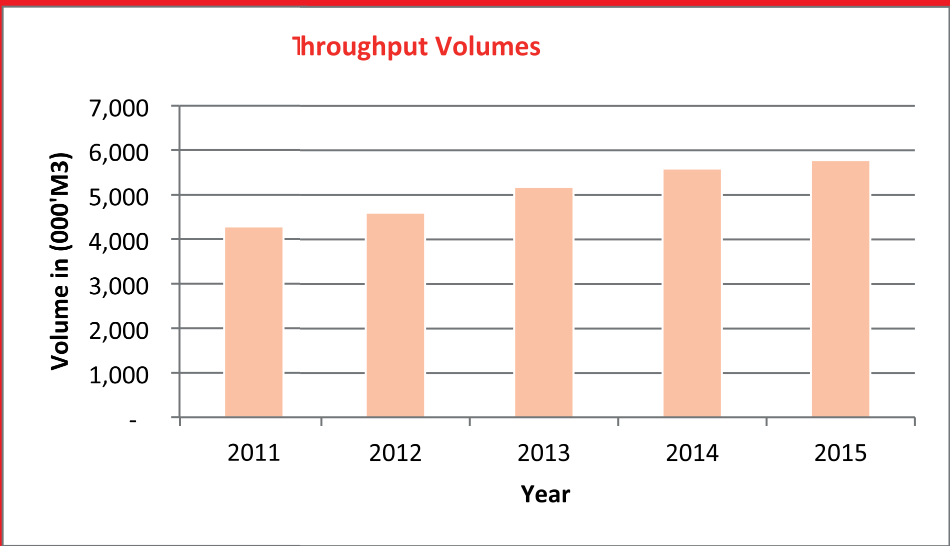




Business Trends to 2015 (continued)







Dear Shareholders,

It gives me great honour and pleasure to present to you the Kenya Pipeline Company Annual Report and Financial Statements for the year ended 30th June, 2015. I am singularly happy to report that KPC has recorded another year of remarkable financial performance.

This epitomises the Company's financial health coupled with a growing business portfolio whose potential to power the local and regional economies cannot be gainsaid. Our core mandate of receiving, transporting, and dispensing petroleum products through a pipeline system remains central in shaping our operational efficiencies and future plans. The strong performance captured in this report has not been by chance.

It is a function of prudent financial management, dedicated staff and effective guidance from the Board of Directors. The Company also took a deliberate route to partner with our customers and other stakeholders to not only become more customer focused but also be more efficient in our operations to ensure security of petroleum product supplies to the people of Kenya and those in the neighbouring countries. In 2014-15, our commitment to operational excellence gave forth a strong set of financial results. Below are some of the highlights of the key performance indicators that capture the year under review:

Financial Performance

The Company posted a **4.0%** growth in Pre-Tax Profit to **Kshs 10.7 billion** for the financial year ended 30th June 2015 compared to **Kshs 10.3 billion** achieved in the Financial Year 2013/14.

Throughput

During the year under review, the Company recorded a **4%** growth in throughput volumes to **5,798,398 m3** from **5,592,490** in FY 2013/14. This is equivalent to a growth of **11.5%.** Domestic throughput also increased by **3%** from **2,863,969 m3** for the year ended 30th June 2014 to **2,963,092m3** for the year ended 30th June 2015. On the other hand, export throughput increased by **4%** from **2,728,521m3** for the year ended 30th June 2014 to **2,835,306m3** for the year ended 30th June 2015. The increase in throughput is attributable to both investments in the enhancement of pipeline infrastructure and improved operational efficiency.

Revenue

Throughput revenue increased to **Kshs 21.4 billion** in the year under review from **Kshs 20.1 billion** recorded in FY 2013/14 equivalent to a **6.0%** increase.

Operating Expenditure

Whereas the Company operated within the budgeted expenditure during the year, total operating expenditure increased by **25%** to **Kshs 12.9 billion** from the previous year's **Kshs 10.3 billion**. The increase in the operating expenditure is as a result of increased costs associated with pipeline maintenance, salary cost following review, depreciation due to assets revaluation effect, impairment on revalued values and right of way compensation.

Financial Position

The Company closed with cash reserves of **Kshs 11.7 billion** compared to **Kshs 11.1 billion** at the end of the previous year. This strong financial position and healthy cash flow will support the planned capacity enhancement projects which include the ongoing Line 1 replacement project.

The Company met all its statutory obligations during the year under review and in particular remitted **Kshs 3.6 billion** to the Kenya Revenue Authority in corporation tax payments.

Key Capital Projects

During the period under review, the Company laid firm measures for the implementation of key capital projects whose status is given below:

1. Replacement of the Mombasa–Nairobi Pipeline (Line 5):
This is a **450 Km** 20-inch diameter pipeline which will replace the existing 14-inch diameter pipeline that has been in existence for over 37 years to meet projected demand up to the year 2044. The project is expected to be completed in FY 2016/2017.

2. Construction of a Parallel Pipeline from Sinendet to Kisumu:
This is a 10-inch pipeline measuring about **122km** from Sinendet to Kisumu which will be operating parallel to the existing 6-inch diameter pipeline (Line 3). It will tee-off at Sinendet and is expected to increase product supply to Kisumu depot. The project is expected to be completed in FY 2016/2017.

3. Construction of Additional Storage Tanks at Nairobi Terminal:
This project will involve construction of additional tanks to provide sufficient capacity for receipt of higher volumes of Automotive Gas Oil (AGO), Motor Spirit Premium (MSP) and Jet A-1 products. The project will enhance operational flexibility, capacity of product receipt and evacuation in Nairobi.

4. Construction of Additional Loading Arms in Eldoret:
KPC is installing additional truck loading facilities at Eldoret Depot to cope with the rising demand for petroleum products in the Great Lakes Region. The objective is to enhance the supply of petroleum products to Western Kenya and the neighbouring countries.

5. Hydrant Monitoring System at Jomo Kenyatta International Airport and Moi International Airport:
To ensure the accuracy and reliability of product deliveries at the local international airports, KPC is in the process of rolling out a system that will be used to monitor and account for fuel uplifts at the dispensers real-time.

6. Security Enhancement Project (SEP):

KPC is enhancing security at all its installations through increased use of technology.

7. Proposed Hoima-Lokichar-Lamu Crude Oil Pipeline:

The proposed Hoima-Lokichar-Lamu Crude Oil Pipeline is to be implemented jointly by the Governments of Kenya, Uganda and Rwanda. KPC is involved as an experienced partner in pipeline management to ensure early monetization of the commercial discoveries of crude oil in Lokichar Basin in Turkana County.

The Company is gearing up to realise its vision of becoming Africa's premier oil and gas company and we will relentlessly pursue our strategy to realize this vision. Our commitment to transform lives through efficient delivery of quality oil and gas from source to customer remains strong and with this corporate spirit, we are confident that we shall continue creating value for our shareholders.

Appreciation

Last but not least, I sincerely thank our shareholders; the Ministry of Energy and Petroleum and the National Treasury for their distinguished role in helping us achieve this success. I also appreciate the Chairman and the Board of Directors, in a very special way, for the support and guidance they provided to the management team throughout the year. To our customers, we say a resounding thank you for choosing to maintain your business with us. Without you, these results could not have been possible.

Above all, I extend my thanks to all KPC staff for working tirelessly to deliver this spectacular performance. Over the next year, Kenya and the region will rely on this highly talented team to use all the skills and resources at our disposal to ensure that we meet our strategic goals.

JOE SANG

Ag. MANAGING DIRECTOR

SENIOR MANAGEMENT

Joe Sang
Ag. Managing Director

Samuel Odoyo
Ag. General Manager
- Finance & Strategy

Phillip Kimelu
Ag. Chief Manager
- Technical

Felix Rerimoi
Internal Audit Manager

Gabriel Kiama
Projects Manager

Harry Kithinji
Security Manager

Jane Nakodony
Administration Manager

Beatrice Orgut
Safety, Health, Environment &
Quality Assurance Manager

Nicholas Gitobu
Procurement Manager

SENIOR MANAGEMENT

Billy Aseka
Ag. Engineering Manager

Francis Muraya
ICT Manager

John Kithete
Business Development Manager

Evans Nyangaya
Ag. Operations Manager

Thomas Ngira
Human Resources Manager

Pius Mwendwa
Ag. Finance Manager

Tom Mailu
Corporate Planning Manager

Jason Nyantino
Corporate Communications Manager

CORPORATE GOVERNANCE STATEMENT

Kenya Pipeline Company Limited is committed to implementing good corporate governance principles and adheres to integrity, high ethical values and professionalism in all of its activities.

As at 30th June 2015, the Board was made up of ten (10) members comprising a Non-Executive Chairman, the Permanent Secretary Treasury, the Permanent Secretary Ministry of Energy and Petroleum, the Chief Executive Officer and six (6) independent Directors with various professional backgrounds, vast experience and expertise. The Non-Executive Directors are independent of Management. The Board has four committees that exercise delegated responsibilites, namely the Audit, Human Resources, Technical and Finance Committees.

The Board's skills and collective exeperience engenders healthy oversight over Management. The division of responsibilities between the Chairman and the Chief Executive is clearly established and adhered to.

The Board Members are provided with the necessary resources to undertake their duties. Appropriate training is available to all Directors on appointment and on an ongoing basis as required. The terms of reference for each of the Board Committees are available.

Board and Committee papers are supplied to members on time, in appropriate form and quality to facilitate effective deliberations. Directors have access to relevant information through the office of the Chief Executive and the Company Secretary.

Board Meetings are held in line with an annual calendar except when critical business necessitates ad hoc meetings. The following meetings were held during the year ending 30th June 2015:-

Meeting	No. of Meetings	Membership	Average Attendance %
Full Board Meeting	12	10	80
Board Finance Committee Meeting	6	5	92
Board Human Resource Committee Meeting	7	5	93
Board Technical Committee Meeting	7	5	95
Board Ad hoc Meeting	2	5	90
Annual General Meeting	1	5	100
Board Audit Committee Meeting	4	5	85

To the best of our knowledge, no situations of conflict of interest arose at the Board.

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Gloria Khafafa

Ag. Company Secretary

Community Investment

Our commitment to our stakeholders and to improving the quality of lives of communities surrounding our installations is central to our corporate identity. We always endeavor to have a positive impact on society through improving the lives of individuals, groups and communities while at the same time enhancing our corporate image and brand. For us, reaching out to the communities along the pipeline Right of Way through actively contributing to their socio-economic development constitutes our core agenda through the Corporate Social Responsibility (CSR) program. The program is alive to this fact and over the years, we have supported weaker sections of society by increasing their capacities and potential.

Our CSR program focuses on Empowerment of Youth, Women and Persons With Disabilities; Education; Health and Sanitation; Provision of Clean Water; Sports; Energy Conservation and Environment Restoration; and Emergencies. The KPC fraternity continues to volunteer their skills, time and funds towards community projects as a way of investing in the communities adjacent to our pipeline network.

The KPC volleyball team remains the Company's signature CSR project. The volleyball queens have helped place the Company and the country on the world map through their various achievements in both local and international tournaments. In building this team, we utilize the raw volleyball talent in the country and commit to nurture and grow it through the trailblazing volleyball team. The sports ladies are accorded space to continue with their passion for sport while creating for them other opportunities for growth. Indeed, our volleyball team has not only galvanized the KPC family but has also been a source of national pride for Kenya and Africa.

KPC Chairman John Ngumi with the KPC Ladies Volleyball Team after hosting them to lunch at Ole Sereni Hotel, Nairobi.

Corporate Communications Manager, Jason Nyantino donating food to Thange residents in Makueni County.

Corporate Communications Manager, Jason Nyantino donating building materials to Kinanie Secondary School in Athi River.

Photo Gallery

REPORT OF THE DIRECTORS

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for the year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or errors, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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.

________________________ ________________________

Director Director

2015

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Pipeline Company Limited set out on pages 7 to 46, which comprise the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Delloite and Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Director's Responsibility for the Financial Statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Trade and Other Receivables

As noted in my audit report of the financial year ended 30 June 2014, and as disclosed in note 20 to the financial statements, trade and other receivables' balance of Kshs.10,565,001,000 (2014 Kshs.9,440,453,000) as at 30 June includes an amount of Kshs.4,138,176,816 (2014 Kshs.3,788,457,569), due from an oil marketing company, dating back to year 2009 that is subject of a court dispute. It has not been possible to confirm whether or when the company will be able to recover the amounts due from the oil company. No impairment loss that would have been necessary in relation to this uncertainty has been incorporated in these financial statements.

2. Freehold and Leasehold Land

Included in the property, plant and equipment (PPE) and leasehold land balances of Kshs.43,585,328,000 and Kshs.4,915,357,000 respectively, are parcels of land valued at Kshs.1,928,677,778 for which the Company acquired but have no title deeds. Under leasehold land are plots Nos. LR 9042/225 and 114/113/114 relating to JKIA Embakasi and Mombasa depots valued at Kshs.869,759,420 and Kshs.130,257,924, but whose title deeds are held under Kenya Airports Authority (KAA) which is a distinct entity. Consequently, it has not been possible to verify the ownership of these two properties and confirm that the carrying values as stated in the financial statements reflect the fair values of the properties as at 30 June 2015.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Pipeline Company Limited as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Companies Act, Cap 486 of the Laws of Kenya.

Emphasis of matter

I draw attention to note 31 to the financial statements which provides disclosures concerning third party fuel stock differences noted between quantities in the Company's system and the quantities ascertained during the annual fuel dip procedures and actions being undertaken by management to resolve the fuel inventory variances. My opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, I report, based on the 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, proper books of account have been kept by the Company, so far as appears from the examination of those books and,

iii. The Company's statement of financial position is in agreement with the books of account.

FCPA Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 January 2016

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014 (restated)
		KShs'000	KShs'000
REVENUE	5	21,438,236	20,055,532
DIRECT COSTS	6	(7,967,492)	(6,912,545)
GROSS PROFIT		13,470,744	13,142,987
OTHER INCOME	7	325,785	283,926
FINANCE INCOME	8(a)	203,208	156,905
FOREIGN EXCHANGE GAINS	8(b)	1,572,326	101,511
FINANCE COSTS	8(c)	(3,629)	-
ADMINISTRATION EXPENSES	9	(4,887,460)	(3,410,379)
PROFIT BEFORE TAXATION		10,680,974	10,274,950
TAXATION CHARGE	11(a)	(3,459,347)	(3,120,162)
PROFIT AFTER TAXATION		7,221,627	7,154,788
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss;			
Adjustment in surplus on revaluation of property and equipment		-	40,367
Deferred tax on the adjustment on revaluation of property and equipment		-	(12,110)
		-	28,257
Remeasurement of defined benefit obligation	18(b)	(558,385)	(51,095)
Deferred tax relating to remeasurement of defined benefit obligation		167,516	15,329
		(390,869)	(35,766)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	`	(390,869)	(7,509)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,830,758	7,147,279
		KShs	KShs
EARNINGS PER SHARE	12	397	394

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

ASSETS	Note	2015 KShs'000	2014 (restated) KShs'000	1 July 2013 (restated) KShs'000
Non-Current Assets				
Property, plant and equipment	14	43,585,328	40,018,087	39,035,411
Leasehold land	15	4,915,357	4,997,694	5,087,043
Intangible assets	16	5,567	2,985	6,910
Investments	17	36,306	67,032	67,032
Retirement benefits	18(b)	1,006,105	1,407,397	1,320,984
Trade and other receivables	20	100,278	118,293	159,107
Total Non-Current Assets		49,648,941	46,611,488	45,676,487
Current Assets				
Inventories	19	1,520,586	1,443,982	1,128,042
Trade and other receivables	20	10,565,001	9,440,453	7,824,695
Taxation recoverable	11(c)	511,843	-	991,313
Government securities	21	-	104,316	100,000
Short term deposits	22(a)	8,492,671	5,938,961	1,982,203
Bank and cash balances	22(b)	3,176,529	5,143,892	2,336,745
Total current assets		24,266,630	22,071,604	14,362,998
Non-current assets held for sale	23	-	-	23,255
Total Assets		73,915,571	68,683,092	60,062,740

SHAREHOLDER'S FUNDS AND LIABILITIES

	Note	2015 KShs'000	2014 (restated) KShs'000	1 July 2013 (restated) KShs'000
Capital And Reserves				
Share capital	24	363,466	363,466	363,466
Share premium		512,289	512,289	512,289
Retained earnings		54,787,041	47,454,374	40,335,352
Revaluation reserve		10,022,712	10,834,021	10,805,764
		65,685,508	59,164,150	52,016,871
Non-Current Liabilities				
Deferred taxation	25	5,623,522	5,101,901	5,070,728
Current Liabilities				
Dividend payable	13	309,400	-	-
Trade and other payables	26	1,983,422	3,894,399	2,672,535
Due to related parties	28(c)	313,719	298,840	302,606
Tax payable	11(c)	-	223,802	-
		2,606,541	4,417,041	2,975,141
Total shareholder's funds and liabilities		73,915,571	68,683,092	60,062,740

The financial statements on pages 22 to 64 were approved and authorised for issue by the Board of Directors on 2015 and signed on their behalf by:

Director

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Share Capital Kshs `000	Share Premium Kshs `000	Retained Earnings Kshs `000	Revaluation Reserve Kshs `000	Total Equity Kshs `000
At 1 July 2013	363,466	512,289	40,327,952	11,859,254	53,062,961
Prior year adjustment on property, plant and equipment (note 33)	-	-	-	(1,298,069)	(1,298,069)
Prior year adjustment on leasehold land (note 33)	-	-	7,400	(137,586)	(130,186)
Prior year adjustment on debits in payables (note 33)	-	-	-	(429,144)	(429,144)
Prior year adjustment on deferred taxes (note 33)	-	-	-	811,309	811,309
At 1 July 2013 (restated)	363,466	512,289	40,335,352	10,805,764	52,016,871
Total comprehensive income	-	-	7,119,022	28,257	7,147,279
At 30 June 2014	363,466	512,289	47,454,374	10,834,021	59,164,150
At 1 July 2014 (as previously reported)	363,466	512,289	47,394,969	11,887,511	60,158,235
Prior year adjustment on property, plant and equipment (note 33)	-	-	-	(1,298,069)	(1,298,069)
Prior year adjustment on leasehold land (note 33)	-	-	7,400	(137,586)	(130,186)
Prior year adjustment on debits in payables (note 33)	-	-	-	(429,144)	(429,144)
Prior year adjustment on deferred taxes (note 33)	-	-	-	811,309	811,309
Prior year adjustment on depreciation (note 33)	-	-	52,005	-	52,005
At 1 July 2014 (restated)	363,466	512,289	47,454,374	10,834,021	59,164,150
Total comprehensive income	-	-	6,830,758	-	6,830,758
Dividends declared- 2014	-	-	(309,400)	-	(309,400)
Transfer of excess depreciation	-	-	1,159,013	(1,159,013)	-
Deferred tax on excess depreciation	-	-	(347,704)	347,704	-
At 30 June 2015	363,466	512,289	54,787,041	10,022,712	65,685,508

The prior year adjustments relate to fair value adjustments on leasehold land, property plant and equipment and capital work in progress previously recorded under trade payables (note 33).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 KShs'000	2014 (restated) KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27(a)	9,304,477	11,541,635
Interest received		203,132	152,589
Interest expense	8(c)	(3,629)	-
Income tax paid	11(c)	(3,481,474)	(1,823,764)
Withholding tax paid	11(c)	(24,305)	(46,891)
Net cash generated from operating activities		5,998,201	9,823,569
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	27(c)	(5,521,613)	(3,099,614)
Proceeds from disposal of assets held for sale	23	-	23,255
Proceeds from disposal of property, plant and equipment		8,465	16,695
Purchase of intangible assets	16	(3,022)	-
Proceeds from matured government securities	21	104,316	-
Net cash flows used in investing activities		(5,411,854)	(3,059,664)
NET INCREASE IN CASH AND CASH EQUIVALENTS		586,347	6,763,905
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		11,082,853	4,318,948
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27(b)	11,669,200	11,082,853

1. ACCOUNTING POLICIES

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/ equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

As the company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the company's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

As the company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the company's financial statements.

IFRIC 21 Levies

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the company's financial statements.

ACCOUNTING POLICIES (CONTINUED)

a) Statement of Compliance

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2015

New and Amendments to standards	Effective for annual period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2017
Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations)	1 January 2016
Amendments to IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortisation)	1 January 2016

IFRS 9 Financial Instruments

The replacement project on financial instruments consists of the following three phases:

- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and
- Phase 3: Hedge accounting.

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon the former's effective date.

Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015(Continued)

IFRS 9 Financial Instruments (Continued)

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value.

Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015 (Continued)

IFRS 9, Financial Instruments (Continued)

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period ending on 17 October 2014.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and

2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets;

ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS in details.

The directors anticipate that IFRS 9 will be adopted in the company's financial statements for the annual period beginning 1 January 2018 and that the application of IFRS 9 may not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.

IFRS 15 Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

ACCOUNTING POLICIES (CONTINUED)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015 (Continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the company do not anticipate that the application of the standard will have a significant impact on the company's financial statements.

ACCOUNTING POLICIES (CONTINUED)

Annual improvements 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel servicesHowever, disclosure of the components of compensation to key management personnel that is paid through another entity is not required.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

(iv) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015 (Continued)

Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
The amendments clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

ACCOUNTING POLICIES (CONTINUED)

The amendments clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

Annual Improvements 2012 – 2014 cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

It adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

It adds additional guidance to IFRS 7 to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

It clarifies under IAS 9 that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid.

It amends IAS 34 to clarify the meaning of 'elsewhere in the interim report' and require a cross-reference The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

(iv) Early adoption of standards
The company did not early-adopt new or amended standards in 2015.

Basis of preparation

The company prepares its financial statements under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below:

Revenue recognition

Revenue represents invoiced value of services rendered during the year in relation to transportation and storage of petroleum products, net of value added tax.

Local and export service fees are recognized based on deliveries made to customers on a monthly basis. The storage fee is recognized on an accrual basis once customer products are delivered to the company's storage facilities. Amounts become payable once sales invoices are raised and delivered to customers. Interest income is recognized as it accrues.

ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates used are:

Freehold land	Nil
Buildings - residential	3% or period of lease whichever is less
Buildings - industrial	4% or period of lease whichever is less
Show ground pavilion, wooden and fences	20%
Pipeline and tanks	4%
Pumps, transformers and switch-gear	5%
Furniture, fittings and equipment	10%
Roads	20%
Helicopters	20%
Motor vehicles	25%
Computers	33%

Prepaid operating lease rentals

Payments to acquire interests in leasehold land are treated as prepaid operating lease rentals. They are stated at historical cost and are amortized over the term of the related lease.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held for sale (Continued)

Assets (and disposal groups) classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell.

ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the costs of the realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks as and when determined.

Fuel stocks belong to the shippers as per transportation and storage agreement signed between company and the shippers. Fuel stocks are therefore not included in the company's statement of financial position but are disclosed separately per note 31.

Intangible assets

Expenditure on acquired computer software programs is capitalized and amortized on the straight-line basis over their expected useful lives, normally not exceeding three years.

Retirement benefit obligation

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

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

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

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit 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 remeasurment.

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 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.

ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Dividends

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established. Dividends payable are charged to equity in the period in which they are declared. Proposed dividends are not accrued for until ratified in an annual general meeting by the shareholders.

Financial Instruments

Investments

Investments are initially measured at fair value, plus directly attributable transaction costs. At subsequent reporting dates, debt securities that the Company has the express intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available for sale investments, gains and losses arising from changes in fair value are recognized through other comprehensive income and accumulated in revaluation reserve, until the available for sale security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Unquoted investments are classified as available for sale and are stated at cost as the fair value cannot be reliably determined.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to any insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Interest-bearing loans and bank overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Provision for liabilities and charges

Employees' entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave on the reporting date.

Currency translations

Assets and liabilities that are denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling on the reporting date. Transactions during the year, which are expressed in foreign currencies, are translated at the rates ruling on the dates of the transactions. Gains and losses on exchange are dealt with in the profit or loss.

Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

ACCOUNTING POLICIES (CONTINUED)

Accounting for leases (Continued)

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Comparatives

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

2. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents and equity attributed to equity holders comprising issued capital, share premium and revenue reserves. The company had nil debt as at 30 June 2015 (2014– nil).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction and overview

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

Financial risk management objectives (Continued)

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

The company's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The company's treasury function, headed by the chief accountant - finance and reporting to the Finance Manager, develops and monitors risks and policies implemented to mitigate risk exposures.

a) Market risk

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

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

(i) Foreign currency risk management

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

	GBP KShs'000	EUR KShs'000	USD KShs'000	JPY KShs'000	HKD KShs'000
At 30 June 2015					
Financial assets					
Bank and cash balances	-	-	2,926,578	-	-
Short term deposits	-	-	7,511,367	-	-
Trade receivables	-	-	5,731,752	-	-
	-	-	16,169,697	-	-
Financial liabilities					
Trade payables	265,215	13,120	312,295	-	4,271
Net exposure	(265,215)	(13,120)	15,857,402	-	(4,271)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

(i) Foreign currency risk management (Continued)

	GBP KShs'000	EUR KShs'000	USD KShs'000	JPY KShs'000	HKD KShs'000
At 30 June 2014					
Financial assets					
Bank and cash balances	-	-	4,266,409	-	-
Short term deposits	-	767,422	5,610,900	-	-
Trade receivables	341	797,375	5,717,762	25,773	-
	341	1,564,797	15,595,071	25,773	-
Financial liabilities					
Trade payables	(3,189)	(133,904)	(185,354)	-	-
Net exposure	(2,848)	1,430,893	15,409,717	25,773	-

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.

	2015 KShs'000		2014 KShs'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 10 percentage point movement	26,522	18,565	353	247
- 10 percentage point movement	(26,522)	(18,565)	(353)	(247)
Currency - Euro				
+ 10 percentage point movement	1,312	918	13,689	9,582
- 10 percentage point movement	(1,312)	(918)	(13,689)	(9,582)
Currency - US dollars				
+ 10 percentage point movement	1,585,740	1,110,018	1,590,154	1,113,108
- 10 percentage point movement	(1,585,740)	(1,110,018)	(1,590,154)	(1,113,108)
Currency - JPY				
+ 10 percentage point movement	-	-	2,577	1,804
- 10 percentage point movement	-	-	(2,577)	(1,804)
Currency - HKD				
+ 10 percentage point movement	427	299	-	-
- 10 percentage point movement	(427)	(299)	-	-

KPC

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

(i) Foreign currency risk management (Continued)

The US Dollar impact is mainly attributed to the exposure on outstanding US Dollar receivables at year end while the Euro impact arises from the exposure on outstanding payables at the year end. The sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest risk management

The company is exposed to interest rate risk as it invests and borrows funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate sensitivity analysis

The analysis is prepared assuming the amount of liability outstanding at the statement of financial position date was outstanding for the whole year. If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit before tax for the year ended 30 June 2015 would decrease/increase by KShs 7 million (2014 – KShs 4 million).

b) Credit risk management

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

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

The company's maximum exposure to credit risk as at 30 June 2015 is analyzed in the table below:

	Fully performing KShs '000	Past due KShs '000	Impaired KShs '000	Gross total KShs '000
Trade receivables	5,178,997	4,693,071	219,921	10,091,989
Other receivables	792,750	461	362,323	1,155,534
Bank balances	3,171,446	-	-	3,171,446
Short term deposits	8,492,671	-	-	8,492,671
	17,635,864	4,693,532	582,244	22,911,640

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Credit risk management (Continued)

The company's maximum exposure to credit risk as at 30 June 2014 is analysed in the table below:

	Fully performing KShs '000	Past due KShs '000	Impaired KShs '000	Gross total KShs '000
Trade receivables	4,680,116	4,242,441	-	8,922,557
Other receivables	632,727	3,462	211,161	847,350
Bank balances	5,137,625	-	-	5,137,625
Short term deposits	5,938,961	-	-	5,938,961
Government securities	104,316	-	-	104,316
	16,493,745	4,245,903	211,161	20,950,809

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.

	Within 12 months KShs '000	Over 12months KShs '000	Total KShs '000
At 30 June 2015:			
Due to related parties	233,719	80,000	313,719
Trade payables	760,496	-	760,496
Other payables and accruals	1,222,926	-	1,222,926
	2,217,141	80,000	2,297,141
At 30 June 2014:			
Due to related parties	218,840	80,000	298,840
Trade payables	2,764,423	-	2,764,423
Other payables and accruals	1,129,975	-	1,129,975
	4,113,238	80,000	4,193,238

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

a) Critical judgements in applying the company's accounting policies

Held-to-maturity financial assets

The directors have reviewed the company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity. The company did not have any held-to-maturity financial assets as at 30 June 2015 (30 June 2014: KShs 104 million).

b) Key sources of estimation uncertainty

Actuarial valuation of defined benefits plan

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

Impairment of assets

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

Impairment losses on trade and other receivables

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

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

5. REVENUE

	2015 KShs'000	2014 KShs'000
Local service fees	7,909,057	7,382,754
Export service fees	11,821,449	11,098,107
Kipevu oil storage facility fees	1,624,565	1,490,949
Penalties on overstayed product	82,282	83,722
Penalties from ASE	883	-
	21,438,236	20,055,532

6. DIRECT COSTS

	2015 KShs'000	2014 KShs'000
Pipeline maintenance staff costs (note 10)	2,124,773	1,786,794
Depreciation (note 14)	1,064,855	1,860,263
Pipeline maintenance costs	2,031,955	790,217
Electricity and fuel	2,356,283	2,077,810
Insurance	240,820	218,433
Other maintenance costs	64,362	85,754
Amortization of prepaid lease rentals (note 15)	82,337	89,349
Amortization of intangible assets (note 16)	2,107	3,925
	7,967,492	6,912,545

7. OTHER INCOME

	2015 KShs'000	2014 KShs'000
Helicopter income	5,682	12,741
Rent income	83,800	82,048
(Loss)/gain on disposal of property, plant and equipment	(15,965)	8,872
Hydrant Income	59,523	56,689
Income from communication equipment	1,800	1,050
MTCC collections	98,673	92,847
Miscellaneous income	92,272	29,679
	325,785	283,926

8. (a) FINANCE INCOME

	2015 KShs'000	2014 KShs'000
Interest income on deposits	203,208	156,905
(b) Foreign Exchange Gains	1,572,326	101,511
(c) Finance Costs		
Interest expense	3,629	-

9. ADMINISTRATION EXPENSES

	2015 KShs'000	2014 (restated) KShs'000
Administrative staff costs	2,525,733	2,075,423
Depreciation (note 14)	871,244	289,219
Other office and general expenses	989,124	515,437
Travelling and entertainment	36,684	27,860
Advertising and printing expenses	89,516	76,805
Rent and rates	16,183	7,537
Consultancy fees	78,899	46,012
Telephone and postage	24,177	23,109
Legal and professional expenses	161,344	209,922
Licenses and other fees	4,814	40,078
Motor vehicle expenses	51,852	55,238
Buildings repairs and maintenance	3,909	3,730
Bank charges	7,865	6,679
Penalties and interest on tax	-	1,018
Auditors remuneration	8,448	8,448
Directors: - Performance incentive	7,560	5,400
- Other emoluments	4,928	11,384
- Sitting /duty allowance	5,180	7,080
	4,887,460	3,410,379

10. STAFF COSTS

	2015 KShs'000	2014 (restated) KShs'000
Salaries and wages	3,648,251	3,259,947
Group life and medical cover	403,708	295,038
Pension-company contribution	272,436	221,189
Defined benefit plan (note 18(b))	(157,093)	(137,508)
Staff welfare	373,845	154,885
Training	97,548	60,012
Recruitment costs	2,361	3,610
NSSF-company contribution	5,845	3,374
Staff uniforms	3,605	1,670
	4,650,506	3,862,217
Split as follows:		
Direct staff costs (note 6)	2,124,773	1,786,794
Administrative staff cost (note 9)	2,525,733	2,075,423
	4,650,506	3,862,217

11. TAXATION

	2015 KShs'000	2014 KShs'000
a) Tax charge		
Current taxation based on taxable profit at 30%	2,770,210	3,002,751
Tax underpayment from year 2010	-	83,019
	2,770,210	3,085,770
Deferred tax charge (note 25)	689,137	34,392
Total taxation charge	3,459,347	3,120,162
b) Reconciliation of expected tax based on profit before taxation to taxation charge		
Profit before taxation	10,680,974	10,274,950
Tax at the applicable rate of 30%	3,204,292	3,082,485
Tax effect of expenses not deductible for tax purposes	255,055	-
Income not subject to tax	-	(45,342)
Tax underpayment from year 2010	-	83,019
Total taxation charge	3,459,347	3,120,162
c) Taxation (recoverable)/payable		
Balance brought forward	223,802	(991,313)
Charge for the year (note 11(a))	2,770,210	3,002,751
Tax underpayment from year 2010	-	83,019
Installment tax payments in the year	(3,481,474)	(1,823,764)
Withholding tax paid on interest income	(24,305)	(46,891)
Advance tax paid	(76)	-
	(511,843)	223,802

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

There were no potentially dilutive ordinary shares outstanding as at 30 June 2015 and 30 June 2014. Diluted earnings per share are therefore same as basic earnings per share.

The following reflects the earnings and the share data used in the basic and diluted earnings per share computations:

	2015 KShs	2014 (restated) KShs
Profit after taxation	7,221,627,000	7,154,788,000
Number of ordinary shares in issue (note 24)	18,173,300	18,173,300
Basic and diluted earnings per share (in KShs)	397	394
	============	============

13. DIVIDENDS PER SHARE

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. A dividend of KShs 309,400,000 was ratified for the year 2014 at the Annual General Meeting held on 19 August 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold property KShs '000	Buildings and roads KShs '000	Pipeline, pumpsand tanks KShs '000	Equipment, furniture and fittings KShs '000	Helicopters KShs '000	Motor vehicles &tractors KShs '000	Capital work-in-progress KShs '000	Total KShs '000
COST\VALUATION								
1 July 2013(as previously stated)	232,342	6,095,346	31,286,101	4,420,357	125,000	604,599	1,746,473	44,510,218
Prior year adjustment*	649,622	(848,767)	(1,362,591)	(2,369,569)	(2,000)	(188,697)	(20,121)	(4,142,123)
1 July 2013 (restated)	881,964	5,246,579	29,923,510	2,050,788	123,000	415,902	1,726,352	40,368,095
Additions	-	-	249,347	70,655	315,915	95,371	2,408,693	3,139,981
Transfers from WIP	-	-	-	148,801	-	-	(148,801)	-
Disposals	-	-	-	-	-	(11,118)	-	(11,118)
	881,964	5,246,579	30,172,857	2,270,244	438,915	500,155	3,986,244	43,496,958
1 July 2014 (as previously stated)	236,542	6,258,906	31,493,745	4,639,813	440,915	688,852	3,880,310	47,639,083
Prior year adjustment*	645,422	(1,008,127)	(1,325,088)	(2,369,569)	(2,000)	(188,697)	105,934	(4,142,125)
1 July 2014 (restated)	881,964	5,250,779	30,168,657	2,270,244	438,915	500,155	3,986,244	43,496,958
Additions	-	-	80,064	119,183	-	131,104	5,191,262	5,521,613
Transfers from WIP	-	199,950	18,463	859,963	-	-	(1,078,376)	-
Transfers to intangible assets	-	-	-	-	-	-	(1,667)	(1,667)
Disposals	-	-	-	(7,142)	-	(13,648)	-	(20,790)
30 June 2015	881,964	5,450,729	30,267,184	3,242,248	438,915	617,611	8,097,463	48,996,114

*The prior year adjustment relates to the elimination of cost and accumulated depreciation and refinement of the revaluation surplus on assets that had been revalued as at 30 June 2013 but not uploaded into the fixed assets register as at 30 June 2014. See note 33.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold property KShs '000	Buildings and roads KShs '000	Pipeline, pumps and tanks KShs '000	Equipment, furniture and fittings KShs '000	Helicopters KShs '000	Motor vehicles and tractors KShs '000	Capital work-in-progress KShs '000	Total KShs '000
DEPRECIATION:								
1 July 2013 (as previously stated)	-	753,666	908,691	2,278,685	2,083	233,613	-	4,176,738
Prior year adjustment*	-	(473,066)	(16,137)	(2,145,291)	(2,000)	(207,560)	-	(2,844,054)
1 July 2013 (restated)	-	280,600	892,554	133,394	83	26,053	-	1,332,684
Charge for the year	-	302,417	1,562,612	176,395	8,183	99,875	-	2,149,482
Eliminated on disposal	-	-	-	-	-	(3,295)	-	(3,295)
30 June 2014	-	583,017	2,455,166	309,789	8,266	122,633	-	3,478,871
1 July 2014 (as previously stated)	-	1,087,715	2,235,171	2,605,070	85,001	361,975	-	6,374,932
Prior year adjustment*	-	(508,886)	(18,281)	(2,149,652)	(2,000)	(217,242)	-	(2,896,061)
1 July 2014 (restated)	-	578,829	2,216,890	455,418	83,001	144,733	-	3,478,871
Charge for the year	-	301,939	1,248,243	187,936	88,183	109,798	-	1,936,099
Eliminated on disposal	-	-	-	(3,598)	-	(586)	-	(4,184)
30 June 2015	-	880,768	3,465,133	639,756	171,184	253,945	-	5,410,786
NET BOOK VALUE								
30 June 2015	881,964	4,569,961	26,802,051	2,602,492	267,731	363,666	8,097,463	43,585,328

The Company commissioned M/S Tysons Limited to carry out a revaluation of all its assets in April 2013. The firm submitted its report in November 2013.

*The prior year adjustment relates to the elimination of cost and accumulated depreciation and refinement of the revaluation surplus on assets that had been revalued as at 30 June 2013 but not uploaded into the fixed assets register as at 30 June 2014. See note 33.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Fair value as at 30 June KShs'000
30 June 2015				
Buildings and roads	-	-	4,569,961	4,569,961
Pipeline, pumps & tanks	-	-	26,802,051	26,802,051
Equipment, furniture and fittings	-	-	2,602,492	2, 602,492
Helicopters	-	-	267,731	267,731
Motor vehicles and tractors	-	-	363,666	363,666
	-	-	34,605,901	34,605,901
30 June 2014				
Buildings and roads	-	-	4,671,950	4, 671,950
Pipeline, pumps & tanks	-	-	27,951,767	27,951,767
Equipment, furniture and fittings	-	-	1,814,826	1, 814,826
Helicopters	-	-	355,914	355,914
Motor vehicles and tractors	-	-	355,422	355,422
	-	-	35,149,879	35,149,879

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

	2015 KShs'000	2014 KShs'000
Cost	56,381,385	50,882,229
Accumulated depreciation	(27,114,217)	(25,182,302)
Net book value	29,267,168	25,699,927

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

	2015 KShs'000	2014 KShs'000
Total depreciation as per property, plant & equipment (note 14)	1,936,099	2,149,482
Direct costs (note 6)	1,064,855	1,860,263
Administrative costs (note 9)	871,244	289,219
	1,936,099	2,149,482

15. LEASEHOLD LAND

	2015 KShs'000	2014 KShs'000
COST\VALUATION		
1 July	5,086,391	5,224,052
30 June (as previously reported)	5,086,391	5,224,052
Prior year adjustment –note 33	-	(137,586)
30 June (restated)	5,086,391	5,086,466
AMORTIZATION		
1 July	88,697	6,823
Charge for the year	82,337	89,349
30 June	171,034	96,172
30 June (as previously reported)	171,034	96,172
Prior year adjustment – note 33	-	(7,400)
	171,034	88,772
NET BOOK VALUE	4,915,357	4,997,694

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

Included under leasehold land is land valued at KShs 869,759,420 (2014: KShs 869,759,420) relating to the JKIA Embakasi Depot whose title is held under the Kenya Airports Authority (KAA). Based on correspondence between the two parties, KAA has expressly acknowledged that the land belongs to the company. The company is in a process of obtaining a title deed to the property to secure ownership.

16. INTANGIBLE ASSETS

	2015 KShs'000	2014 KShs'000
COST		
1 July	365,041	365,041
Additions	3,022	-
Transfers from property, plant and equipment	1,667	-
30 June	369,730	365,041
AMORTIZATION		
1 July	362,056	358,131
Charge for the year	2,107	3,925
30 June	364,163	362,056
NET BOOK VALUE	5,567	2,985

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

17. INVESTMENTS – at cost

	2015 KShs'000	2014 KShs'000
Unquoted investments		
Consolidated Bank of Kenya Limited	67,030	67,030
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,726)	-
	36,304	67,030
Petroleum Institute of East Africa	2	2
	36,306	67,032

Details of the investment in Consolidated Bank of Kenya Limited are shown below:

	2015	2014
746,500 ordinary shares of KShs 20 each	14,930	14,930
2,605,000 4% non-cumulative irredeemable non-convertible preference shares of KShs 20 each	52,100	52,100
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,726)	-
	36,304	67,030

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.

18. 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 (2014- nil). The most recent actuarial valuation of the scheme's assets and the present value of the defined benefits obligation as at 30 June 2015 were carried out in August 2015 by the scheme's Actuaries, Alexander Forbes Financial Services (E.A) Limited.

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 were as follows:

RETIREMENT BENEFITS (CONTINUED)

b) Defined Benefit Scheme (Closed) (Continued)

	2015	2014
Discount rate(s)	13.5%	13.0%
Future salary increases	5.0%	5.0%
Future pension increases	0.0%	0.0%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	a(55) m/f	a(55) m/f
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	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:

	2015 KShs'000	2014 KShs'000
Total service cost	24,290	25,991
	________	________
Interest costs:		
Interest cost on defined benefit obligation	682,176	617,050
Interest income on plan assets	(863,559)	(780,549)
	________	________
Net interest income	(181,383)	(163,499)
	________	________
Components of defined benefits plan recognized in profit or loss	(157,093)	(137,508)
	=======	========
Actuarial gain obligation	(449,612)	(50,916)
Return on plan assets (excluding amount in interest cost)	1,891	102,011
Change in effect of asset ceiling (excluding amount in interest cost)	1,006,106	-
	________	________
Components of defined benefits plan recognized in other comprehensive income	558,385	51,095
	=======	========

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:

	2015 KShs'000	2014 KShs'000
Present value of funded defined benefit obligation	5,328,848	5,398,734
Fair value of plan assets	(7,341,059)	(6,806,131)
Effect of asset ceiling	1,006,106	-
	_________	_________
Present value of defined benefit asset	(1,006,105)	(1,407,397)
	=========	=========

RETIREMENT BENEFITS (CONTINUED)

b) Defined Benefit Scheme (Closed) (Continued)

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

	2015 KShs'000	2014 KShs'000
Net asset at the start of the year	(1,407,397)	(1,320,984)
Net income recognised in the income statement	(157,093)	(137,508)
Employer contributions		-
Amount recognized in other comprehensive income	558,385	51,095
Present value of overfunded defined benefit asset	(1,006,105)	(1,407,397)

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

	2015	2014
Opening defined benefit obligation	5,398,734	5,040,205
Current service cost	24,290	25,991
Interest cost	682,176	617,050
Contributions from plan participants	-	-
Actuarial gain due to change in assumptions	(35,276)	(50,916)
Actuarial gain due to experience	(414,336)	-
Benefits paid	(326,740)	(233,596)
Closing defined benefit obligation	5,328,848	5,398,734

Movements in the present value of the plan assets in the current year were as follows.

	2015	2014
Opening fair value of plan assets	(6,806,131)	(6,361,189)
Interest income on plan assets	(863,559)	(780,549)
Contributions from the employer	-	-
Employee contributions	-	-
Benefits paid	326,740	233,596
Return on plan assets	1,891	102,011
Closing fair value of plan assets	(7,341,059)	(6,806,131)

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

	2015 KShs'000	2014 KShs'000
Equity instruments	2,092,896	2,074,457
Debt instruments	3,047,370	2,956,114
Property	1,855,793	1,548,478
Cash	345,000	227,082
Total scheme (assets)	7,341,059	6,806,131

RETIREMENT BENEFITS (CONTINUED)

c) Defined Contribution Scheme:

Contributions to the Kenya Pipeline Company Staff Retirement Benefits Scheme are at 6% and 12% from employee and employer respectively. The company's liability is limited to any unpaid contributions.

19. INVENTORIES

	2015 KShs'000	2014 KShs'000
Spare parts and consumables	1,686,962	1,610,358
Provision for obsolete stocks	(166,376)	(166,376)
	1,520,586	1,443,982

20. TRADE AND OTHER RECEIVABLES

	2015 KShs'000	2014 KShs'000
Trade receivables	10,091,989	8,922,557
Staff loans and advances	207,187	212,767
Prepaid construction costs	106,656	106,656
Prepaid expenses	264,077	312,354
Refundable deposits	9,931	9,467
Other debtors	567,683	206,106
	11,247,523	9,769,907
Provision for bad and doubtful debts	(582,244)	(211,161)
	10,665,279	9,558,746
Recoverable as follows:		
Within one year	10,565,001	9,440,453
After one year (staff loans)	100,278	118,293
	10,665,279	9,558,746

Included in trade receivables is KShs 4.1 billion (2014 - KShs 3.7 billion) due from an Oil Marketing Company that is the subject of a court dispute. No impairment loss has been recognized in respect of this amount as management has opted to wait for the final outcome of an appeal.

The amounts recoverable after one year relate to staff loans and advances. The interest rate on the staff loans and advances is as per prescribed basis of Fringe Benefits tax as given by Kenya Revenue Authority every quarter.

21. GOVERNMENT SECURITIES

	2015 KShs'000	2014 KShs'000
Treasury bonds held to maturity	-	104,316
	========	========

The treasury bond matured on 21 July 2014. The effective interest rate on treasury bond in the year was 9.75% p.a (2014 – 9.75%).

22. CASH AND SHORT TERM DEPOSITS

a) Short term deposits	2015 KShs'000	2014 KShs'000
Fixed deposits	8,492,671	5,938,961
	========	========

The fixed deposits have a tenor of 12 months and the effective interest rate in the year was 10.79% p.a. (2014 – 10.17%).

	2015 KShs'000	2014 KShs'000
b) Bank and cash balances		
Barclays Bank of Kenya	3,132	3,136
Commercial Bank of Africa (KES)	(106,357)	238,253
Commercial Bank of Africa (USD)	1,422,155	2,944,388
CFC Stanbic (KES)	71,942	7,526
CFC Stanbic (USD)	1,090,286	730,970
Citi Bank (KES)	354,400	149,779
Citi Bank (USD)	161,326	591,051
Cooperative Bank of Kenya	58,007	71,984
Equity Bank KES	21,864	49,162
Equity Bank USD	25,063	24,340
Kenya Commercial Bank	363	368
Standard Chartered (KES)	19,982	19,992
Standard Chartered (USD)	49,283	306,676
Petty Cash 5,083 6,267		
	________	________
	3,176,529	5,143,892
	========	========

23. ASSETS HELD FOR SALE

In 2007, the directors resolved to dispose of some of the company's property and the leasehold land on which the properties stand. Negotiations with several interested parties took place and thus the properties were classified as held for sale. The sale was completed in the current year.

	2015 KShs'000	2014 KShs'000
COST		
At 1 July	-	32,953
Eliminated on disposal – current year	-	(23,255)
	________	________
At 30 June	-	9,698
	________	________
DEPRECIATION		
At 1 July and 30 June	-	(9,698)
	________	________
NET BOOK VALUE	-	-
	========	========

24. SHARE CAPITAL

Authorized:		
19,369,580 Ordinary Shares of KShs 20 each	387,392	387,392
	========	========
Issued and fully paid:		
18,173,300 Ordinary Shares of KShs 20 each	363,466	363,466
	========	========

25. 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:

	2015 KShs'000	2014 KShs'000
Deferred tax liability		
Accelerated capital allowances	615,553	456,415
Deferred tax on retirement benefit plan assets	301,832	422,219
Deferred tax on revaluation surplus	4,295,448	4,283,338
Unrealized exchange gains	542,057	32,784
	________	________
	5,754,890	5,194,756
	=========	========

DEFERRED TAX LIABILITY (CONTINUED)

	2015 KShs'000	2014 KShs'000
Deferred tax assets		
General inventory provisions	(49,913)	(49,913)
Leave pay provision	(57,026)	(37,778)
General bad debts provision	(24,429)	(5,164)
	(131,368)	(92,855)
Net deferred tax liability	5,623,522	5,101,901
The movement in deferred tax was as follows:		
At 1 July (as previously reported)	-	5,882,037
Prior year adjustment (note 33)	-	(811,309)
As restated	5,101,901	5,070,728
Deferred tax charge (note 11(a))	689,137	34,392
Deferred tax through other comprehensive income	(167,516)	(3,219)
At the end of the year	5,623,522	5,101,901

26. TRADE AND OTHER PAYABLES

Trade payables (as previously stated)	-	2,335,279
Prior year adjustment (note 33)	-	429,144
As restated	760,496	2,764,423
Other payables	1,032,776	1,004,112
Catering, training & tourism development levy	62	114
Leave pay provision	190,088	125,750
	1,983,422	3,894,399

27. NOTES TO THE STATEMENT OF CASH FLOWS

	2015 KShs'000	2014 (restated) KShs'000
a) Reconciliation of operating profit to cash generated from operations		
Profit before tax	10,680,974	10,274,950
Adjustments for:		
Depreciation (note 14)	1,936,099	2,149,482
Amortization of leasehold land (note 15)	82,337	89,349
Amortization of intangible assets (note 16)	2,107	3,925
Loss/(gain) on disposal of property, plant and equipment	8,141	(8,872)
Interest income	(203,208)	(156,905)
Interest expense	3,629	-
Impairment of unquoted investments	30,726	-
Operating profit before working capital changes	12,540,805	12,351,929
Increase in inventories	(76,604)	(315,940)
Increase in trade and other receivables	(1,106,533)	(1,574,944)
(Decrease)/increase in trade and other payables	(1,910,977)	1,221,864
Movement in related party balances	14,879	(3,766)
Movement in retirement benefit asset (note 18(b))	(157,093)	(137,508)
Cash generated from operations	9,304,477	11,541,635
b) Analysis of cash and cash equivalents		
Short term deposits (note 22(a))	8,492,671	5,938,961
Bank and cash balances	3,176,529	5,143,892
	11,669,200	11,082,853
c) Analysis of non cash transactions:		
Total additions to property, plant and equipment (note 14)	5,521,613	3,139,981
Capital work in progress items pending settlement as at 30 June	-	(40,367)
Cash used in the purchase of property, plant and equipment as presented on the cash flow statement	5,521,613	3,099,614

28. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A party is related to an entity if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity; the party is an associate of the entity; the party is a joint venture in which the entity is a venture the party is a member of the key management personnel of the entity or its parent; the party is a close member of the family of any individual referred to in the above definitions; the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in the above ; or the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

(a) Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2015 KShs'000	2014 KShs'000
Key management salaries and benefits	98,002	218,783
	========	=======
Directors' remuneration		
- Fees for services	5,180	7,080
- Other emoluments	12,488	16,784
	17,668	23,864
	========	=======

(b) Related party transactions

In the normal course of business, transactions are conducted with related parties at terms and conditions similar to those offered to other customers. Transactions with related parties during the year and are disclosed below:

	2015 KShs'000	2014 KShs'000
Services provided to National Oil Corporation (K)	937,670	876,478
Services received from Kenya Power & Lighting Co Limited	2,591,169	2,071,796
Services received from Ministry of Energy	384,000	384,000
	3,912,839	3,332,274
	========	=========
(c) Due to related parties		
Ministry of Energy - LPG Project	80,000	80,000
Kenya Power & Lighting Company Limited	233,719	218,840
	313,719	298,840
	=========	========

29. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

	2015 KShs'000	2014 KShs'000
The company as a lessor:		
Within one year	398,492	393,267
In the second to fifth year inclusive	1,593,969	1,573,067
	1,992,461	1,966,334

The lease rental income earned during the year in respect of company's property amounted to KShs 83,800,000 (2014 – KShs 82,048,000).

	2015 KShs'000	2014 KShs'000
The company as a lessee:		
Within one year	7,626	82,122
In the second to fifth year inclusive	395,358	328,488
	402,984	410,610

The total rental expense incurred during the year amounted to KShs 7,625,662 (2014-KShs 5,321,250).

30. CONTINGENT LIABILITIES

	2015 KShs'000	2014 KShs'000
Products held on behalf of shippers (note 31)	724,490	906,580
Pending law suits	22,523,840	25,455,857
Guarantees and letters of credit	7,932,685	1,276,660
	31,181,015	27,639,097

Pending lawsuits relate to civil suits lodged against the company by various parties and include contingent liabilities related to irregular release of product, amounting to KShs 2,035,753,277 (2014: KShs 4,967,769,596). These suits are subject to arbitration proceedings.

31. FUEL STOCKS

Fuel stocks belong to the Oil Marketing Companies (OMCs) as per Transportation and Storage Agreement signed between the Kenya Pipeline Company Limited and the OMCs. Fuel stocks are therefore not included in the financial statements. As at 30 June 2015, the company held 386,649M3 (2014 – 366,940M3) third party fuel stocks with a Hydro-Carbon Value (HCV) of KShs 19,406,356,000 (2014 – KShs 26,222,679,000).

Included in the fuel stocks are quantities of 15,036M3 (2014 - 12,968M3) with a Hydro-Carbon Value (HCV) of KShs 724,490,000 (2014 – KShs 906,579,000) that represents differences noted between the quantities in the company's system and the quantities ascertained during the annual fuel dip procedures. As a result, the statements sent to the Oil Marketing Companies (OMC's) reflected quantities that were higher than the physical stock by 15,036M3 (2014 - 12,968M3). A reconciliation process was performed during the year to resolve the fuel stocks deficit valued at KShs 724,490,000 (2014 – KShs 906,579,000). As an outcome of this reconciliation exercise, which attributed the differences to incorrect posting of fuel stock issues in prior periods, management will be correcting the mispostings and adjust the stock entitlement of affected Oil Marketing Companies to reflect the correct physical quantities held on their behalf.

FUEL STOCKS (CONTINUED)

The variance has been further analysed as follows;

	2015		2014	
	Cubic meters (M3)	Hydrocarbon value KShs'000	Cubic meters (M3)	Hydrocarbon value KShs'000
Quantity per customer statement	386,649	19,406,356	366,940	26,222,679
Quantity per fuel dip exercise	371,613	18,681,866	353,972	25,316,100
	_______	_________	_______	_________
Deficit	15,036	724,490	12,968	906,579
	=======	==========	=======	=========

32. CAPITAL COMMITMENTS

	2015 KShs'000	2014 KShs'000
Authorized and contracted for	22,122,402	1,559,377
Authorized but not contracted for	7,116,288	25,544,033
	_________	_________
	29,238,690	27,103,410
	==========	==========

The above amounts in respect of capital expenditure are included in the approved budget for the following year. These items relate majorly to Line 1 replacement costs and the delayed Line 5 Project.

33. PRIOR YEAR ADJUSTMENTS

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

For the year ended 30 June 2014	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
Depreciation expense (1)	2,201,487	(52,005)	2,149,482
	=========	========	=========
Effect on retained earnings (7)	47,394,969	52,005	47,446,974
	=========	========	=========

33. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Restatement of audited statement of financial position

	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
For the year ended 30 June 2014			
Assets			
Property, plant and equipment (3)	41,264,151	(1,246,064)	40,018,087
Leasehold land (2)	5,127,880	(130,186)	4,997,694
	=========	========	=========
Equity and liabilities			
Trade and other payables (4)	(3,465,255)	(429,144)	(3,894,399)
Deferred tax liability (5)	(5,913,210)	811,309	(5,101,901)
Revaluation reserve (6)	(11,887,511)	1,053,490	(10,834,021)
Retained earnings (7)	(47,394,969)	(59,405)	(47,454,374)
	==========	========	=========
For the year ended 30 June 2013			
Assets			
Property, plant and equipment (1)	40,333,480	(1,298,069)	39,035,411
Leasehold land (2)	5,217,229	(130,186)	5,087,043
	=========	========	=========
Equity and liabilities			
Trade and other payables (4)	(2,243,391)	(429,144)	(2,672,535)
Deferred tax liability (5)	(5,882,037)	811,309	(5,070,728)
Revaluation reserve (6)	(11,859,254)	1,053,490	(10,805,764)
Retained earnings (7)	(40,327,952)	(7,400)	(40,335,352)
	==========	========	=========

(1) Relates to adjustments on depreciation expense on completion of refinement of items recorded in the fixed assets register

(2)Relates to the net impact on leasehold land on completion of refinement of items recorded in the leasehold land register.

(3) Relates to the net impact on property, plant and equipment on completion of refinement of items recorded in the fixed assets register and transfer of capital items from trade and other payables.

(4) Relates to the effect on trade and other payables of transfer of capital items to capital work in progress.

(5) Relates to the net impact on deferred tax liability as a result of adjustments made to the surplus on revaluation of property, plant and equipment.

(6) Relates to the net impact on revaluation reserve of adjustments made to property, plant and equipment and leasehold land on completion of refinement of items recorded in the respective registers.

(7) Relates to effect on retained earnings of adjustments recorded to depreciation expense and leasehold land amortization on completion of refinement of items recorded in the respective registers.

34. INCORPORATION

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

35. CURRENCY

Financial statements are presented in Kenya Shillings (KShs'000).

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