KPC

ANNUAL REPORT

& FINANCIAL STATEMENTS

2019

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

CORPORATE INFORMATION

BACKGROUND INFORMATION

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

The main objective of the Company is to provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland. In pursuit of this objective, the Company has constructed a pipeline network, storage and loading facilities for transportation, storage and distribution of petroleum products. Current installed system consists of 1,795 kilometres of pipeline with current capacity to handle about 7.3 billion litres of petroleum products. The pipeline infrastructure plays a key role in spurring economic growth and development in the East African region. To this end KPC, has developed a Corporate Strategic Plan (CSP) dubbed KPC Vision 2025 with the aim of transforming the Company into Africa's Premier Oil and Gas hub.

The mission of the company is to transform lives through safe and efficient delivery of quality oil and gas from source to customer. The CSP is anchored on five key pillars:

- **Business leadership** - Winning/leading the market in Kenya.
- **Geographic expansion** - Leadership in greater Eastern Africa Region.
- **People** - Amazing performance by all KPC employees.
- **Systems and processes** - Reliable and best in the world technology and systems.
- **Image and reputation** - Amazing relationships with all our stakeholders.

DIRECTORS

Name	Particulars
Rita Okuthe	Chairperson appointed 7th August 2020
Dr. Macharia Irungu	Managing Director
Amb. Hon. Ukur Yatani	CS, National Treasury
Andrew N. Kamau	Principal Secretary, State Department of Petroleum Ministry of Petroleum and Mining
Iltasayon Neepe	Re-appointed on 8th February 2019
Wahome Gitonga	Re-appointed on 3rd May 2019
Jinaro Kibet	Appointed 6th June 2018
Elsie Mbugua	Appointed 7th August 2020
Ken Wathome	Appointed 7th August 2020
James Mbagaya Shiganga	Appointed 7th August 2020
Amos Gathecha	Alternate Director - National Treasury
Chege Mwangi	Alternate Director - State Department of Petroleum Ministry of Petroleum and Mining
John Ngumi	Chairman until 7th August 2020
Winnie Mukami	Revoked 7th August 2020
Millicent Onyonyi, OGW	Resigned 15th July 2019

COMPANY SECRETARY

Flora Okoth

REGISTERED OFFICE

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

PRINCIPAL AUDITORS

Office of the Auditor General
P. O. Box 30084 - 00100
Nairobi

PRINCIPAL ADVOCATES

Attorney General
Office of the Attorney General
Department of Justice
P O Box 40112-00100
NAIROBI

Ngatia & Associates
Bishops Garden Towers, 2nd Floor
P O Box 56688- 00200
NAIROBI

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

PRINCIPAL BANKERS

NCBA Bank Kenya Plc. Limited
Wabera Street
P. O. Box 30437 – 00100
Nairobi

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

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

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

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

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

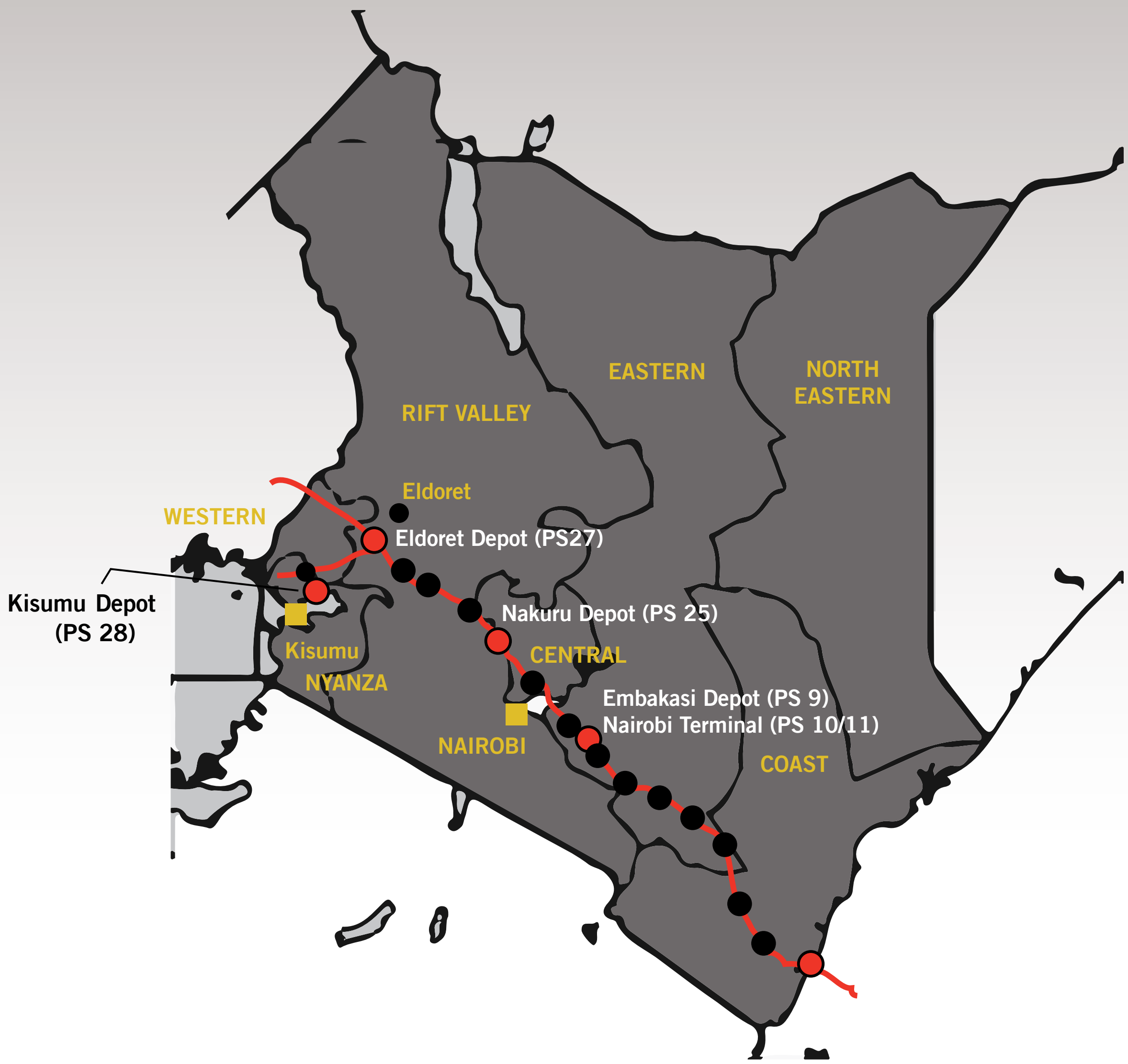
VISION STATEMENT

Our Vision
Africa's Premier Oil & Gas Company

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

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

OUR PIPELINE NETWORK



11. PS 9 - Embakasi Depot
12. PS 10/11 - Nairobi Terminal
13. PS 21A/B - Nairobi
14. PS 22 - Ngema
15. PS 23 - Morendat
16. PS 24 - Nakuru
17. PS 25 - Nakuru Depot
18. PS 26A - Sinendet
19. PS 26B - Burnt Forest
20. PS 27 - Eldoret Depot
21. PS 28 - Kisumu Depot

Pipeline
Depots
Pump stations

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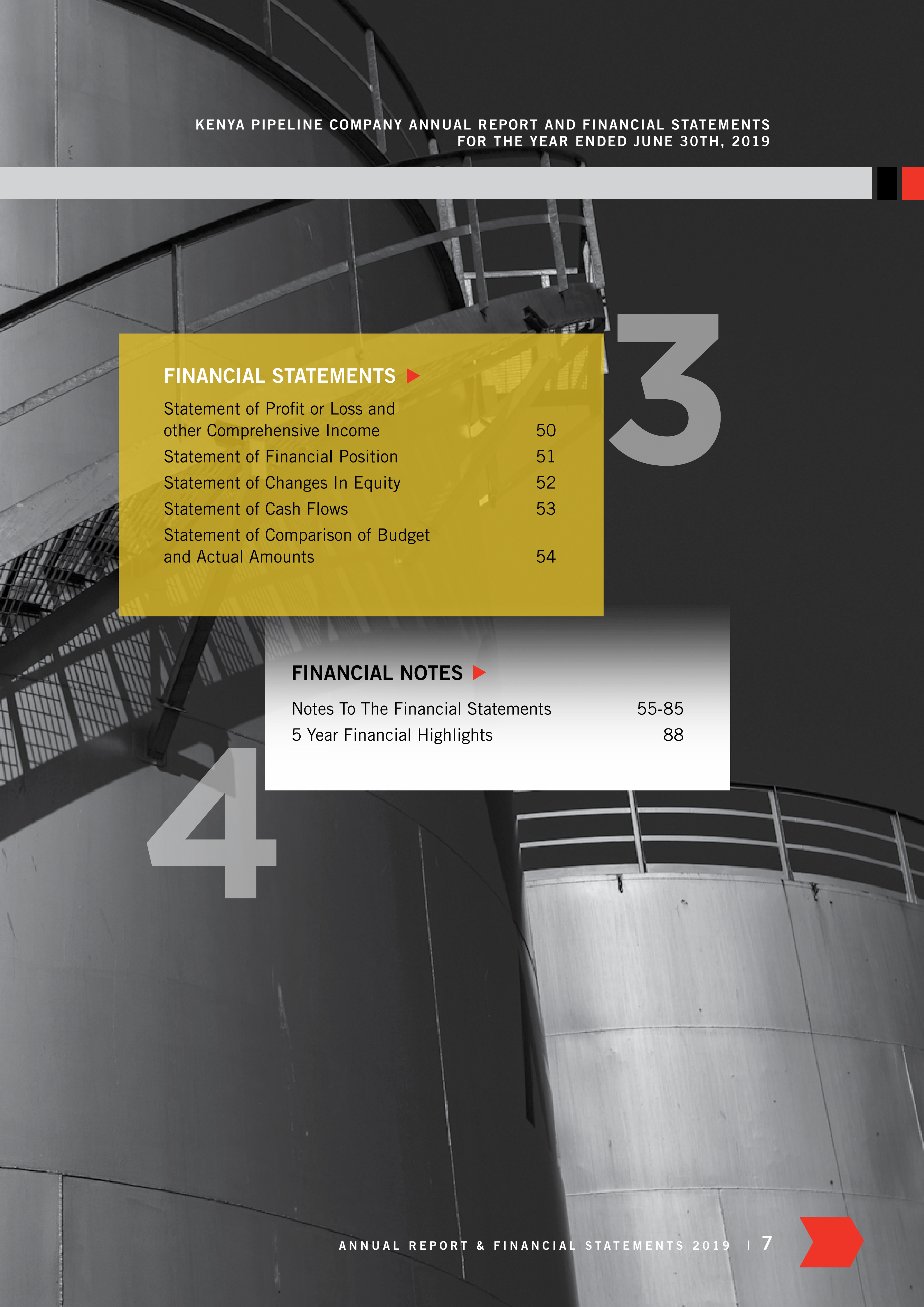

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FINANCIAL NOTES

Rita Okuthe
BOARD CHAIRPERSON

Dear Shareholders,

Your Company recently marked its 40th anniversary since commencing operations. This milestone offers an opportunity to reflect on just how well Kenya Pipeline Company has realised the dream of its creators, by executing successfully and in an uninterrupted way its core mandate of transporting and storing petroleum products in a safe, secure and reliable manner. The anniversary reminds us of KPC's contribution to the economic growth of Kenya and neighbouring countries. It is also a chance to salute all those who have played their roles in the making of what is today the major midstream player in East Africa. To all of them we say Asanteni Sana.

2018-19

The Company completed another successful year transporting and storing petroleum products. 2017-18 also saw three major projects come on stream: the new Mombasa-Nairobi pipeline (Line 5), additional storage tanks in Nairobi and the Kisumu Oil Jetty, which only awaits the completion of counterpart jetties on the Uganda side of Lake Victoria to achieve its full potential. The year, however, was not without its challenges, most notably sustained negative media coverage, and the arrest, arraignment in Court and subsequent suspension of several senior managers on charges of involvement in economic crimes. This latter action had the potential seriously to disrupt KPC's operations. Fortunately, KPC has a deep pool of skilled, experienced managers, and the Board of Directors was able to move fast and deploy new management to fill the gaps without any disruption to KPC's ability to deliver on its core mandate.

Upstream activities

East Africa is now established as an oil & gas E&P hotspot. During the year, the Kenya Government

KENYA PIPELINE COMPANY ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30TH, 2019

> East Africa is now established as an oil & gas E&P hotspot. During the year, the Kenya Government accelerated investments and activities to ensure the swift and effective monetisation of Kenya's oil reserves.

accelerated investments and activities to ensure the swift and effective monetisation of Kenya's oil reserves. One major activity was the Early Oil Pilot Scheme (EOPS). KPC was at the heart of EOPS; the Company refurbished three tanks at Kenya Petroleum Refineries Changamwe, with a capacity of 42.9 million litres, to receive and store crude oil from Turkana for export. These are specialised heated tanks to cater for the viscous nature of Turkana oil. KPC also modified Kipevu Jetty, and installed a steam boiler, all in readiness for Kenya's emergence as an oil exporter. The first such batch of exports totaling 200,000 barrels was flagged off by HE President Uhuru Kenyatta on 26th August 2019.

Sustainability Agenda

The Company's commitment to sustainability is unequivocal. We can only prosper through a shared value approach, contributing to society by making smarter and more resource efficient solutions, and by working with Kenyans to ensure their lives are better through working with KPC. Over the years, we have created positive impacts on Kenyans' lives and livelihoods, but we know we can do more, and we can do better. Our focus areas remain education, health and water. To fund our activities in these areas we devote 1% of pretax profits annually to the KPC Foundation.

Supporting the Big 4 Agenda

KPC fully and enthusiastically supports the Big 4 Agenda. Ready availability of petroleum products to power the economy is a key enabler of the Big 4 Agenda, and KPC will continue ensuring such availability through its transport and storage network.

The Future

In the immediate future our focus will be on increasing efficiency. This will be through better utilization of existing assets, completion of current projects, and a rigorous examination of any new project proposals to ensure these are not only in line with our strategy, but that they can withstand robust value-for-money and value-add tests.

Conclusion

KPC has over time continuously introduced new initiatives and measures to make our services more efficient and accessible. I take this opportunity to thank our customers for their continued support and partnership as we work to improve the delivery of our core mandate.

On behalf of KPC's Board, Management and Staff, I would also like to recognize the support accorded to KPC by our Parent Ministry of Petroleum & Mining, and by our main shareholder, The National Treasury. We look forward to your continued support as we intensify our current activities.

To Management and Staff: on behalf of the Board of Directors, I commend you all for your tireless effort and commitment to the attainment of KPC's targets and goals. Your dedication and commitment to playing your individual roles has not only enabled the Company to remain profitable, but also ensured that Kenya and the region have a steady and uninterrupted supply of fuel.

My final appreciation goes to my fellow Directors on the KPC Board. During 2018-19, and in keeping with the experience of other State Corporations, KPC has come under intense scrutiny from investigative and oversight agencies, and from Kenyans in general, as the commendable and very welcome national drive to instil accountability, transparency, discipline & order, and a strong sense of stewardship in the management of public resources gathers pace. It takes great determination and strength of character, and confidence that one is doing right and has no reason to be afraid, for one to weather such scrutiny, amidst the inevitable accompanying media storm, and remain resilient and focused on delivering KPC's mandate. Public service, especially as a non-executive director of a State Corporation, requires commitment and great sacrifices in both time and personal resources. You often have to risk your own reputation and shoulder the burden of any damage to the image of the Company. I am truly honoured to serve alongside you as we strive to help KPC realize its strategic goals and objectives, in line with the highest standards of good governance and management of public resources.

Rita Okuthe
BOARD CHAIRPERSON

BOARD OF DIRECTORS - BIO DATA

Rita Okuthe

BOARD CHAIRPERSON

Born in 1971, Rita Okuthe is a leading Marketing Executive, having worked for major corporates in the East African Region. She was the Director, Enterprise Business Unit at Safaricom Limited. Rita studied Bachelor's of Arts Degree, Economics and MSC - Marketing.

Dr. Macharia Irungu

MANAGING DIRECTOR

Dr. Irungu, born in 1966, has over 28 years of experience at Senior Management level in Lubrication, Retail, Real estate, and Supply Trading in the petroleum sector in Kenya and Africa. Most recently he served as Managing Director for Gulf Africa Petroleum Corporation and Director of Total Kenya PLC. Previously, he served in executive and managerial positions in Libya Oil, Mobil Oil and MASI. he has held several Director positions in charitable and government organizations as well as guiding and supervising Masters and PhD Candidates in his area of expertise. Dr. Irungu is a member of the America Chamber of Commerce, Kenya hospital Association, British Business Association, Institute of Directors and the Kenya Institute of Management.

CS Amb. (Hon) Ukur Yatani

CS, NATIONAL TREASURY

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

Andrew Kamau

PRINCIPAL SECRETARY, STATE DEPARTMENT OF PETROLEUM

Born in 1966, Andrew Kamau has over 30 years' experience in Petroleum energy gained from several years in leadership position in Bracewell Energy , Engen Kenya limited and Esso Kenya Limited.

Ken Wathome

DIRECTOR

Born in 1962, Kenneth has a BSC Land Economics and a Master's degree-Global Executive MBA. Ken Wathome is a resourceful Professional and Business Executive with proven effectiveness in working with high performance teams to achieve exceptional results in business environments. He has a career experience of over 20 years in Strategy, Leadership, Governance, Corporate Restructuring and Property Development. He currently heads NW Realite and Property One Limited. He has been a member of several Boards, such as the Kenya Bureau of Standards, Faulu Kenya, AIB Capital, Opportunity Bank of Uganda, Transformational Business Network (Kenya), Opportunity International United States among others.

Iltasayon Neepe Major (Rtd)

DIRECTOR

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

Wahome Gitonga

DIRECTOR

Wahome Gitonga, born in 1966, is a leading entrepreneur, running his own business since 1996 and director of several companies with diverse interests in Kenya, Rwanda and Tanzania where he has been instrumental in accomplishing large projects. A trained Economist, Wahome holds a Bachelor's Degree-Economics and Sociology He is also a past President, Owner Manager Program (OMP 2012-3) Strathmore Business School (SBS).

Jinaro Kibet

DIRECTOR

Jinaro is an advocate of the High Court of Kenya, a Commissioner for Oaths and Notary Public and is currently a partner at TripleOK Law LLP Advocates with over 29 years' experience in both private and public sector. Born in 1965, Jinaro holds a Bachelor's Degree- Law, and is a board member at Unga Group Limited, Prime Bank Ltd, Telkom Kenya, Advisory Board Strathmore Business School among others.

James Mbagaya Shiganga

DIRECTOR

Born in 1962, James has extensive senior executive experience and leadership across major emerging markets in Africa, spanning over 25 years. He started his career with PWC and worked in Boston US prior to joining the French building materials group, Lafarge SA, as a senior global executive. James served as a Country Director and Chief Executive Officer in several of Lafarge's operations across Africa. He was instrumental in the group's Africa growth strategy and development from a single entity in Kenya, Bamburi Cement Ltd, to becoming an industry and market leader in nine countries, including Nigeria and South Africa. James has an intimate understanding of different sub-Sahara markets and is credited with strong expertise in governance, Mergers & Acquisitions, leading and motivating large diverse professional teams, change management and business turnarounds in challenging environments. He founded and recently exited a mining venture in South Africa and currently heads a boutique capital advisory firm, Stratlink Africa Limited, connecting global investors to innovative businesses in Africa with significant growth potential. James holds an MBA from HEC Paris, BSc (Hons) Mathematics from University of Nairobi and is a CPA (K).

BOARD OF DIRECTORS - BIO DATA (Continued)

Elsie Mbugua - DIRECTOR

Elsie Mbugua, born in 1985, holds an Accreditation at the Chartered Institute of Securities and Investment (CISI) in FSA Financial Regulation and Commodity Derivatives (London). She also holds a Dual Degree in Economics and International Relations from Tufts University, and is a Recipient of the Tufts Research Scholarship on Effective Development Tools in Microfinance and the Tufts Entrepreneur Award 2008, Biology - Harvard University, Physics - Richmond, the American University in London and also a Dean Scholar Award. Elsie also, is the Founder of Elcy Investments Ltd with its power subsidiary Leadwood Energy; a specialist energy advisory company focused on renewable energy projects. She is well known for working on what she terms as 'first of a kind' energy transactions in the region to improve and transform East Africa's energy sector. She has been involved in restructuring various parastatals in the country through Financial Independent Business Reviews, developing the framework for a local currency Power Purchase Agreement, negotiating the Heads of Terms for Kenya's Upstream Crude Project and the sale of Kenya's first crude oil cargo.

She was voted 2019 Young Emerging Energy Leader and also received an award recognition for her exceptional leadership in Africa's energy sector. In 2020, her Firm was voted Best Renewable Energy Consulting Firm in East Africa and was also the recipient of the 2020 East Africa Green Future Leadership Award. Her thoughts on Africa's energy transformation are widely published in numerous energy journals. Elsie started her career as an energy trader and has more than a decade of experience as a physical energy trader for some of the world's largest trading houses – Goldman Sachs and J.P Morgan – covering markets in coal, emissions, power, natural gas, liquefied natural gas, and crude oil. During her time as a trader, she participated in the first market-based effort to reduce greenhouse gas emissions in the US. She also assisted in the management and optimization of 3000 MW of power generating asset in California. She was J.P Morgan's lead North America LNG trader, managing a business with LNG import rights for up to 2 billion cubic feet per day of gas at the Cheniere Sabine Pass import terminal in Louisiana. She has also traded physical crude oil covering the Dated Brent and West African crude oil markets from London. She sits on the United States Board of the BOMA project and is the Chairman of the Board of a US non-profit Ekenywa.

Chege Mwangi

ALTERNATE DIRECTOR TO PS - PETROLEUM & MINING

Born in 1962, Chege Mwangi has over 30 years' experience in Public Administration, Project Planning and Management. He is currently the Administrative Secretary at The Ministry of Mining & Petroleum-State Department of Petroleum.

Amos Gathecha

ALTERNATE DIRECTOR - THE NATIONAL TREASURY

Amos was born in 1964, and has over 30 years' experience Public Administration and Policy. He is currently the Principal Administrative Secretary at The National Treasury.

Flora Fiona Okoth - COMPANY SECRETARY

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

CORPORATE GOVERNANCE STATEMENT

Kenya Pipeline Company (KPC) has engrained the principles of Corporate Governance in its institutional framework and is committed to consistently promoting the highest standards of governance which consider the interest of all stakeholders, strengthens Board and Management accountability and helps build public trust in the Company.

The Board of KPC has overall responsibility for overseeing the effective management and control of the Company on behalf of KPC's shareholders and supervising executive management's conduct of the Company's affairs within a laid down framework, which is designed to enable effective risk assessment and monitoring.

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

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

As at 30th June 2019, the Board was made up to (10) members comprising of the non-executive Chairman, the Permanent Secretary Treasury, the Permanent Secretary Ministry of Petroleum and Mining, the Attorney General, the Managing Director and six (6) independent directors of various backgrounds. The nonexecutive directors are independent of management.

Three of these Directors' term expired between November 2018 and January 2019. The Cabinet Secretary consequently appointed three new Directors in February 2019. However, one has since resigned while the appointment of another one was revoked vide a gazette Notice dated 3rd May 2019 and the term of one other director was renewed.

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

The following meetings were held during the Year ending 30th June 2019.

MEETING	NO. OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE %
Full Board meeting	4	10	95%
Board Finance Meeting	11	5	90%
Board Human Resource Meeting	12	5	90%
Board Technical meeting	5	5	90%
Board Ad-hoc meeting	10	10	95%
Annual General meeting	1	12	100%
Board Audit Meeting	8	5	95%

FLORA OKOTH

Company Secretary

THE MANAGING DIRECTOR'S REPORT

Dr.Macharia Irungu
MANAGING DIRECTOR

Dear Shareholders,

It is my honor to enumerate to you the Kenya Pipeline Company Annual Report and Financial Statements for the year ended 30th June 2019. Kenya Pipeline Company ("KPC" or the "Company") has yet again recorded another year of fantastic financial milestone. KPC financial feat confirms the significant role KPC plays towards supporting the Kenyan and regional economies. KPC has delivered a robust performance during the year under review. It was a year where we executed our strategies and delivered excellent results, consistent with priorities outlined under our strategy – despite operating in a persistent volatile market. As the only region's white products pipeline company, KPC hosts some of the region's most vital and strategic infrastructure and currently has a combined asset base of over Kshs 135 billion, placing it among the largest corporate firms in the region.

During the year under review, KPC maintained profitability through decisive and immediate action on the challenges we faced. In a very deliberate way, we have made the changes needed to re-energise our operations. We have guided our efforts with three key priorities;

1. To regain competitiveness/ lost market in the core business
2. To protect and strengthen the balance sheet
3. To rebuild trust and transparency.

In FY 2018/19, our commitment to building a formidable reputation for excellence in petroleum supply logistics posted the following 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 74% decline in profit before tax of Kshs 3.2 billion for the year ended 30th June 2019 compared to Kshs 12.4 billion achieved in the previous year. The decline in profitability is mainly attributed to the impact of a provision for a debt of Kshs 6.1 billion being Kshs. 4.3 billion owed by an Oil Marketing Company and Kshs 1.8 billion for product aging penalty charges contested by Oil Marketing Companies (OMCs). The increase in depreciation costs by Kshs. 3.4 billion as a result of new assets also contributed to the reduced profits.

Throughput

During the year under review, KPC recorded a 13% growth in throughput volumes to 7,404,967 m3 from 6,551,805 m3 in FY 2017/18. On the domestic throughput front, the figures went up by 12% from 3,536,405 m3 for the year ended 30th June 2018 to 3,950,256 m3 for the year ended 30th June 2019. Export volumes also went up by 13% to 3,454,711 m3 for the year ended 30th June 2019 compared to 3,015,399 m3 for the year ended 30th June 2018.

Revenue

Throughput revenue was up by 14% to Kshs 31.5 billion during the year under review up from Kshs 27.7 billion recorded in FY 2017/18.

Operating Expenditure

In the FY 2018/19, KPC operated within the budgeted expenditure but the total operating expenditure increased by 80% to Kshs 29.1 billion from the previous year's Kshs 16.1 billion. This includes Kshs. 4.3 billion on account of provision of long outstanding debt owned by an Oil Marketing Company (OMC) and a further Kshs.1.8 billion on current years' debt on product aging penalties.

Cash Position

The Company's cash reserves went up by 143% to Kshs 12.9 billion compared to Kshs 5.3 billion at the end of the previous year. The cash position went up as result of Austerity Measures and prudent cost management undertaken during the financial year leading to reduction on recurrent expenditure costs against the budget. KPC was able to meet its obligations during the year under review and concluded the financial year with an admirable financial position and healthy liquidity.

THE MANAGING DIRECTOR'S REPORT

Our Commitment

As a matter of priority, the management team is focusing on provision of quality petroleum products by strengthening our pipeline network and streamlining internal processes to improve customer experience and stakeholder confidence. Our business has always been at its best when we've made customers our absolute priority and over the past year, we have restored our total commitment to giving the best possible service to our customers.

From the foregoing, it is evident that KPC is gearing up towards a brighter future. As this report describes, we have made considerable progress from where we were a year ago. The actions we've taken to reaffirm our competitiveness regionally, protect the balance sheet, and rebuild trust and transparency has also stabilised our business. We are committed to serving Kenyans better every day, in what remains a challenging and uncertain market. We are confident that the investments we are making will lead to sustainable improvements for customers whilst creating long-term value for our shareholders and Kenya at large.

Acknowledgement

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

I also wish to recognize the role played by our customers, who continue to support our various initiatives and take up our various product offerings. They remain a crucial stakeholder without whom, we would not have achieved our set objectives and financial goals. On behalf of the Board and Management of KPC, I take this opportunity to congratulate KPC's staff for delivering the above results and enabling the corporation to remain profitable. It is through your tireless efforts and commitment that we have been able to record this remarkable performance. I would also like to specifically congratulate the KPRL staff who joined the KPC family during the year under review and have been very instrumental in driving up our profitability. KPC is currently seeking to recapture its market share within the East African region and the KPC-KPRL partnership could not have come at a better time.

Dr. Macharia Irungu

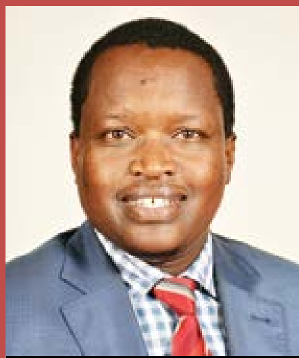
MANAGING DIRECTOR

THE EXECUTIVE TEAM

Dr. Macharia Irungu
MANAGING DIRECTOR

Disterius Nyandika
AG. GENERAL MANAGER
(STRATEGY)

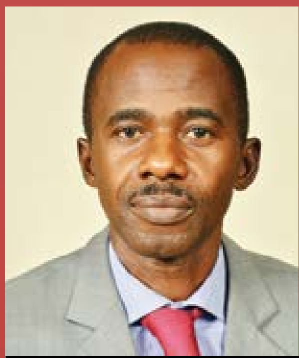
Caxton Njuga
AG. GENERAL MANAGER
(AUDIT)



Dr. Aiyabei Jonah
DIRECTOR MORENDAT
INSTITUTE OF OIL & GAS

Pius Mwendwa
GENERAL MANAGER
(FINANCE)

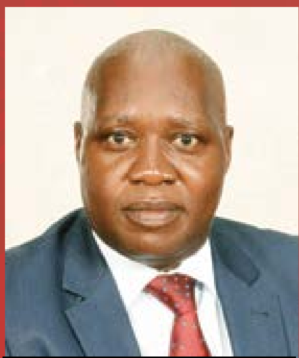
Flora Okoth
GENERAL MANAGER
(COMPANY SEC. & LEGAL
SERVICES)



Thomas Ngira
AG. GENERAL MANAGER
(HR & ADMINISTRATION)

Joshua Mutea
AG. GENERAL MANAGER
(OPERATIONS & MAINTENANCE)

David Muriuki
GENERAL MANAGER
INFRASTRUCTURE

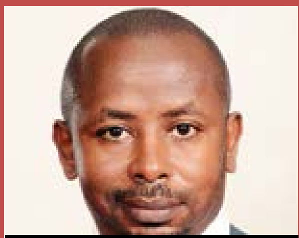


Tom Mailu
AG. GENERAL MANAGER
KPRL

Peter Mwangi
GENERAL MANAGER
SUPPLY CHAIN

THE MANAGEMENT TEAM

Pamela Ondago
AG. CORPORATE FINANCE MANAGER

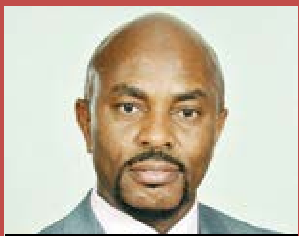


Antony Ndegwa
AG. REVENUE MANAGER

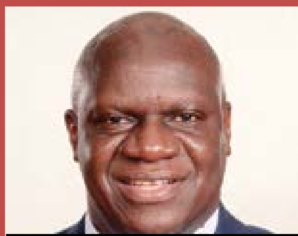
Laban Kosgey
AG. ICT MANAGER

Beatrice Orgut
SAFETY, HEALTH & ENVIRONMENT MANAGER

Amos Mugira
AG. QUALITY CONTROL MANAGER



James Karanja
AG. SUPPLY & LOGISTICS MANAGER



Martin Wanyama
AG. OPERATIONS MANAGER

Capt. Boniface Ndaka
AIRWING MANAGER

Moses Tawuo
MAINTENANCE MANAGER

Paul M Njuguna
BUSINESS MANAGER

Elizabeth Akinyi
AG. CORPORATE PLANNING MANAGER

Henry Lenairoshi
AG. HUMAN RESOURCES MANAGER

Bernice Lemedeket
FOUNDATION MANAGER

Sheila Chepsiror
AG. ADMINISTRATION MANAGER

Zilper Abongo
CUSTOMER RELATION & MARKETING MANAGER

Nancy Rono
AG. PROCUREMENT MANAGER

Isaac Ondari
AG. SECURITY MANAGER

INTEGRATED RISK MANAGEMENT REPORT

Preamble

The company operates in a highly dynamic and competitive environment and is committed to maximising shareholder value through a proactive approach to managing its risks and exploiting opportunities. During the financial period under review, the company continued to enhance awareness and shared responsibility for risk management at all levels of the organization through implementation of the ERM annual program which is anchored on the Board approved Enterprise Risk Management Policy.

The company continues to cultivate a positive risk culture by undertaking an annual enterprise wide risk assessment to formally re-evaluate risks in all business activities. The integrated approach, which has been adopted, plays a crucial role in the enhancing a positive risk culture.

During the FY2018/19, the top corporate risks were identified after evaluating all top departmental risks on overall rating based on likelihood and impact. Improvement actions plans were developed, and adequate resources deployed for implementation of the actions.

The top corporate risks for the company during the FY 2018/2019 and improvement action plans implemented are outlined below:

No.	Risk	Source of Uncertainty	Actions Implemented
1	Reputation	Adverse publicity in the print and electronic media that injures KPC brand	i. Developed an implementation plan of the company's rebranding communication strategy ii. Review of the communication strategy for internal and external communication
2	Fire	The company handles highly inflammable products and there is concern that fire outbreak will have severe consequences	i. Trained multi-disciplinary Emergency Response Teams (ERT) in all major depots ii. Implemented the fire audit recommendations iii. Implemented an ISO integrated Health, Safety & Environment Management System iv. Initiated implementation of key recommendations from a Quantitative Risk Assessment carried out on Nairobi Terminal Depot v. Automation of firefighting system in Coast Depot (PS1)
3	Project	Concerns that project delivery constraints impact on realisation of project objectives within quality, cost and time	i. Developed a framework for establishment of a Project Management Office (PMO)
4	Terrorism	Kenya pipeline infrastructure is a strategic installation and the country continues to report terror incidences	i. The roll out of phase 2 of the Integrated Security System (CCTV and access control) project was completed ii. Automation of barriers/scanners was carried out in all major depots iii. A proposal was developed for dedicated CCTV Surveillance Centres to monitor security activities. iv. Continuous monitoring of terror incidences reported in the country was done during the year

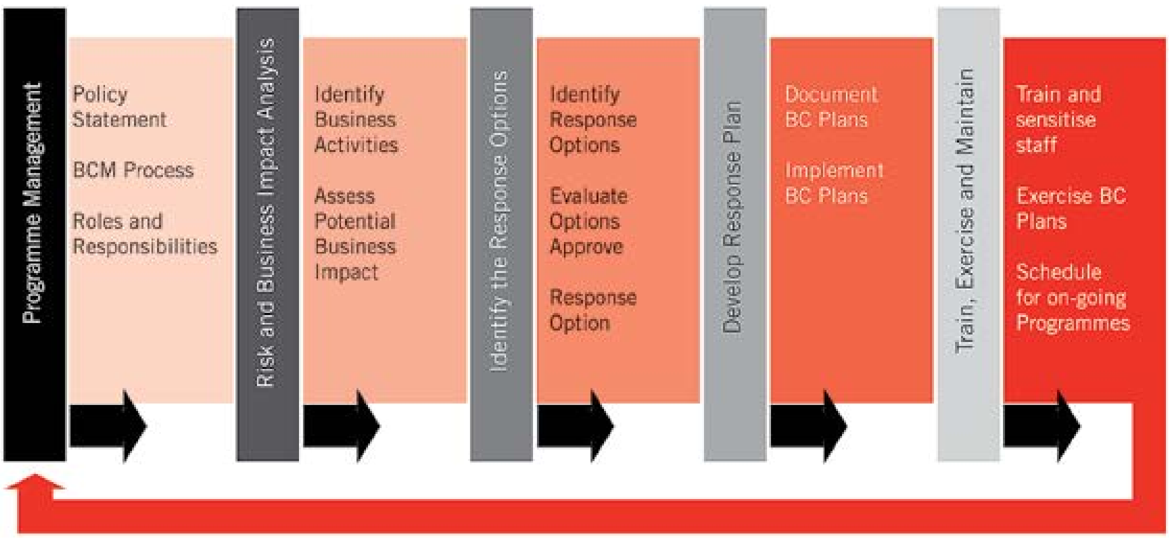
No.	Risk	Source of Uncertainty	Actions Implemented
5	People	Demotivated staff due to slow resolution of staff issues	i. A staff taskforce was appointed to collate staff issues and a report prepared
6	Product Leakage from the pipeline	There are concerns on the continued utilisation of the ageing Line 1 pipeline which has some highly corroded sections	i. Finalised the report on Inline inspection on Line 1 & CIPS/DCVG survey on Line 1, 2 & 3 and adopted recommendations for implementation ii. Carried out a desktop benchmarking for implementation of Pipeline Integrity Management (PIMS) Systems
7	Environmental	Concerns on the impact product spillage/leakage from the pipeline will have the environment	i. HSE staff were trained on environmental restoration ii. Initiated establishment of an oil spill emergency response centre in Kisumu to support Kisumu Oil Jetty activity iii. Initiated replacement of OSMAG oil spill equipment as per audit report iv. Review of the Inline inspection report for Line 1 for risk mapping of the pipeline
8	Strategy Execution Control	KPC is implementing an ambitious strategy KPC Vison 2025. There are concerns that change in assumptions and weakness in execution controls measures may negatively impact on the realisation of strategic objectives	i. signoffs of departmental strategic plans and quarterly status update of Implementation plans was undertaken ii. The annual budget was aligned to strategic objectives for 2019/2020FY iii. Annual review and reporting on Corporate Strategic Plan (CSP) and departmental strategic plans was carried out iv. Monitoring and Evaluation report on the CSP was prepared v. CSP review was carried out and an addendum report prepared
9	Market	Concerns on loss of export market share to the central corridor due to uncompetitive strategies	i. Inter-agency collaboration and engagement was carried out to resolve non-tariff barriers along the Northern Corridor ii. Initiated the process of setting up a liaison office in Uganda iii. Developed country specific marketing strategies iv. Developed a marketing strategy for Kisumu Oil Jetty facility v. Undertook a study of competitiveness of SGR and Central Corridor Transit Route vi. A review of the transit market tariff was undertaken

No.	Risk	Source of Uncertainty	Actions Implemented
10	Litigation	The nature of KPC business and operations open the company to litigation from time to time. The country has also become litigious.	i. Created and updated a status report of easements granted to KPC and compensation paid to grantors ii. The Alternative Dispute Resolution (ADR) Policy was developed iii. Training of staff on Contract Management skills was carried out iv. The Staff Rules and Regulations were included in the Legal audit schedule
11	Liquidity	Uncertainty that outstanding claims from key capital projects and a dollar dominated loan which is subject to foreign currency and interest rate fluctuations could lead to cash flow volatility	v. Developed a hedging policy vi. Adherence to the thresholds set in the liquidity policy vii. Instituted cost containment measures
Risk Rating			
Extreme Risks	High Risks	Medium Risks	Low Risks

Business Continuity Management

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

The BCM framework adopted by the company is outlined below:-



During the year under review, the company implemented the following business continuity activities: -

i) Mainstreaming of BCM in Depots; Sensitisation of staff on Business Continuity Plans was carried out in major depots. This was to create awareness on the BCM policy and identify gaps and depot specific issues for adoption into the corporate Business Continuity Plans (BCPs).

ii) Testing and Exercising of Business Continuity Plans; Exercising of BCPs is critical in enhancing the capabilities, people and resources needed to respond to business disruption. Testing and exercising also seeks to gain assurance that identified strategies are capable of providing response and recovery results within the timeframes established. Testing and exercising of BCPs was carried in June 2019. BCM Champions from departments with mission critical business processes undertook Discussion-Based and Scenario-based exercising. Gaps in the BCPs and areas for improvement were identified. The testing and exercising activity was essential in building confidence and performance levels for business continuity teams.

Conclusion

During the period under review the company undertook a company-wide risk assessment, ranked and prioritized the top corporate risks. Appropriate mitigations measures were developed and requisite resources committed for implementation of the improvement action plans. Quarterly risk monitoring and reporting was undertaken in line with Enterprise Risk Management Policy. During the period under review, risk management approach in the company was proactive and integrated thus providing reasonable assurance regarding the realization of company objectives.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT

Photo courtesy: www.flikr.com

KPC collaborates closely with all the communities in Kenya and especially those neighboring our installations which include our Depots, Pump stations and along the Right of Way (R.O.W) from Mombasa and traversing 14 Counties to both Kisumu and Eldoret.

In our business, we seek to understand each of the various communities and especially from their cultural and social perspectives to appreciate appropriate communication channels to understand their community needs and how sensitive they are to situations and events that may arise from time to time.

We seek to identify and mitigate potential negative social impacts is which is central in developing long-term, positive relationships with these communities. At KPC, we aim to promote and respect human rights in all areas where we operate.

We commit to focus on the social and environmental concerns of the communities living in areas where we conduct our business just as we do our business to make profits. As we go about our business to make profits, we acknowledge the fact that we have a cardinal responsibility of taking care of the environment in operate public space where people live.

We manage our Company prudently not only to earn financial profits but also to transform positively lives and to preserve and sustain the environment.

As a responsible corporate citizen, we are more conscious than ever of our social and environmental responsibility. We work closely with communities and offer support to social programs that add value and transform the lives of beneficiaries through our sustainable corporate concept of linked prosperity."

Our key initiatives aim at addressing Social inclusion through the empowerment of women, youth and people living with disability and integrating government priorities and the local communities. Through such strategic partnerships, a shared sense of responsibility will be nurtured and will naturally lead to sustainability of programs which will positively impact on the communities' resident in the areas where we operate.

Kenya Pipeline Company through the Foundation Department conducted various activities and programmes as part of the Company's Corporate Social Initiatives during the 2018-19 FY.

By giving back to the society, KPC seeks to transform lives of the communities who live majorly along our Right of Way (R.o.W) and other parts of the Country through the implementation of CSI programs aimed at improving the lives and in so doing, earns her social license to do business in the country.

Respecting human rights

We believe our business presence should have a positive influence on the people in the communities in which we operate. KPC is committed to respecting human rights as a fundamental principle in our operations, implemented through training and the application of our internal policies and practices. The company's practices and operations reflect the spirit and intent of the United Nations Universal Declaration of Human Rights.

OUR AREAS OF FOCUS

During the period under review, the Company through the Foundation Department sponsored the implementation of various projects, programmes and events aligned with to the focus areas as detailed in our CSI policy as detailed in the thematic areas as listed below;

1. Education,
2. Health & Environment,
3. Water and Sanitation,
4. Sports for development and
5. Support for Special Groups.

As a responsible Corporate Citizen, KPC through the Foundation has aligned its CSI programmes with the objective of ultimately spurring social development in a sustainable manner. The Company supports programmes that complement the National and County Governments initiatives which also complement the promotion of the President's BIG 4 Agenda programmes and projects and that will lead to the realization of Universal Health Coverage (UHC) and decent housing for most Kenyans.

EDUCATION

Education being a key focus area, was allocated more funds during the period for infrastructural developments in various schools by the Company during the period under review. Infrastructural developments sponsored by KPC

Kochodin High School - Turkana County

The Board of Directors of KPC approved a donation of Kshs 10 Million towards Kochodin High School for the construction of a Dormitory, two (2No) of classrooms and two (2No) of pit latrines in support of an earlier promise by His Excellency the President of the Republic of Kenya to the people of Ngamia 1 in Turkana County. The donation was handed to the school on behalf of the head of State by the Cabinet Secretary, Petroleum & Mining, Hon. John Munyes. demonstrating our commitment that KPC has towards the development of education and related facilities for the benefit of Kenyan children especially in marginalized areas.

MODERN SCIENCE LABORATORY

KPC recognizes the fact Schools in marginalized areas face diverse challenges in acquiring education compared to their peers in other areas of the Country. It is against this background that KPC decided to sponsor the construction of a modern science laboratory at Lokitaung Girls High school in Turkana South at the Cost of Kshs 5 million. Construction works have commenced and will completed soon.

CONSTRUCTION OF CLASSROMS AT USWET PRIMARY SCHOOL

The Company sponsored the construction of four classrooms at Uswet Primary School with regards to the construction of a one storey (4No.) Classrooms at a total cost of Kshs 5 million.

On Completion, the new classrooms will ease the congestion currently being experienced at the school. The children will also enjoy a better learning environment which will in the long run lead hopefully lead to improved performanc

SPECIAL GROUPS

INUKA SCHOLARSHIPS

The Company set aside Kshs 14 million to support Inuka education scholarship program to support children living with various forms of disabilities to enable them to access secondary school education.

The scholarship program which benefits 2 children, a boy and a girl from all the 47 counties is an equalizer because it advocates for social inclusion of those who could have been neglected for lack of school fees. It is expected that by accessing secondary education, the beneficiaries will ultimately be able to add value to their competitiveness that will make them access other opportunities for them in future.

Through its flagship Inuka scholarship program, KPC continues to invest on the education of bright children living with disabilities. The third cohort of students joined Form one in 2019 bringing to a total of 282, as the total number of students spread across the country in various Schools for special needs children.

KPC Inuka Scholarship beneficiaries at the Thika School for the Blind when members of the Foundation Team visited them at the school in the month of June 2019. Ms. Roseline Odhiambo (R), encouraged the students to work hard in their studies.

The Company pays school fees and regularly visits them in school to review their education performance provide opportunities to disadvantaged communities through education, provision of infrastructure and economic opportunities. The Company also sponsored initiatives focusing on women, including the National Diversity & Inclusion

Beneficiaries of the KPC Inuka scholarship program at SA Joytown National School for Children living with disabilities pose for a photograph with the Ms. Roseline Odhiambo (Centre in Dark classes) with the School's Principal Mrs. Kamonye

CORPORATE SOCIAL INVESTMENT (CSI) REPORT (Continued)

HEALTH & ENVIRONMENT

FREE MEDICAL CAMPS - MOMBASA, NAIROBI AND KISUMU

Healthcare is a key focus area in our social development agenda. We take cognizance of the fact that our people are entitled to a good healthcare system that sorts out their medical requirements at the time of need.

However, the provision of comprehensive health to all has been a dream to many especially in the rural areas where medical facilities are far apart and, in most cases, poorly equipped and with inadequate medicines. During the FY under review, we sponsored various initiatives to people living in informal settlements in Mombasa, Nairobi and Kisumu cities.

As part of the Company's community outreach programs, the Foundation Department, organized and sponsored free medical camps in Mombasa, Nairobi and Kisumu during the 2018/19 FY in an effort to support communities access free and quality medical services.

It is against this background that KPC collaborated with a number of partners and stakeholders in the health sector to offer free medical camps in three locations in the country during the period under review.

The free medical camps attracted thousands of Kenyans in the sites where the services were offered.

During the Free Medical Camps, free medical services including consultations, laboratory tests, Prostate and Cervix Cancer screening, dispensing of free medicines, and referrals were done on complicated conditions which required further examinations and attention were referred.

The following services were offered during the free medical camps;

- **Consultation**
- **Drug dispensing**
- **HIV Testing and Counseling**
- **Blood sugar testing**
- **Antenatal Care**
- **Cancer Screening- Cervical and Prostate cancer screening**
- **Eye check-up**
- **Family planning**
- **Laboratory Testing Services**
- **Immunization and Nutrition**
- **Special Groups Check-ups**

MOMBASA FREE MEDCIAL CAMP

In a case by case analysis, starting with Mombasa, the free medical camp was conducted for two days at Chaani Social Hall in collaboration with the Department of Health Services of the County Government of Mombasa.

The CEC for Devolution, Mombasa County Government Dr. Seth Odongo (Centre with a yellow reflector) joined KPC staff after visiting the Mombasa Free Medical Camp sponsored by the Company. He commended the KPC for choosing to support the medical needs of the residents of Chaani Ward.

It was conducted on 14th and 15th June 2019 and the turn-out was higher than it had been anticipated. Patients started getting to the venue from as early as 7:00 a.m., and the camp continued to as late as 8: 00p.m. during the two days.

The County Government provided a strong team of 32 Medical personnel which included 2 Doctors, Clinical officers, Nurses, Pharmacists and Laboratory Technologists who included staff from the KPC Staff Clinic in Nairobi. They were fully backed up other support personnel drawn from both the National and County Governments and KPC. The Company facilitated all the teams which ensured that they were well motivated and hence made them to offer their best during the camps.

During the two days, total, 983 patients including 240 children benefited from the successful medical camp were examined and treated.

NAIROBI FREE MEDICAL CAMP – LUNGA LUNGA

The Free medical camp was conducted for two days and turnout was impressive with majority of the patients turning up on the second day.

The Nairobi Governor, H.E. Mike Mbuvi Sonko Foundation laid the foundation stone signaling the commencement of construction work of the proposed Mother and Child facility at the Lunga Lunga Health Centre sponsored by KPC to the tune of Kshs 20 Million as part of the activities lined up on the first day. Governor Sonko thanked KPC for donating money to construct the maternity wing at the facility and announced that his government will provide and additional Kshs 18 million towards the same project.

The Ag. GM (S) Mr. Disterius Nyandika hands over a dummy cheque of Kshs 20 million to the Nairobi Governor, H.E. Mike Mbuvi Sonko being the sponsorship from KPC towards the construction of a maternity wing at the Lunga Lunga Health Centre. The former Vice President, H.E. Kalonzo Musyoka witnessed the event.

CORPORATE SOCIAL INVESTMENT (CSI) REPORT

Happy Moments; The Sub County Pharmacist Dr. Christine Onuko in Green jacket, Sister Anne W. Maru and Dr. Mc'Odingo in a celebratory mood as they examine the dummy cheque while Director Jenaro Kibet and Ag. GM (S) watch on.

A patient being attended to by the Team leader of the Lab Technologists

Hundreds of Viwandani residents took advantage of the free medical camp at the Lunga Lunga Health Centre.

A total of 40 Medical personnel drawn from the Kenya Medical Training College – Nairobi Campus (16NO.), Nairobi City County Government (18NO.), three from KPC and While Lifelink and Red Cross brought in a team of 7 medics who comprised; Doctors, Clinical officers, Nurses, Pharmacists, Laboratory Technologists among others. The Company facilitated all the teams which motivated them to offer their best during the camps.

Over 1300 people including 352 children drawn from the 8 villages of Viwandani slums namely, Mukuru kwa Njenga, Mukuru Kayaba, Mukuru kwa Ruben, Kingstone, Sinai , Jamaica, Paradise and Lunga Lunga were treated during the free medical camp.

MIGOSI FREE MEDICAL CAMP – KISUMU COUNTY

The Kisumu event was held on 29th & 30th June 2019 at the Migosi Sub- County Hospital. The turnout was fairly low compared to the previous events in Mombasa and Nairobi respectively because Kisumu County has been running free medical campaigns as part of the pilot Counties prior to the rolling out of the Universal Health Care ((UHC) by the National Government.

Offering an Helping hand: *The Foundation Manager Ms. Bernice Lemedeket helps an elderly patient board a Boda Boda after receiving medical treatment at the Migosi Sub County Hospital in Kisumu County on 30th June 2019.*

Mr. Geoffrey Arasa, the KPC Pharmaceutical Technologist dispensing drugs as the Pharmacist in-charge during the Kisumu Medical camp.

A total of 36 Medical personnel drawn from the County Government of Kisumu including three from KPC Staff Clinic offered services to the public for free during the event which was fully supported by the County Government officials.

At the close of the medical camp on Sunday 30th June 2019, a total number of 773 people from the local area and surrounding settlements and estates which included 158 children had benefited from the successful medical camp.

PARTNERSHIPS

KPC through the Foundation Department leveraged on existing partnerships to organize the free medical camps which were a huge success.

We are indebted to the support materially and in kind by the various partners who included the following:

- **National and County Governments in Mombasa, Nairobi and Kisumu. For providing the required medical personnel, facilities and security during the camps.**
- **Beta Healthcare donated most of the dispensed to patients.**
- **Dawa Limited provided some drugs.**
- **Lions Eye Foundation that offered free eye check-ups for the patients in Mombasa.**
- **Life Link International Foundation.**
- **Chemoquip Limited who donated all the reagents used in all the three camps.**

SPONSORSHIPS

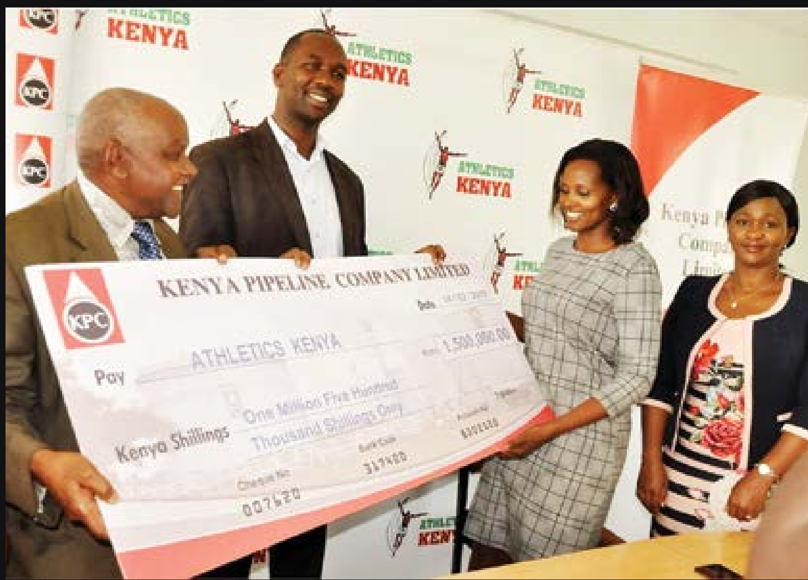
We sponsored the 2019 edition of the annual Beyond Zero Half Marathon to the tune of Kshs 12 million as part of the campaigns being steered by the First Lady, Margaret Kenyatta to improve health services for mother and child in Kenya.

SUPPORT FOR SPORTING ACTIVITIES

KPC sponsored the annual Thange Marathon for the second year in February 2019

Getting ready at the starting point.

Chairman of the KPC Board Mr. John Ngumi awards prizes to one of the winners.



Ms. Bernice Lemedeket hands over a donation of Kshs 1.5 million to Athletics Kenya on behalf of KPC.

SFO Mr. Ezekiel Cheptumo hands over a dummy cheque of Kshs 2million to the Chairman of the Eldoret City Marathon, Mr. Moses Tanui in April 2019.

ENVIRONMENTAL SUSTAINABILITY STATEMENT

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

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

The HSE policy guides the organization to comply with the law, include HSE and sustainability considerations in all company operations, and attain continual improvement in our HSE Performance. Safety, Health, Environment & Quality Assurance(SHEQ) department's vision is to achieve World class safety performance measured as Zero fatalities, injuries, spills and fires and a proactive safety culture. The implementation of the HSE Management system falls in 4 buckets:

- **Compliance with the local legislation and industry best practice**
- **Prevention of accidents**
- **Resource and Capability of staff**
- **Safety culture.**

KPC complies to local legislation namely Environment Management and Coordination Act 2012 Cap 387, Occupational Safety and Health Act, 2012 Cap 514, Energy Act, 2012 Cap 314 and Water Act, 2016. KPC has gone beyond local legislation compliance to commit to international certification in HSE management for ISO 14001 Environmental Management Standard and the 45001 on Occupational Health and Safety. This international certification ensures commitment to higher standards over and above the local legislative requirements on HSE Management.

Under the Prevention pillar, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and assessments for all its operations and come up with control measures to prevent realization of hazards, and mitigation measures to reduce the consequences of possible incidents. As a result, KPC has in place site specific emergency response plans. The resource and capability pillar aim to ensure that staff carrying out safety critical roles are equipped to carry out their work effectively in a safe manner. Training provided include, among others, Emergency response management and incident command, basic firefighting courses, first aid, incident investigation, HSE committee and environmental sustainability training.

The culture pillar targets to attain a proactive safety culture. Programs running under this pillar include the Safety week, World Environment Day, reward and recognition programs including the near miss campaign. 2018/19 recorded a total of 292 incidents including 248 near misses contributing to 85% of all incidents reported during the period. Headline Performance Incidents: 2018/19 recorded one fatality and Lost Time incident. These involved personnel working at one of the terminals. Overall, we attained a 57 percent reduction in incident recorded from the previous year with from 694 to 292 incidents. This reduction is attributed to increased reporting in near misses and unsafe acts and conditions thereby enhancing awareness among KPC stakeholders.

Near misses are incidents that under slightly different circumstances could have resulted in illness, injury, damage to assets, environment or company reputation, but did not. Taking corrective action on reported near-misses, unsafe acts and conditions, prevents major accidents from happening. In 2018/19, 248 near misses were reported compared to 869 in the previous year.

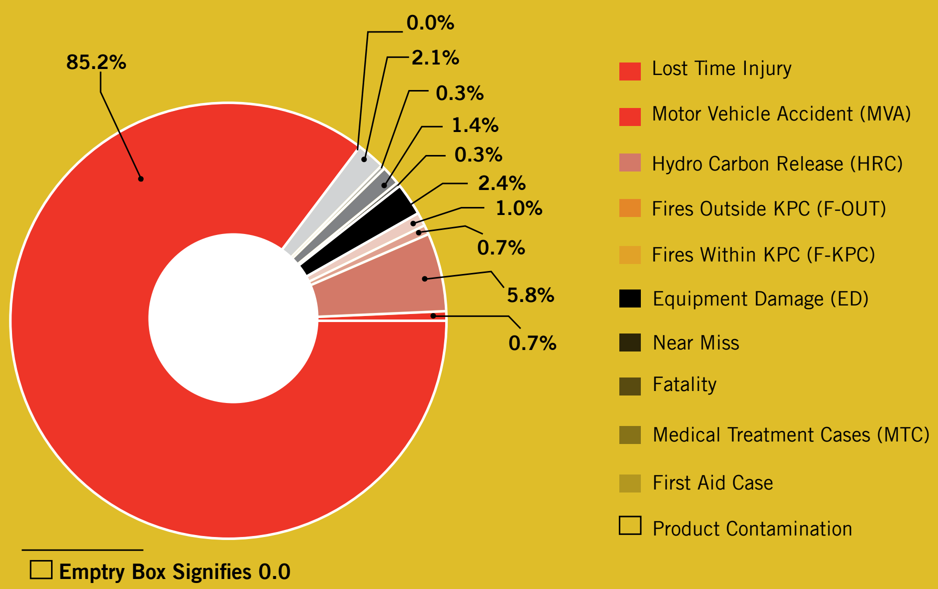
This financial year hydro carbon release incident registered 17No incidents. This was a reduction of nearly 40 percent from the previous year which registered 28No incidents. This reduction is attributed to the completion of Line V project as compared to the previously in use Line I which was an aged 40-year-old. KPC as a responsible corporate citizen always ensure successful repair of the line and undertake environmental remediation for all contaminated sites.

The Kiboko oil spill clean-up, which was as a result of a spillage in March 2019 has been ongoing with various oversight agencies been pleased with the progress so far. KPC has been working closely with the communities to develop projects for partnership, that will benefit the community as part of community engagement in response to incident management for joint mitigation. These include provision of water and bursaries to the local communities in the affected areas.

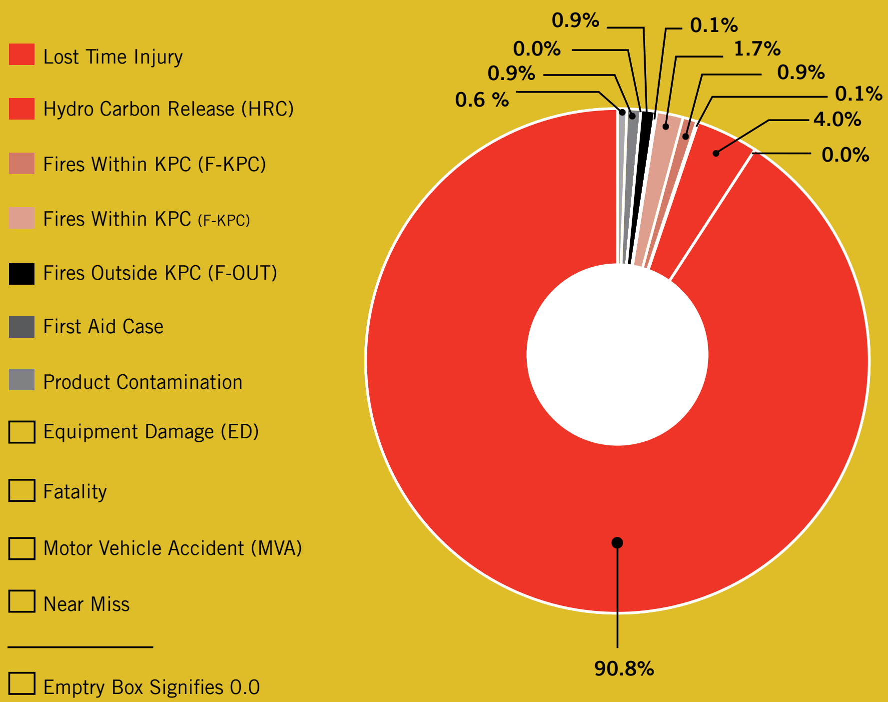
KPC commemorated the World Environment Day on 5th June 2019, through tree planting efforts throughout KPC facilities. KPC also partnered with the National Environment Management Authority, to share the message on air pollution sponsoring a workshop in Kisumu for tire burning and sensitization of Kachok landfill scavengers for minimal air pollution from their activities.

ENVIRONMENTAL SUSTAINABILITY STATEMENT (Continued)

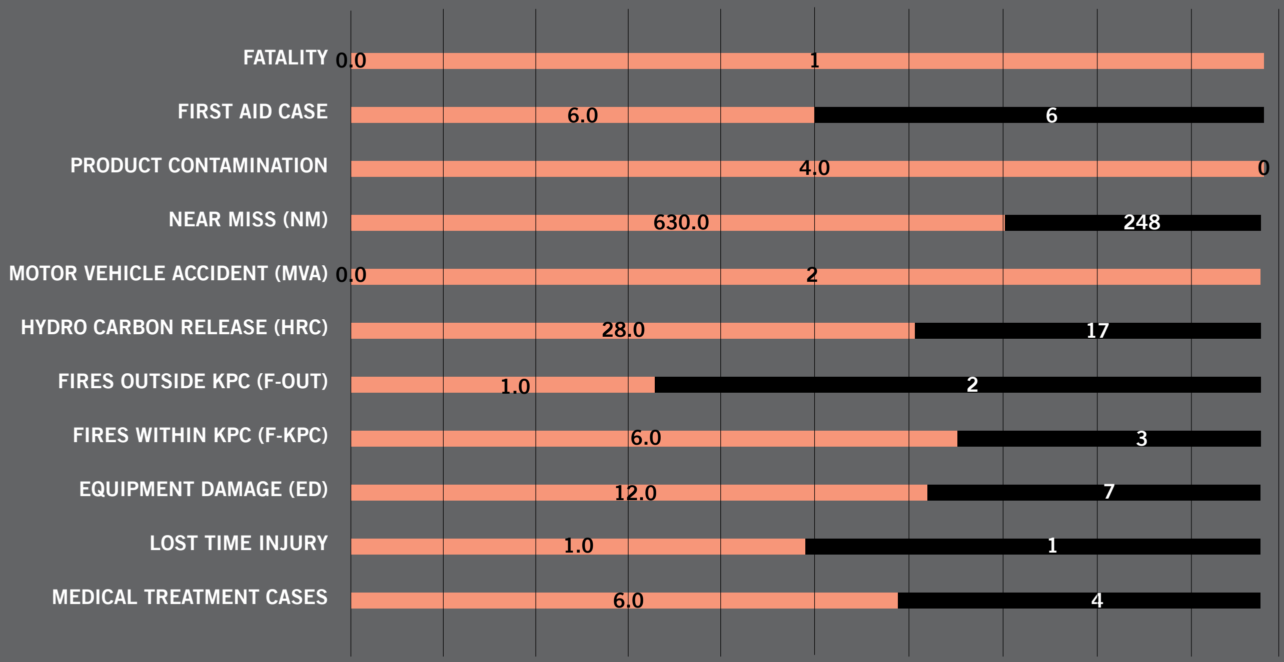
Incidents comparison for FY 17/18 to FY 18/19 FY 2018-19



FY 2017-18



Comparison between FY 17/18 and 18/19



STAKEHOLDER ENGAGEMENT

In FY2018/19, the Company further enhanced its stakeholder relationship management, a fundamental part in achieving targeted revenue, by building more intensive and impactful partnerships with all the key actors in the petroleum sector. Oil Marketing Companies (OMCs) are the primary stakeholders to the Company and they include: Multi-National Companies and independent players.

In FY2018/19, the top ten (10) marketers command a combined market share of 68.13% in KPC's system, compared to 67.7% in FY2017/18. They include: Vivo Energy Kenya Ltd. (16.40%); Total Kenya Plc (15.13%); KenolKobil Limited (13.98%); Ola Energy Kenya Ltd. (4.44%); National Oil Corporation of Kenya (3.77%); Gulf Energy Ltd. (3.76%); Lake Oil (K) Ltd. (2.97%); Oilcom (K) Ltd. (2.96%); Hass Petroleum Ltd. (2.37%); and Petro Oil (K) Ltd. (2.35%).

Engagement with Industry Players in The Export Market

As stipulated under the Geographic Expansion pillar of the Corporate Strategic Plan (CSP) 'Vision 2025', one of the key strategic objectives is to grow the Company's market share to 90% and be the leading petroleum downstream logistical partner in all the countries of operation. During the period under review, the Company developed elaborate export market recovery strategies with a view to enhancing competitiveness in pipeline utilization.

Some of the key competitive recovery strategies include:

- **Winning market share in Uganda**

Approximately ninety percent (90%) of Uganda's annual petroleum consumption needs are met through the Northern Corridor Transit Route (NCTR) making it the largest export market for Kenya. KPC enjoys approximately 60% of this share on an annual basis while the balance is served through other modes of transportation such as road and rail. The annual market size for the Uganda market is approximately 2.4 million cubic meters out of which 2.1 million cubic meters is imported through the port of Mombasa. The immediate opportunity for KPC is approximately 800,000 cubic meters per annum which is currently bypassing the pipeline via road from Mombasa depots.

The following measures are under implementation to win back the Uganda export market:

Allocation of special ullage for Ugandan OMCs - enhancement of infrastructural capacity to ensure all Uganda and Rwanda export market needs are served through the pipeline. With completion of Mombasa – Nairobi replacement pipeline (Line 5), additional (133,000m3) tanks in Nairobi Terminal and Kisumu Oil Jetty (KOJ), KPC has sufficient capacity to meet all the petroleum product needs for Uganda and Rwanda markets.

Review of export tariff with an underlying objective of mopping up transportation of transit products from Mombasa and Central Corridor Transit Route (CCTR) into the pipeline. Establishing a regional liaison office in Kampala, Uganda, to facilitate real-time response to customers' needs which is critical in building customer confidence and ultimately, fostering business sustenance and growth. Marketing of KOJ through targeted, bespoke discussions with key partners identified in the commercialization strategy for the regional waterway facility.

Export market excursions in Democratic Republic of Congo (DRC)

Strategy Division spearheaded a maiden marketing study to the DR Congo market segments in April 2019. The study covered the major commercial towns of three demarcated petroleum supply regions, namely: West Region (epicentred around Kinshasa); East Region (covering Goma, Kisangani and Bunia) and South Region (epicentred around Lubumbashi).

The main objective of the study was to scope and size opportunities in the oil and gas sector with the aim of enhancing market share and footprint for KPC in East and South DRC which are our major growth frontiers. The engagements in the Western region were held in Kinshasa where relevant arms of government and key decision makers from Oil Marketing Companies (OMCs) are headquartered. East DRC is largely served from Western Kenya, except for parts of Goma, Bukavu and Kisangani, which import products from the CCTR; that is, from Dar es salaam, through Rwanda. Findings from this market study reveal opportunity to increase KPC's market share in both East and South DRC with intensive market penetration strategies.

In pursuit of the varied opportunities obtainable from the DRC markets, various stakeholders were engaged with the support of the Kenyan Embassy in DRC in developing a collaboration framework between Kenya and DRC on opportunities in oil and gas through an expected M.O.U. to be signed by the two countries' presidents later in 2019.

Oil & Power Conference in South Sudan

Oil & Power Conference 2018 was attended alongside Kenya's Ministry of Petroleum and Mining (MoPM) in South Sudan between 20th and 22nd November 2018 in Juba, South Sudan.

The Conference's key objective was to market South Sudan as East Africa's only mature oil producer, thus a prime opportunity for the private sector to leverage South Sudan's plentiful oil resources. As key partners of South Sudan, KPC was tasked to:

1) fast-track set up of a liaison office in Juba;
2) provide special ullage allocation for the export market with completion of Line 5;
3) review its tariff in development of its export market share; and
4) to engage further to offer suitable training models for capacity building on local content.

CEO Meetings

One-on-one CEO meetings were undertaken with Vivo Energy (K) Ltd., KenolKobil (K) Ltd., and Total Uganda Plc. A joint breakfast meeting was held on 23rd August 2018 at the Serena Hotel, Nairobi, that saw high level decision making in resolution of outstanding customer issues that required deliberations through partnerships.

Inter-agency collaborations:

Non-tariff barriers (NTBs), product adulteration, weighbridges and road blocks were pointed out as counter-effective to strategies that KPC is putting in place to regain its export market share dominance in the region. In view of this, concerted interagency efforts were propagated as a means of addressing the issues in the Northern Corridor and effectively recoup the markets.

Kenya National Highways Authority (KeNHA) collaborations including:

Local sensitization on axle load regulations

East Africa Petroleum Transporters Association (EAPTA) was formed.

Engaged Transporters on weighing trucks at their multideck weighbridges to determine the allowable axle load limits vis-à-vis truck tare weight. Per-truck limits to be reconfigured in the KPC-SAP system as a control/ compliance measure. Meeting held between KPC's Management and KeNHA axle load management in July 2019 in a bid to obtain per-axle load waiver for petroleum product tankers. To ensure harmonization of axle load in East Africa, letters were written to the MoPM and discussions held with KeNHA to ensure axle load compliance by Tanzania as aligned to the East Africa Vehicle Load Control Act.

Subsequently; in April 2019, Tanzania implemented the East Africa Vehicle Load Act.

- **Energy & Petroleum Regulatory Authority (EPRA):**

Engagement with Petroleum Delivery Unit to impose an 'anti-adulteration' tax on Illuminating Kerosene (IK) to avert product adulteration. Achieved through the

Finance Act of 2018

A meeting between top Management of KPC and EPRA was held in October 2018 to shorten the time of issuance of licenses to avert loss of business within the supply chain. EPRA system to allow transporters to plan and make their applications prior to expiry of their existing license to reduce waiting time (which could hitherto be up to 60 days).

Automate the confirmation process of licensed trucks prior to loading.

- **Presidential Delivery Unit (PDU)**

Reports done at Management and ministerial level on the need to lift the ban on trade of petroleum products to (North) Tanzania.

Review of competitive disadvantages of the NCTR versus the CCTR.

- **Kenya Revenue Authority (KRA):**

Engagements with KRA regional heads in the loading depots to deploy more personnel for faster truck clearance at the loading depots. Continuous engagement to fast-track integration of SAP & ERP systems with Integrated Customs Management System – iCMS

Sustained push for the Regional Electronic Cargo Tracking System (RECTS) on wet cargo as has been successfully piloted for dry cargo.

- **Uganda Revenue Authority (URA):**

Integration between URA and KPC systems for faster truck and border clearance

Kenya/Uganda Railways Corporation

Revamp rail loading business in Eldoret: rehabilitation of lines to support rail transportation of petroleum. URC to consider rehabilitation of Port Bell sidings to precipitate use of KOJ for wagon-ferry.

STAKEHOLDER ENGAGEMENT (Continued)

• East Africa Petroleum Transporters (EAPTA)

Various sensitization forums held in Kenya and DRC to resolve Non-Tariff Barriers (NTBs)

Commercial strategy discussions on last-mile cost reduction in the NCTR supply chain.

• Local Customer forums

One-on-one interactive sessions were held with OMCs to ensure Customer issues are elicited and closed out within the financial year (FY). The customer forums, training, and team building for Customer facing staff were undertaken in all service delivery points as follows: Kisumu in February 2019, Mombasa and Eldoret in March 2019, Nairobi in April 2019 and Nakuru in May 2019.

• Customer Service Week

Customer Service Week was held between 1st and 5th October 2018 with the Theme "Sustaining Customer Experience Excellence", under the aegis of the Institute of Customer Experience (ICX). KPC won an award for "Excellence in Leadership Involvement" during Customer Service Week Innovation Awards held on 13th October 2019. Some of the activities for the service week included-card sent to appreciate staff ecard sent to OMCs and other stakeholders to appreciate business partnership, Cake cutting for staff ad customers at all loading stations in appreciation, MD visit to Total Kenya Plc fuel station and presentation of gift hampers at KPC Head Office for being the highest through-putter in the previous Financial Year. 2017/18, MD media moment while fueling a vehicle. MD visit to the most-improved OMC, throughputwise – Vivo Energy Kenya Ltd., MD attended to customer calls at the Revenue Accounting office, Cocktail party in honor of customers held at Serena Hotel, Nairobi, Management Representative visit to most-improved OMC outside the top 20 throughput list – One Petroleum, based in Mombasa.

• Service Delivery Charter

The KPC Service Delivery Charter in both English and Kiswahili were prominently displayed at all points of entry/ service delivery and also uploaded on the Company's website and Online Customer interfacing systems namely: Customer Portal and Queue Management System (QMS). Employee sensitization and cascading was undertaken in all service delivery points between 10th and 28th September 2018. The Service Delivery Charter was transcribed in Braille in English and Swahili in November 2018.

Customer Needs & Satisfaction Survey

This was undertaken in June 2019 with a Customer Satisfaction Index (CSI) of 79% achieved; which is 4% improvement from FY2017/18 CSI of 75%. Customer needs from the survey were identified for implementation in FY 2019/20. Compliments and complaints received during the period under review were acknowledged, registered and closed out.

Vessel Scheduling Meetings (VSM) & Supply Coordination Meetings (SCM)

KPC has been participating in VSMs held by the industry on a fortnightly basis to plan for import cycles and address industry challenges. KPC hosted the SCM in September 2018 to appreciate its customers for their loyalty and continued business support.

STATEMENT ON LEADERSHIP AND ETHICS

KPC Management is committed to promoting and fostering an organizational culture that does not tolerate any acts of fraud or corruption and continues to strive towards ensuring that appropriate structures are instituted to facilitate mainstreaming integrity and promoting an ethical culture in the Company.

To achieve this objective, the Company has put in place various structures and policies to support this effort of minimizing corruption which includes: Mainstreaming of Integrity, ethics and compliance into a fully-fledged Section imbedded in the Internal Audit Division to spearhead and coordinate the Integrity program companywide;

In line with the government model provided in the Public Service Integrity Program Manual, which is committee based, adopted a three-tier operating structure with a Management oversight Committee chaired by the Managing Director and members drawn from the Executive Management team to oversight the integrity program, a Secretariat based at the headquarters comprised of representatives from major functional areas to work hand-in-hand with the Integrity Section to provide technical support, and seven Regional Committees based in the major Stations with trained Integrity Officers where staff can report suspected issues of corruption within their respective regions. Staff are encouraged to report any suspected incidences of corruption to any of the Committees through email, telephone, or verbally without fear of reprisal. An anonymous email address – report.corruption@kpc.co.ke. has also provided for reporting anonymously.

Several Integrity policies have been developed and operationalized as guidelines for the staff and Stakeholders and have been made available on the KPC website – www.kpc.co.ke. This includes the Code of Conduct and Ethics to provide guidelines on the ethical values as well as regulate the behavior, relationships, and actions of staff; the Gift Policy to provide guidelines on the receiving and giving of gifts, declaration and disposal process, with the Gift registers placed in all the Company Depots/Stations for ease of declaration; the Anti-Corruption Policy, to outline the roles and responsibilities of various Officers in the corruption prevention process; and the Whistleblower Policy to encourage staff to report on suspected corrupt activities anonymously while assuring them protection against reprisal.

To identify corrupt prone areas within the corporate processes, Corruption Risk Assessments (CRA) are regularly undertaken, and the Corruption Prevention/Mitigation Plans developed. The recommendations, once adopted are then passed to the relevant departments for implementation with regular follow-ups and reports to Management and other regulatory authorities.

During the FY2018/2019, the company carried out CRA on four thematic areas which included: Operations & Maintenance; ICT; Procurement & Financial Management; and Payroll Management and analysis of their likelihood of materializing and the consequences therein identified. Mitigation plans to guide the company to take necessary steps to avoid or control the risks were developed.

As part of the integrity strategy, the Company periodically carries out corruption perception surveys and corruption prevalence surveys in an exercise that involves both internal and external stakeholders. These surveys are aimed at identifying areas that are prone to corruption and the associated corruption levels. The results of the surveys inform various corruption prevention interventions.

The Managing Director maintains an 'open-door policy" and encourages staff to walk into his office to report any suspected corruption that they may be afraid to report through other channels and has circulated the communique from the office of the president providing a telephone number 0791333222 for use by anyone who wishes to report corrupt activities/incidents anonymously to the presidency.

Nairobi, 2019

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Kenya Pipeline Company Limited (the "Company") for the year ended 30th June 2019, which disclose the Company's state of affairs.

Activities

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

RESULTS	Kshs
Profit before tax	3,234,793,422
Tax charge	(1,186,873,779)
Profit after tax for the year	**2,047,919,643**

Dividend

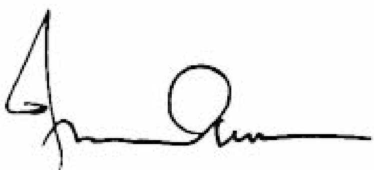
The directors recommended and shareholders approved payment of Kshs 11.5 Billion special dividend from the revenue reserves to National Treasury (2018 – Kshs 300 Million).

Directors

The current directors are as shown on page 10 to 12.

Auditors

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



By Order of the Board

Company Secretary

Nairobi

2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that June 30, 2019. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements:

The entity's financial statements were approved by the Board on 20th May 2020 and signed on its behalf by:

DIRECTOR	DIRECTOR
2019	2019

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Pipeline Company Limited set out on pages 52 to 103, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Pipeline Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015.

Basis for Opinion

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

Emphasis of Matter

1. Parcels of Land Without Title Deeds

As disclosed in Note 17 to the financial statements, the statement of financial position reflects several leasehold parcels of land valued at Kshs.4,835,251,272. As reported in the previous audit reports, the land includes two parcels originally valued at Kshs.1,100,000,000 but have no title deeds. Further, available information indicates that the Title Deeds of two plots on which the Company's Embakasi and Mombasa depots are located were issued in the name of Kenya Airports Authority (KAA) who are the legal owners of the larger piece of land from which the two parcels were hived-off. Although, Management have explained that the National Lands Commission (NLC) has requested the Kenya Airport Authority (KAA) to surrender the original title for issuance of sub-titles for the two parcels, no Title Deeds have been issued to the Company yet.

2. Pending Contract Variation Claims

As analyzed in Note 16 to the financial statements, the Property, Plant and Equipment balance of Kshs.100,274,854,331 reflected in the statement of financial position as at 30 June, 2019 includes an amount of Kshs.51,416,165,547 incurred on cost of works on a new Mombasa-Nairobi Oil Pipeline commonly referred to as Line 5. As highlighted in the previous audit, construction of Line 5 commenced in July, 2014, following the award of the tender at a cost of US$ 484,502,887 equivalent to Kshs.49,563,821,685. At the time of completion of the pipeline in June, 2018, the Project Engineer had submitted eight (8) variation orders totalling US$.38,109,717 (Kshs.3,898,559,263) out of which only a sum of US$.17,445,639 (Kshs.1,784,659,212) was approved for payment. The orders were reported to have resulted from change of design specifications and omission of works in the initial contract.

Further, the contractor submitted five (5) Extension of Time (EoT) with claims amounting to US$.204,511,827 (Kshs.20,921,212,232). However, the claims were contested by the Project Engineer resulting in the appointment of an independent expert scheduler in January, 2018 to verify the claims. The expert scheduler assessed the total amount payable to the contractor for four of the EoTs to be US$.44,019,025 (Kshs.4,503,071,425) down from the contractor's claim of US$.189,290,732 (Kshs.19,364,120,089). The fifth EoT claim of US$.15,221,095 (Kshs.1,557,092,143) was not reviewed by the expert scheduler. Construction of the pipeline (Line 5) was completed and the line commissioned during the year ended 30 June, 2018. However, the contractor has filed a petition at the High Court seeking payment of the all claims amounting to Kshs.19,364,120,089.

At the time of conclusion of the audit, the ruling on the petition had not been made and the matters may affect the carrying value of the pipeline in future.

3. Supply of Hydrant Pit Valves

As previously reported, the Company awarded a US$.6,409,492 (Kshs.655,680,136) contract for the supply of hydrant pit valves and spare parts for two years' operations to a vendor through direct procurement in February, 2015 but, the procurement process and award of the contract was found to have contravened the requirements of the Public Procurement and Asset Disposal Act, 2015. In mitigation, the Management indicated that the vendor was invited to bid for the tender on account of being the original manufacturer of the equipment, but no evidence was made available to validate this assertion. In the circumstances, the basis for the award of the tender to the vendor could not be confirmed.

Whereas the spare parts delivered by the vendor were subject to EACC investigation, the Company put them to use but only after the EACC authorized their use. However, the value of the items is yet to be recorded in the Company books and are not included in the assets reflected in the financial statements.

In addition, the Management did not provide a plausible explanation for procurement of spares parts to cover two years of operations.

At the time of concluding this audit, the matter was in Court after investigation by the Ethics and Anti-Corruption Commission (EACC) for prosecution.

4. Unused New Kisumu Oil Jetty

The statement of financial position as at 30 June, 2019, reflects property, plant and equipment with a net book value of Kshs.100,274,854,331. The assets include an oil jetty at Kisumu built at a cost of Kshs.2,056,719,681. Construction works on the jetty were executed from May, 2017 to March, 2018 when the jetty was completed and handed over to the Company by the Contractor. The assets were thereafter capitalized in 2017/2018, and as at 30 June, 2019 had been depreciated by Kshs.158,039,409.87. The jetty was constructed under the Northern Corridor Integration Projects portfolio of the East African Community with a view to improve the distribution of refined petroleum products to Uganda and other neighbouring countries. However, the jetty has remained unused due to lack of infrastructure for receipt and storage of the products in Uganda. Although Management have indicated that some progress has been made in construction of one of the two planned similar jetties in Uganda, there is no certainty when these will be completed and operationalized.

Therefore, the country is not deriving any value from the use of the jetty. Further delay in operationalization of the Project may require the Kisumu Jetty assets to be assessed for impairment of their book values.

My opinion is not qualified in respect of the effects of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Un-procedural Procurement of Consultancy Services

Note 10 to the financial statements reflected expenditure on consultancy fees totalling Kshs.488,236,993. The amount includes Kshs.15,087,804 paid to a Consultant for undertaking forensic and security investigations at the Company. A review of the procurement process revealed that the request for proposal was issued out on 8 March, 2018, evaluation of technical and financial proposals was done on 18 and 19 March, 2018 while the contract award letter was issued on 8 May, 2018. Subsequently, the contract was signed on 12 June, 2018.

However, examination of documents submitted by the Consultant for payment, implied that the Consultant was hired way before the procurement process started. For instance, the first payment amounting to Kshs.1,500,000 was made on 8 March, 2018, the same date the request for proposal was issued. This payment was supported by an invoice dated 5 March, 2018 which was long before the contract was signed.

In addition, the advance payment was not supported by a bank guarantee as required in the contract and as provided under Section 146 of the Public Procurement and Disposal Act, 2015.

In view of the foregoing, the Management is in breach of Section 146 and 147 of the Public Procurement and Disposal Act, 2015.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Poor Project Management

1.1 Delays in Completion of Projects

During the year under review, 74 Projects were listed as ongoing in the Company's records. Sixteen (16) of the Projects were audited and eleven (11) Projects with an accumulated costs of Kshs.1,874,440,186.11 and representing 69% of the sample were found to be behind their respective execution schedules. Three (3) of the delayed Projects with an accumulated costs of Kshs.122,290,830.04 had stalled after their contracts expired or were terminated.

Further, a review of the Company's Project Management System disclosed absence of robust, documented risk assessment and Project monitoring during Project life cycles. Project delay risks were not identified and mitigated in time. In addition, no monitoring through a matrix designed to assess Project management controls and feed the information into a Project risk register for action was put to use.

Delays in Project completion deny taxpayers expected services and could result in increased Project costs overruns and wastage of public resources.

1.2 Delays in Granting Extension of Time Requests

There were delays in processing of Extension of Time (EoT) requests filed by contractors and as a result, some contracts expired before the respective Projects were completed. For example, at the time of the audit, contracts for five (5) Projects had expired but the works could not continue before extension of time requests were granted. Similarly, works on two (2) projects were ongoing although the respective expired contracts had not been extended.

Execution of Projects outside their respective contracted periods pose significant legal and material risks to the Company and, further, may cause undue delay in completion of works.

2. Lack of Financial Expert in the Board

The Mwongozo, a code of governance for state corporations outlines governance principles on appointment of Directors to State Corporations. The principles require at least one board member to be a financial expert, with necessary qualifications and expertise in financial management or accounting and in addition, be a bona fide member of a profession compliant with the requirements of the profession's membership. However, biodata of the existing Company's Directors during the year under review, indicated that none possessed formal financial expertise as defined in the Mwongozo guidelines.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

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

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for preparing and presenting the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

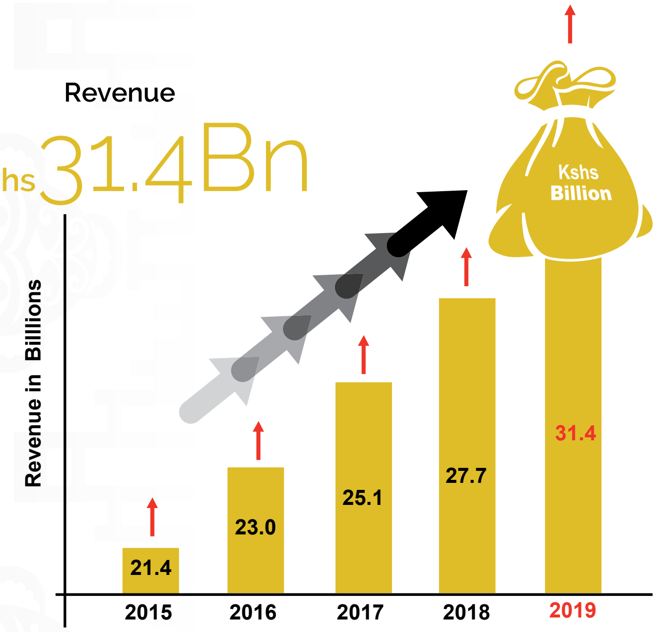
Nairobi

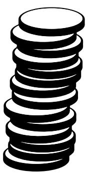
29 September, 2020

OVERVIEW

Revenue

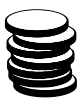
Kshs31.4Bn





Profits before Tax

Kshs3.2Bn

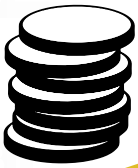


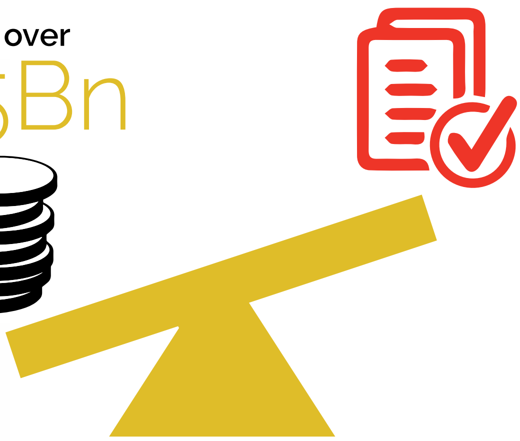
Profits after Tax

Kshs2.0Bn

Assets base of over

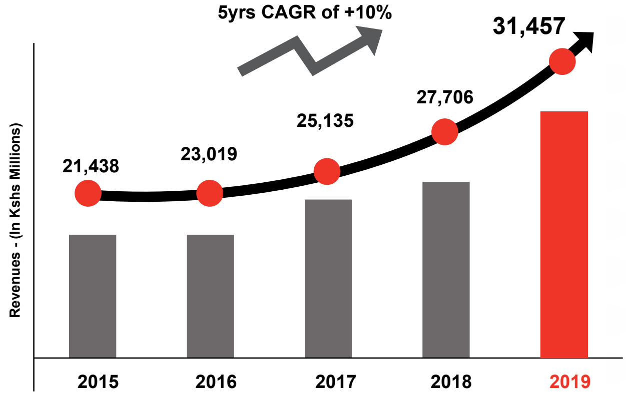
Kshs135Bn



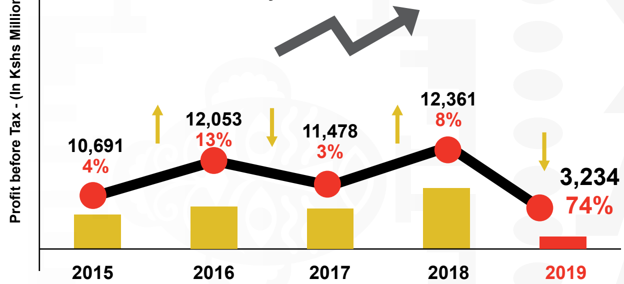


2019 PERFORMANCE HIGHLIGHTS

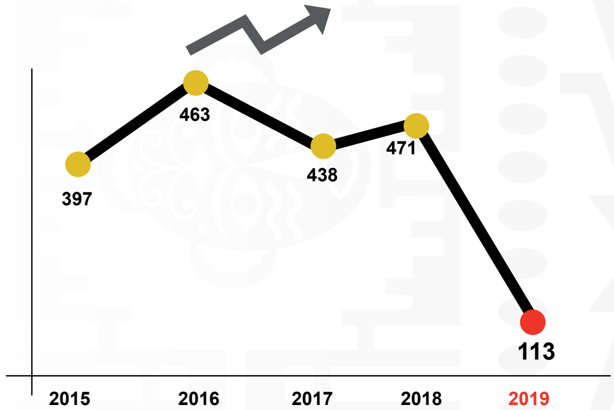
TOTAL REVENUE
5yrs CAGR of +10%



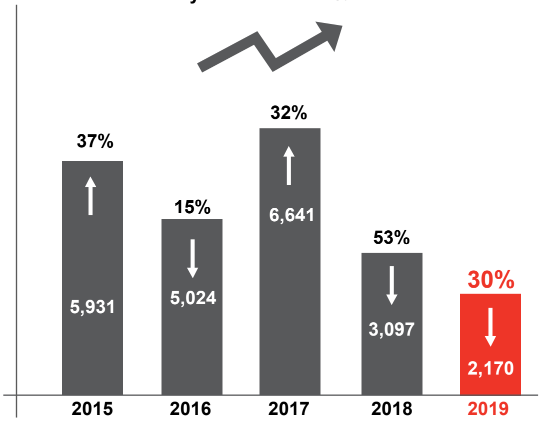
PROFIT BEFORE TAX
5yrs CAGR of -26%



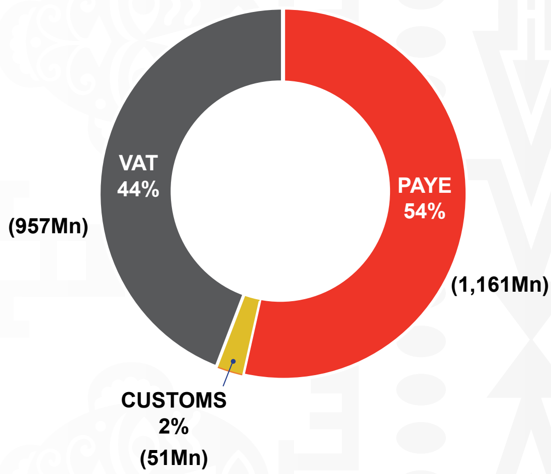
EARNINGS PER SHARE (IN KSHS)
5yrs CAGR of -27%



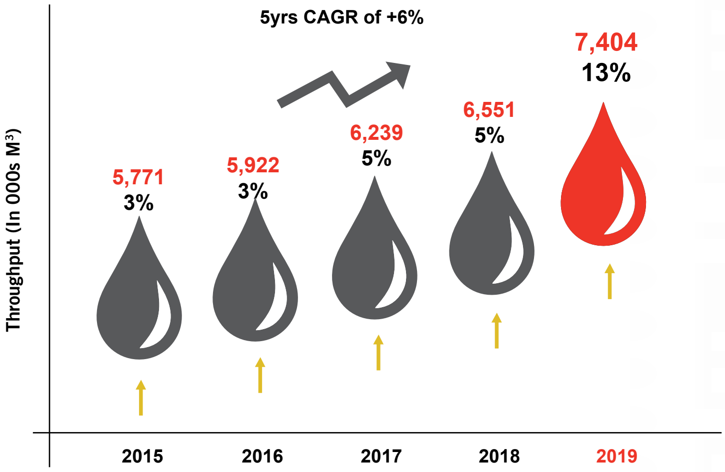
TOTAL TAX PAID TO G.O.K (IN KSHS MILLIONS)
5yrs CAGR of -22%



2019 TAXES PAID (KSHS MILLIONS)



THROUGHPUT
5yrs CAGR of +6%



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019

		2019	2018
	Note	**Kshs**	**Kshs**
Revenue	6	31,457,618,208	27,705,848,487
Direct Costs	7	(14,259,924,080)	(11,135,712,478)
Gross Profit		**17,197,694,127**	**16,570,136,009**
Other Income	8	415,798,178	452,661,842
Interest Income	9(A)	494,176,891	351,443,636
Foreign Exchange 9(B) Gains/(Losses)		(15,366,791)	629,309,782
Finance Costs	9(C)	(2,300,298,527)	(218,045)
Administration Expenses	10(A)	(6,437,672,470)	(5,642,393,932)
Provision For Bad Debts	10(B)	(6,119,537,986)	-
Profit Before Taxation		**3,234,793,422**	**12,360,939,293**
Taxation Charge	13	(1,186,873,779)	(3,792,865,597)
Profit After Taxation		**2,047,919,643**	**8,568,073,696**
Other Comprehensive Income (OCI)/ (Loss)			
Items that will not be reclassified subsequently to profit or loss; Re - measurement (Other Comprehensive Income – DB Retirement Benefit Scheme)		-	332,039,104
Deferred Tax On OCI		-	(99,611,731)
Other Comprehensive Loss		**-**	**(232,427,373)**
Total Comprehensive Income for The Year		**2,047,919,643**	**8,800,501,069**
		Kshs	**Kshs**
EARNINGS PER SHARE	14	**113**	**471**

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019		2019	2018
ASSETS	**Note**	**Kshs**	**Kshs**
Non-Current Assets			
Property, plant and Equipment	16	100,274,854,331	104,869,093,834
Leasehold land	17	4,835,251,272	4,999,883,570
Intangible assets	18	414,431,974	562,168,054
Investments	19(a)	36,306,359	36,306,359
Retirement benefits	20	1,285,627,233	1,285,627,233
Trade and other receivables	22	2,146,883,113	1,263,891,181
Total Non-Current assets		**108,993,354,282**	**113,016,970,230**
Current Assets			
Inventories	21	2,232,089,622	2,266,017,444
Trade and other receivables	22	10,488,462,618	14,390,380,166
Taxation recoverable		977,416,079	1,098,170,701
Short term deposits	23(a)	9,059,660,261	4,815,214,935
Bank and cash balances	23(b)	3,809,591,698	443,569,702
Total Current Assets		**26,567,220,278**	**23,013,352,948**
Total Assets		**135,560,574,560**	**136,030,323,179**
SHAREHOLDER'S FUNDS AND LIABILITIES			
Capital and Reserves			
Share capital	24	363,466,007	363,466,007
Share premium		512,288,916	512,288,916
Retained earnings		81,101,336,056	79,453,028,143
Revaluation reserve		10,004,768,990	10,004,768,990
		91,981,859,969	**90,333,552,056**
Non-Current Liabilities			
Deferred taxation	25	10,265,753,100	9,154,163,086
Syndicated Long Term Loan	27	21,364,418,281	25,425,678,726
Total Non-Current Liabilities		**31,630,171,382**	**34,579,841,812**
Current Liabilities			
Trade and other payables	26	7,186,408,232	6,706,678,215
Due to related parties	29(c)	80,000,000	80,000,000
Dividend Payable		300,000,000	-
Current Portion of Long-Term 27		4,382,134,978	4,330,251,097
Total Current Liabilities		**11,948,543,209**	**11,116,929,312**
Total Shareholder's Fund and Liabilities		**135,560,574,560**	**136,030,323,179**

The financial statements on pages 50 to 90 were approved and authorized for issue by the Board of Directors on 20th May 2020 and signed on their behalf by:

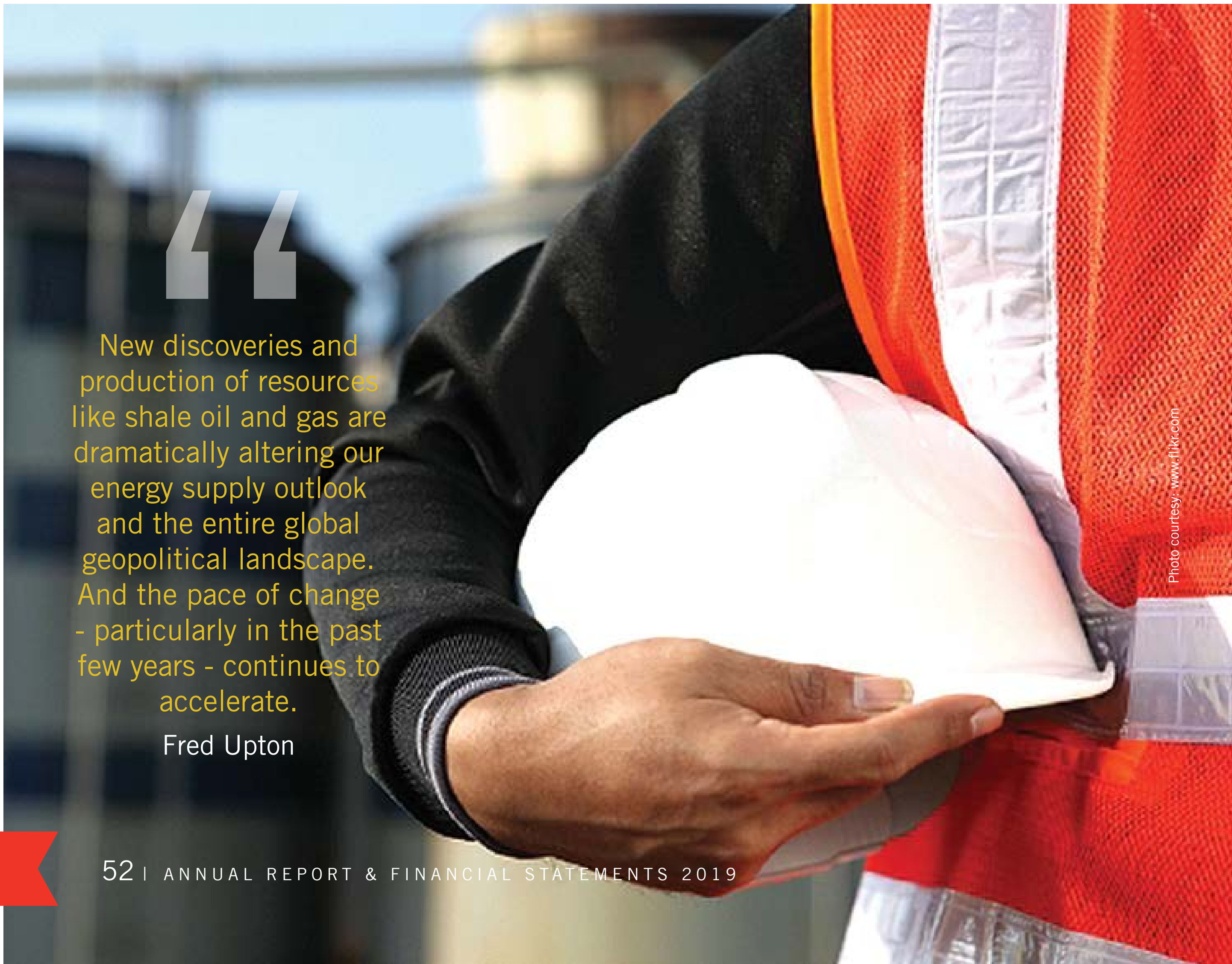
Board Chairperson
Rita Okuthe

Managing Director
Dr. Macharia Irungu

Head of Finance
Pius Mwendwa
ICPAK M/NO: 4454

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	Share Capital	Share Retained Premium earnings		Revaluation Reserve	Total Equity
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2017	**363,466,007**	**512,288,916**	**70,967,940,523**	**10,004,768,990**	**81,848,464,436**
Profit for the year	-	-	8,568,073,696	-	8,568,073,696
Dividends payable	-	-	(300,000,000)	-	(300,000,000)
Other Comprehensive Income (OCI)	-	-	232,427,373	-	232,427,373
Adjustment to RB Asset	-	-	99,611,731	-	99,611,731
Deferred Tax in FY 2018 OCI	-	-	(115,025,180)	-	(115,025,180)
As at 1 July 2018	**363,466,007**	**512,288,916**	**79,453,028,143**	**10,004,768,990**	**90,333,552,06**
Profit for the year	-	-	2,047,919,643	-	2,047,919,643
Dividends Payable Under Provision	-	-	(300,000,000)	-	(300,000,000)
of Deferred tax in prior year	-	-	(99,611,730)	-	(99,611,730)
As at 30 June 2019	**363,466,007**	**512,288,916**	**81,101,336,056**	**10,004,768,990**	**91,981,859,99**



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2019 Kshs	2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28(a)	16,853,681,873	2,900,547,504
Interest received	9(a)	494,176,891	351,443,636
Interest expense	9(a)	(2,300,298,527)	(218,045)
Income tax paid		-	(20,031,589)
Withholding and Advance taxes paid		(54,140,873)	(36,501,093)
Net cash generated from operating activities		**14,993,419,364**	**3,195,240,413**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(1,783,922,667)	(9,985,415,945)
Proceeds from disposal of property, plant and equipment		12,203,400	41,527
Purchase of intangible assets	18	(394,869,291)	(36,674,610)
Purchase of investment - KPRL		(862,608,481)	-
Net cash flows used in investing activities		**(3,029,197,039)**	**(10,022,049,028)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Drawdown		-	8,923,956,215
Dividends paid		-	(300,000,000)
Repayment of borrowings		(4,353,755,003)	(4,080,675,128)
Net cash flows from financing activities		**(4,353,755,003)**	**4,543,281,087**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,610,467,323**	**(2,283,527,528)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**5,258,784,637**	**7,542,312,165**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**12,869,251,959**	**5,258,784,637**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	Rationalized budget	Actual on comparable basis	Performance difference	% Var	Remarks
	2018-2019	2018-2019	2018-2019		
Revenue	**Kshs**	**Kshs**	**Kshs**		
Throughput Revenue	35,263,097,956	31,457,618,208	(3,805,479,749)	(11%)	
Finance Income	97,378,696	494,176,891	396,798,195	407%	
Other income	527,668,347	400,431,387	(127,236,960)	(24%)	
Total Income	**35,888,145,000**	**32,352,226,485**	**(3,535,918,514)**		
Expenses					
Compensation of employees employee costs	6,811,322,779	6,528,735,777	282,587,002	4%	
Direct Costs excl. depreciation and electricity	5,096,361,856	2,524,336,236	2,572,025,620	50%	
Administration Costs excl. depreciation and electricity	2,638,898,720	14,361,484,554	(11,722,585,834)	(444%)	
Depreciation	4,626,558,508	7,082,415,506	(2,455,856,998)	(53%)	
Electricity	2,603,000,000	2,439,700,449	163,299,551	6%	
Finance cost	1,950,913,969	2,300,298,527	(349,384,558)	(18%)	
Provision for bad debts	-	(6,119,537,986)	,119,537,986		
Total Expenditure	**23,727,055,833**	**29,117,433,063**	**(5,390,377,231)**		
Surplus for the period	**12,161,089,167**	**3,234,793,422**	**(8,926,295,745)**		

REMARKS:

i) Throughput revenue for the year was 11% below budget mainly due to decline in the export market and erratic uplifts by Oil Marketing Companies (OMCs) in the local market.

ii) Finance Income increased significantly due to growth in income from short term deposits.

iii) Shortfall in other income of 24% is mainly due to inability of Morendat Training and Conference Centre (MTCC) to achieve revenue targets

iv) Direct and administration costs decreased by 50% and 22% below budget respectively due to prudent cost management initiatives during the year.

v) Depreciation expense increased by 53% above budget due to capitalization of the 20-inch Line 5 pipeline and additional storage tanks at Nairobi terminal.

vi) Finance costs increased above budget by 18% due to Loan Interest expense, as LIBOR rate increased to an average of 2.8% from the budget rate of 2.3%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

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

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

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

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

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

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

v) Other income is recognised as it accrues.

b) Property, plant and equipment

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

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

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

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

c) Depreciation and impairment of property, plant and equipment Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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%

A prorated depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

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

e) Amortization and impairment of intangible assets

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

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

f) Investment property

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

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

g) Finance and operating leases

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

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

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

j) Unquoted investments

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

k) Inventories

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

l) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

Current income tax

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

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

n) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

o) Cash and cash equivalents

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

p) Borrowings

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

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

q) Trade and other payables

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

r) Retirement benefit obligations

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 recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and re-measurement.

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

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

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

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The rationalized budget for FY 2018/19 was approved by the National Treasury on 28th September 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

u) Service concession arrangements

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

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Sources of Estimation Uncertainty o Actuarial valuation of defined benefits plan

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

• Impairment of assets

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

• Impairment losses on trade and other receivables

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

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

Useful lives and residual values

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

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

6. REVENUE	2019	2018
	Kshs	**Kshs**
Local service fees	10,514,539,991	9,740,278,155
Export service fees	13,787,017,282	12,743,274,331
Kipevu oil storage facility fees	4,578,652,706	4,698,531,966
Penalties on overstayed product	2,392,109,646	372,678,610
Penalties from ASE	816,252	429,557
Hospitality	2,319	34,061,586
KPRL Lease Income	48,498,680	67,562,909
Liquefied Petroleum Gas Sales	44,245,918	42,207,973
Crude Oil Revenue (EOPS)	91,735,414	6,823,401
	31,457,618,208	**27,705,848,487**

7. DIRECT COSTS	2019	2018
	Kshs	**Kshs**
Pipeline maintenance staff costs (note 11)	2,966,946,851	2,775,949,941
Depreciation	5,924,362,068	2,894,718,081
Pipeline maintenance costs	2,436,956,833	2,217,435,196
Bad Debts Written off-Specific	-	(15,717,226)
Electricity and fuel	2,451,182,243	2,810,849,114
Insurance	215,339,381	210,466,563
Other maintenance costs	87,379,403	78,999,630
Amortization expense	177,757,300	163,011,179
	14,259,924,080	**11,135,712,478**

8. OTHER INCOME	2019	2018
	Kshs	**Kshs**
Helicopter income	7,815,825	22,895,178
Rent income	78,646,521	90,768,876
(Loss)/gain on disposal of PPE	11,911,516	(46,944)
Hydrant Income	72,351,168	68,905,876
Income from Collateral Financing	81,066,859	74,146,096
Non-Refundable Tender Deposits	-	2,000
MTCC /MIOG collections	141,945,375	140,246,446
FOC Lease Income	10,161,572	-
Miscellaneous income	11,899,342	55,744,315
	415,798,178	**455,661,842**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

9. a) INTEREST INCOME	2019	2018
	Kshs	Kshs
Interest from commercial banks	453,201,043	351,443,636
Interest on staff loans*	40,975,847	0
	494,176,891	**351,443,636**

*Interest income on staff loans of Kshs. 32,004,289 in the comparative year was classified under other income

b) FOREIGN EXCHANGE GAIN/ (LOSS)	(15,366,791)	629,309,782

c) FINANCE COSTS	2019	2018
	Kshs	Kshs
Loan interest	2,300,298,527	-
Interest on bank overdraft	-	218,045
	2,300,298,527	**218,045**

10. a) ADMINISTRATION EXPENSES	2019	2018
	Kshs	Kshs
Administrative staff costs	3,336,920,400	2,797,359,842
Depreciation and Lease Amortization	980,296,138	649,939,275
Other office and general expenses	900,108,857	803,723,377
Travelling, mileage and entertainment	53,176,348	93,745,392
Advertising and printing expenses	195,164,896	181,242,233
Staff Training	171,692,178	174,132,586
Rent and rates	26,804,551	420,491,142
Consultancy fees	488,236,993	240,201,560
Telephone and postage	48,326,342	45,028,490
Legal and professional expenses	81,506,637	53,317,570
Court Awards	-	2,500,000
Motor vehicle expenses	78,322,008	72,176,386
Buildings repairs and maintenance	10,226,062	50,621,623
Bank charges	7,060,505	6,355,075
Auditors remuneration	13,200,000	8,011,033
Directors Expenses:		
- Performance Incentive	-	9,240,000
- Board Retreats and general expenses	1,719,719	4,243,777
- Sitting /duty allowance	16,326,666	9,260,000
- Training expenses	11,867,709	7,690,848
- Travel expenses and Subsistence Allowance	16,716,462	13,113,725
	6,437,672,470	**5,642,393,932**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

b) PROVISION FOR BAD DEBTS	2019	2018
	Kshs	Kshs
Provision for a long outstanding trade debt	4,267,952,874	-
Provision for product aging penalties	1,851,585,112	-
	6,119,537,986	**-**

This provision relates to Kshs. 4,267,952,874 due from an OMC for services rendered that is in dispute and has been contested in court awaiting determination. Further the company has made a provision Kshs. 1,851,585,112 for amounts contested by OMCs on product aging penalties during the financial year 2018/19.

11. STAFF COSTS	2019	2018
	Kshs	Kshs
Salaries and wages	4,902,923,194	4,361,064,740
Group life and medical cover	418,949,316	353,620,068
Pension-company contribution	320,325,443	220,680,960
Staff welfare	54,319,246	58,542,635
Training	171,692,178	174,257,091
Recruitment costs	20,000	926,019
Travel, Mileage & Entertainment	81,007,030	122,831,967
Subsistence Allowance	575,265,428	536,025,668
NSSF-company contribution	4,036,156	4,984,098
Staff uniforms	197,786	8,254,514
	6,528,735,777	**5,841,187,761**
Split as follows:		
Direct staff costs (Note 7)	2,966,946,851	2,775,949,941
Administrative staff cost (Note 10)	3,561,788,926	3,065,237,819
	6,528,735,777	**5,841,187,761**

Administrative staff costs are Salaries and Wages, inclusive of Travel, Mileage, Entertainment and Subsistence Allowance, Group Life and Medical Cover, Pension Company Contribution, Staff Welfare, Training, Recruitment Costs, NSSF- Company Contribution and Uniforms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

The average number of employees at the end of the year was:s	2019	2018
Permanent Management	585	614
Permanent unionisable	879	911
Contract and interns	150	172
TOTAL	**1,641**	**1,697**
Provision for Leave Pay		
Balance at beginning of the year	226,392,231	235,928,970
Additional provision at end of year	65,456,616	60,356,475
Leave paid out or utilized during the year	(56,417,069)	(69,893,214)
Balance at the end of the year	**235,431,777**	**226,392,231**

12. PROFIT BEFORE TAX	2019	2018
	Kshs	**Kshs**
The profit before tax is arrived at after charging/(crediting):		
Staff costs (note11)	6,528,735,777	5,841,187,761
Depreciation of property, plant and equipment	6,375,177,837	3,207,461,387
Amortization of intangible assets	707,237,669	500,207,148
Provision for bad and doubtful debts	6,119,537,986	-
Directors' expenses	46,630,556	43,548,349
Auditors' remuneration	13,200,000	8,011,033
Loss/ (Gain) on disposal of property, plant and equipment	(11,911,516)	46,944
Net foreign exchange (Gain)/ Loss	15,366,791	(629,309,782)
Interest receivable	(453,201,043)	(351,443,636)
Interest payable	2,300,298,527	218,045
Rent receivable	(78,646,521)	(90,768,876)

13. TAXATION	2019	2018
	Kshs	**Kshs**
a) Tax charge		
Current taxation	174,895,495	115,034,378
Deferred tax	1,011,978,283	3,862,911,967
Deferred tax – OCI	-	(99,611,731)
Prior year adjustment	99,611,730	9,533,772
Total taxation charge	**1,286,485,508**	**3,887,868,386**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

b) Reconciliation of expected tax based on profit before taxation to taxation charge		
Profit before taxation	3,234,793,422	12,360,939,293
Tax at the applicable rate of 30%	970,438,027	3,708,281,788
Tax effect of expenses not deductible for tax purposes	216,457,642	170,052,826
Income not subject to tax	(21,890)	-
Tax underpayment – Prior year	99,611,730	9,533,772
Additional tax assessment	-	20,031,589
Total taxation charge	**1,286,485,509**	**3,907,899,975**

c) Taxation (recoverable)/payable	2019	2018
	Kshs	Kshs
Balance brought forward	(1,098,170,701)	(1,176,703,986)
Charge for the year (note 13(a))	174,895,495	115,034,378
Installment tax payments in the year	-	-
Balance of FY 2018 tax paid	-	-
Withholding tax paid on rent income	(440,969)	(35,893,503)
Advance tax paid	(264,900)	(607,590)
Tax over-provision 2017	-	-
Withholding tax paid on miscellaneous income	(53,435,004)	-
	(977,416,079)	**(1,098,170,701)**

14. EARNINGS PER SHARE

Earnings per share is calculated based on the profit attributable to shareholders divided by the number of ordinary shares in issue.
Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive instruments outstanding at the balance sheet date

	2019	2018
	Kshs	**Kshs**
Net Profit After Taxation	2,047,919,643	8,568,073,696
Number of ordinary shares in issue	18,173,000	18,173,000
Earnings Per Share	**113**	**471**

15. DIVIDENDS

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. A special dividend of **Kshs 11.5 billion** was declared and approved for payment by shareholders from the revenue reserves (**Kshs 300 million** for financial year ended 30th June 2018).

16. PROPERTY, PLANT AND EQUIPMENT

FIXED ASSET MOVEMENT SCHEDULE			EQUIPMENT		MOTOR		CAPITAL	
30th JUNE 2019	Freehold Property	Buildings and Roads	Pipeline Pumps & Tanks	Furniture & Fittings	Helicopters	Vehicles & Tractors	Work-in- Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST								
1st July 2017	881,963,445.00	5,888,174,840.51	37,016,002,391.92	8,288,257,844.74	438,914,541.43	855,971,078.65	54,559,440,075.48	**107,928,724,217.73**
Additions (Acquisitions)	-	215,517.24	224,989,563.22	384,914,730.34	-	45,890,583.40	9,329,405,852.02	**9,985,416,246.22**
Transfers from WIP	-	1,822,279,423.34	42,326,329,781.47	15,712,353,931.04	-	205,311,888.39	(60,066,275,024.24)	-
Disposals	-	-	-	(65,000.00)	-	-	-	**(65,000.00)**
Impairment	-	-	-	-	-	-	-	-
30th June 2018	881,963,445.00	7,710,669,781.09	79,567,321,736.61	24,385,461,506.12	438,914,541.43	1,107,173,550.44	3,822,570,903.26	**117,914,075,463.95**
1st July 2018	881,963,445.00	7,710,669,781.09	79,567,321,736.61	24,385,461,506.12	438,914,541.43	1,107,173,550.44	3,822,570,903.26	**117,914,075,463.95**
Additions (Acquisitions)	-	-	229,313,992.19	81,735,071.03	-	143,537,642.75	1,329,335,961.52	**1,783,922,667.49**
Transfers from WIP	-	300,764,176.13	809,785,242.92	3,081,099,778.43	-	1,152,199.88	(4,192,801,397.36)	-
Disposals	-	-	-	-	-	(16,264,897.26)	-	**(16,264,897.26)**
ADJUSTMENT (dimunition in value - budgeting system)	-	-	-	-	-	-	(26,498,338.95)	**(26,498,338.95)**
Impairment	-	-	-	-	-	-	23,514,086.45	**23,514,086.45**
At 30th June 2019	**881,963,445.00**	**8,011,433,957.22**	**80,606,420,971.72**	**27,548,296,355.58**	**438,914,541.43**	**1,235,598,495.81**	**956,121,214.92**	**119,678,748,981.68**
DEPRECIATION								
1st July 2017	-	1,517,430,386.38	5,888,799,568.54	1,568,718,684.36	326,716,551.43	535,873,108.04	-	**9,837,538,298.75**
Charge for the year	-	357,032,541.58	1,592,818,187.69	1,052,278,279.38	77,766,265.00	127,566,113.79	-	**3,207,461,387.44**
Eliminated on Disposal	-	-	-	(18,056.00)	-	-	-	**(18,056.00)**
30th June 2018	-	1,874,462,927.96	7,481,617,756.23	2,620,978,907.74	404,482,816.43	663,439,221.83	-	**13,044,981,630.19**
1st July 2018	-	1,874,462,927.96	7,481,617,756.23	2,620,978,907.74	404,482,816.43	663,439,221.83	-	**13,044,981,630.19**
Charge for the year	-	381,912,359.13	3,153,730,209.12	2,659,475,812.45	19,848,574.00	160,210,882.63	-	**6,375,177,837.33**
Eliminated on Disposal	-	-	-	-	-	(16,264,817.26)	-	**(16,264,817.26)**
At 30th June 2019	-	2,256,375,287.09	10,635,347,965.35	5,280,454,720.19	424,331,390.43	807,385,287.20	-	**19,403,894,650.26**
NET BOOK VALUE:								
At 30th June 2019	**881,963,445.00**	**5,755,058,670.13**	**69,971,073,006.37**	**22,267,841,635.39**	**14,583,151.00**	**428,213,208.61**	**956,121,214.92**	**100,274,854,331.42**
At 30TH JUNE 2018	**881,963,445.00**	**5,836,206,853.13**	**72,085,703,980.38**	**21,764,482,598.38**	**34,431,725.00**	**443,734,328.61**	**3,822,570,903.26**	**104,869,093,833.76**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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	LEVEL 2	LEVEL 3	FAIR VALUE AS 30TH JUNE
30 June 2019	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Buildings and roads	-	-	5,755,058,670	5,755,058,670
Pipeline, pumps & tanks	-	-	69,971,073,006	69,971,073,006
Equipment, furniture and fittings	-	-	22,267,841,635	22,267,841,635
Helicopters	-	-	14,583,151	14,583,151
Motor vehicles and tractors	-	-	428,213,209	428,213,209
			98,436,769,672	**98,436,769,672**
30 June 2018				
Buildings and roads	-	-	5,836,206,853	5,836,206,853
Pipeline, pumps & tanks	-	-	72,085,703,980	72,085,703,980
Equipment, furniture and fittings	-	-	21,764,482,598	21,764,482,598
Helicopters	-	-	34,431,725	34,431,725
Motor vehicles and tractors	-	-	443,734,329	443,734,329
			100,164,559,486	**100,164,559,486**

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

	2019	2018
	Kshs	**Kshs**
Cost	119,636,044,051	62,665,291,000
Accumulated depreciation	(32,369,275,525)	(32,205,938,000)
Net book value	**87,366,768,526**	**30,459,353,000**

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

	2019	2018
	Kshs	**Kshs**
Total depreciation as per property, plant & equipment (note 16)	6,375,177,837	3,207,461,387
Direct costs (note 7)	5,924,362,068	2,894,718,081
Administrative costs	450,815,769	312,743,306
	6,375,177,837	**3,207,461,387**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

17. LEASEHOLD LAND	2019	2018
COST/VALUATION	**Kshs**	**Kshs**
1 July	5,640,368,221	5,640,368,221
Additions	-	-
Disposals	-	-
30 June	**5,640,368,221**	**5,640,368,221**
AMORTIZATION		
1 July	640,484,651	473,080,907
Charge for the year	164,632,298	167,403,744
Eliminated on Disposal	-	-
30 June	**805,116,949**	**640,484,651**
NET BOOK VALUE	**4,835,251,272**	**4,999,883,570**

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

Included under leasehold land is land valued at Kshs 869,759,420 relating to the JKIA Embakasi Depot whose title is held under the Kenya Airports Authority (KAA). KPC is pursuing a separate title.

18. INTANGIBLE ASSETS	2019	2018
COST	**Kshs**	**Kshs**
1 July	1,398,719,527	1,362,044,918
Additions	394,869,291	36,674,610
30 June	1,793,588,818	1,398,719,527
AMORTIZATION		
1 July	836,551,473	503,748,070
Charge for the year	542,605,371	332,803,404
30 June	**1,379,156,844**	**836,551,473**
NET BOOK VALUE	**414,431,974**	**562,168,054**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

19. INVESTMENTS – at cost	2019	2018
Unquoted investments	Kshs	Kshs
Consolidated Bank of Kenya Limited	67,030,000	67,030,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,304,359	**36,304,359**
Petroleum Institute of East Africa	2,000	2,000
	36,306,359	**36,306,359**

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

	2019	2018
	Kshs	Kshs
746,500 Ordinary Shares of Kshs 20 each	14,930,000	14,930,000
2,605,000 preference shares of Kshs 20 each	52,100,000	52,100,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,306,359	**36,304,359**

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

20. 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 (2016- nil). An actuarial valuation of the scheme's assets and the present value of the defined benefits obligation as at 30 June 2017 was carried out in August 2017 by the scheme's actuaries, Zamara Actuaries (formerly Alexander Forbes Financial Services (E.A) Limited) for the purpose of preparing IAS 19 Disclosures. The valuation included prior year disclosures hence FY 2016 comparative figures are provided in this note. We are in the process of valuaing the scheme to establish the current status.

Amendments to the Retirement Benefit Regulations were announced by the Cabinet Secretary, National Treasury, in the Finance Act 2015. This related to a clarification on the distribution of surplus on wind up of a defined benefit scheme. The regulations provide for an equal sharing of surplus between members and the scheme sponsor upon wind up of a scheme. As a result of these change, an asset ceiling has been applied to limit the defined benefit asset to 50% of the surplus, which is the maximum available to the sponsor in the event the scheme is wound up. The principal assumptions used for the purpose of the actuarial valuation in 2017 were as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

b) Defined Benefit Scheme (Closed) (Continued)	2019	2018
Discount rate(s)	13.9%	13.9%
Future salary increases	5.0%	5.0%
Future pension increases	0.0%	0.0%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	a (55) m/f	a (55) m/f
	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill health	50% at 55 and 100%	50% at 55 and
Retirement age	at 60 years	60 years

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

	2019	2018
	Kshs	Kshs
Total service cost	46,037,220	46,037,220
Interest costs:		
Interest cost on defined benefit obligation	813,148,388	813,148,388
Interest income on plan assets	(1,018,795,042)	(1,018,795,042)
Interest on the effect of the asset ceiling	86,464,621	86,464,621
Net interest income	(119,182,034)	(119,182,034)
Components of defined benefits plan recognized in profit or loss	(73,144,814)	(73,144,814)
Actuarial gain obligation	(636,698,606)	(636,698,606)
Return on plan assets (excluding amount in interest cost)	73,689,031	73,689,031
Change in effect of asset ceiling (excluding amount in interest cost)	230,970,470	230,970,470
Components of defined benefits plan recognized in other comprehensive income	(332,039,104)	(332,039,104)

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

	2019	2018
	Kshs	Kshs
Present value of funded defined benefit obligation	5,835,855,968	5,835,855,968
Fair value of plan assets	(8,060,965,923)	(8,060,965,923)
Effect of asset ceiling	939,482,722	939,482,722
Present value of defined benefit asset	**(1,285,627,233)**	**(1,285,627,233)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

	2019	2018
	Kshs	Kshs
Net asset at the start of the year	(880,443,315)	(880,443,315)
Net income recognized in the income statement	(73,144,814)	(73,144,814)
Employer contributions Amount recognized in other comprehensive income	(332,039,104)	(332,039,104)
Present value of overfunded defined benefit asset	**(1,285,627,233)**	**(1,285,627,233)**

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

	2019	2018
	Kshs	Kshs
Opening defined benefit obligation	6,040,570,614	6,040,570,614
Current service cost	46,037,220	46,037,220
Interest cost	813,148,388	813,148,388
Contributions from plan participants	-	-
Actuarial gain due to change in assumptions	(82,357,463)	(82,357,463)
Actuarial gain due to experience	(554,341,143)	(554,341,143)
Benefits paid	(427,201,648)	(427,201,648)
Closing defined benefit obligation	5,835,855,968	5,835,855,968
Opening fair value of plan assets	(7,543,061,560)	(7,543,061,560)
Interest income on plan assets	(1,018,795,042)	(1,018,795,042)
Contributions from the employer	-	-
Employee contributions	-	-
Benefits paid	427,201,648	427,201,648
Return on plan assets	73,689,031	73,689,031
Closing fair value of plan assets	**(8,060,965,923)**	**(8,060,965,923)**

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

	2019	2018
	Kshs	Kshs
Equity instruments	2,075,895,687	2,075,895,687
Debt instruments	3,368,606,368	3,368,606,368
Property	2,418,963,868	2,418,963,868
Cash	197,500,000	197,500,000
Total Scheme (Assets)	**8,060,965,923**	**8,060,965,923**

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.

21. INVENTORIES	2019	2018
	Kshs	**Kshs**
Spare parts and consumables	2,311,821,466	2,336,032,479
Provision for obsolete stocks	(79,731,844)	(70,015,035)
	2,232,089,622	**2,266,017,444**

22. TRADE AND OTHER RECEIVABLES	2019	2018
	Kshs	**Kshs**
Trade receivables	11,144,514,246	8,458,799,963
Staff loans and advances	1,606,894,336	1,444,867,156
VAT recoverable	3,642,347,300	4,350,781,236
Prepaid construction costs	108,606,451	106,656,301
Prepaid expenses	747,749,861	799,185,708
Refundable deposits	9,477,446	9,477,446
Other debtors	2,056,551,965	1,053,419,365
	19,316,192,005	16,223,187,175
Provision for bad and doubtful debts	(6,680,846,274)	(568,915,828)
	12,635,345,731	**15,654,271,247**
Recoverable as follows:		
Current Assets:		
Within one year	10,488,462,618	14,390,380,166
Non-current Assets:		
After one year -staff loans-	1,284,274,632	1,263,891,181
Long-term Receivables	862,608,481	-
	2,146,883,113	**1,263,891,181**

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

Ageing analysis of the Trade receivables was as follows

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	2019	2018
	Kshs	Kshs
Less than 30 days	3,488,502,756	3,477,582,580
Between 30 and 60 days	56,216,897	52,329,914
Between 61 and 90 days	228,666,762	58,103,698
Between 91 and 120 days	31,861,643	120,637,983
Over 120 days	7,339,266,188	4,750,145,788
	11,144,514,246	**8,458,799,963**

23 CASH AND SHORT-TERM DEPOSITS	2019	2018
a) Short Term Deposits	Kshs	Kshs
Fixed deposits	9,059,660,261	4,815,214,935

The fixed deposits have a tenor of 3 months and the effective interest rate in the year was 10% p.a. (2018 – 10%).

a) Bank and Cash Balances		Account No	2019	2018
			Kshs	Kshs
1	Barclays Bank of Kenya	1108981062	-	-
2	Commercial Bank of Africa (Kshs)	6634970017	148,176,252	16,064,863
3	Commercial Bank of Africa (USD)	6634970025	863,758,253	89,837,893
4	Standard Bank (Kshs)	104023872500	187,409,955	96,093,194
5	Standard Bank (USD)	8704023872500	1,199,093,542	104,789,755
6	CfC Stanbic (Kshs)	100000534425	114,950,725	(3,573,276)
7	CfC Stanbic (USD)	100000681347	970,838,728	67,467,732
8	Citibank (Kshs)	104052002	38,009,886	4,673,488
9	Citibank (USD)	104052029	137,848,754	18,242,905
10	Coop-Bank	1136028439200	50,210,915	10,205,658
11	Coop-Bank (USD)	2120028439200	1,448,713	498,884
12	Equity Bank (Kshs)	560291247368	57,499,940	26,903,225
13	Equity Bank (USD)	560261355277	28,525,355	490,274
14	Kenya Commercial Bank	1108981061	350,976	350,976
15	Petty Cash		11,469,704	11,524,130
			3,809,591,698	**443,569,702**

24. SHARE CAPITAL	2019	2018
	Kshs	Kshs
Authorized:		
19,369,580 Ordinary Shares of Kshs 20 each	387,391,600	387,391,600
Issued and fully paid:		
18,173,300 Ordinary Shares of Kshs 20 each	363,466,007	363,466 ,007

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:

	2019	2018
	Kshs'000	Kshs'000
Deferred tax liability		
Accelerated capital allowances	21,449,735,375	22,195,317,428
Deferred tax on retirement benefit plan assets	-	385,688,170
Deferred tax on interest received	(1,835,861,396)	-
Unrealized exchange gains	-	217,507,987
	19,613,873,979	**22,798,513,585**
Deferred tax assets		
General inventory provisions	-	(21,004,511)
Leave pay provision	(70,629,533)	(70,778,691)
General bad debts provision	359,245,778	(4,846,968)
Deferred tax on Un-realized exchange loss	(877,104)	-
Deferred tax on tax losses	(9,539,785,218)	-
Retirement Benefit - OCI	(96,074,803)	(195,686,534)
	(9,348,120,880)	**(192,704,972)**
Net deferred tax liability	**10,265,753,100**	**22,605,808,613**
The movement in Deferred Tax was as follows:		
At 1 July (as previously reported)	9,154,163,087	5,381,329,078
Prior year adjustment	99,611,730	9,533,772
	9,253,774,817	**5,390,862,851**
Deferred tax charge (note 13(a))	1,011,978,283	3,763,300,236
Deferred tax - Retirement Benefit Obligation a/c	-	-
At the end of the year	**10,265,753,100**	**9,154,163,087**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

26. TRADE AND OTHER PAYABLES	2019	2018
	Kshs	Kshs
Trade payables	2,207,030,795	2,011,122,946
Other payables	4,665,223,098	4,178,216,535
Catering, training &tourism development levy	75,228	40,424
Leave pay provision	235,431,778	226,392,231
Withholding tax payable	78,647,334	290,906,078
	7,186,408,233	**6,706,678,215**

27. LONG TERM LOAN	2019	2018
	Kshs	Kshs
(a) Syndicated Loan (Long Term Portion)	21,364,418,281	25,425,678,726
(b) Syndicated Loan (Current Portion)	4,382,134,979	4,330,251,097

The long-term loan represents loan drawdowns as at 30th June 2019 on a United States Dollar 350 million Facility Agreement signed on 15th July 2015 between KPC and a consortium of the following six banks:

	Bank	Underwritten Amount USD	Drawn as at 30th June 2019 USD	Drawn as at 30th June 2018 USD
1	Commercial Bank of Africa	58,333,333	57,950,846	56,661,473
2	Citibank N.A.	58,333,333	57,950,846	56,661,473
3	CfC Stanbic Bank	58,333,333	57,950,846	56,661,473
4	Standard Chartered Bank	58,333,333	57,950,846	56,661,473
5	Rand Merchant Bank	58,333,333	57,950,846	56,661,473
6	Cooperative Bank of Kenya	58,333,333	57,950,846	56,661,473
	TOTAL	**350,000,000**	**347,705,076**	**339,968,838**

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

The loan facility had an availability period of 2 years and is repayable in 33 quarterly instalments from June 2017 and is secured with receivables from the top 14 Oil Marketing Companies. Interest on the loan is at USD 3-month LIBOR plus a margin of 5.38% p.a.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

28. NOTES TO THE STATEMENT OF CASH FLOWS	2019	2018
	Kshs	Kshs
a) Reconciliation of operating profit to cash generated from operations		
Profit before tax	3,234,793,422	12,360,939,293
Adjustments for: Depreciation (note 16)	6,375,177,837	3,207,461,387
Amortization of leasehold land (note 17)	164,632,298	167,403,744
Amortization of intangible assets (note 18)	542,605,371	332,803,404
Movement in retirement benefit asset	-	(73,144,814)
Loss/(gain) on disposal of property, plant and equipment	(11,911,516)	5,417
Interest income	(453,201,043)	(351,443,636)
Operating profit before working capital changes	**12,111,419,048**	**15,644,242,840**

NOTES TO THE STATEMENT OF CASH FLOWS	2019	2018
	Kshs	Kshs
Increase in inventories	33,927,822	(674,239,523
Increase in trade and other receivables	3,881,534,097	(2,836,237,168)
(Decrease)/increase in trade and other payables	479,730,017	(7,879,227,729)
Increase/(Decrease) in Loan Adjustment	347,070,889	(1,353,990,916)
Movement in related party balances	-	-
Cash generated from operations	**16,853,681,873**	**2,900,547,504**
b) Analysis of cash and cash equivalents		
Short term deposits (note 22(a)	9,059,660,261	4,815,214,935
Bank and cash balances	3,809,591,698	443,569,702
	12,869,251,959	**5,258,784,637**
c) Analysis of non-cash transactions:		
Total additions to property, plant and equipment	1,479,742,118	10,022,090,856
Capital work in progress items pending settlement as at 30 June	-	-
Cash used in the purchase of property, plant and equipment as presented on the cash flow statement	**1,479,742,118**	**10,022,090,856**

29. RELATED PARTIES

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

Other related parties include:

a) Ministry of Energy
b) National Oil Corporation of Kenya
c) Kenya Power Limited
d) Key management
e) Board of directors

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	2019	2018
	Kshs	Kshs
(a) Sales to related party		
Services provided to National Oil Corporation (K)	**815,250,524**	**2,806,479,223**
(b) Expenses incurred on behalf of related parties		
Services received from Kenya Power & Lighting Co Limited	2,439,700,449	2,806,296,454
Services received from Ministry of Energy	384,000,000	384,000,000
	2,823,700,449	**3,190,296,454**
(c) Due to related party		
Deferred Income from Ministry of Energy – LPG Project	**80,000,000**	**80,000,000**
(d) Key management compensation		
CEO salaries and benefits	13,009,574	10,669,880
Key Management salaries and benefits	237,130,333	262,655,881
	250,139,907	**273,325,761**
Directors Expenses:		
- Fees & incentives - 9,240,000	-	9,240,000
- Board Retreats and general expenses	1,719,719	4,243,777
- Sitting /duty allowance	16,326,666	9,260,000
- Training expenses	11,867,709	7,690,848
- Travel expenses and Subsistence allowance	16,716,462	13,113,726
	46,630,556	**43,548,350**

30. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

	2019	2018
	Kshs	Kshs
The company as a lessor:		
Within one year	78,646,521	90,768,876
In the second to fifth year inclusive	314,586,084	363,075,503
	393,232,605	**453,844,379**

The lease rental income earned during the year in respect of company's property amounted to Kshs 78 million (2018 – Kshs 91 million).

	2019	2018
	Kshs	Kshs
The company as a lessee:		
Within one year	1,261,409,311	1,005,055,775
In the second to fifth year inclusive	5,045,637,243	4,020,223,100
	6,307,046,554	**5,025,278,875**

The total rental expense incurred during the year amounted to Kshs 1.3 million (2018-KShs 1.0 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

31. CONTINGENT LIABILITIES	2019	2018
	Kshs	Kshs
Pending law suits	1,481,464,956	4,925,620,633
Extension of Time claims	3,384,212,870	-
Guarantees and letters of credit	186,040,851	568,114,605
Disputed Claim by an oil Marketing Company (OMC) against KPC	1,996,606,025	1,996,606,025
	7,048,324,702	**7,490,341,263**

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

32. 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 2019 the company held 679,686 m3 (2018 – 629,406 m3) third party fuel stocks with a Hydro-Carbon Value (HCV) of Kshs. 35,299,620,506 (2018 – Kshs. 35,229,189,226).

33. CAPITAL COMMITMENT	2019	2018
	Kshs	Kshs
Amounts Authorised Less:	12,513,097,756	23,859,971,566
Amounts incurred and included in work-in-progress	7,115,826,082	9,235,902,426

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

34. FINANCIAL RISK MANAGEMENT

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

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

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

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(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	EUR	USD	CAD	ZAR
	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2019	-	-		-	-
Financial assets					
Bank and cash balances	-	-	6,430,391,923	-	-
Short term deposit	-	-	4,335,002,832	-	-
Trade receivables	-	-	8,593,684,563	-	-
			19,359,079,318		
Financial liabilities					
Trade payables	(22,426,160)	(139,217,548)	2,495,497,325	-	(501,220)
Long Term Loan	-	-	(25,746,553,259)	-	-
Net exposure	**(22,426,160)**	**(139,217,548)**	**(23,251,055,934)**	**-**	**(501,220)**

	GBP	EUR	USD	CAD	ZAR
	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2018					
Financial assets					
Bank and cash balances	-	-	281,327,443	-	-
Short term deposit	-	-	2,386,453,711	-	-
Trade receivables	-	-	6,088,627,353	-	-
	-	**-**	**8,756,408,507**		
Financial liabilities					
Trade payables	(14,696,298)	(202,553,662)	-	(4,267,217)	(563,079)
Long Term Loan	-	-	(29,755,929,823)	-	-
Net exposure	**(14,696,298)**	**(202,553,662)**	**(29,755,929,823)**	**(4,267,217)**	**(563,079)**

(ii) Foreign Currency Sensitivity Analysis

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	2019		2018	
	Kshs		Kshs	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - GB pounds				
+ 10 percentage point movement	(2,242,616)	(1,569,831)	(1,469,630)	(1,028,741)
- 10 percentage point movement	2,242,616	1,569,831	1,469,630	1,028,741
Currency – Euro				
+ 10 percentage point movement	(13,921,755)	(9,745,228)	(20,255,366)	(14,178,756)
- 10 percentage point movement	13,921,755	9,745,228	20,255,366	14,178,756
Currency - US dollars				
+ 10 percentage point movement	232,510,559	162,757,391	600,173,099	420,121,169
- 10 percentage point movement	(232,510,559)	(162,757,391)	(600,173,099)	(420,121,169)
Currency – CAD				
+ 10 percentage point movement	-	-	(426,722)	(298,705)
- 10 percentage point movement	-	-	426,722	298,705
Currency – ZAR				
+ 10 percentage point movement	(50,122)	(35,085)	(56,308)	(39,415)
- 10 percentage point movement	50,122	35,085	56,308	39,415
Currency – HKD				
+ 10 percentage point movement	-	-	-	-
- 10 percentage point movement	-	-	-	-

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

(iii) Interest Risk Management

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 90,596,603 (2018: Kshs 48,152,149). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 452,983,013 (2018 – Kshs 240,760,747)

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 2019 is analyzed in the table below:

	Fully Performing	Past Due	Impaired	Gross Total
	Kshs	Kshs	Kshs	Kshs
Trade Receivables	3,488,502,756	7,656,011,490	529,267,441	11,673,781,687
Other Receivables	18,276,221	741,414,731	315,467,733	1,075,158,685
Bank Balances	3,809,563,357	-	-	3,809,563,357
Short Term Deposits	9,059,660,261	-	-	9,059,660,261
	16,376,002,595	**8,397,426,221**	**844,735,174**	**25,618,163,990**

The company's maximum exposure to credit risk as at 30 June 2018 is analysed in the table below:

	Fully Performing	Past Due	Impaired	Gross Total
	Kshs	Kshs	Kshs	Kshs
Trade Receivables	3,477,582,580	4,774,893,640	206,323,743	8,458,799,963
Other Receivables	13,573,097	593,625,776	213,305,493	820,504,366
Bank Balances	443,569,702	-	-	443,569,702
Short Term Deposits	4,815,214,935	-	-	4,815,214,935
	8,749,940,314	**5,578,348,309**	**419,629,236**	**14,538,088,966**

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	Over 12 months	Total
	Kshs	Kshs	Kshs
At 30 June 2019:			
Due to related parties		80,000,000	80,000,000
Trade payables	2,171,634,703	-	2,171,634,703
Other payables and accruals	4,979,377,438	-	4,979,377,438
	7,151,012,141	**80,000,000**	**7,231,012,141**

	Within 12 months	Over 12 months	Total
	Kshs	Kshs	Kshs
At 30 June 2018:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	1,208,892,033	-	1,208,892,033
Other payables & accruals	4,178,216,535	-	4,178,216,535
	5,387,108,568	**80,000,000**	**5,467,108,568**

d) Capital Risk Management

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

	2019	2018
	Kshs	**Kshs**
Revaluation reserve	10,004,768,990	10,004,768,990
Retained earnings	81,781,925,019	79,453,028,143
Capital reserve	875,754,923	875,754,923
Total funds	**92,662,448,932**	**90,333,552,056**
Total borrowings	25,746,553,259	29,755,929,823
Less: cash and bank balances	(12,869,223,618)	(5,258,784,637)
Net debt/ (excess cash and cash equivalents)	**12,877,329,641**	**24,497,145,186**
Gearing	**14%**	**27%**

35. INCORPORATION

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

36. EVENTS AFTER THE REPORTING PERIOD

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

37. CURRENCY

Financial statements are presented in Kenya Shillings (Kshs)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

APPENDIX I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1	**Trade and Other Receivables** As noted in the audit report of FY2014/15, trade and other receivables balance of Kshs.14.5 billion included an amount of Kshs 4.3 billion due from an oil marketing company that is in dispute and has been subjected to an arbitrator. The amounts have been outstanding in the books for more than 10 years. The amounts have not been analyzed or explained and therefore their recoverability is doubtful. Although the Company has made provisions for the amounts but has not taken steps to write off the balances.	The disputed account is currently in court and KPC holds the view that it will obtain a favorable ruling	Managing Director	**Resolved.** The amount was provided for in FY 2018/19 accounts as doubtful debts in line with IFRS 9. The company is confident of a favorable award and writing back the amount once the award crystalizes	
2	**Incomplete Budgeting System Project** Included in the property, plant and equipment balance of Kshs. 51,189,107,820 (2017- Kshs.54,559,440,075) under capital work-in-progress and as disclosed under Note 16 is an advance payment to a vendor for supply, implementing and commissioning of budgeting system of Euros 227,338, or Kshs.26,566,082 at the ruling exchange rate as of 30 June 2018. This represented 51% of the contract sum with a delivery timeline of six (6) months from the commencement date. However, as at the time of finalizing this audit, the project had stalled. The Company subsequently also made payments to the vendor on account of annual software maintenance and user training of Euros 35,361 or Kshs. 4,132, 187. It is not clear as to why annual software maintenance and training costs were paid for before the system implementation. Avenues that would have been utilized for recovery of the amounts advanced to the vendor by way of recall of the performance bond are also not available as the bond expired in November 2015 without renewal. From the foregoing, the probity and value for money paid for the budgeting system of Kshs. 30,698,269 cannot be established.	The Company stopped paying for Annual Maintenance immediately the project started having issues. The committee terminated the contract due to effluxion of time and non-performance by the contractor. The Company is pursuing compensation through legal mechanism.	Managing Director	**Resolved.** provision for impairment in in line with IAS 36 was done in FY 2018/19 while the Company actively pursues compensation in line with Contract Terms.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

APPENDIX II: PROJECTS IMPLEMENTED BY KPC

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

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

The Company is not funded by development partners.

Status of Projects completion

Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget Kshs	Actual Spent Kshs	Sources of Funds
N/A	N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers			
	FY 2018/2019			
a.	Recurrent Grants	N/A		
b.	Development Grants	N/A		
c.	Direct Payments	N/A		
d.	Donor Receipts	N/A		

The Company is not a recipient of any grants.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME

AS AT 30TH JUNE	2019	2018	2017	2016	2015
			Kshs		
Total Revenue	**31,457,618,208**	**27,705,848,487**	**25,134,869,469**	**22,982,003,338**	**21,438,236,000**
Direct Costs	(14,259,924,080)	(11,135,712,478)	(9,285,805,904)	(7,781,792,550)	(7,967,492,000)
Gross Profit	**17,197,694,127**	**16,570,136,009**	**15,849,063,565**	**15,200,210,788**	**13,470,744,000**
Other Income	415,798,178	452,661,842	362,564,293	290,415,562	325,785,000
Administration Expenses	**(12,726,196,302)	(5,642,393,932)	(5,295,614,817)	(4,100,346,177)	(4,887,460,000)
Operating Profit	**4,887,296,003**	**11,380,403,919**	**10,916,013,041**	**11,390,280,173**	**8,909,069,000**
Net Finance Income	(1,821,488,427)	980,535,373	562,427,612	626,085,305	1,771,905,000
Profit Before Taxation	**3,234,793,422**	**12,360,939,292**	**11,478,440,653**	**12,016,365,478**	**10,680,974,000**
Taxation Charge	(1,186,873,779)	(3,792,865,597)	(3,516,913,825)	(3,606,835,608)	(3,459,347,000)
Net Profit After Taxation	**2,047,919,643**	**8,568,073,695**	**7,961,526,828**	**8,409,529,870**	**7,221,627,000**
Earnings Per share	**113**	**471**	**438**	**463**	**397**

***Administrative Expenses in Financial Year 2018/19 inclusive of Kshs. 6,119,537,986as provision for bad debts*

5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS (Continued)

STATEMENT OF FINANCIAL POSTION

AS AT 30TH JUNE	2019	2018	2017	2016	2015
			Kshs		
Non- Current Assets					
Property, plant and equipment	100,274,854,331	104,869,093,834	98,091,185,919	64,832,559,060	43,585,328,000
Leasehold land	4,835,251,272	4,999,883,570	5,167,287,314	4,766,260,609	4,915,357,000
Intangible assets	414,431,974	562,168,054	858,296,848	110,999,161	5,567,000
Investments	36,306,359	36,306,359	36,306,359	36,306,359	36,306,000
Retirement Benefit recoverable	1,285,627,233	1,285,627,233	880,443,315	1,006,105,000	1,006,105,000
Trade and other receivables	2,146,883,113	1,263,891,181	769,762,736	422,596,994	100,278,000
	108,993,354,282	**113,016,970,231**	**105,803,282,491**	**71,174,827,183**	**49,648,941,000**
Current Assets					
Inventories	2,232,089,622	2,266,017,444	1,591,777,921	1,688,297,234	1,520,586,000
Trade and other receivables	10,488,462,618	14,390,380,166	12,048,271,443	8,407,859,021	10,565,001,000
Taxation recoverable	977,416,079	1,098,170,701	1,176,703,986	-	511,843,000
Government securities	-	-	-	-	-
Short term deposits	9,059,660,261	4,815,214,935	6,063,946,835	9,141,970,606	8,492,671,000
Bank and cash balances	3,809,591,698	443,569,702	1,478,365,330	2,787,706,279	3,176,529,000
	26,567,220,278	**23,013,352,948**	**22,359,065,515**	**22,025,833,140**	**24,266,630,000**
Total Assets	**135,560,574,560**	**136,030,323,179**	**128,162,348,006**	**93,200,660,323**	**73,915,571,000**
Shareholders' Funds and Liabilities					
Capital and Reserves					
Share capital	363,466,007	363,466,007	363,466,007	363,466,007	363,466,000
Share premium	512,288,916	512,288,916	512,288,916	512,288,916	512,289,000
Revenue reserve	81,101,336,056	79,453,028,143	70,967,940,523	63,092,108,956	54,787,041,000
Revaluation Reserve	10,004,768,990	10,004,768,990	10,004,768,990	10,022,711,045	10,022,712,000
	91,981,859,969	**90,333,552,056**	**81,848,464,436**	**73,990,574,924**	**65,685,508,000**
Non-Current Liabilities					
Deferred taxation	10,265,753,100	9,154,163,086	5,381,329,078	5,221,714,992	5,623,522,000

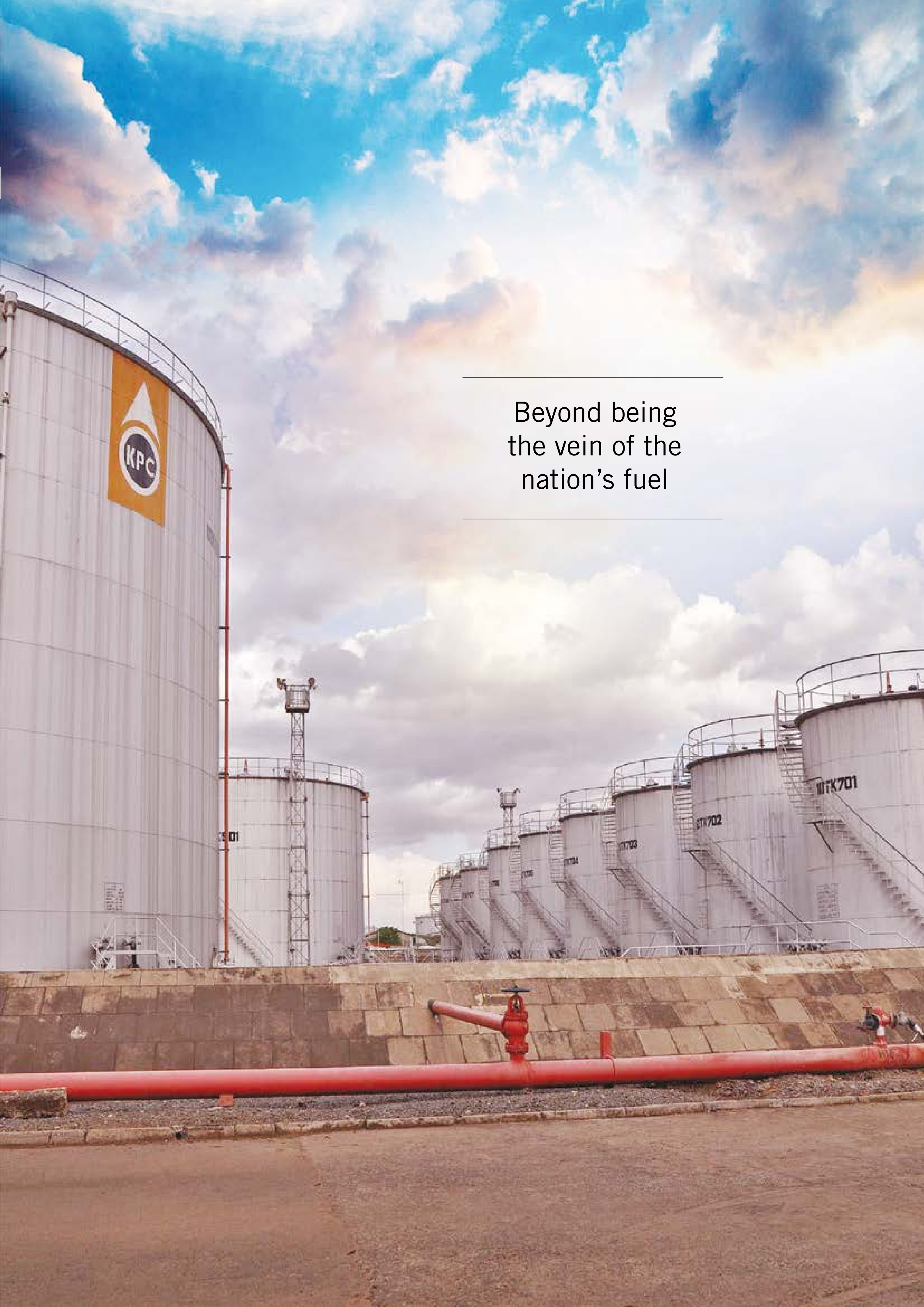
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS (Continued)

AS AT 30TH JUNE	2019	2018	2017	2016	2015
			Kshs		
Long term loan	21,364,418,281	25,425,678,726	22,983,317,480	9,697,497,096	-
	31,630,171,382	**34,579,841,812**	**28,364,646,558**	**14,919,212,088**	**5,623,522,000**
Current Liabilities					
Trade and other payables	7,186,408,232	6,706,678,215	14,585,905,944	2,726,808,236	1,983,422,000
Due to related parties	80,000,000	80,000,000	80,000,000	320,089,228	313,719,000
Tax payable	-	-	-	943,975,847	-
Dividend Payable	300,000,000	-	-	300,000,000	309,400,000
Current Loan	4,382,134,978	4,330,251,096	3,283,331,068	-	-
	11,948,543,209	**11,116,929,311**	**17,949,237,012**	**4,290,873,311**	**2,606,541,000**
Total Shareholder's Funds and Liabilities	**135,560,574,560**	**136,030,323,179**	**128,162,348,006**	**93,200,660,323**	**73,915,571,000**

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30TH JUNE	2019	2018	2017	2016	2015
			Kshs		
Net cash generated from operating activities	14,993,419,365	3,195,240,413	16,506,231,596	14,124,202,379	5,998,201,000
Net cash from/(to) investing activities	(3,029,197,039)	(10,022,049,028)	(37,161,868,585)	(23,251,822,725)	(5,411,854,000)
Net cash from/(to) financing activities	(4,353,755,003)	4,543,281,087	16,268,272,269	9,388,097,096	-
Net increase/(Decrease) in cash and cash equivalents	**7,610,467,323**	**(2,283,527,528)**	**(4,387,364,720)**	**260,476,750**	**586,347,000**
Cash and Cash Equivalents at beginning of the period	5,258,784,637	7,542,312,165	11,929,676,885	11,669,200,135	11,082,853,000
Cash and Cash Equivalents at end of the Year	**12,869,251,959**	**5,258,784,637**	**7,542,312,165**	**11,929,676,885**	**11,669,200,000**



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