50 years of excellence

PKF

Accountants & business advisers

PKF/Q4/14.B)1

KENYA PORTS AUTHORITY
RETIREMENT BENEFITS SCHEME 2012
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

PKF/Q4/14B/2

CONTENTS **PAGE**

PKF/Q4/14B/3

SCHEME INFORMATION

TRUSTEES	: Mr. Fredrick O. Oyugi - Chairperson : Ms. Muthoni Gatere : Ms. Joy K. Asiema : Ms. Joan Z. Karema : Mr. Harry J.P. Arigi : Mr. Juma R. Thoya
REGISTERED OFFICE	: Old Cannon Towers, 7th floor : Moi Avenue : P. O. Box 1019 - 80100 : Mombasa
INDEPENDENT AUDITOR	: PKF Kenya : Certified Public Accountants : P. O. Box 90553 - 80100 : Mombasa
SCHEME ADMINSTRATOR	: Mr. M. M. Amahwa : Keny Ports Authority - Pension Office : Old Cannon Towers, 7th floor : Moi Avenue : P. O. Box 1019 - 80100 : Mombasa
INVESTMENT MANAGER	: Genesis Kenya Investment Management Limited : 1st floor, Arlington Block, 14 Riverside Business Park : Off Riverside Drive : P. O. Box 79217 - 00200 : Nairobi
CUSTODIAN	: CFC Stanbic Custody Division : CFC Stanbic Centre, 1st floor, Chiromo Road : P. O. Box 30550 - 00100 : Nairobi
BANKERS	: CFC Stanbic Bank Kenya Limited : P. O. Box 90131 - 80100 : Mombasa

REPORT OF THE TRUSTEES

The Trustees present their report together with the audited financial statements for the year ended 31 December 2014.

ESTABLISHMENT, NATURE AND THE STATUS OF THE SCHEME

The Scheme was established, and is governed by a trust deed dated 24 October 2012. It is a defined contribution scheme and provides, under the rules of the Scheme, retirement benefits for the staff of Kenya Ports Authority. It is a tax exempt approved scheme, upto the statutory limit, under the Income Tax Act. The Scheme is registered with the Retirement Benefits Authority.

CONTRIBUTIONS

As per the rules of the Scheme, the employer and the employees each contribute 20% and 10%, respectively, of the individual members' basic salary.

MEMBERSHIP

The following is the movement in the number of members in the scheme:	2014 Members	2013 Members
Members at start of year	4,403	-
Additions during the year	945	4,441
Leavers during the year	(81)	(38)
Members at end of year	5,267	4,403

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 5 shows an increase in net assets of the Scheme for the year of Shs 1,199,112,000 (2013: Shs 772,261,000) and statement of net assets available for benefits on page 6 shows the Scheme's net assets as Shs 1,971,373,000 (2013: Shs 772,261,000).

INVESTMENT OF FUNDS

During the year, members funds were invested through Genesis Kenya Investments Management Limited.

The overall responsibilty for investment and performance lies with the Trustees.

INDEPENDENT AUDITOR

PKF Kenya was appointed during the year and continue in accordance with the Section 29 (I) of the Retirement Benefit Act.

BY ORDER OF THE BOARD OF TRUSTEES

CHAIRPERSON

25th June, 2015

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefit (Occupational Retirement Benefit Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997 require the trustees to prepare financial statements in a prescribed form for each financial year. They also require the trustees to ensure that the scheme keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the custodian in accordance with the rules of the scheme.

The Trustees accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The Trustees are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits for the year then ended in accordance with the International Financial Reporting Standard.

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

Approved by the board of trustees on 24th June, 2015 and signed on its behalf by:

TRUSTEE

TRUSTEE

PKF KENYA
Certified Public Accountants

PKF/124/14B/6

50 years of excellence

PKF
Accountants & business advisers

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF KENYA PORTS AUTHORITY RETIREMENT BENEFITS SCHEME 2012

Report on the financial statements

We have audited the accompanying financial statements set out on pages 5 to 17 of Kenya Ports Authority Retirement Benefits Scheme 2012, which comprise the statement of net assets available for benefits as at 31 December 2014 and the statement of changes in net assets available for benefits, a summary of significant accounting policies and other explanatory notes. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

Trustees' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements which are in agreement therewith give a true and fair view of the financial transactions of the scheme during the year ended 31 December 2014 and of the disposition at that date of its assets and liabilities and are in compliance with International Financial Reporting Standards and the Retirement Benefits Act 1997.

PKF Kenya

Certified Public Accountants
Mombasa

29 June 2015

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Erick Mbuthia Njuguna P/No. 2061

313/2015

Tel +254 41 2226422/3 • 2314007 • 2313269 • 2315846/97 • Mobile +254 724 / 733 563668 • Email pkfmsa@ke.pkfea.com • www.pkfea.com
PKF KENYA • 1st Floor • Pereira Building • Pramukh Swami Maharaj Road • P O Box 90553 - 80100 • Mombasa • Kenya

PICF/RQ4/14B/7

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2014 Shs '000	2013 Shs '000
Dealings with members			
Contributions for the year	2 (a)	1,075,326	754,429
Leavers (retirees)	2 (b)	(13,738)	(3,520)
Net addition from dealings with members		1,061,588	750,909
Return on investment			
Investment income	3	97,190	15,740
Gains on disposal of financial assets	4	4,429	1,120
Changes in fair value of financial assets	8	59,036	9,729
Investment management expenses	5	(6,552)	(2,041)
Net return on investments		154,103	24,548
Administrative expenses	6	(13,409)	(2,685)
Tax expense	7	(3,170)	(511)
		(16,579)	(3,196)
Increase in net assets for the year		1,199,112	772,261
Assets available for benefits			
At start of year		772,261	-
Increase in members' balances during the year		1,199,112	772,261
At end of year		1,971,373	772,261

The notes on pages 8 to 17 form an integral part of these financial statements.

Report of the independent auditor - page 4.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	As at 31 December 2014 Shs '000	2013 Shs '000
Assets			
Financial assets	8	1,548,560	531,327
Receivables and accrued income	9	86,660	1,450
Cash and cash equivalents	10	361,585	247,234
Total assets		1,996,805	780,011
Less: liabilities			
Payables and accrued expenses	11	22,206	7,239
Tax payable		3,226	511
Total liabilities		25,432	7,750
Net assets available for benefits		1,971,373	772,261

The financial statements on pages 5 to 17 were approved and authorised for issue by Trustees on

24th June, 2015 and were signed on its behalf by:

CHAIRMAN

TRUSTEE

The notes on pages 8 to 17 form an integral part of these financial statements.

Report of the independent auditor - page 4.

P1CF|Q4|14B|9

STATEMENT OF CASH FLOWS

	Notes	2014 Shs '000	2013 Shs '000
Cash flows from operating activities			
Contributions received	2 (a)	1,075,326	754,429
Administrative expenses paid		(8,950)	(844)
Receivables and accrued income		(84,236)	-
Payables and accrued expenses		(1,867)	-
Tax paid		(455)	-
Net cash from operating activities		979,818	753,585
Investing activities			
Purchase of financial assets	8	(1,063,818)	(555,079)
Proceeds from sale/maturity of financial assets	8	110,049	34,061
Investment income received		93,738	15,783
Investment management expenses paid		(5,436)	(1,116)
Net cash used in investing activities		(865,467)	(506,351)
Increase in cash and cash equivalents		114,351	247,234
Movement in cash and cash equivalents			
At start of year		247,234	-
Increase		114,351	247,234
At end of year	10	361,585	247,234

The notes on pages 8 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 4.

NOTES

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS), Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000. Historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements summarise the transactions of the scheme and deal with the net assets available for benefits disposal of the trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of scheme year.

These financial statements are presented in Kenyan Shillings (Shs), rounded to the nearest thousand. The measurement applied is the historical cost basis, except where otherwise stated in the accounting policies.

New and amended standards adopted by the scheme

The following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements:

- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities clarifying the meaning of current legal enforceable right of set off and simultaneous realisation and settlement.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- IFRS 5 in respect of guidance on reclassifications which will be effective for the accounting periods beginning on or after 1 July 2016.

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

- IFRS 7 in respect of guidance on service contracts representing continuing involvement in a transferred asset which will be effective for the accounting periods beginning on or after 1 July 2016.

PKF\Q4\14B\11

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective (continued)

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective effective for accounting periods beginning on or after 1 January 2016.

- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or or after 1 January 2016.

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.

- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.

- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.

- Amendments to IAS 19 in respect of Defined Benefit Plans: Employee Contributions which will be effective for accounting periods beginning on or after 1 July 2014.

- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 July 2014 as follows:

  - IFRS 2 - Definition of vesting conditions
  - IFRS 3 - accounting for contingent consideration in a business combination
  - IFRS 8 - Aggregation of operating segments and reconciliation of total reportable segment assets to entity's assets
  - IFRS 13 - Carrying of short term receivables and payables at invoiced amounts
  - IAS 16 and IAS 38 - Proportionate restatement of depreciation/amortisation accumulated on revaluation
  - IAS 24 - Management fee paid to a management entity
  - IFRS 3 - Scope exclusions for joint ventures
  - IAS 40 - Application of IAS 40 vs. IFRS 3 on acquisition of investment property

New standards, amendments and interpretations issued but not effective (continued)

The trustees expect that the future adoption of IFRS 9 and IFRS 15 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The trustees do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

b) **Contributions**

Contribution from the employees and employer are accounted for in the period in which they fall due.

The rates used are as follows:	Rate %
Employer	20
Employees	10

c) **Benefits payable**

Pensions and other benefits payable are accounted for in the period in which they fall due.

PKF/24/14B/12

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d) **Income from investments**

i) Interest income is recognised for all interest bearing instruments on a accrual basis. Interest income includes coupons earned on fixed income investments and accrued discounts and premium on treasury bills and other discounted instruments.

ii) Dividends are recognised as income in the period in which the right to receive payment is established.

e) **Financial instruments**

Financial assets and financial liabilities are recognised when the scheme becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

- Financial assets

The scheme's financial assets which include quoted shares, government securities and corporate bonds and commercial paper and loans and receivables are carried at fair value and fall into the following categories:

Held-to-maturity: financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of changes in net assets available for benefits.

Available-for-sale: financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are carried at fair value where fair value gains or losses are recognised directly in statement of changes in net assets available for benefits.

Interest on available-for-sale securities is calculated using the effective interest method and is recognised in statement of changes in net assets available for benefits as part of investment income. Dividends on available- for-sale equity instruments are also recognised in statement of changes in net assets available for benefits as part of investment income when the scheme's right to receive payments is established.

Loans and receivables: financial assets that are created by the scheme by providing money directly to a debtor are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of changes in net assets available for benefit.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the scheme's fund managers commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairement losses are recognised in profit or loss. For available for sale assets cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) **Financial instruments (continued)**

- Financial assets (continued)

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss and for available for sale assets in other comprehensive income in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in profit or loss are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

Trustees classify investments as follows:

Quoted investments are classified as 'available for sale' financial instruments. The fair values of quoted investments are based on current bid prices at the reporting date.

Government securities, corporate bonds and commercial paper are classified as held to maturity as the scheme has the intention and ability to hold these to maturity. These are carried at amortised cost.

Cash with financial institutions are classified as loans and receivables and are carried at amortised cost. Receivables are classified as loans and receivables and are carried at amoritised cost.

Management classify the fair values of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

- **Level 1:** where fair values are based on non-adjusted quoted prices in active markets for identical financial.
- **Level 2:** where fair values are based on adjusted quoted prices and observable prices of similar financial assets.
- **Level 3:** where fair values are not based on observable market data.

- Financial liabilities

The scheme's financial liabilities which includes payables fall into the following category:

Financial liabilities measured at amortised cost: These include payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

All financial liabilities are classified as current liabilities unless the scheme has an unconditional right to defer settlement of the liability for atleast 12 months after the date of the statement of financial position

Financial liabilities are derecognised when, and only when, the scheme's obligations are discharged, cancelled or expired.

Benefits payable and other liabilities are classified as financial liabilities. Benefits payable to leaving members are taken into account as they fall due for payment.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

PKF/Q4/14B/14

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank, deposits held at call with banks and fixed and time deposits maturing within 90 days.

g) **Taxation**

The scheme is exempt from income tax under the Income Tax (Cap. 470) up to the statutory limit.

h) **Comparatives**

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

PICF/Q4/14B/15

NOTES (CONTINUED)

	2014 Shs '000	2013 Shs '000
2. Dealings with members		
(a) **Contributions for the year**		
Employer	716,884	502,946
Employees	358,442	251,483
	1,075,326	754,429
(b) **Leavers (retirees)**		
Withdrawal benefits	(13,738)	(3,520)
Net additions from dealings with members	1,061,588	750,909

3. Investment income

	2014 Shs '000	2013 Shs '000
Dividend receivable	12,535	989
Interest and discount receivable	83,290	14,404
Other miscellaneous income	1,365	347
	97,190	15,740

4. Gain on disposal of financial assets

	2014 Shs '000	2013 Shs '000
Sale proceeds on disposal of financial assets	110,049	34,601
Fair value of financial assets disposed	(105,620)	(33,481)
Gain on disposal of financial assets	4,429	1,120

5. Investment management expenses

	2014 Shs '000	2013 Shs '000
Management expenses	4,576	1,452
Custodian expenses	1,976	589
	6,552	2,041

6. Administrative expenses

	2014 Shs '000	2013 Shs '000
Trustees' expenses	7,815	687
RBA levy	2,724	1,397
Professional fees	1,206	-
Audit fees	528	464
Advertising	902	-
Miscellaneous expenses	234	137
	13,409	2,685

P K F | Q4 | 14B | 16

NOTES (CONTINUED)

7. Tax expense - unregistered scheme

	2014 Shs '000	2013 Shs '000
Income tax charge	3,226	511
Overprovision in prior year	(56)	-
	3,170	511

Tax is charged on investment income earned from the unregistered contribution net of associated expenses at the rate of 30% (2013: 30%).

8. Financial assets

Year ended 31 December 2014

	Value at start of year Shs '000	Purchases at cost Shs '000	Sales proceeds Shs '000	Gain on disposal Shs '000	Change in fair value Shs '000	Value at end of year Shs '000
Quoted shares	187,858	318,962	(4,851)	214	28,314	530,497
Kenya government securities	322,827	579,856	(30,198)	1,513	27,693	901,691
Commercial paper and corporate bonds	20,642	165,000	(75,000)	2,701	3,029	116,372
	531,327	1,063,818	(110,049)	4,428	59,036	1,548,560

Year ended 31 December 2013

	Value at start of year Shs '000	Purchases at cost Shs '000	Sales proceeds Shs '000	Gain on disposal Shs '000	Change in fair value Shs '000	Value at end of year Shs '000
Quoted shares	-	187,130	-	-	728	187,858
Kenya government securities	-	337,086	(23,601)	839	8,503	322,827
Commercial paper and corporate bonds	-	30,863	(11,000)	281	498	20,642
	-	555,079	(34,601)	1,120	9,729	531,327

Fair value is determined by reference to quoted prices in active markets.

The following table summarises the weighted average effective interest rates at the year end on the main interest bearing investments:	2014 %	2013 %
Kenya government securities		
- Treasury bonds	11	12
- Corporate bonds and commercial paper	7.6 - 13	7.6 - 12
Fixed and call deposits	10 - 14	11 - 13.5

9. Receivables and deposits

	2014 Shs '000	2013 Shs '000
Dividend receivable	1,111	235
Withholding tax	8,709	1,215
Land deposit	76,840	-
	86,660	1,450

In the opinion of the trustees, the carrying amounts of receivables and accrued income approximate to their fair value.

The carrying amounts of scheme's other receivables and accrued income are denominated in Kenya Shillings.

pkf/ 94/143/17

10. **Cash and cash equivalents**

	2014 Shs '000	2013 Shs '000
Cash at bank	115,160	84,686
Fixed and time deposits	246,425	162,548
	361,585	247,234

For the purposes of cash flow statement cash and cash equivalents comprise the amounts above.

The scheme's cash and bank balances are held with major Kenyan financial institutions and, insofar as the trustees are able to measure any credit risk to these assets, it is deemed to be limited.

11. **Payables and accrued expenses**

	2014 Shs '000	2013 Shs '000
RBA levy	2,724	1,397
Other payables	3,693	1,421
Benefits payable	15,789	3,520
Due to sponsor	-	901
	22,206	7,239

In the opinion of the trustees, the carrying amounts of payables and accrued expenses approximate to their fair value.

The maturity analysis of trade and other payables is within three months.

12. **Investments guidelines**

The Retirement Benefits Authority has issued guidelines stating the maximum amount of investment that the scheme can invest in a particular asset as a percentage of the aggregate market value of net assets of scheme scheme. The table below shows the current investment in assets compared to the investment guidelines issued by the Retirement Benefits Authority.

Category of asset	2014 %	2013 %	Maximum investment as per RBA %
Cash and demand deposits	6	11	5
Fixed and time deposits	13	21	30
Commercial paper and corporate bonds	6	3	15
Kenya Government securities	47	41	70
Quoted shares - Kenya	28	24	70
Quoted shares - offshore	-	-	15
Immovable properties	-	-	30

The scheme's investments portfolio complies with the Retirement Benefits Act.

NOTES (CONTINUED)

13. **Tax status of the scheme**

Kenya Ports Authority Pension Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income.

14. **Risk management objectives and policies**

Financial risk management

The scheme's investment activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the scheme's financial performance.

Risk management is carried out by the investement managers under policies and guidelines approved by the trustees.

a) **Market risk**

Interest rate risk
The Scheme investments in fixed rate government securities, corporate bonds and bank deposits expose it to fair value interest rate risk. The investment managers advise the trustees on the appropriate balance of the portfolio between equity and fixed rate interest investements. The Scheme has no interest bearing liabilities.

b) **Price risk**

The Scheme is exposed to equity price risk in respect of its investments in quoted shares. The exposure to price risk is managed primarily by setting limits on the percentage of the net assets available for benefits that may be invested in equity and by ensuring sufficient diversity of the investment portfolio.

c) **Credit risk**

Credit risk arises from investments other than equity invetsments, contributions due, other receivables and cash and cash equivalents. The scheme does not have any signficant concentrations of credit risk. The investment manager assesses the credit quality fo each investment, taking into account its age and liability profile, past experience and other factors.

d) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The trustees agree with the investment manager on the amounts to be invested in assets that can be easily liquidated.

The scheme is not exposed to liquidity risk as it maintains adequate amounts of cash and cash equivalents to pay off liabilities as they fall due.