



KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
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FOR THE YEAR ENDED 31 DECEMBER 2022

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KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

SCHEME INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

TRUSTEES	Salim Kumaka Geoffrey Kavate Emma Okello Musa Huka Farida Abdalla Nilfat Kassim	Chairman (Appointed 18/12/2020) Trustee (Appointed 30/06/2022) Trustee (Appointed 18/12/2020) Trustee (Appointed 18/12/2020) Trustee (Appointed 01/04/2022) Trustee (Appointed 01/04/2022)
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REGISTERED OFFICE Old Cannon Towers 7th Floor
Moi Avenue
P.O Box 1019-80100
Mombasa

CUSTODIAN The Cooperative Bank of Kenya Limited
Custody Division
P.O Box 48231-00100
Nairobi, Kenya

BANKERS Stanbic Bank Kenya Limited
P.O Box 90131-80100
Mombasa

The Cooperative Bank of Kenya Limited
P.O.Box 48231-00100
Nairobi.

SCHEME ADMINISTRATOR Bernard Kipkogei Kibet (AG)
Kenya Ports Authority- Pension Office
Old Cannon Towers,7th Floor
Moi Avenue
P.O Box 1019-80100
Mombasa

INDEPENDENT AUDITOR Ronalds LLP,
Certified Public Accountants (K)
136 Manyani East Road, Off Waiyaki Way
P.O Box 41331-00100
Nairobi, Kenya

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

SCHEME INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

FUND MANAGERS

Genafrika Asset Manager Limited
P.O Box 79217- 00200
Nairobi.

Kenindia Assurance Company Limited
P.O Box 44372- 00100
Nairobi

ICEA LION Asset Manager Limited
P.O. Box 46143 - 00100
Nairobi.

ACTUARY

Zamara Actuaries, Administrators and Consultants
P.O. BOX 5439-00200
Nairobi

LAWYERS

MMC Africa Law
P.O Box 90282-80100
Mombasa

Munyao, Muthama & Kashindi Advocates
P.O. Box 2419- 80100
Mombasa

Miller & Co Advocates
P.O Box 90088 – 80100
Mombasa.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT OF TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2022

The Trustees have the pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2022, which disclose the state of affairs of the scheme.

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME.

The fund is established and governed by the Trust Deed and Rules dated 24th October 2012, and was amended on 13th February 2018. It is a defined contribution scheme and provides, under its rules, retirement benefits for the staff of Kenya Ports Authority. It is an exempted approved scheme under the Income Tax Act and with the Retirements Benefits Authority respectively.

OBJECTIVE OF THE SCHEME

The main purpose of the scheme is the provision of Pension and other retirement benefits for members upon their retirement from the Employers service and relief for the Dependents of deceased Members.

SUMMARY OF MEMBERSHIP

Year	2022	2021
Active members		
At start of the year	5,612	5,746
Joiners	349	14
Leavers	(135)	(148)
Dormant members	(46)	-
At end of the year	5,780	5,612
Deferred members		
At start of the year	356	235
Joiners	2	123
Leavers	(6)	(2)
At end of year	352	356
Total members	6,132	5,968

CONTRIBUTIONS

As per the rule of the scheme, employees contribute 10% of their respective Pensionable salary and the employer contributes to the scheme an amount equal to 20% of the Members Pensionable salary. However, members may with the consent of trustees, voluntarily increase their contributions in additions to those prescribed above.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT OF TRUSTEES CONT'D

INVESTMENT OF FUNDS

The Scheme's funds are invested as provided under the Retirement Benefits Authority Act Regulations and schemes investment policy statement.

Under the terms of their appointment, ICEA Lion Asset Manager, Gen Africa Asset Manager Limited and Kenindia Assurance Company Limited are responsible for the investment of the funds.

The overall responsibility for the investment and performance of the schemes' funds lies with the trustees.

Below is the breakdown of the investments as carried out during the year;

Investment	Amount invested	DC Scheme exposure	RBA Limit
Quoted shares	3,178,453,590	16.71%	70%
Kenya government securities	12,980,907,883	68.1%	90%
Commercial paper and corporate bonds	15,000,000	0.1%	20%
Fixed and Bank Deposits	1,103,974,538	5.8%	30%
Guaranteed Fund-Kenindia	1,786,709,829	9.4%	100%
Total	19,065,045,840	100%	

The net interest declared and credited to the members' account was at a positive rate of ~~1.81~~ for the registered fund and ~~0.24~~ for the unregistered fund.

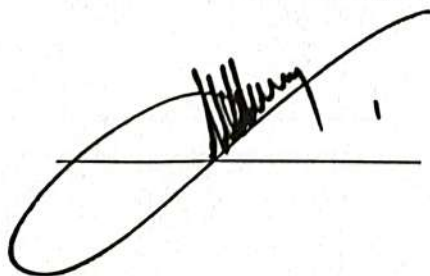
TRUSTEES

The Trustees who served during the year are as shown on page 1

INDEPENDENT AUDITOR

The Auditors Ronald's LLP, Certified Public Accountants (K), were appointed on 1/01/2022 for a period of three years.

BY ORDER OF THE TRUSTEE



KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE

1. Trustees and the dates of appointment

No.	Name of Trustee	Nature of Appointment	Date Appointed	Date to retire
1.	Salim Hamisi Kumaka	Member Elected	18.12.2020	18.12.2023
2.	Farida Abdalla	Sponsor Nominated	01.04.2022	23.01.2023
3.	Nilfat Kassim	Sponsor Nominated	01.04.2022	23.01.2023
4.	Emma Seline Akinyi Okello	Member Elected	18.12.2020	18.12.2023
5.	Musa Huka Abdi	Member Elected	18.12.2020	18.12.2023
6.	Geoffrey Kilonzo Kavate	Sponsor Nominated	30.06.2022	29.06.2025

2. Trustees in office.

Name of trustee	Age	Category (Member-elected/Sponsor-nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest qualification	Memberships of other Boards
Salim Kumaka	56	Member elected Trustee	Regular Board-20 Committee -0	Yes	Diploma in Shipping Management	None
Nilfat Ali	34	Sponsor nominated Trustee	Regular Board-10 Committee -2	No	Bachelor of Laws (LLB) - Moi University	Board Director - Kenya Ports Authority (up to 23 rd January 2023)
Musa Huka	39	Member elected Trustee	Regular Board-18 Committee -41	Yes	Bachelor Business Administration (HR) ongoing	None
Emma Okello	39	Member elected Trustee	Regular Board-19 Committee -41	Yes	Masters Business Administration (Strategic management)	None

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE (CONT'D)

Trustees in office (Cont'd)

Name of trustee	Age	Category (Member-elected/Sponsor-nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest qualification	Memberships of other Boards
Geoffery Kavate	51	Sponsor nominated Trustee	Regular Board-14 Committee -2	Yes	Masters Business Administration (Strategic management)	Board Director - Kenya National Shipping Line
Farida Abdalla	53	Sponsor nominated Trustee	Regular Board-12 Committee -8	Yes	MSc in Financial Service Management	Board Director - Kenya Ports Authority (up to 23 rd January 2023) Board Of Governor-Taveta Technical and Vocational College Chairperson-Mombasa County Public Service Board

3. The board of trustees held 20 meetings during the year ending the 31st December 2022

The meetings were held on the dates set out hereunder:

Number	Type of meeting	Date
7	Regular Board	28/02/2022, 13/11/2022, 14/9/2022, 15/11/2022, 29/11/2022, 30/11/2022, 15/12/2022
8	Special Board	10/02/2022, 21/02/2022, 04/03/2022, 13/05/2022, 12/05/2022, 13/06/2022, 01/08/2022, 28/09/2022
5	Joint Board(With DB scheme)	28/01/2022, 18/02/2022, 05/04/2022, 17/06/2022, 13/07/2022

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE (CONT'D)

4. The composition of the board of trustees is as hereunder:

- (a) Gender balance: Female **50 %** Male **50 %**
- (b) Skills mix: No of trustees with financial skills **33%**
- (c) Age mix: Number of trustees who are younger than 35 years **17%**
- (d) Number of trustees who are older than 35 years **83 %**

5. Committees of the board

Committee name	Members	No. of meetings held	Any external advisors, invitees to meetings (Yes/No) (if yes, mention the purpose)	Allowances paid (Ksh.)	Allowances paid to advisors, invitees (Kshs.)
Finance and Investments Committee	Nilfat Ali Geoffrey Kavate Emma Okello Farida Abdalla	1	No	60,000	-
Audit and Risk Committee	Nilfat Ali Geoffrey Kavate Musa Huka	1	No	60,000	-
Administration and Communication Committee	Nilfat Ali Musa Huka Emma Okello Farida Abdalla	1	No	40,000	-
Full Board of Trustees	Salim Kumaka Nilfat Ali Geoffrey Kavate Musa Huka Emma Okello Farida Abdalla	7	Yes – Fund Managers, Custodians, Actuaries-These are required to present performance reports quarterly.	780,000	60,000
			Board Evaluation Consultant-Facilitated Board evaluations		
			Strategic plan Consultant-To present final strategic plan to the Board.		

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE (CONT'D)

Committees of the board (Cont'd)

Special Board of Trustees	Salim Kumaka Nilfat Ali Geoffrey Kavate Musa Huka Emma Okello Farida Abdalla	8	No	680,000	-
Joint Administration Committee	Musa Huka Emma Okello	25	No	1,080,000	-
Joint Full Board	Salim Kumaka Nilfat Ali Geoffrey Kavate Musa Huka Emma Okello Farida Abdalla	5	No	420,000	-
Special Adhoc Committees- To consider Joint DB/DC investments. To Consider and prepare Bench marking report	Musa Huka Emma Okello	6	No	240,000	-
TOTAL				3,360,000	60,000

6. Fiduciary responsibility statement

The board of trustees is the governing body of the **Kenya Ports Authority Retirement Benefits Scheme 2012** and is responsible for the corporate governance of the scheme. The trustees are responsible for ensuring that the administration of the scheme is conducted in the best interests of the scheme's members and the sponsor. To achieve this, the trustees embraced their fiduciary responsibility by:

- a. Acting honestly and did not improperly use inside information or abuse their position.
- b. Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- c. Performing their duties with the requisite degree of skill.

The scheme has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the scheme's business operations.

The trustees have ensured that the fund manager has carried out all scheme investments and that all scheme assets and funds are held by the custodian.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE (CONT'D)

The Board charter has been developed and ratified by the Board of Trustees.

7. Implementation of the Good Governance Guidelines Policies
In the year under review, the scheme has been able to review and ratify the following governance policies in the scheme.

POLICY	DATE DEVELOPED/REVIEWED	DATE RATIFIED
Code of Conduct	September 2022	28th Sept 2022
Election Policy	September 2022	28th Sept 2022
Remuneration Policy	September 2022	28th Sept 2022
Communication Policy	September 2022	28th Sept 2022
Risk Management Policy	September 2022	28th Sept 2022
Conflict of Interest Policy	September 2022	28th Sept 2022
ICT Policy	September 2022	28th Sept 2022
Procurement Policy	September 2022	28th Sept 2022

8. Responsible corporate citizenship

The scheme has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates

9. Key outcomes

The board of trustees seeks to achieve the following:

- a. Building trust with the members and sponsor of the scheme so that they are satisfied with the administration of the scheme.
- b. Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- c. Ensuring that the scheme's administrative processes remain transparent and accessible to members and the sponsor.

The board of trustees will measure the progress towards these outcomes through.

(a) Triennial members' survey score. The latest score **NONE**

Regular reports and feedback to the sponsor. No. of reports **4**

10. Annual general meeting

The board of trustees held the annual general meeting on the **9th of December 2022** at which **2,818** members, making up **47.19%** of scheme members attended. The board adequately addressed the members' concerns.

Number of attendees	No. of people eligible to attend	Percentage
2818	5971	47%

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

REPORT ON GOOD GOVERNANCE (CONT'D)

11. Members' sensitization

The board conducted the following sensitization activities.	Date held	No. of members who attended	Remarks
Pre-retirement Training	10/10/2022 to 16/11/2022	322	The training covered members who were between 55-60 years of age
Member Education	06/04/2022 to 15/04/2022	1,353	The members were sensitized on new products i.e., PRMF, IDD, Child trust fund

12. Trustees' remuneration policy

During the year under review, the trustees were paid a gross sum of Ksh 20,434,944. The payments complied with the trustee's remuneration policy of the scheme.

The Trustees attended other events for capacity building to represent the scheme in industry forums, Member engagements and other activities during execution of their responsibilities. The expenses paid for the events was Ksh 17,074,994 while allowances paid for board meetings was Ksh 3,360,000.00.

13. Board of trustee's evaluation

The board and individual Trustees undertook board evaluation in the year under review. The board review process was facilitated externally, and the process took the form of Questionnaires and interviews. The board was rated **96%**.

Signed

Dated 23/03/2023

Dated the 23rd March 2023.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

STATEMENT OF TRUSTEES RESPONSIBILITIES

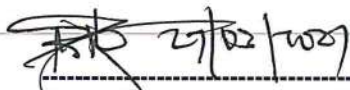
FOR THE YEAR ENDED 31 DECEMBER 2022

The Retirement Benefit Act, (Occupational Retirement Benefits Schemes) Regulations 2000 requires the Trustees to prepare financial statements which give a true and fair view of the state of affairs of the scheme as at the end of each financial year and of its operating results for that year. It also requires the Trustees to ensure that the scheme keeps proper accounting records, which disclose with reasonable accuracy the financial position of the scheme. They are also responsible for safeguarding the assets of the Scheme.

The Trustees accept responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Retirement Benefit Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and 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.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the manner required by the Retirement Benefit Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Scheme and of its operating results as at 31 December 2022. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The statement was approved by the Trustees on23/03/2023 and signed on its behalf by:



TRUSTEE



TRUSTEE

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

Opinion

We have audited the accompanying financial statements of Kenya Ports Authority Retirement Benefit Scheme 2012 as set out on page 15 to 34 which comprise the statement of changes in net assets available for benefits as at 31 December 2022, Statement of Cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the scheme as at 31 December 2022 and of the disposition of the assets and liabilities other than liabilities to pay benefits falling after the end of the year in accordance with International Financial Reporting Standards (IFRS) and requirements of the Retirement Benefit Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Management, and evaluating the overall financial statement presentation.

We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis to our opinion.

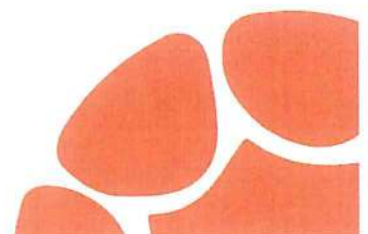
Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the organization's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no key audit matters to report during the year.

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 (IFRS) and with the requirements of the Retirement Benefits Act. 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.



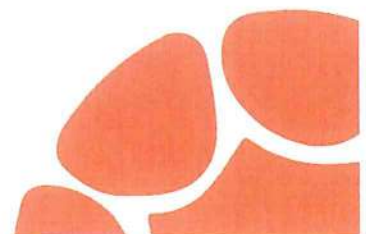
Auditors' Responsibility

Our responsibility is to express an 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.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme 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.

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



Report on other legal requirements

As required by the Retirement Benefit Act we report to you, based on our audit, that:

- i. 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;
- ii. In our opinion, proper books of accounts have been kept by the Scheme, so far as appears from our examination of those books;
- iii. The scheme's Net Assets Statement and Scheme Account are in agreement with the books of accounts.

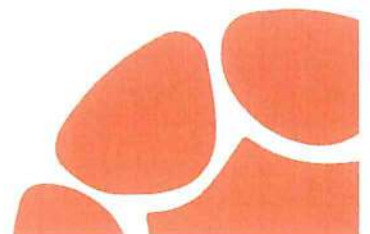
The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Noah O. Ndakala – P/No 2039.

For and on behalf of,
Ronalds LLP.

Certified Public Accountants (K)



Date



KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kshs	2021 Kshs
Income from Dealings with Members			
Contributions and transfer in	4	2,060,645,976	1,819,066,000
Outgoings from Dealings with Members			
Benefits paid	5	(577,135,856)	(350,251,000)
Net Surplus From Dealings With Members		<u>1,483,510,120</u>	<u>1,468,815,000</u>
Returns on Investments			
Realised Investment income	6	1,966,216,594	1,489,317,816
Realized losses on sale and maturities of investments		-	83,429,000
Fair value change on investments	7	(1,473,558,606)	283,690,000
Less: Investment Management Expenses	9	(46,249,052)	(40,073,005)
Less: Administrative Expenses	10	(104,808,902)	(115,647,773)
Credit loss provision	b)	(5,538,094)	(2,851,816)
Less: Tax Expense	16	(98,672,088)	(82,218,000)
Net Returns on Investments		<u>237,389,850</u>	<u>1,615,646,222</u>
Increase in Net assets for the Period		<u>1,720,899,971</u>	<u>3,084,461,222</u>
Net assets available for benefits at start of the period		17,293,461,545	14,209,000,322
Increase in net assets for the year		1,720,899,971	3,084,461,222
Post- audit adjustment		3,724,444	-
Net assets available for benefits at end of the period		<u>19,018,085,960</u>	<u>17,293,461,545</u>

The post Audit adjustment refers to items that appeared unreconciled in Fund master system, yet they had cleared in the bank statements. The bank balance on Fund master cashbook was understated and the post audit adjustment was to adjust the balance to the correct reconciled bank position.

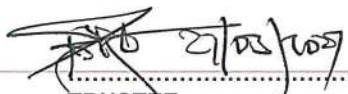
KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

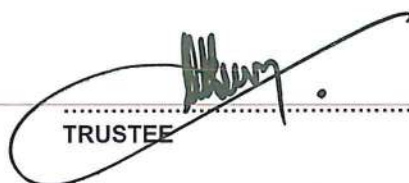
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kshs	2021 Kshs
Assets			
Investments	11	19,056,655,930	17,210,080,000
Work in progress - Computer Software	12	8,865,870	4,478,000
Property & Equipment	12	1,481,768	1,976,127
Cash at Bank	13	19,777,962	64,106,000
Receivables	14	16,358,608	77,285,000
		<u>19,103,140,138</u>	<u>17,357,925,127</u>
Less: liabilities			
Payables and Accrued Expenses	15	76,822,110	48,728,282
Tax Payable	16	8,232,068	15,735,300
		<u>85,054,178</u>	<u>64,463,582</u>
Net Assets Available for Benefits		<u>19,018,085,960</u>	<u>17,293,461,545</u>
Funded by;			
Accumulated Fund (Page 15)		19,018,085,960	17,293,461,545
Total Funds and liabilities		<u>19,018,085,960</u>	<u>17,293,461,545</u>

The financial statements were approved and authorized for issue by the Trustees on...23/03/2023... and were signed on its behalf by


 TRUSTEE


 TRUSTEE

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Kshs	2021 Kshs
Cash flows from operating activities			
Contributions received		2,060,645,976	1,819,065,000
Administrative expenses paid		(104,808,902)	(118,502,000)
Depreciation on property & equipment		493,880	493,000
Impairment of real people bond		-	35,000,000
Expected credit loss on fixed deposits		-	2,851,000
Benefits paid to leavers		(577,135,856)	(350,250,000)
Receivables and accrued income		(22,571,459)	(77,284,000)
Payables and accrued expenses		12,360,109	19,830,000
Underprovision of tax in prior year		-	15,000
Tax paid		(90,440,020)	(73,571,000)
Net cash generated from operating activities		<u>1,278,543,728</u>	<u>1,257,647,000</u>
Investing activities			
Purchase of plan investment		(3,651,003,405)	(5,157,220,000)
Proceeds from sale/maturity of plan investment		1,301,222,262	2,286,007,000
Investment income received		1,802,557,335	1,489,321,000
Purchase of property & equipment		-	(2,469,000)
Purchase of intangible assets		(4,387,812)	(4,478,000)
Investment management expenses paid		(46,249,052)	(40,073,000)
Net cash (used) in investing activities		<u>(597,860,672)</u>	<u>(1,428,912,000)</u>
Increase/ (decrease) in cash and cash equivalents		<u>680,683,056</u>	<u>(171,265,000)</u>
Movement in cash and cash equivalents			
At start of year		439,345,000	610,610,000
Post audit adjustments		3,724,444	-
Increase/ (decrease) in cash and cash equivalents		680,683,056	(171,265,000)
At end of year	13	<u>1,123,752,500</u>	<u>439,345,000</u>

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and comply with the International Financial Reporting Standards (IFRSs) and the Retirement Benefit Acts, 1997 as amended, and the guidelines set out in the Accounting Guidelines - Financial Reports of Retirement Benefit Schemes and are prepared in Kenya Shillings.

Going concern

The financial performance of the Scheme is set out in the Trustees' report and in the statement of comprehensive income. The financial position of the Scheme is set out in the statement of financial position.

Based on the financial performance and position of the Scheme and its risk management policies, the Trustees are of the opinion that the Scheme is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and as the requirements of the Kenya Retirement Benefits Act. The principal accounting policies adopted are as set below:

c) Changes in accounting policies and disclosures on new standards

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

i. New and amended standards adopted by the Scheme

The following standards and amendments have been applied by the Scheme for the first time for the financial year beginning 1 January 2022:

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFR S16 Interest Rate Benchmark reform – Phase 2

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the Scheme.

The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognizing or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies(continued)

c) Changes in accounting policy and disclosures(continued)

i. New and amended standards not adopted by the Scheme

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFR S16 Interest Rate Benchmark reform – Phase 2(continued)

The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to ARR. The Scheme is not affected by this amendment

Amendments to IFRS 16- Covid 19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. This amendment had no impact on the Society. The Scheme has not to adopted IFRS 16.

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Scheme.

Title	Key requirements	Effective date
Reference to the Conceptual Framework– Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies(continued)

c) Changes in accounting policy and disclosures(continued)

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Scheme.

Title	Key requirements	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2022 [possibly deferred to 1 January 2023]

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies(continued)

c) Changes in accounting policy and disclosures(continued)

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Scheme.

Title	Key requirements	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalized its research project on the equity method.	N/A
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 January 2023

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (CONT 'D)

d) Revenue recognition

Contributions

Contributions are accounted for in the period in which they fall due. Contributions are generally accounted for on an accrual basis in the period to which they relate.

Investments income

Investment income includes interest and dividends receivable and net exchange (gains/(losses) in the year.

Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividend income from investments is recognized when the Scheme's rights to receive payment as a shareholder have been established.

e) Benefits payable

Benefits to members are accounted for in the period in which they fall due.

f) Investment Properties (IAS 40: Investment Property)

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

g) Taxation

The Scheme comprise of exempt and non-exempt fund . Contributions received by the Scheme upto a limit of Kshs 20,000 per employee per month are invested in exempt fund. Contributions above the statutory limit are invested in the non-exempt fund whose investment income is taxed at the corporate rate of 30%.

h) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the end of each reporting period. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the statement of changes in net assets.

i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Scheme in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of net assets available for benefits.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Significant accounting policies (continued)

j) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation except as stated below. Historical cost comprises expenditure initially incurred to 'bring the asset to its location and condition ready for its intended use.

Land and buildings and motor vehicles are subsequently shown at market value, based on periodic 'valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive 'income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously expensed.

Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	<u>Rate (%)</u>
Computers and accessories	33.3
Equipment, furniture and fittings	12.5

The assets' residual values and lives are reviewed, and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Significant accounting policies (continued)

k) Investment property

Investment property is long-term investments in land and buildings that are not occupied substantially for own use. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date. Changes in fair value are recorded in statement of comprehensive income.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment property is determined by reference to their carrying amount and are taken into account in determining operating surplus.

l) Intangible assets - computer software

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Accounting software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis at the rate of 33.33% per annum.

m) Impairment of non-financial assets and intangible assets other than goodwill

At the end of each reporting period, Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (CONT 'D)

n) **Events after the reporting period**

There were no events after reporting date.

o) **Contingent liabilities and provisions**

There were no contingent liabilities as at 31 December 2022

p) **Financial Instruments**

Classification

All recognised financial assets within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically :

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows ,and that have contractual cash flows that are solely payments of principal amount outstanding ,are measured subsequently at amortised cost.

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments ,and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ,are measured at fair value through other comprehensive income (FVTOCI).

Other debt instruments and equity investments are measured subsequently at fair value through profit and loss (FVTPL)instruments that are held within a business model whose objective is both to collect the contractual cash.

Despite the foregoing ,the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset.

The scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income;and

The scheme may irrevocably designate a debt investment that meets the amortised cost or FVTOCI

criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment of Financial assets

In relation to the impairment of financial assets ,IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39.Th expected credit loss model requires the scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets .In other words, it is no longer necessary for a credit event to have occurred before losses are recognized.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (CONT 'D)

Impairment of Financial assets (Cont'd)

In particular ,IFRS 9 requires the scheme to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or the financial instrument is a purchased or originated credit-impaired financial asset.

However ,if the credit risk on a financial instrument has not yet increased significantly since initial recognition (except for a purchased or originated credit-impaired financial instrument at an amount equal to 12 months ECL.IFRS 9 also requires a simplified approach for measuring the loss allowance at an equal amount to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.However ,financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group ,are measured in accordance with specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination ,(ii) held for trading or (iii) it is designated at FVTPL.

A financial liability is classified as held for trading if:

- i. It has been acquired principally for the purpose of repurchasing it in the near term.
- ii. On its recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short -term profit-taking ;or it is a derivative ,except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if :

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii The financial liability forms part of a group of financial assets or financial liabilities or both ,which is managed and its performance is evaluated on a fair value basis ,in accordance with the Group's documented risk management or investment strategy ,and information about the grouping is provided internally on that basis; or
- iii. It forms part of a contract containing one or more embedded derivatives ,and IFRS 9 permits the entire combined contract to be designated at FVTPL

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES (CONT 'D)
Financial Liabilities (continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporated any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Short term deposits

Short terms deposits are stated at amortised cost.

Government Securities

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Government of Kenya .Treasury bills are stated at amortised cost while treasury bonds are classified as fair value through profit or loss stated at fair value.

Corporate Bonds

Corporate bonds are classified as fair value through profit or loss and are stated at market value as at 31 December 2022.

Equity shares

Quoted investments are classified as fair value through profit and loss and are stated at market value as at 31st December 2022.

Unquoted equity investments

Unquoted equity investments are classified as fair value through profit or loss and are stated at market value as at 31st December 2022.

Impairment of assets

The carrying amounts of the Scheme's assets are reviewed annually at the end of each reporting period to determine if there is any indication of Impairment .If such a condition is identified, the asset's net recoverable amount is estimated. Where the asset's carrying amount exceeds it's net recoverable amount ,it's written down immediately to the recoverable amount and the resulting Impairment loss is treated as an expense in the statement of changes in net assets available for benefits.

Fair Value

For financial instruments traded in an organised financial market ,fair value is determined by reference to quoted market prices.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES

In the process of applying the Scheme's accounting policies,manangement has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below;

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES (continued)

Impairments losses on financial assets

At the end of each reporting period, the Scheme reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impaired loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in the statement of changes in net assets available for benefits whenever the carrying amount of the asset exceeds its recoverable amount.

3 FINANCIAL RISK MANAGEMENT

The scheme generates revenues for the members by investing in various income generating activities which involve investing in the equity shares quoted on the Nairobi Securities Exchange and Investing in Government securities. These activities expose the Scheme to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers and the Trustees under policies approved by the Trustees. The Investment manager review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Market Risk

(i) Foreign exchange risk

The scheme does not invest internationally and is not exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from investment in offshore investments.

(ii) Price risk

The scheme is exposed to equity securities price risk because of investments in quoted shares and treasury bonds classified at fair value through the statement of changes in net assets. To manage its price risk arising from investments in equity and debt securities, the Schemes diversifies its portfolio.

Diversification of the portfolio is done in accordance with statement of investment policy which is reviewed after every three years. All quoted shares and government securities held by the Scheme are traded on the Nairobi Securities Exchange (NSE).

(iii) Cash flow and fair value interest rate risk

The Scheme does not have interest rate risks as the interest bearing assets which are investments in treasury bonds, corporate bonds, treasury bills, and fixed deposits are at fixed interest rates.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Kshs	Kshs
4 Contributions and transfer in		
a) Employer	1,373,570,660	1,212,710,000
Employees	686,785,330	606,356,000
Transfer in	289,986	-
	<u>2,060,645,976</u>	<u>1,819,066,000</u>
	The variance of Kshs 1,000 in 2021 is due to rounding off.	
(b) Other income		
Refund of overpayment Bond purchase ILAM	43,800	-
	<u>43,800</u>	<u>-</u>
5 Benefits for the period		
Annuity	279,055,967	350,251,000
Income drawdown	25,000,656	-
Lumpsum payment	187,093,565	-
Death benefits	85,985,668	-
	<u>577,135,856</u>	<u>350,251,000</u>
6 Return on investments		
Treasury Bond Interest	1,570,380,181	1,277,115,757
Treasury Bills Interest	6,719,759	-
Profit /Loss on disposal of Equity	1,205,645	-
Profit on Treasury Bond Sale	6,626,265	-
Fixed Deposit Interest	24,080,756	4,766,365
Call Deposit Interest	25,045,312	25,214,214
Dividends	204,293,218	118,865,904
Account Balance Interest	1,783,062	2,684,343
Guaranteed Fund	126,038,596	60,671,233
	<u>1,966,216,594</u>	<u>1,489,317,816</u>
	The net rate declared on the guaranteed fund for the year is 10.75%	
7 Fair value change on investments		
Fair Value Change on Equity	(831,774,075)	543,104,000
Fair Value Change on Treasury Bonds	(645,489,056)	(257,947,000)
Fair Value Change on Treasury Bills	3,704,524	(1,466,000)
Total	<u>(1,473,558,606)</u>	<u>283,690,000</u>
8 Profit on disposal of plan investments		
Sale proceeds on disposal of plan investment	-	1,975,857
Fair value of plan investment disposed	-	(1,892,428)
	<u>-</u>	<u>83,429,000</u>
9 Investment Management Expenses		
Fund Management Fees	39,218,347	31,444,000
Custodial Fees	7,030,705	8,629,005
	<u>46,249,052</u>	<u>40,073,005</u>

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Kshs	2021 Kshs
10 Administrative Expenses		
Audit Fees: External	1,100,000	1,081,000
Internal audit	1,314,927	-
Bank Charges	576,302	375,000
AGM expenses	5,822,997	2,280,000
ICT expenses	1,839,300	566,000
Actuarial Fees	1,133,600	872,000
Subscription to pension schemes	100,000	-
Fundmaster license	1,160,000	1,160,000
Motor vehicle running expenses and Insurance	299,033	408,000
Asset tagging costs	-	210,000
Legal Fees	1,248,000	1,915,000
Pension Week and Member Sensitization expenses	9,682,754	939,000
Printing & Stationery	646,592	644,000
RBA Levy	5,000,000	5,000,000
Staff Training	2,598,791	3,841,000
Trustees Allowances and Subsistence	20,434,944	13,186,773
Board Meeting Expenses	313,253	-
Board Meeting Expenses-Retreat	302,000	-
EDMS Annual Maintenance Cost	367,136	260,000
Trustees Training	2,481,324	1,223,000
Tender evaluation	-	2,852,000
Trustees Retreat	1,929,690	-
Trustees Liability Insurance Cover	530,762	-
Air Tickets	2,322,710	586,000
Advertising	-	932,000
Telephone, Wifi, Internet, Postage & Courier	949,617	806,000
Consultancy	2,052,166	-
Writeoff of corporate bond	-	35,000,000
Under provision of tax in prior year	-	15,000
Office Administration expenses	1,167,004	-
Depreciation	493,880	494,000
	<u>65,866,781</u>	<u>74,645,773</u>
b) Operating expenses		
Expected credit loss allowance – term deposits at amortised cost	5,538,094	2,855,000
	<u>5,538,094</u>	<u>2,855,000</u>
c) Staff costs		
Staff Costs	32,025,855	41,002,000
PAYE penalty	2,700	-
Gratuity	6,913,567	-
	<u>38,942,121</u>	<u>41,002,000</u>

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes Continued

11 Investments
(a) Plan Investments

	2022 Kshs	2021 Kshs
Shares		
Kenya government securities	3,178,453,590	3,563,432,383
Commercial paper and corporate bonds	12,980,907,883	12,259,170,991
Fixed term bank deposits	15,000,000	15,000,000
Expected credit loss on fixed term bank deposits	1,103,974,538	375,239,007
Guaranteed Fund-Kenindia Insurance	(8,389,910)	(2,851,816)
	<u>1,786,709,829</u>	<u>1,000,000,000</u>
	19,056,655,930	17,209,990,565

Investments at Fair Value

	Value at 01/01/2022 Kshs	Purchases at Cost Kshs	Sale proceeds Kshs	Gain/ Loss on disposal Kshs	Change in Fair Value Kshs	Maturities & Impairment Kshs	Value at 31/12/2022 Kshs
Quoted shares	3,563,432,382	464,120,537	(18,530,900)	1,205,645	(831,774,075)	-	3,178,453,590
Kenya government securities	12,259,170,991	2,632,866,761	(14,891,362)	13,346,024	(641,784,532)	(1,267,800,000)	12,980,907,883
Commercial paper and corporate bonds	15,000,000	-	-	-	-	-	15,000,000
Guaranteed Fund-Kenindia	1,000,000,000	600,000,000	-	-	186,709,829	-	1,786,709,829
Totals	16,837,603,374	3,696,987,298	(33,422,262)	14,551,669	(1,286,848,778)	(1,267,800,000)	17,961,071,302

The financial assets of the scheme are split between registered and unregistered scheme which are managed by different fund managers.

	Quoted shares		Kenya government securities		Commercial paper and corporate bonds		Value at year end
	Registered	Unregistered	Registered	Unregistered	Registered	Unregistered	
Value as at start of the year	2,653,346,213	910,086,170	9,310,951,839	2,948,219,152	15,000,000	-	15,837,603,375
Purchase cost	347,845,823	116,274,714	1,520,712,910	1,112,153,851	-	-	3,096,987,298
Sale proceeds	-	(18,530,900)	(11,842,079)	(3,049,283)	-	-	(33,422,262)
Gain/(Loss) on disposal	-	1,205,645	6,881,126	6,464,899	-	-	14,551,669
Change in fair value	(651,101,392)	(180,672,682)	(509,960,070)	(131,824,462)	-	-	(1,473,558,607)
Maturities	-	-	(883,600,000)	(384,200,000)	-	-	(1,267,800,000)
Value at the end of year	2,350,090,643	828,362,947	9,433,143,726	3,547,764,157	15,000,000	-	16,174,361,473

The real People Bond was purchased in 2015 by the Previous Fund Manager M/S Britam Asset Managers and Impaired by Kshs.35,000,000 in 2021. The balance relates to the balance outstanding after impairment.

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes Continued

11 Investments (cont'd)

Plan Investments

Investments at Fair Value

Year ended 31 December 2021

	Value at 01/01/2021	Purchases at Cost	Cost of sales	Interest Receivable	Change in Fair Value	Maturities & Impairment	Value at 31/12/2021
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Quoted shares	3,469,212	105,256	(567,553)	13,411	543,104	-	3,563,431
Kenya government securities	10,113,682	4,051,964	(1,408,304)	70,017	(257,947)	(310,150)	12,259,262
Commercial paper and corporate bonds	51,467	-	-	-	(1,466)	(35,000)	15,000
Totals	13,634,361	4,157,220	(1,975,857)	83,428	283,691	(345,150)	15,837,693

The financial assets of the scheme are split between registered and unregistered scheme which are managed by different fund managers.

	Quoted shares		Kenya government securities		Commercial paper and corporate bonds		Value at year end
	Registered	Unregistered	Registered	Unregistered	Registered	Unregistered	
Value as at start of the year	2,746,819	722,394	7,902,198	2,211,484	51,466	-	13,634,361
Purchase cost	31,897	73,359	3,040,634	1,011,330	-	-	4,157,220
Sale proceeds	(567,281)	(272)	(1,361,916)	(46,389)	-	-	(1,975,858)
Gain/(Loss) on disposal	13,837	(426)	64,516	5,502	-	-	83,429
Impairment of real people bond	-	-	-	-	(35,000)	-	(35,000)
Change in fair value	428,073	115,030	(223,831)	(34,116)	(1,466)	-	283,690
Maturities	-	-	(110,650)	(199,500)	-	-	(310,150)
Value at the end of year	2,653,346	910,085	9,310,951	2,948,310	15,000	-	15,837,692

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12 Property and Equipment

	Computer & Accessories	Furniture & Equipments	Total
Cost			
At start of year 01/01/2022	2,000,724	468,804	2,469,529
Additions	-	-	-
At end of year 31/12/2022	2,000,724	468,804	2,469,529
Depreciation			
At start of year	400,119	93,761	493,880
Charge for the year	400,119	93,761	493,880
At end of the year	800,238	187,522	987,760
Net book value-31st December 2022	1,200,486	281,282	1,481,768
Net book value-31st December 2021	1,600,605	375,522	1,976,127

Work in progress - Intangible assets

	2022 Kshs	2021 Kshs
ERP Software		
At start of year 01/01/2022	4,478,000	4,478,000
Additions	4,387,870	-
At end of year 31/12/2022	8,865,870	4,478,000

The amount of 8,865,870 relates to a joint ERP project(Between DB & DC) under Implementation.

13 Cash at bank

Cooperative Bank a/c 40000(GenAfrica)	2,571,661	-
Cooperative Bank a/c 40001(ILAM)	128,291	-
Stanbic account a/c 0100002781179	17,078,010	-
Total cash at bank	19,777,962	64,106,000
	19,777,962	64,106,000

For the purposes of cashflow statement, cash and bank balances includes the following:

Cash at bank	19,777,962	-
Fixed and Bank Deposits	1,103,974,538	375,239,000
	1,123,752,500	375,239,000

14 Receivable

Dividend receivable	16,358,608	15,017,000
Prepayments	-	1,596,000
Accrued interest -guaranteed funds	-	60,672,000
	16,358,608	77,285,000

15 Payables and Accrued Expenses

(a) Administrative expenses

Accrued expenses	37,299,244	43,613,282
RBA Levy Payable	5,000,000	5,000,000
Benefits payable	32,047,164	114,000
Death benefits payable	2,475,702	-
	76,822,110	48,728,282

KENYA PORTS AUTHORITY RETIREMENT BENEFIT SCHEME 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Kshs	Kshs
16 Taxation		
Tax is charged on investment income earned from the unregistered contribution net of associated expenses at the rate of 30%		
Investment income - Unregistered	366,882,491	298,002,000
Deductible expenses - Unregistered	<u>(37,975,530)</u>	<u>(23,941,000)</u>
Taxable income	<u>328,906,961</u>	<u>274,061,000</u>
Tax thereon at 30%	98,672,088	82,218,300
	<u>98,672,088</u>	<u>82,218,300</u>
Tax charge for the period	<u>98,672,088</u>	<u>82,218,300</u>
b) Corporate tax		
Balance brought forward	15,735,300	7,074,000
Tax paid	(15,735,300)	-
Underprovision/overprovision of tax	-	15,000
Tax charge for the period	98,672,088	82,218,300
Installment taxes paid in the year	(90,440,020)	(73,572,000)
Tax withheld	-	-
	<u>8,232,068</u>	<u>15,735,300</u>

17 Contingent assets

The Scheme, through Ethics & Anti-corruption Commission is a plaintiff in a legal proceeding in the High Court of Kenya which commenced by way of a plaintiff on 21 June 2017 seeking recovery of Ksh 70 Million against Kikambala Development Company Ltd and other defendants jointly and severally being money allegedly obtained by the defendants out of Ports Authority Scheme.

The full amount of Kshs 70 Million has been deposited in an Escrow account jointly operated by Advocates of the EACC and the firm of Kanyi and Company Advocates. The matter is almost concluded save for costs and interest which have not been agreed.

18 Presentation currency

The financial statements are presented in Kenya Shillings (Shs.)

19 Events after accounting period

The Trustees are not aware of any matters arising since the end of the financial year that would materially affect the operations of the Scheme.

TAXABLE INCOMES

DC INCOME SPLIT AS PER FUND	UNREGISTERED
Profit /Loss on Disposal of Treasury Bills	6,719,759
Profit /Loss on Disposal of Treasury Bonds	(254,861)
Profit /Loss on Disposal of Equity	1,205,645
Treasury Bond Interest	337,674,174
Fixed Deposit Interest	3,003,399
Call Deposit Interest	11,756,008
Account Interest	532,672
Accrued Interest-Guaranteed Fund	-
Accrued interest Fixed Deposits	3,823,630
Accrued interest Call Deposits	2,422,065
TOTAL INCOME	<u>366,882,491</u>

TAX ALLOWABLE EXPENSES	UNREGISTERED
DC EXPENSE SPLIT AS PER FUND	
Fund Management Fees	9,816,718
Custodial Fees	1,759,851
Audit Fees: Current	604,479
Bank Charges	144,254
AGM expenses	1,457,550
ICT expenses	460,394
Actuarial Fees	283,751
Subscription to pension schemes	25,031
Fundmaster licence	290,359
Motor vehicle running expenses and Insurance	74,851
Legal Fees	312,386
Pension Week and Member Sensitization expenses	2,423,684
Printing & Stationery	161,848
RBA Levy	1,251,547
Staff Training	650,502
Trustees Allowances and Subsistence	5,280,048
Board Meeting Expenses	78,410
Board Meeting Expenses-Retreat	75,593
EDMS Annual Maintenance Cost	91,898
Trustees Training	621,099
Trustees Retreat	483,019
Trustees Liability Insurance Cover	132,855
Air Tickets	581,396
Telephone, Wifi, Internet, Postage & Courier	237,698
Consultancy	513,676
Office Administration expenses	292,112
Depreciation	123,623
Staff Costs	8,016,370
Gratuity	1,730,530
TOTAL EXPENSES	<u>37,975,530</u>

Taxable Incomes	<u>328,906,961</u>
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Tax Payable at 30%	<u>98,672,088</u>
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Installment Taxes Paid in 2022

Less Installment Taxes Made in 2022	
1st installment Tax-2020220001106913	22,610,005
2nd installment Tax-2020220001716554	22,610,005
3rd installment Tax-2020220002769958	22,610,005
4th installment Tax-2020220003705033	22,610,005
Total Installment Taxes Paid in 2022	90,440,020

Tax Payable(Final Tax 2022)	<u>8,232,068</u>
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