

## KENYA PORTS AUTHORITY RETIREMENT BENEFITS SCHEME 2012 (DC)



ANNUAL REPORT &  
FINANCIAL STATEMENTS  
2021



A hand is shown from the top right, holding a gold coin and inserting it into the slot of a white ceramic piggy bank. The piggy bank has a simple, friendly face with two black dots for eyes and a curved line for a smile. The background is a soft, out-of-focus purple. In the top left corner, there are faint, light blue hexagonal patterns.

## TABLE OF CONTENTS

### KEY STATEMENTS

Mission, Vision & Core Values	2
Notice of the AGM	3
Scheme Information	4 - 5
About the Scheme	6 - 7
Scheme Financial Highlights for the Year in Review	8 - 10
Chairman's Statement	11 - 14
Board of Trustees	16 - 17
Scheme Administrator's Report	18 - 19
Management Team	20 - 21
Secretariat Staff	22
Activities Pictorial	23 - 24

## TABLE OF CONTENTS

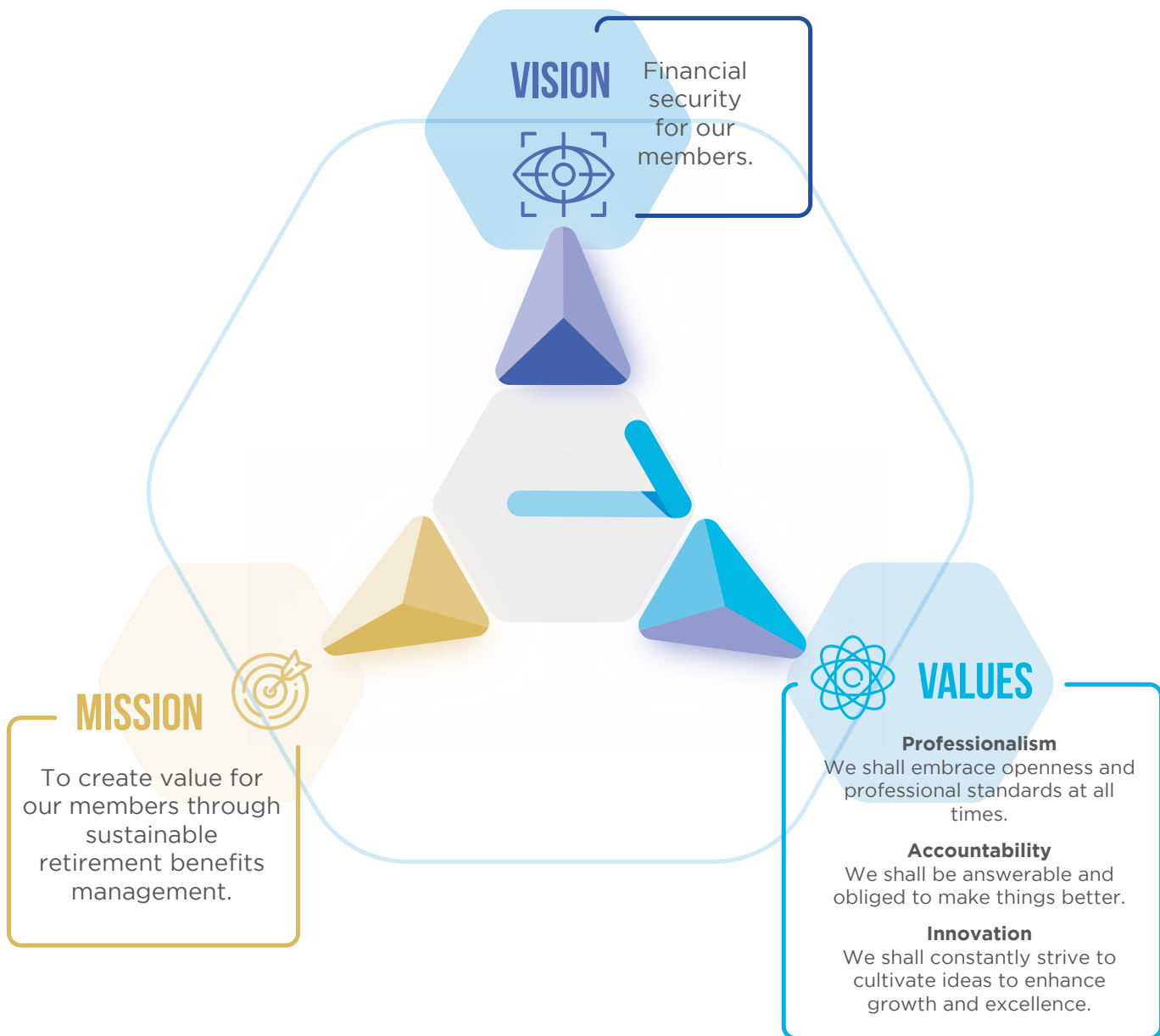
### FINANCIAL STATEMENTS

Report of the Trustees	26 - 27
Scheme Governance Disclosure Statement	28 - 30
Statement of Trustees' Responsibilities	31
Report of the Independent Auditor	32 - 33
Statement of Changes in Net Assets Available for Benefits	34
Statement of Net Assets Available for Benefits	35
Statement of Cash Flows	36
Notes	37 - 56





## MISSION, VISION & CORE VALUES





## NOTICE OF THE ANNUAL GENERAL MEETING 2021 OF KENYA PORTS AUTHORITY RETIREMENT BENEFITS SCHEME 2012 (DC)

Notice is hereby given that the **8<sup>th</sup> Annual General Meeting** of Kenya Ports Authority Retirement Benefits Scheme 2012 will be held on **Friday 9<sup>th</sup> December 2022 at 9.00am** at **Mbaraki Sports Club**. All active and deferred members KPA Retirement Benefits Scheme 2012 (D.C. Scheme) are requested to attend the Annual General Meeting to transact the following business.

1. Reading of the notice and Agenda
2. Opening of Meeting and Introductions.
3. Consideration and Adoption of the minutes of the last AGM
4. Report by the Chair of Board of Trustees
5. The Managing Director (Sponsor) Report
6. Presentation of the Audited Accounts for the year ended 31<sup>st</sup> December 2021, by the Scheme Auditor
7. Presentation of the Fund Investments by the Scheme's Fund Managers
8. Presentation of the Custody report by the Scheme's Fund Custodian.
9. Presentation of the Structure of Benefits by the Scheme Actuary.
10. Presentation of the Retirement Benefits Industry Changes by a representative from the Retirement Benefits Authority.
11. Remuneration of Trustees.
12. Questions and Answers
13. Vote of Thanks

Members are requested to come with appropriate identification papers and to be seated by 8.45am. Copies of the Scheme's Audited Accounts can be perused at the Scheme's registered offices or downloaded from **[www.kpapension.co.ke](http://www.kpapension.co.ke)**

Members are politely informed that the cost of travel/attendance are **NON-REFUNDABLE**



**SALIM H. KUMAKA**

*Chairman, Board of Trustees*



## SCHEME INFORMATION

### TRUSTEES

**Mr. Salim Kumaka - Chairman**

**Ms. Mary Wairimu Ngari** - Resigned on 30<sup>th</sup> May 2021

**Mr. Geoffrey Kavate** - Appointed on 14<sup>th</sup> May 2019

**Ms. Addraya Dena** - Resigned on 4<sup>th</sup> June 2021

**Ms. Emma Okello** - Appointed on 18<sup>th</sup> December 2020

**Mr. Musa Huka** - Appointed on 18<sup>th</sup> December 2020

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### REGISTERED OFFICE

**Old Cannon Towers, 7<sup>th</sup> floor**

Moi Avenue,  
P. O. Box 1019 - 80100,  
Mombasa.

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### INDEPENDENT AUDITOR

**Mokua Onwonga & Company**

Certified Public Accountants,  
P. O. Box 43085 - 80100,  
Mombasa.

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### SCHEME ADMINISTRATOR

**Caroline Kodo (Mrs.)**

Kenya Ports Authority - Pension Office,  
Old Cannon Towers, 7<sup>th</sup> floor,  
Moi Avenue,  
P. O. Box 1019 - 80100,  
Mombasa.

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### CUSTODIAN

**The Co-operative Bank of Kenya Limited**

Custody Division,  
P. O. Box 48231 - 00100,  
Nairobi.

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### BANKERS

**Stanbic Bank Kenya Limited**

P. O. Box 90131 - 80100,  
Mombasa.

**The Co-operative Bank of Kenya Limited**

P. O. Box 48231 - 00100,  
Nairobi.



## SCHEME INFORMATION (CONT'D)

### FUND MANAGERS

- 1. Britam Asset Manager (K) Limited**  
P. O. Box 30375 - 00100,  
Nairobi.
- 2. Genafrika Asset Managers Limited**  
P. O. Box 79217 - 00200,  
Nairobi.
- 3. Kenindia Asset Managers Limited**  
P. O. Box 30377 - 00100,  
Nairobi.

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### ACTUARY

- 1. Zamara Actuaries, Administrators and Consultants**  
P. O. Box 52439 - 00200,  
Nairobi.

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### LAWYERS

- 1. MMC Africa Law**  
P. O. Box 90282 - 80100,  
Mombasa
- 2. Miller & Co. Advocates**  
P. O. Box 90088 - 80100,  
Mombasa, Kenya.
- 3. Munyao, Muthama & Kashinda Advocates**  
P. O. Box 2419 - 80100,  
Mombasa.





## ABOUT US

### HISTORY OF THE SCHEME

The Kenya Ports Authority Retirement Benefits Scheme 2012 (“the Fund”) was established and started operations on 1<sup>st</sup> January 2013. The Fund was formed for the employees of the Kenya Ports Authority (“KPA”) as a result of the closure of Kenya Ports Authority Pension Scheme (“DB Fund”) as at 31<sup>st</sup> December 2012 as per the recommendations of the National Treasury circular No.18 of 2010 dated 24<sup>th</sup> November 2010 that required DB Schemes to be closed.

Active members who were below 45 years as at the date of closure of the DB scheme were moved to the new DC scheme and those who were above 45 years were given an option of remaining in the DB Scheme or move to the new DC Scheme.

The Fund is governed by a Trust Deed and Rules which has been approved by the Retirement Benefits Authority (RBA). The main purpose of the Fund is the provision of benefits to the members upon attainment of the retirement age of sixty years, and where applicable, benefits for the dependants of deceased members as provided by the Trust deed and rules of the Scheme.

The Scheme is also approved by the Kenya Revenue Authority as a registered Scheme under the Income Act (Cap 470) and is treated as an ‘exempt approved scheme’ for the purposes of that Act (1st Schedule 14). However, contributions in excess of the statutory limits of KShs 20,000 per month per member is subject to tax..

### FUND BENEFITS

The benefits of the Scheme are comprehensive and Include:

- A cash lumpsum equivalent to one third of the member’s fund credit upon retirement age.
- A pension for life through a purchase of an annuity from the member’s preferred annuity provider.
- An income drawdown option.
- Early retirement option from the age of 50 years.
- A pension on ill health retirement.
- In case of death of a member while in service, the nominated beneficiaries are paid cash lumpsum of the member’s total fund credit.
- In case of death upon retirement, the beneficiaries may continue to receive pension depending on your annuity selection or income drawdown plan.

- If a member leaves service before retirement, 50% of the accumulated benefits can be accessed and the other 50% is payable at the normal retirement age or the benefits are transferable to another scheme if the member opts for transfer, or a deferred pension payable from the normal retirement age.
- In case a member is permanently emigrating out of the country; full fund credit is payable to the member upon submission of sufficient emigration documentation.
- A life Assurance Cover in case of death in service.

### OTHER ADDITIONAL BENEFITS INCLUDE:

- Tax relief on member contribution subject to applicable tax limits
- Transfers into the scheme from the member’s previous employer/scheme before joining KPA
- A member may elect to pay additional voluntary contributions which will boost the benefits payable upon retirement of the member.
- Upon retirement, a member may elect to utilize up to a maximum of 10% of his fund credit for the purchase of post-retirement medical cover.

### SERVICE PROVIDERS

The service provider of KPARBS 2012 is:

**Fund Manager** - Our current Fund managers are ICEA Lion Asset Management, Gen Africa Asset Manager, Britam Asset Managers and Kenindia Asset Managers. They are responsible for implementing the schemes’ investment strategy and managing its activities. They also oversee mutual funds, manage analysts, conduct research on pension industry matters, and guide trustees on important Investment decisions.

**Custodian** - Our current custodian is Co-operative Bank. They hold the scheme’s funds, assets, and investments in safe custody for our members and beneficiaries.

The Fund is managed by a Board of Trustees that is established under a Trust as required by the Retirement Benefits Act. The day to day running of the Fund is carried out by the Secretariat of the DC Fund that supports the Board in meeting its objectives. The Secretariat headed by the Scheme Administrator works in liaison with the Fund service providers that include fund managers, custodians, actuaries, lawyers and auditors.



## SCHEME ICT DIGITAL TRANSFORMATION

KPA Pension Scheme has embarked on an aggressive digital transformative program aimed at supporting the schemes strategic plan and vision. ICT seeks to resolve the schemes operational pain points in the bid to streamline operations to align with the schemes growth priorities. We have embarked on standardized business processes, enhanced automation, operational efficiency, have introduced system driven controls and tightened information security to bring services closer to members in the most rapid and secure way possible.

After the delinking program, the scheme had to establish its own robust, reliable, and scalable systems. The Scheme’s website (www.kpapension.co.ke) was thus developed in 2021 to provide information and enhance transparency.

The Scheme has equally rolled out a modern web-based Enterprise Resource Planning System (ERP System) that integrates all the service delivery components of the Scheme for seamless operations. The ERP system supports new products like the Trust Fund to cater for dependants, Income Drawdown and post retirement medical fund which are now processed electronically.

The ERP system further supports the following portals:

**Members’ Portal:** For members to access online statements 24/7 amongst other information;

**Trustees’ Portal:** To grant trustees information in real-time on Finances and member activity;

**Eboard Portal:** To facilitate online board meetings

reducing costs associated with printing bulky memos and reports;

**Recruitment Portal:** Accessible to the public for job application hence more transparency in recruitment of the scheme’s secretariat.

**Property Managers’ portal:** That enables service providers managing the scheme’s properties to track rent collections, leases, asset administration and repair costs expended.

**Eprocurement Portal:** To allow for transparent competitive sourcing and procurement of goods and services;

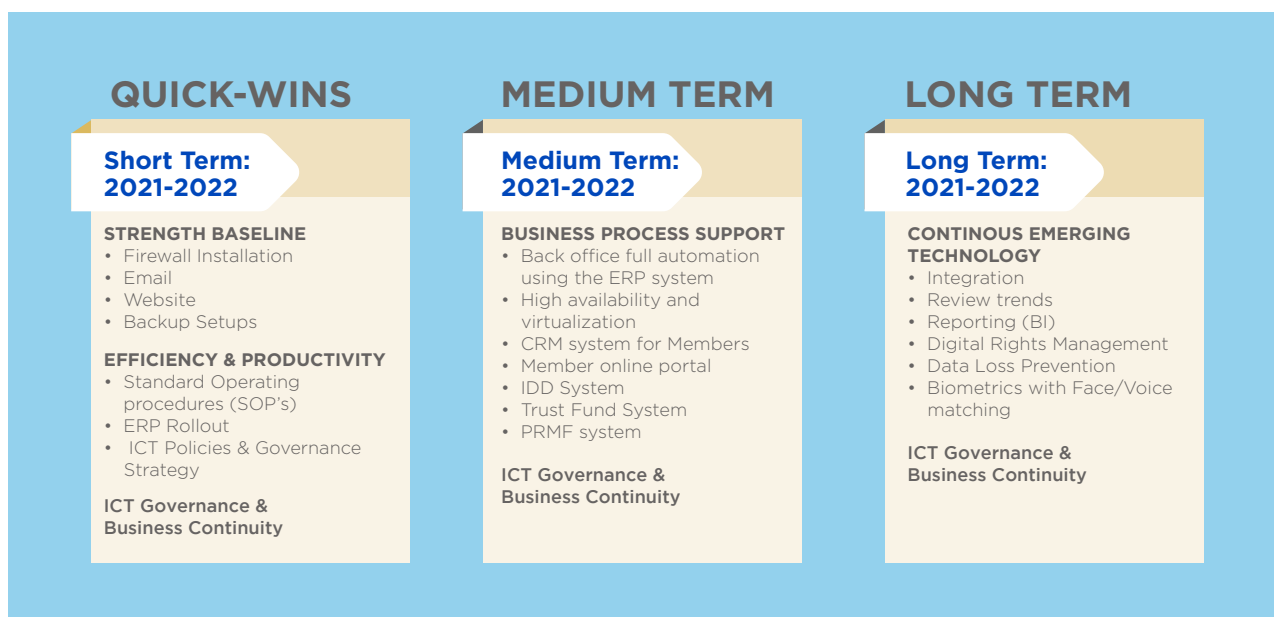
In cognizance of the diverse membership landscape, USSD and mobile enabled applications have equally been incorporated to grant members alternative modes of access to information.

The scheme is looking to introduce biometrics technology to moderate its annual life certification program to cut cost and time expended by members and the Scheme Administration to conduct physical census programs.

To enhance business continuity and high availability, the Scheme has also setup a cloud-based disaster recovery site to safeguard the critical data and information generated from all these systems.

Looking into the future, the Scheme aims to harness emerging technology towards prompt, efficient, accountable, secure, and cost-effective service delivery to its members.

## DIGITIZATION ROAD MAP

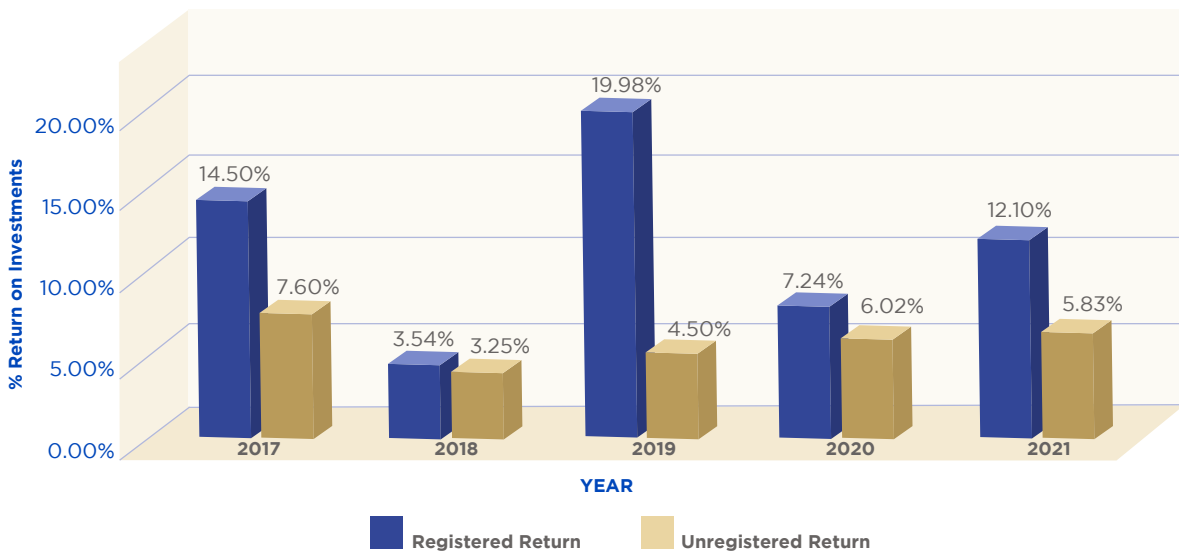


# KPA RETIREMENT BENEFITS SCHEME 2012 (DC) FUND HIGHLIGHTS

## RETURN ON INVESTMENTS

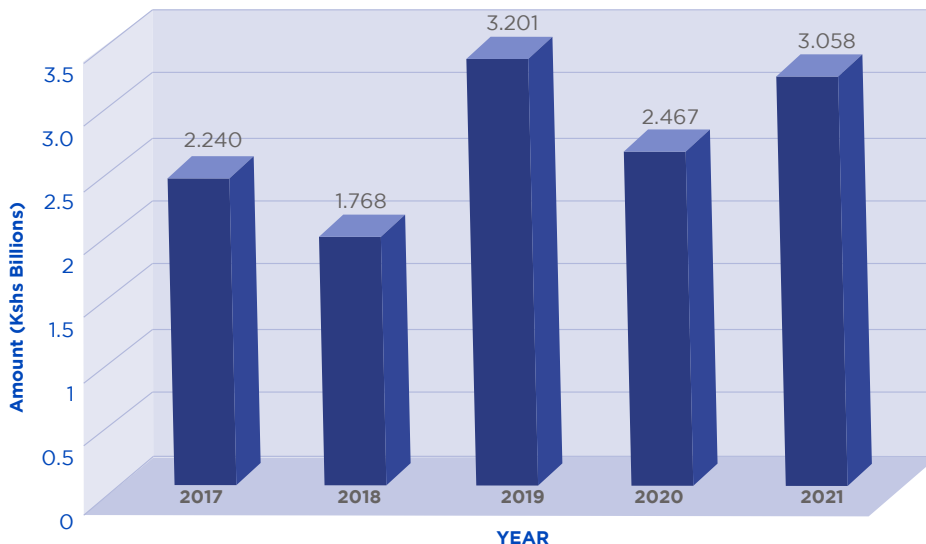
The Scheme's Assets are invested in accordance with the provisions of the Scheme Trust Deed and Rules, the Investment Policy Statement, and the Retirement Benefits Authority regulations.

The final rate of interest to be declared to member accounts for a given Financial Year is determined upon completion of the financial year, after the audited accounts for the Scheme are availed and the declared rate approved by the Trustees. The interest declared is based on the actual investment return on the underlying investments of the Scheme after deducting the related expenses incurred. The rate applicable to the unregistered portion of Member Accounts is adjusted for all taxes levied on the Scheme.



## INCREASE IN NET ASSETS

The assets of the fund grew by Kshs 3.058 billion in 2021 as compared with the Kshs 2.467 billion growth in 2020. This was attributed to better return witnessed in the quoted equities and bonds that showed recovery from the negative effects of the Covid pandemic.

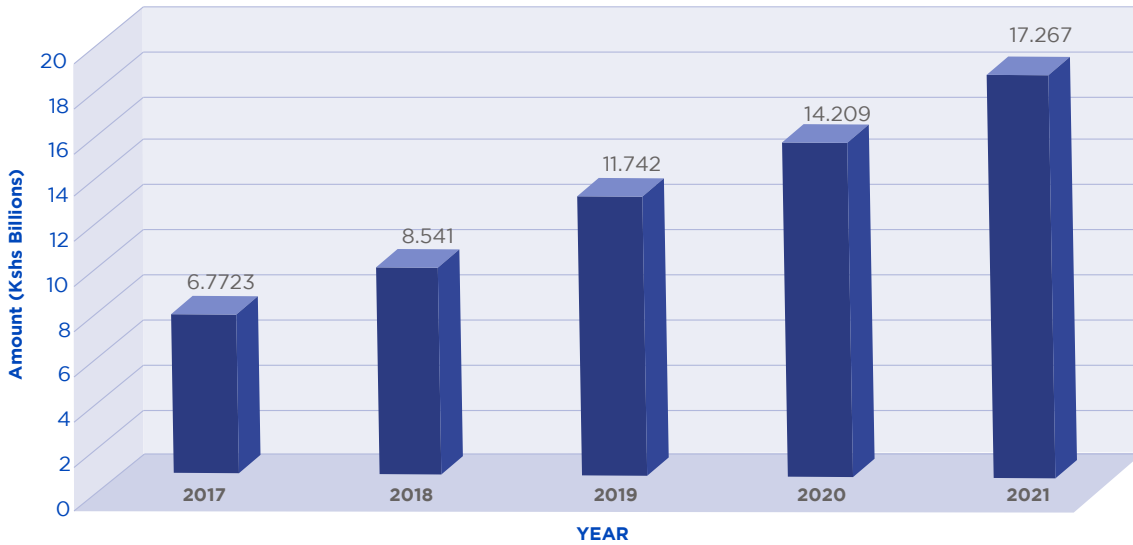




## KPA RETIREMENT BENEFITS SCHEME 2012 (DC) FUND HIGHLIGHTS (CONT'D)

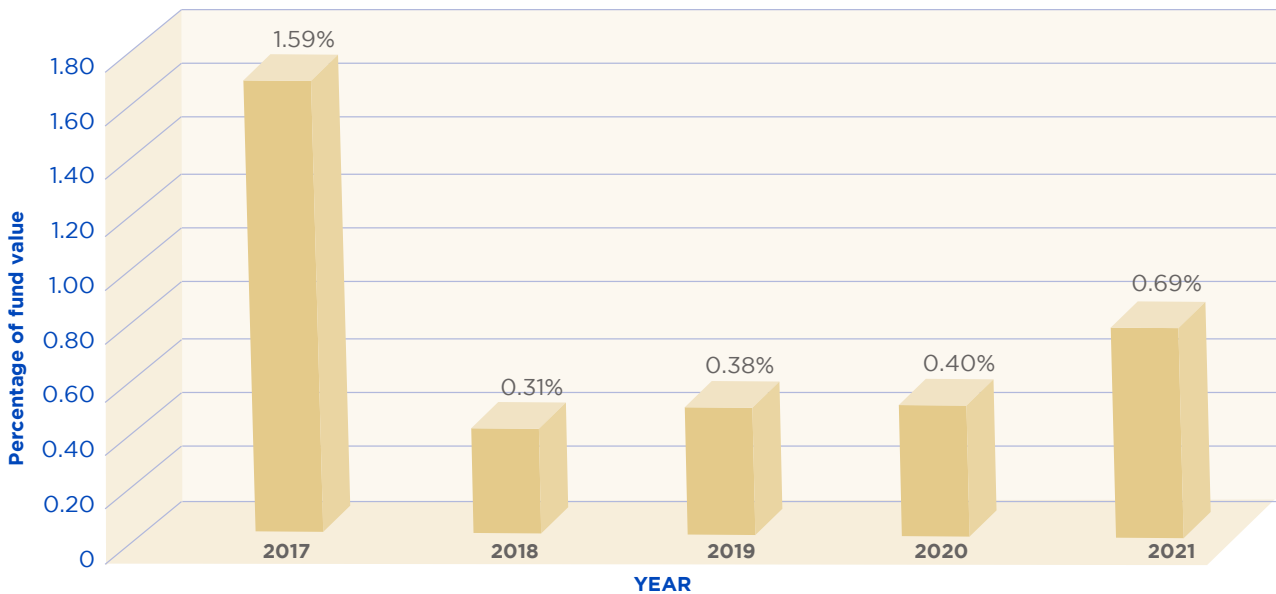
### FUND VALUE GROWTH

The fund continues to grow as currently the number of exits is much lower than the contributions and the scheme has been realizing good investment returns. The contributions from the sponsor are remitted promptly, monthly. There are no arrears.



### ADMINISTRATIVE EXPENSES

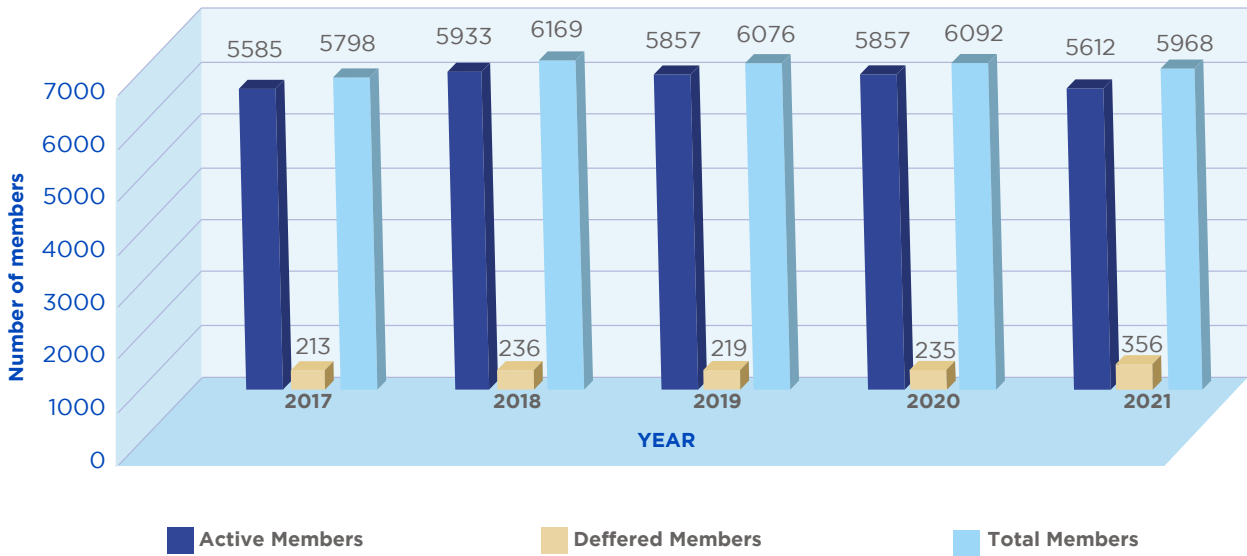
The Trustees have put in place internal controls and measures to ensure that the administrative expenses are below the 1% of the scheme value as per the industry benchmark.



# KPA RETIREMENT BENEFITS SCHEME 2012 (DC) FUND HIGHLIGHTS (CONT'D)

## MEMBERSHIP

The Scheme experienced a drop in membership in 2021 due to a higher number of exits than new entrants. There were only 14 new active members who joined the scheme against an exit of 148 active members.



## CHAIRMAN'S STATEMENT



*Dear Members,  
It is with utmost pleasure that I welcome you to this year's Annual General Meeting. The theme for this year's AGM is "Creating value through digital transformation and innovation."*

*Ourscheme design is Defined Contributions Scheme where members contribute 10% of the basic salary while the Employer (Kenya Ports Authority) contributes 20%.*

## BRIEF REVIEW OF THE ECONOMY IN 2021

### Economic Outlook

The year 2021 saw an improvement in the economic as the global market was recovering from reeling effects of the Covid-19 pandemic. The statistics according to the Kenya National Bureau of Statistics reveal that the Gross Domestic Product was estimated to have grown by 5.9% in 2021. This was an improvement from the year 2020 when the economy recorded a contraction of 3.1%. Easing of Covid-19 restrictive measures was recorded to be the basis for the growth.



In terms of the country's Real Gross Domestic Product (GDP), a growth of 7.5% was recorded. This was positive growth from the year 2020 when the GDP was recorded to have contracted by 0.3%.

### Pension Sector Performance



The pension sector in Kenya continued to stabilize by recording a 10.6% growth in terms of the cumulative asset value. As of 31<sup>st</sup> December 2021, the total assets held by the pension schemes in Kenya stood at Kshs. 1,547.43 billion. This was an increment from Kshs. 1,398.96 billion which is what had been recorded as of 31<sup>st</sup> December 2020.

The pension sector is expected to expand in the future and as a scheme, we should ensure that we are part of this historical movement.

### The Scheme Governance Overview

#### (i) Board Composition

The Scheme is administered by a Board of Trustees being supported by an internal Administrator. Presently, the Scheme has six (6) Trustees out of which three (3) are member nominated while the other three (3) are sponsor nominated. The Members of the Board comprise of different skill set which provide the required synergy for steering the Scheme.

## CHAIRMAN'S STATEMENT (CONT'D)

### (ii) Corporate Governance

Pursuant to the Good Governance Guidelines, the Board of Trustees work through committees. Presently, the Board of Trustees has three committees namely Finance and Investment Committee, Audit and Risk Committee as well as the Administration and Communication Committee.

Further, the Board of Trustees has developed Board Charter as well as other policies in line with the Retirement Benefits (Good Governance Practices) Guidelines, 2018 to govern the conduct of the Trustees as well as their relations with other stakeholders.

### The Scheme Fund and Investment Performance

#### (i) The Scheme Fund Value

The Scheme Fund Value was recorded to be Kshs. 17,288.5 million. This marked an increment of approximately Kshs. 3,053.3 million as the fund value as of 31<sup>st</sup> December 2020 had been recorded as Kshs. 14,235 million. This translates to a 21% increment of the fund value. The Scheme fund and investment are well diversified across various asset classes.

This can be summarized as follows:

No.	Asset Class	Value	Percentage	RBA Limit
1.	Cash & Demand Deposits	17,200,000.00	0.1%	90%
2.	Fixed Deposits	375,300,000.00	2.2%	30%
3.	Corporate Bonds	34,900,000.00	0.2%	5%
4.	Government Securities	12,263,500,000.00	70.9%	70%
5.	Quoted Equity	3,563,700,000.00	20.6%	30%
6.	Guaranteed Fund	1,033,900,000.00	6.0%	10%
	<b>TOTAL</b>	<b>17,288,500,000.00</b>	<b>100%</b>	

The Trustees have continuously adhered to prudent investment strategies within the approved guidelines provided by the Retirement Benefits Authority (RBA). Presently, all the Scheme's investment are within the limits set by RBA.

decline from 6.02% which had been declared in the year 2020. The interest has been duly computed and credited to members accounts.

Overall, the Scheme performance in 2021 was better compared to the year 2020. The Trustees commit to ensuring that the Scheme funds are prudently invested to maximize on the returns to members.

#### (ii) Performance Overview

**The Scheme recorded net return on investments of Kshs. 1,816,367,000.00 during the period under review. In the same period, the Scheme incurred Kshs. 118,503,000.00 towards Scheme Administration expenses. A total Kshs. 82,218,000.00 was expended on taxes.**

During the year, the Scheme declared an interest rate of return of 12.10% on the registered fund compared to an interest rate of 7.24% which had been declared in 2020. In respect to unregistered fund, the Scheme declared a return of 5.8% in 2021 which was a slight

#### Towards the Future

In line with this year's theme, the Trustees intend to leverage on technology to create value to the members. Specifically, the Board of Trustees commissioned implementation of an Enterprise Resource Planning system. This system will allow members to access the statement through an online portal as well as update their Nomination of Beneficiary forms.



## CHAIRMAN'S STATEMENT (CONT'D)

**The Scheme expects better return in the future as the global markets continues to open. The Kenya National Bureau of Statistics projects that the economy will expand by at least 4.7%. The Trustees will continue to scout for alternative investment opportunities to ensure that member benefits are enhanced.**

In addition to the above, the Trustees are in the process of diversifying the Scheme Assets. As you are aware, the Scheme has not ventured into any property investments. This is because the Trustees are ensuring that all the due diligence required is conducted before entering such a venture.

The Scheme, through the Trustees, is in the process of developing value addition products to the members. For example, the Scheme is currently in its final stages of creating a framework for the Post-Retirement Medical Fund.

The Post Retirement Medical Fund shall accord the members an opportunity to contribute and secure their medical insurance even after retiring from employment. As you are aware, the sponsor's duty to cover your medical expenses end with your exit from employment. As such there is need to plan for post-retirement medical cover.

The Scheme is also in the process of rolling out the framework for implementation of the Mortgage Loan Rules. This framework will enable members to access up to forty (40%) of their accrued benefits for the purposes of purchasing a residential house. Presently the Scheme is in final stages of drafting the policy as well as procedure manual which shall define the specific steps to be taken in accessing these funds. We hope that members shall take advantage of this opportunity and develop themselves.

Further to the above, the Scheme is also in the process of setting up an income draw down fund within the scheme. The Income Draw Down will be an alternative to annuity and members will have the discretion to chose between the two.

The Scheme is also setting up a Child Trust Fund within the Scheme. The purpose of this fund is to ensure that a member's children are well taken care of incase of a member's untimely demise. Indeed, none of us know the time or hour when our lord will

call us. This product will assist members to plan for the welfare of their children in advance in case their final day come calling.

We call upon members to continue boosting their contributions through Additional Voluntary Contribution. Remember such contributions are important as they are considered in calculating how much one is eligible when seeking to assess how much a member is eligible for products such as Mortgage Loans.

The Scheme has also finalized the process of achieving autonomy. In line with Circular No. 18 of 2010, the Scheme's expenses are now fully paid from the Scheme's fund. The sponsor no longer contributes to the administrative expenses of the Scheme. Additionally, the Scheme has its own independent staff who are not from the sponsor.

The Scheme is also in the process of implementing an Enterprise Resource System (ERP). The ERP system once completed shall enable the members to be able to access information in real time. For instance, members will be able to log in and access their statements at their own convenience. Members will also be able to update and change the Nomination of Beneficiaries on the platform without necessarily having to visit the Scheme offices. In summary, the ERP System will bring services closer to members.

One very important issue is the updating the forms for the Nomination of Beneficiaries. We urge members to regularly update their beneficiaries. This is important as the Nomination form provide guidance on how your benefits will distributed among your loved ones once God calls you back.

Our Board of Trustees is also determined to make sure that members' contribution and interest earned during the financial period is adequate enough to enhance their benefits. With ERP system members will be able to access their statements remotely and in real time.

It is the responsibility of the Trustees to ensure proper record keeping of the Scheme. To ensure transparency and integrity, we have already upgraded our IT infrastructure, revived an interactive SMS System and the process of automating our financial transactions into ERP.



## CHAIRMAN'S STATEMENT (CONT'D)

We believe that the ERP System shall revolutionize how members can get information with respect to their benefits.

The leadership of the Scheme is interested in having the Scheme being “member-centered.” To this end, the Trustees recently embarked on member education program where they engaged directly with members. This exercise is aimed at ensuring that members are not only kept abreast of the dealings within the Scheme but also provide an avenue for feedback. We encourage members to keep engaging us and share with us any ideas which will propel the growth of the Scheme.

The Scheme shall also conduct, from time to time, Member Education programs to increase members awareness in terms of Pre-Retirement Planning. Such programs can only be effective if Members cooperate, attend, and apply whatever they learn from the education sessions.

Lastly, to give the Scheme an enhanced sense of direction, the Scheme is in the process of developing a Strategic Plan for the year 2022-2026. The strategic plan will offer a road for the scheme for the future to come. I urge all of us to work together and realize this dream.

### Appreciation

In closing, I wish to thank the Board of Directors and Staff of KPA under the wise leadership of the Managing Director Ambassador John Mwangemi for the invaluable support being given to us.

I thank all the stakeholders present today. Special gratitude to the Regulator, RBA, our Actuaries, Zamara Actuaries; our custodian, auditors, fund managers and all other service providers for their invaluable services and support in making this AGM a success.

Special thanks also go to the members for your co-operation and attending the AGM. Without you, there is no Scheme.

Allow me to finish by wishing all of you happy festivities and prosperous New Year.

*Thank you and God bless you all.*

**SALIM H. KUMAKA**

*Chairperson,  
Board of Trustees KPA RBS 2012*



## BOARD OF TRUSTEES



**SALIM KUMAKA**  
*Trustee, Chairman*

Salim joined the scheme in September 2017 as a member elected Trustee - KPA Retirement Benefits Scheme 2012 (DC) and he is currently serving his second term. He has a diploma in Shipping management from Institute of Chartered Ship Brokers (ICS) from United Kingdom (UK). He is a member of APTAK.

Salim is the current Chairman of the Board of Trustees. He works at Kenya Ports Authority operations division as shift manager in container terminal operations with over 20 years of experience. He is a Certified Trustee having undertaken the Trustee Development program of Kenya (TDPK) and has undertaken various industry trainings on board governance, investment, risk management both locally and internationally.



**NILFAT ALI**  
*Trustee*

Nilfat joined the scheme as sponsor nominated Trustee in April 2022 - KPA on Retirement Benefits Scheme 2012 (DC). She is an Independent Director at Kenya Ports Authority, Board of Directors and a Trustee at the Board of Trustees, at the Kenya Ports Authority Retirement Benefits Scheme. She is currently the Head of Legal and Compliance at Halla Airlines Limited, one of East Africa's prominent carriers. She is also an Advocate of the High Court of Kenya with a Masters of Laws (LLM) degree in International Economic Law from the Chinese University of Hong Kong, Hong Kong and a Bachelor of Laws (LLB) from Moi University, Kenya.

Nilfat is a certified Islamic Finance Expert, and certified Islamic Banker. Nilfat has both a legal and finance background having worked in the legal sector and advised financial institutions in Kenya on compliance and risk management. Nilfat has also published on sustainable development in the African Journal of International Commercial Law.

**Committee Membership -**  
*Administration & Communication and Audit & Risk committees*



**MUSA HUKA**  
*Trustee*

Musa joined the scheme in December 2020 as a member elected Trustee - KPA Retirement Benefits Scheme 2012 (DC). He has a diploma in Human Resource Management from Moi University and a certificate in Mechanical Engineering (KNEC) from Bandari College. He is currently pursuing a Bachelor's degree in Business Administration (HR) from KEMU.

Musa is a trained paralegal on labour laws by American Centre for International Labour Solidarity (ACILS). He is trained on monitoring and evaluation / result-based management by MDF East Africa.

He is a trainer and consultant of trade union matters, coordinator of dockworkers union capacity building under a project supported by the Belgium Transport Workers Union (BTB) and ISVI.

Musa is a member of dockworkers union an affiliate of International Transport Federation, (ITF). He has been member of National Executive Board, Dockworkers between the year 2011 and 2021. He is a member of IHRM and APTAK Musa is currently employed at Kenya Ports Authority with 17 years of experience and a Certified Trustee having undertaken the Trustee Development program of Kenya (TDPK).

**Committee Membership -**  
*Administration & Communication and Audit & Risk committees*

## BOARD OF TRUSTEES



**EMMA OKELLO**  
*Trustee*

Emma joined the Scheme in December 2020 as a member elected Trustee - KPA Retirement Benefits Scheme 2012 (DC). Her experience is concentrated on Maritime and Logistics with over 12 years of working experience. Currently, she is the Operations Officer at KPA. She is a holder of Masters in Business Administration (Strategic Management) from the University of Nairobi, Masters in International Transport and Logistics from Arab Academy, Institute of International Transport and Logistics Alexandria, Egypt, and Bachelor of Education Arts from Maseno University. In addition, she serves in the committee on Sector Skills Advisory Committee (SSAC) for the Maritime Industry.

Emma is a member of IHRM, APTAK, Chartered Institute of Transport and Logistics and Women in Maritime East and South Africa Association (WOMESA). She is a certified trustee having undertaken the Trustee Development program of Kenya (TDPK).

**Committee Membership -**  
*Administration & Communication and Finance & Investment committees*



**GEOFFREY KAVATE**  
*Trustee*

Geoffrey joined the scheme as sponsor nominated Trustee - KPA Retirement Benefits Scheme 2012 (DC) in 2019. He is currently serving his second term as a Trustee. He has a Bachelor of Arts (Economics) from Kenyatta University and master's in Business Administration (Strategic management) from UON. He is a certified accountant CPA (K) with 22 years of experience as an accountant (Port, Mining sector including private business).

Geoffrey is a member of ICPAK and has served as a director at Kenya National Shipping Line Board. Geoffrey is currently the General Manager Finance and Commercial Services at Kenya Ports Authority and a Certified Trustee having undertaken the Trustee Development program of Kenya (TDPK).

**Committee Membership -**  
*Finance & Investment and Audit*



**FARIDA ABDALLA**  
*Trustee*

Farida joined the scheme as sponsor nominated Trustee in April 2022 - KPA on Retirement Benefits Scheme 2012 (DC). She is a Certified Public Accountant (CPA) and holds an MSc in Financial Service Management through University of Salford, United Kingdom.

She has over 15 years of experience as a financial professional in the hospitality field with both field and multi-unit experience. She is a member of Kenya Association of Women in Tourism (KAWT) and deputy national treasurer of KAWT. She is also a member of Kenya Association of Women in Tourism (KAWT) and member of SKAL. She has served as Group Financial Controller (Multi Property) at Heritage Hotels Ltd, Kenya Board of Governor at Taveta Technical and Vocational College.

Farida is the chairperson at Mombasa County Public Service Board and Deputy National Treasurer of KAWT. She is currently a board director at Kenya Ports Authority (KPA) and a Certified Trustee having undertaken the Trustee Development program of Kenya (TDPK).

**Committee Membership -**  
*Administration & Communication and Finance & Investment committees*

# SCHEME ADMINISTRATOR'S REPORT



*Dear Members, the Board of Trustees, and all Stakeholders, It is my pleasure to present to you the Scheme Administration report for the financial year ended 31<sup>st</sup> December 2021.*

## Strategic Plan & Direction



The year 2021 saw the Board of Trustees commission the development of a five (5) year strategic plan (2022-2026). The strategic plan focuses on optimization of returns to meet the Scheme's obligations adequately.

## Structure of the Scheme Administration

The Scheme administration comprises of the staff with diverse background in terms of skill sets as well as other demographic parameters. For streamlined

operations, the administration is specialized in the following departmental categories, Benefits Department, ICT and Records, Finance and Investment Department, Human Resource, and the Legal Department.

## Regulatory Development & Innovation

The Board of Trustees are keen on ensuring that the Scheme complies with all the regulatory requirements. Recently, the regulator, Retirement Benefits Authority, passed a few regulations which the Scheme rolled out compliance in the 2021. Some of these regulations include:

### (a) Amendment of the Retirement Benefits (Occupational Retirement) (Amendment) Regulations

Previously, when members of the scheme left employment, they could access 100% of their contributions towards accrued benefits and 50% of the employer contributed accrued benefits. The law was amended, and members leaving employment before attaining the retirement age are now eligible to access a maximum of 50% of their cumulative accrued benefits. Employees of a scheme cannot withdraw membership from the scheme as long as they remain under the employment of the scheme's sponsor.

### (b) Post-Retirement Medical Fund

Through Legal Notice No. 192 of 2018, the Retirement Benefits (Post-Retirement Medical Funds) Guidelines, 2018 were promulgated. In compliance with the said regulations, the Scheme rolled out the setup of a Post Retirement Medical Fund within the Scheme. The purpose of this fund is to ensure that members health concerns are well covered even upon retirement from service.

### (c) Mortgage Loan Regulations and House Purchase

Through Legal Notice No. 192 of 2020, the Retirement Benefits (Mortgage Loans) (Amendment) Regulations, 2020 were legislated. The regulations presented the members with option of advance access to accumulated benefits for the sole purpose of purchasing a residential house. In compliance with these regulations, the Scheme embarked on development of House Purchase Policy and

## SCHEME ADMINISTRATOR'S REPORT (CONT'D)

Rules. Members who are eligible can now take advantage of these regulations to purchase residential houses.

### (d) Development of a Child Trust Fund

To safeguard the interest of the minors, the Board of Trustees rolled out the setup of the Child Trust Fund. The purpose of the fund is to ensure that child beneficiaries are well taken care in the event of untimely demise of a member.

### (e) Leveraging on Technology

In a bid to enhance efficiency, the Scheme commissioned the implementation of a new Enterprise Resource Planning (ERP) system which would aid in streamlining service delivery. The ERP will have a member portal which will allow members to make projections of the expected lump sum payment upon retirement. As such this will enhance transparency in the calculation and payment of benefits. Additionally, members would be able to view the statements in real time, update the nomination of beneficiary through the portal provided in the ERP.

## Amendment of the Trust Deed and Rules

The Board of Trustees initiated the review of the Trust Deed and Rules to align it with the recently passed regulations. The new Trust Deed and Rules aims to create additional value to the membership of the scheme. Members are encouraged to always familiarize themselves with the provisions of the Trust Deed and Rules.

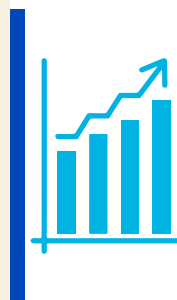
## Nomination of Beneficiaries as a Form of Estate Planning

Under the Retirement Benefits Act, retirement benefits have been excluded from the estate of demised member. This means that the benefits of member cannot be subjected to succession proceedings. Members are therefore encouraged to fill in their Nomination of beneficiaries forms and update them accordingly. This is the best way

to guarantee disbursement of their benefits in accordance with the wishes in the event of their demise.

### Scheme Fund Investment Performance

The Scheme boasts of a good funding position. Presently the Scheme fund value stands at Kshs. 17,288.5 million. The steady increment in the fund value is attributed to the timely contributions by the members and the Sponsor as well as return from various investment made by the Trustees.



## Future Promise

The Scheme Administration, under the stewardship of the Board of Trustees, is committed to adhere to the Strategic Plan and deliver the promise of making the scheme sustainable for the generations to come.

We aim to put a positive customer experience at the heart of everything we do and in line with this commitment, a lot has been done to bring our member services in-house through effective resourcing and capacity building to enable us to provide the best possible service to our members. This will ensure that the member experience is consistent with expectations and that the scheme is being operated as efficiently as possible.

## Appreciation

On behalf of the Scheme Secretariat, I wish to thank the Board of Trustees, the members of the Scheme as well as all the other stakeholders. Finally, I wish to thank members for your co-operation and attendance of this AGM. Without you, we would not be here. *Thank you very much!*

Yours faithfully

**BERNARD KIBET**  
*Ag. Scheme Administrator*

## MANAGEMENT TEAM



**Bernard Kibet**  
*AG. Scheme Administrator*

Bernard joined the Scheme in January 2021 to provide leadership in the development and implementation of the Scheme's strategy, as well as pension scheme administration management.

He is currently pursuing a Masters in Financial Economics (JKUAT) and holds a Bachelor of Science in Actuarial Science (Makerere University). Among his professional credentials are a Certified Investment & Financial Analyst CIFA (K) and an ongoing Diploma in Insurance from the College of Insurance Kenya. He is also a Certified Trustee through the Trustee Development Program Kenya (TDPK) and a member of the Institute of Certified Financial Analysts (ICIFA).

Bernard is an accomplished professional with over 12 years of experience in the pension industry. Previously, he was Head; Retail Pension Business Development at Octagon Pension Services Ltd.



**Susan Olelo**  
*Manager, Finance & Investment*

Susan joined the Scheme in December 2020 and is in charge of the Finance & Investment department. She is responsible for all aspects of finance and investment, including budgeting, financial analysis, capital asset management, and the implementation of financial policies and procedures.

She holds a Masters of Business Administration in Strategic Management (UON) as well as a Bachelor of Commerce in Finance (UON). She is a CPA(K), an ICPAK member, a Certified Lean Six Sigma Yellow Belt-KIM, an ISO Auditor-KIM, and a Trustee Development Program Kenya (TDPK).

With over 19 years of experience in Accounting, Financial & Pension Sector, she previously worked as Accounts Payables/Receivables Manager - Multichoice Kenya, and as a financial accountant at CPF.



**Tom Musau**  
*Manager ICT and Records*

Tom joined the Scheme in December 2020 to lead the ICT & Records department, which is responsible for facilitating an effective information flow that ensures the Scheme's ICT and records management programs are met.

He is currently pursuing a Masters of Science in Computer Systems (JKUAT) and holds a Diploma in Oracle 10g (Institute of Software Technologies), a Bachelor of Business Information Technology (Strathmore University), and a Diploma in Information Technology and Management (JKUAT). He is an Oracle Certified Professional (OCP), a Microsoft Certified Information Technology Professional (MCITP), a Linux +, a CISA Certified Professional, and an ITIL Certified Professional, among other professional certifications.

Tom is also a Certified Trustee -Trustee Development Program Kenya (TDPK). He has 13 years of experience in banking, manufacturing and media industry and previously worked as the ICT and Broadcast Manager at Radio Africa Group.



## MANAGEMENT TEAM



**Makaya Oweya**  
*Legal Officer*

Makaya joined the Scheme in January 2021 to take charge of the Legal Unit, which provides legal services, Board secretariat services, legal risk mitigation and ensures compliance with relevant legislation.

He is currently pursuing a Masters of Law (UON) and holds a Postgraduate Dip. in Law - Kenya School of Law as well as a Bachelor of Laws degree (UON). He is a High Court of Kenya advocate, a Certified Trustee -Trustee Development Program Kenya (TDPK), a Judiciary Accredited Mediator, a trained Legal Auditor, and a member of the Law Society of Kenya.

He has over 9 years of legal and regulatory compliance experience. He has previously served as Dispute Resolution and Risk Management Associate at GVA Advocates where he represented and advised various corporate clients including pension schemes.



**Bevaline Koech**  
*Pension Administration Officer*

Bevaline joined the Scheme in January 2021 and is responsible for the day-to-day and general administration of pension benefits in the pension management department, including the DB and DC Schemes, as well as liaising with Scheme service providers in matters related to pension. She is currently pursuing a Master of Business Administration (Strategic Management, UON) as well as a CPA (K) - both of which are ongoing. She holds a Bachelor of Business Administration (Accounting, Kenya Methodist University).

Bevaline holds an Investment Operations Certificate - CISI, as well as professional qualifications such as Certified Trustee - Trustee Development Program Kenya (TDPK), Customer Relationship Management - International Sales Training Institute, and Anti-Money Laundering & Anti-terrorism Financing Training - Global Finance & Compliance Hub.

She has over 10 years of experience in the financial and pension sectors, having worked as a Fund Operations Supervisor for Cytonn Investment Management Ltd, as well as for several financial institutions handling Unit Trusts and Pension Funds.



**Dennis Bora Bebora**  
*Human Resource & Administration Officer*

Dennis joined the Scheme in January 2021 and is in charge of the HR & Administration Unit, which is in charge of implementing the Scheme's human resource management strategy and providing leadership in human resource operations.

Dennis has a Masters of Business Administration in Strategic Management (Kenyatta University), a Postgraduate Diploma in Human Resource Management (KNEC), and a Bachelor of Business Administration (Uganda Christian University). He is a Certified Trustee -Trustee Development Program Kenya (TDPK), Member Practitioner-IHRM.

He has over 11 years of experience working with non-governmental organizations, government state corporations, and the pension sector.

## SECRETARIAT STAFF



### **FRONT ROW L TO R:**

Zuhura Said, Susan Ayoyi, Kazungu Changawa, Nehemiah Owino,  
Wilberforce Odhiambo, Michael Kariuki, Solomon Ngei, Alex Kimanzi, Mary Mwangi

### **BACK ROW L TO R:**

Peter Manga, Joel Odunga, Stephen Chege, Bramuel Kedogo, Padwick Maratani



## ACTIVITIES IN PICTORIAL



*DC Trustees present a united front at the 2020 DC AGM held at Mbaraki Sports Club*



*DC Chair Kumaka addresses members at the 2020 AGM*



*DC Chairman Salim Kumaka and Trustee Emma Okello at the 2020 AGM*



*Trustees Emma Okello and Musa Huka address the members during the 2020 DC AGM*



*DC Trustee Huka at the 2020 AGM*



*Members keenly following proceedings at the DC AGM*



## ACTIVITIES IN PICTORIAL



*DC Chair with the secretariat during the Customer Service Week*



*DC elected Trustees Emma and Musa following the pre-retirement training facilitated by RBA and KPA Pension Scheme trustees*



*KPA employees following pre-retirement training facilitated by RBA and KPA Pension Scheme trustees.*



*KPA pre-retirement training facilitated by RBA and KPA Pension Scheme trustees.*

RETIREMENT  
PLAN

# FINANCIAL STATEMENTS

# REPORT OF THE TRUSTEES

The Trustees present their report together with the audited financial statements for the Kenya Ports Authority Retirement Benefits Scheme 2012 (the “scheme”) for the year ended 31 December 2021.

## ESTABLISHMENT, NATURE AND THE STATUS OF THE SCHEME

The Scheme was established, and is governed by a trust deed dated 24 October 2012 was amended on 13 February 2018.

It is a defined contribution scheme and provides, under the rules of the Scheme, retirement benefits for the staff of Kenya Ports Authority (KPA). 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:

	2021 Members	2020 Members
<b>a) Total members</b>		
Active members	5,746	5,857
Deferred members	235	235
<b>Total</b>	<b>5,981</b>	<b>6,092</b>
<b>b) Active members</b>		
At start of year	5,746	5,857
Joiners	14	18
Leavers	(148)	(129)
<b>At end of year</b>	<b>5,612</b>	<b>5,746</b>
<b>c) Deferred members</b>		
At start of year	235	219
Joiners	123	19
Fully paid deferred members	(2)	(3)
<b>At end of year</b>	<b>356</b>	<b>235</b>
Deferred members split as follows:-		
Members whose benefits were locked in	356	235
<b>Total at the end of the year</b>	<b>5,968</b>	<b>5,981</b>



## REPORT OF THE TRUSTEES (CONT'D)


### FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 34 shows an increase in net assets of the Scheme for the year of Shs (thousands) 3,084,461 (2020: Shs (thousands) 2,467,139) and statement of net assets available for benefits on page 35 shows the Scheme's net assets as Shs (thousands) 17,293,463 (2020: Shs (thousands) 14,209,002).

The increase was attributed to the pension contributions, investment income earned and increase in fair values of the plan investments during the year.

The total real rate of return as per the investment policy statement is set to be at least 3.0% per annum over the overall inflation rate, net of investment costs. The overall inflation rate for the year was 6.1%.

### BOARD OF TRUSTEES

The trustees of the scheme who held office during the year and to the date of this report are shown on page 4. 

The composition remains compliant with the requirement of the Retirement Benefits Act.

### INVESTMENT OF FUNDS

Under the terms of their appointment, Britam Asset Manager (K) Limited and GenAfrica Asset Managers Limited are responsible for the investment of members funds.

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

### INDEPENDENT AUDITOR

Mokua Onwonga & Company continues in office as the scheme's auditor and have indicated willingness to continue in office in accordance with Section 34 (3) of the Retirement Benefits Act, 1997.

### BY ORDER OF THE BOARD OF TRUSTEES



**TRUSTEE**  
**Mombasa**  
**09.03.2022**

# SCHEME GOVERNANCE DISCLOSURE STATEMENT

## 1 Trustees in office during the year

Name of trustee	Age	Category (Member- elected/ Sponsor-nominated/ Professional)	No. of meetings attended	Certified (Yes/ No)	Highest qualification	Membership of other boards (Provide organisation's name)
Salim Kumaka	53	Member elected	8	YES	Diploma	None
Mary Ngari	65	Sponsor Nominated	4	YES	Masters Degree	Funguo Investment Ltd
Addraya Dena	51	Sponsor Nominated	3	YES	Bachelors' Degree	None
Geoffrey Kavate	49	Sponsor Nominated	8	YES	Masters Degree	Kenya National Shipping Line
Musa Huka	37	Member elected	8	YES	Diploma	None
Emma Okello	37	Member elected	8	YES	Masters Degree	None

## 2 The board of trustees held Eight (8) meetings during the year ending the 31.12.2021

The meetings were held on the dates set out hereunder:

15.02.2021

16.03.2021

21.04.2021

18.05.2021

13.08.2021

03.11.2021

29.11.2021

23.12.2021

## 3 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 **ONE(1)**

(c) Age mix: Number of trustees who are younger than 35 years **NONE**

(d) Number of trustees who are older than 35 years **SIX(6)**.

## 4 Committees of the board

Committee name	No. of meetings attended	Any external advisors, invitees to meetings (Yes/ No) (if yes, mention the purpose)	Allowances paid (Ksh.)
Finance and Investment	3	NO	120,000
Audit and Risk Management	3	NO	120,000
Administration and Communication	4	NO	160,000

## SCHEME GOVERNANCE DISCLOSURE STATEMENT CONT'D

### 5. 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.

The board charter for the scheme has been developed.

### 6. 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.

### 7. 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 was NONE%
- b) Regular reports and feedback from the sponsor. No. of reports 2 REPORTS

### 8. Annual general meeting

The board of trustees held the annual general meeting on the 17<sup>th</sup> December 2021 which 1,862 members, making up 31% of scheme members attended. The board adequately addressed the members' concerns.

## SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONT'D)

### 9 Members' sensitization

The board conducted the following sensitization activities (Name of sensitization forum)	DATE HELD	No. of members who attended	Remarks
Retirement planning seminar	NONE	None	None
Members' day	19.11.2021 - 07.12.2021	1,100	

During the sensitization activity, members were reminded of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of scheme affairs.

### 10. Trustees' remuneration policy

During the year under review, the trustees were paid a gross sum of Ksh. 4,720,000. The payments complied with the trustee's remuneration policy of the scheme which was approved by members at the annual general meeting held on the 17.12.2021

### 11. 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 questionnaire. The board was rated as good with a mean score of 81.33%



**Chairperson**  
**09.03.2022**



## 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. It 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 Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

In preparing these financial statements the trustees have assessed the scheme's ability to continue as a going concern. 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.

The trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of trustees on **4<sup>th</sup> March, 2022** and signed on its behalf by:

**TRUSTEE**

**TRUSTEE**



## **REPORT OF THE INDEPENDENT AUDITOR**

### **TO THE MEMBERS OF KENYA PORTS AUTHORITY RETIREMENT BENEFITS SCHEME 2012**

#### **OPINION**

We have audited the accompanying financial statements of Kenya Ports Authority Retirement Benefits Scheme 2012 set out on pages 34 to 56 which comprise the Scheme's the statement of net assets available for benefits as at 31 December 2021 and the statement of changes in net assets available for benefits, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Kenya Ports Authority Retirement Benefits Scheme 2012 as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997 and the scheme's trust deed.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 for our opinion.

#### **OTHER INFORMATION**

The trustees are responsible for the other information. The other information comprises the report of the trustees' but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS**

The trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with 'International Financial Reporting Standards and the Retirement Benefits Act 1997, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Scheme's ability to continue as a going 'concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 'the trustees either intend to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.' Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

## REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF KENYA PORTS AUTHORITY RETIREMENT BENEFITS SCHEME 2012 (Cont'd)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If 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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA George Mokuu, Practicing Certificate No. 1356.



For and on behalf of **MOKUA ONWONGA & CO.**  
**Certified Public Accountants,**  
**Mombasa.**  
**25.03.2022**


## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 Shs '000	2020 Shs '000
<b>Income from dealings with members</b>			
Contributions received	2 (a)	1,819,066	1,793,619
<b>Outgoings from dealings with members</b>			
Benefits to leavers	2 (b)	(350,251)	(201,088)
Death benefits lumpsum	2 (c)	-	-
		(350,251)	(201,088)
<b>Net increase from dealings with members</b>		<b>1,468,815</b>	<b>1,592,531</b>
<b>Return on investment</b>			
Investment income	3	1,489,321	1,201,737
Gain/(loss) on disposal of financial assets	4	83,429	27,902
Changes in fair value of plan investment	8	283,690	(214,636)
Investment management expenses	5	(40,073)	(33,801)
<b>Net return on investments</b>		<b>1,816,367</b>	<b>981,203</b>
Administrative expenses	6	(118,503)	(56,322)
Tax charge	7 (a)	(82,218)	(50,273)
		((200,721)	(106,595)
<b>Increase in net assets for the year</b>		<b>3,084,461</b>	<b>2,467,139</b>
<b>Assets available for benefits</b>			
At start of year		14,209,002	11,741,863
Increase in net assets for the year		3,084,461	2,467,139
<b>At end of year</b>		<b>17,293,463</b>	<b>14,209,002</b>

The notes on pages 37 to 56 form an integral part of these financial statements.  
Report of the independent auditor - pages 32 to 33. 

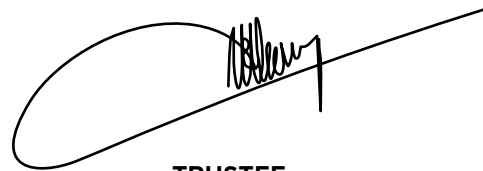
## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	As at 31 December	
		2021 Shs '000	2020 Shs '000
<b>Assets</b>			
Plan investment	8	17,210,080	14,202,271
Receivables and accrued income	9	77,285	-
Cash and cash equivalents	10	64,106	42,700
Property & equipment	11	1,976	-
Intangible assets	12	4,478	-
<b>Total assets</b>		<b>17,357,925</b>	<b>14,244,971</b>
<b>Less: liabilities</b>			
Payables and accrued expenses	12	48,727	28,895
Tax payable	7 (b)	15,735	7,074
<b>Total liabilities</b>		<b>64,462</b>	<b>35,969</b>
<b>Net assets available for benefits</b>		<b>17,293,463</b>	<b>14,209,002</b>

The financial statements on pages 34 to 56 were approved and authorised for issue by the Board of Trustees on **4<sup>th</sup> March, 2022** and were signed on its behalf by: 



TRUSTEE




TRUSTEE

The notes on pages 37 to 56 form an integral part of these financial statements.  
Report of the independent auditor - pages 32 to 33. 

## STATEMENT OF CASH FLOWS

	Notes	2021 Shs '000	2020 Shs '000
<b>Cash flows from operating activities</b>			
Contributions received	2 (a)	1,819,066	1,793,619
Administrative expenses paid	6	(118,503)	(56,322)
Depreciation on property & equipment	11	494	-
Impairment of real people bond	8	35,000	-
Expected credit loss on fixed deposits	8	2,852	-
Benefits paid to leavers	2(b)	(350,251)	(201,088)
Receivables and accrued income		(77,285)	149,318
Payables and accrued expenses		19,832	(7,209)
Underprovision of tax in prior year		15	-
<b>Tax paid</b>	<b>7 (b)</b>	<b>(73,572)</b>	<b>(57,949)</b>
<b>Net cash from operating activities</b>		<b>1,257,648</b>	<b>1,620,369</b>
<b>Investing activities</b>			
Purchase of plan investment	8	(5,157,220)	(3,782,117)
Proceeds from sale/maturity of plan investment	8	2,286,007	946,317
Investment income received	3	1,489,321	1,201,737
Purchase of property & equipment	11	(2,469)	-
Purchase of intangible assets	12	(4,478)	-
Investment management expenses paid	5	(40,073)	(33,801)
Net cash used in investing activities		<b>(1,428,913)</b>	<b>(1,667,864)</b>
<b>Increase in cash and cash equivalents</b>		<b>(171,265)</b>	<b>(47,494)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		610,610	658,104
Increase		(171,265)	(47,494)
<b>At end of year</b>	<b>10</b>	<b>439,345</b>	<b>610,610</b>

The notes on pages 37 to 56 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 33. 



## 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.

These financial statements comply with the requirements of the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit). The statement of profit or loss represents the profit or loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

#### 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). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received 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 company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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.



**Going concern**

The financial performance of the scheme is set out in the trustees' report and in the statement of changes in net assets available for benefits. The financial position of the scheme is set out in the statement of net assets available for benefits. Disclosures in respect of risk management are set out in note 16.

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.

**New and amended standards adopted by the scheme**

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the scheme. Of those, the following has had an effect on the scheme's financial statements:

**International Financial Reporting Standard 16 (IFRS 16): Financial Instruments**

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the company now recognises lease liabilities relating to leases under which the company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the company's incremental borrowing rate as at 1 January 2019.

Corresponding right-of-use assets have been recognised, measured as if the company's new accounting policy (see Note 1(r)) had been applied since the commencement of each lease but discounted using the company's incremental borrowing rate as at 1 January 2019.

As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The company's accounting policy for leases under which the company was lessee was, up to 31 December 2018, as follows:

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

## NOTES (CONT'D)

The measurement of assets and liabilities that were recognised as finance leases under the previous accounting policy has continued unchanged, Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 January 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described above.

The trustees have determined that adoption of IFRS 16 has no impact on the amounts reported in the statements as the scheme has no leased assets.

### Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.
- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

### **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:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The scheme does not issue insurance contracts.

The trustees do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above from their effective dates.

### **b) Critical accounting estimates and judgements**

In the application of the accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The trustees have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The assumptions and judgements set-out below do not consider the full potential impact of the recent corona virus outbreak as it is too early at this stage to predict the full potential impact of this on the financial statements of the scheme.

#### **• Measurement of Expected Credit Losses (ECL) - Trade receivables**

In recognising the expected credit losses on trade receivables, the company has adopted the simplified approach. The company has adopted the provision matrix to measure expected credit losses where by a default rate is applied on debtors depending on the number of days that a trade receivable is past due. The default rate is estimated based on the company's historical default rate and reviewed and adjusted for forward looking information on a periodical basis.

- **Stage 1** - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

## NOTES (CONT'D)

- **Stage 2** - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

- **Measurement of Expected Credit Losses (ECL) - Cash and cash equivalents**

An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating bodies S&P and GCR.

The S&P ranking has assigned a risk/default rate of 0.00% for financial institutions rated AAA, 0.02% for AA rated, 0.07% A rated, 0.29% for BBB rated, 0.76% for BB rated, 2.93% for B rated and 15.79% for CCC/C rated financial institutions (Source 2017 Annual Global Corporate Default Study, Standard & Poor). GCR has carried out a credit rating of Kenyan banks but has not assigned risk/default rates for the various ratings given. On the other hand, S&P has not done a rating specific to Kenyan financial institutions but has risk rates assigned to various ratings as documented above whose description we have reviewed and came up with the risk rates applicable to Kenyan banks.

In the GCR rating of Kenyan financial institutions falling into tier one are described as consistently having a stable outlook which is what is similar to the S&P description of financial institutions rated BB. Hence a default rate of 0.76% has been considered for deposits held with Tier one banks. Tier two banks such as are described as having a stable or positive outlook in the GCR rating which can be equated to the S&P rating of B with a default rate of 2.93%. Whilst Tier three banks such as stable or positive or watch outlook by GCR which bear similar descriptions as the CCC/C rating by S&P with a risk/default rate of 15.79%

**Assessment of significant increase in credit risk:** The determination of a significant increase in credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 credit risk takes into account many different factors including a comparison of a financial instruments however, includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The scheme uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For receivables and accrued income, the scheme has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- **Useful lives and residual values of intangible assets**

Management reviews the useful lives and residual values of the items of intangible assets on a regular basis. During the financial year, the trustees determined no significant changes in the useful lives and residual values.

**c) Contributions receivable**

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

**d) Benefits payable**

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

**e) 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.

**f) Plan investments**

All plan investments are carried at fair value. For marketable securities, the fair value is the market value which is the most useful measure of the securities as at the report date and of the investment performance for the period.

Those securities that have a fixed redemption value and have been acquired to match the obligations of the scheme, or specific parts thereof, may be carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

Plan investments have been carried at the ultimate redemption value. Any assets in operations of the scheme are accounted for in accordance with the applicable standards.

**g) Financial instruments**

Financial instruments are recognised when, and only when, the scheme becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the scheme commits itself to the purchase or sale.

The scheme classifies its financial assets into the following categories:

**i) Amortised cost;**

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and return (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.



**ii) Fair Value Through Other Comprehensive Income (FVTOCI):**

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, return revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

**iii) Fair Value Through Profit or Loss (FVTPL):**

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in increase/decrease in net assets available for benefits and presented in the statement of changes in net assets available for benefits.

Notwithstanding the above, the scheme may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the trustees determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The trustees reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the scheme has not identified a change in its business models.

Operational account bank balances and receivables and accrued income are classified and measured at amortised cost.

**De-recognition/write off**

Financial assets are de-recognised when the rights to receive cash flows from the financial asset have expired, when the scheme has transferred substantially all risks and rewards of ownership, or when the scheme has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is de-recognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to statement of changes in net assets available for benefits. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity. Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.



**g) Financial instruments (continued)**

**Impairment**

The scheme recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

- Cash and cash equivalents
- Receivables and accrued income

The trustees have determined that adoption of IFRS 9 has no material impact on the amount reported in the financial statements.

The accounting for plan investments is guided by IAS 26 which requires that all plan investments be carried at fair value and where the fair value determination is not possible, disclosure shall be made why fair value was not being used.

There no impairment loss recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for contributions due and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than contributions due has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in statement of changes in net assets available for benefits as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from statement of net assets available for benefits date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

***Financial liabilities***

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market return rate are classified and measured at fair value through profit or loss. The scheme may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

## NOTES (CONT'D)



All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the scheme does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

### **Offsetting financial instruments**

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

#### **h) Intangible assets**

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 which is estimated to be 3 years. The estimated useful life 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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.

#### **i) 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 financial assets with maturities of less than 91 days.

#### **j) Taxation**

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

#### **k) Comparatives**

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

**2. DEALINGS WITH MEMBERS**

	<b>2021</b>	<b>2020</b>
	<b>Shs '000</b>	<b>Shs '000</b>
<b>(a) Contributions received</b>		
<b>Registered:</b>		
- Employer	689,871	717,954
- Employees	603,118	597,082
<b>Unregistered:</b>		
- Employer	522,839	474,440
- Employees	3,237	4,144
	<b>1,819,066</b>	<b>1,793,620</b>
<b>(b) Benefit to Leavers (retirees, dismissals and resignations)</b>		
Withdrawal benefits (contribution and interest)	(350,251)	(201,088)

**3. PLAN INVESTMENT INCOME**

The investment income allocated to registered and unregistered pools for taxation purposes can be analysed as follows:-

**Year ended 31 December 2021**

	<b>Registered</b>	<b>Unregistered</b>	<b>Total</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
Dividend	91,515	27,351	118,866
Interest and discount receivable	1,063,717	302,580	1,366,297
Other miscellaneous income	-	4,158	4,158
	<b>1,155,232</b>	<b>334,089</b>	<b>1,489,321</b>

**Year ended 31 December 2020**

Dividend receivable	80,268	27,568	107,836
Interest and discount receivable	875,124	218,777	1,093,902
	<b>955,392</b>	<b>246,345</b>	<b>1,201,737</b>

## NOTES (CONT'D)

4. PROFIT ON DISPOSAL OF PLAN INVESTMENTS	2021 Shs '000	2020 Shs '000
Sale proceeds on disposal of plan investments	1,975,857	946,317
Fair value of plan investments disposed	(1,892,428)	(918,415)
	<b>83,429</b>	<b>27,902</b>
<hr/>		
5. INVESTMENT MANAGEMENT EXPENSES		
Management expenses	31,444	26,598
Custodian expenses	8,629	7,203
	<b>40,073</b>	<b>33,801</b>
<hr/>		
6. ADMINISTRATIVE EXPENSES		
Trustees, Meetings and Allowances	13,187	16,102
AGM expenses	2,280	-
Staff costs	41,002	17,137
Travelling	586	511
Trustees/Member Education	1,223	-
Tender evaluation	2,852	11
Advertising	932	-
IT expenses	566	1,140
RBA levy	5,000	5,000
Professional and legal fees	1,915	7,228
Actuarial fees	872	-
Bank charges	375	144
Audit fees	1,081	659
Printing and stationery	644	3
Staff training	3,841	-
Fund master licence	1,160	-
Motor vehicle running expenses	408	-
Asset tagging expenses	210	-
ERP and EDMS Cost	260	-
Telephone, Wifi, Internet, Postage & Courier	806	-
Pension office works & Furniture repairs	939	-
Depreciation	494	15
Expected credit loss	2,852	-
Write off of corporate bond (Real people)	35,000	-
Underprovision of tax in prior year	15	-
Loss of assets	-	135
Rounding errors	-	8,237
	<b>118,503</b>	<b>56,322</b>

**7. TAXATION**

	2021 Shs '000	2020 Shs '000
<b>a) Tax charge</b>		
Tax is charged on investment income earned from the unregistered contribution net of associated expenses at the rate of 30% (2020: 25%) as follows:		
Investment income - unregistered	298,001	210,401
Deductible expenses - unregistered	(23,941)	(9,309)
Taxable income	274,060	201,092
Tax thereon at 30% (2020: 25%)	82,218	50,273
Tax charge	82,218	50,273
<b>b) Tax payable</b>		
At start of year	7,074	15,417
Underprovision/(overprovision) of tax in prior year	15	(667)
Tax charge for the year	82,218	50,273
Tax paid during the year	(73,572)	(57,949)
<b>At end of year</b>	<b>15,735</b>	<b>7,074</b>

## NOTES (CONT'D)

### 8. PLAN INVESTMENTS

#### Shares

	2021	2020
	Shs '000	Shs '000
Kenya government securities	3,563,431	3,469,212
Commercial paper and corporate bonds	12,259,262	10,113,681
Fixed term bank deposits (Note 10)	15,000	51,467
Expected credit loss on fixed term bank deposits	375,239	567,910
	(2,852)	-
Guaranteed Fund - Kenindia	1,000,000	-
	<b>17,210,080</b>	<b>14,202,271</b>

Year ended 31 December 2021	Value at start of year		Purchases at cost		Sales proceeds		Gain/(loss) on disposal		Change in fair value		Maturities & Impairment		Value at end of year	
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Quoted shares	3,469,212	105,256	105,256	(567,553)	13,411	543,104	-	-	-	-	-	-	-	3,563,431
Kenya government securities	10,113,682	4,051,964	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
	<b>13,634,361</b>	<b>4,157,220</b>	<b>4,157,220</b>	<b>(1,975,857)</b>	<b>83,429</b>	<b>283,690</b>	<b>83,429</b>	<b>83,429</b>	<b>283,690</b>	<b>283,690</b>	<b>(345,150)</b>	<b>83,429</b>	<b>83,429</b>	<b>15,837,693</b>

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 end of year	
	Registered	Unregistered	Registered	Unregistered	Registered	Unregistered	Registered	Unregistered
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Value at start of year	2,746,819	722,394	7,902,198	2,211,484	51,466	-	-	13,634,361
Purchases at cost	31,897	73,359	3,040,634	1,011,330	-	-	-	4,157,220
Sales proceeds	(567,281)	(272)	(1,361,916)	(46,389)	-	-	-	(1,975,857)
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)
<b>Value at end of year</b>	<b>2,653,346</b>	<b>910,086</b>	<b>9,310,951</b>	<b>2,948,310</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>15,837,693</b>

8. PLAN INVESTMENTS (CONT'D)

	Value at start of year Shs '000	Purchases at cost Shs '000	Sales proceeds Shs '000	Gain/(loss) on disposal Shs '000	Change in fair value Shs '000	Value at end of year Shs '000
Quoted shares	2,587,445	1,259,753	(102,021)	(5,758)	(270,207)	3,469,212
Kenya government securities	8,311,570	2,522,364	(818,252)	32,744	65,256	10,113,682
Commercial paper and corporate bonds	86,279	-	(26,044)	916	(9,685)	51,467
	<b>10,985,294</b>	<b>3,782,117</b>	<b>(946,317)</b>	<b>27,902</b>	<b>(214,636)</b>	<b>13,634,361</b>

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 end of year Shs '000
	Registered Shs '000	Unregistered Shs '000	Registered Shs '000	Unregistered Shs '000	Registered Shs '000	Unregistered Shs '000	
Value at start of year	2,016,464	570,982	6,721,046	1,590,524	70,696	15,582	10,985,294
Purchases at cost	1,030,207	229,546	1,552,306	970,058	-	-	3,782,117
Sales proceeds	(102,021)	-	(428,252)	(390,000)	(10,737)	(15,307)	(946,317)
Gain/(loss) on disposal	(5,758)	-	6,852	25,892	1,192	(276)	27,902
Change in fair value	(192,073)	(78,134)	50,246	15,010	(9,685)	-	(214,636)
<b>Value at end of year</b>	<b>2,746,819</b>	<b>722,394</b>	<b>7,902,198</b>	<b>2,211,484</b>	<b>51,466</b>	<b>-</b>	<b>13,634,361</b>

## NOTES (CONT'D)

### 8. PLAN INVESTMENTS (CONT'D)

As at 31 December 2021, the following carrying values of commercial papers and corporate bonds were held with institutions that are under statutory management:

	2021 Shs '000	2020 Shs '000
Imperial Bank Limited		
Chase Bank Limited	70,000	70,000
	16,000	16,000
	86,000	86,000
Impairment provision	(86,000)	(86,000)
Net carrying value	-	-

The following table summarises the weighted average effective interest rates at the year end on the main interest bearing investments:

	2021 %	2020 %
<b>Kenya government securities</b>		
- Treasury bills and bonds	10.85 - 13.92	6.0 - 14.85
- Corporate bonds and commercial paper	8.00 - 12.30	7.5 - 12.5

### 9. RECEIVABLES AND ACCRUED INCOME

	2021 Shs '000	2020 Shs '000
Dividend receivable	15,017	-
Prepayments	1,596	-
Accrued interest - guaranteed funds	60,671	-
	<b>77,285</b>	<b>-</b>

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

### 10. CASH AND CASH EQUIVALENTS

	2021 Shs '000	2020 Shs '000
<b>Cash at bank</b>	<b>64,106</b>	<b>42,700</b>
For the purposes of cash flow statement cash and cash equivalents comprise the following:		
Cash at bank and short term bank deposits	64,106	42,700
Fixed term bank deposits (Note 8)	375,239	567,910
Less: bank deposits maturing after 91 days	-	-
	<b>439,345</b>	<b>610,610</b>
The weighted average effective interest rate on short term bank deposits at year end was:	2021 %	2020 %
<b>Short term deposits</b>	<b>8.0 - 9.0</b>	<b>4.0 - 9.5</b>

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

**11. PROPERTY AND EQUIPMENT**

	Computers & Accessories	Furniture & equipments	Total Shs '000
<b>Cost</b>			
At start of year	-	-	-
Additions	2,001	469	2,469
<b>At end of year</b>	<b>2,001</b>	<b>469</b>	<b>2,469</b>
<b>Depreciation</b>			
At start of year	-	-	-
Charge for the year	400	94	494
<b>At end of year</b>	<b>400</b>	<b>94</b>	<b>494</b>
<b>Net book value</b>			
<b>As at 31 December 2021</b>	<b>1,600</b>	<b>375</b>	<b>1,976</b>

**12. INTANGIBLE ASSETS**

	ERP Software WIP	Website & SMS platform	Total Shs '000
<b>Cost</b>			
At start of year	-	5,609	5,609
Additions	4,478	-	4,478
<b>At end of year</b>	<b>4,478</b>	<b>5,609</b>	<b>10,087</b>
<b>Amortisation</b>			
At start of year	-	5,609	5,609
Charge for the year	-	-	-
<b>At end of year</b>	<b>-</b>	<b>5,609</b>	<b>5,609</b>
<b>Net book value</b>			
<b>As at 31 December 2021</b>	<b>4,478</b>	<b>-</b>	<b>4,478</b>
<b>As at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>

**13. PAYABLES AND ACCRUED EXPENSES**

RBA levy	5,000	5,000
Accruals and other payables	43,612	16,574
Benefits payable	114	7,321
	<b>48,727</b>	<b>28,895</b>

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

## NOTES (CONT'D)

### 14. 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 the scheme. The table below shows the current investment in assets compared to the investment guidelines issued by the Retirement Benefits Authority.

Category of asset	2021	2020	Maximum investment as per RBA
	%	%	%
Cash and demand deposits	0.01	0.01	5
Fixed and time deposits	2.18	4.00	30
Commercial paper and corporate bonds	0.09	0.36	30
Kenya Government securities	71.07	71.21	90
Quoted shares - Kenya	20.66	24.43	70
Quoted shares - offshore	-	-	15
Immovable properties	-	-	30

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

### 15. TAX STATUS OF THE SCHEME

Kenya Ports Authority Retirement Benefits Scheme 2012 has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income earned from the registered contribution.

The benefit scheme comprises a registered and an unregistered fund. The latter is registered with Retirement Benefits Authority but not registered for tax purposes.

Pension contributions received by the scheme up to a limit of Shs 20,000 (2020: Shs 20,000) per resident employee per month are invested in the registered fund, which is exempt from taxation. The remainder of the contributions are invested in an unregistered fund whose investment income is taxed at the corporate tax rate of 30% (2020;25%)

## 16. 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 investment 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 investments. 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 investments, contributions due, other receivables and cash and cash equivalents. The scheme does not have any significant concentrations of credit risk. The investment manager assesses the credit quality for 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.

No collateral is held for any of the above assets. None of the financial assets are either past due or impaired.

**e) Fair value measurements**

The carrying amounts of all financial assets and liabilities at the reporting date approximate their fair values. The table below shows an analysis of all assets and liabilities for which fair value is measured or disclosed in the financial statements by level hierarchy. The fair values are grouped into three levels as mentioned in Note 1 of these financials, based on the degree to which the fair value is observable. The table below gives information about how the fair values of these assets and liabilities are determined.

## NOTES (CONT'D)

### 16. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### Year ended 31 December 2021

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Totals Shs '000
<b>Financial assets</b>				
Quoted shares	3,563,431	-	-	3,563,431
Kenya government securities	-	12,259,262	-	12,259,262
Commercial paper and corporate bonds	-	15,000	-	15,000
Guaranteed funds - Kenindia	-	1,000,000	-	1,000,000
	<b>3,563,431</b>	<b>13,274,262</b>	<b>-</b>	<b>16,837,693</b>

#### Year ended 31 December 2020

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Totals Shs '000
<b>Financial assets</b>				
Quoted shares	3,469,212	-	-	3,469,212
Kenya government securities	-	10,113,682	-	10,113,682
Commercial paper and corporate bonds	-	51,467	-	51,467
	<b>3,469,212</b>	<b>10,165,149</b>	<b>-</b>	<b>13,634,361</b>

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group and those prices represent actual and regularly occurring market transactions on arm's length basis. The quoted market prices used for financial assets held by the Scheme is the current market price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determine by using valuation techniques such as discounted cashflow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## **17. FUND MANAGEMENT**

The scheme's objectives when managing fund are:

- to comply with The Retirement Benefit (Occupational Retirement Benefit Schemes) Regulations, 2000 made under Retirement Benefit Act, 1997.
- to safeguard the scheme's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders.

The Retirement Benefits Act requires the scheme's trustees to invest members' funds using prudent investment policies that will get the members market rates on their investments. The scheme's compliance with this requirement has been disclosed in Note 14.

The trustees monitor capital on the basis of the value of net assets attributed to members. To achieve optimal return from the Schemes' assets, the trustee has formulated investment policies which set benchmarks upon which the investment manager is monitored.

## **18. 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 Plaint 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 Pension Scheme.

The full amount of Kshs 70 Million has since 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.

## **19. PRESENTATION CURRENCY**

The financial statements are presented in Kenya Shillings thousands (Shs '000) or Shs ('000), except where indicated otherwise.





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