2016
(DB) SCHEME

KenGen
Staff Retirement Benefits Scheme

ANNUAL REPORT
and Financial Statements For
The Year Ended 31st December 2016

KenGen
Defined Benefits

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REGISTERED OFFICE
The address of the registered office is:

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The Trustees present their report together with the audited financial statements for KenGen Staff Retirement Benefit Scheme (the "Scheme") for the year ended 31st December 2016.

Establishment, nature and status of the scheme

The Scheme was established with effect from 1st January 2000 and is governed by a trust deed dated 6th November 2000. It is a defined benefit scheme and provides, under the rules of the Scheme, retirement benefits for the staff of Kenya Electricity Generating Company Limited (KenGen). It is an exempt approved scheme under the Income Tax Act and is registered with the Retirement Benefits Authority.

Employees contribute to the Scheme at the rate of 10% (2015: 10%) of their respective basic salaries. The employer contributes at rates based on periodic advice of the actuary. The current rate is 20% (2015: 20%) of employees' basic salaries.

In compliance with the Treasury Circular No. 18 dated 24th November 2011, KenGen undertook a redesign of the retirement benefits arrangement whereby a new defined contributory (DC) scheme 2012 was established with effect from 01st January 2012. As stipulated in the aforementioned circular, the members who were below 45 years were required to transfer and join the new DC scheme. The members who were 45 years and above were given the option to either remain in this scheme or move to the DC scheme.

Background to the Scheme

Prior to 1st January 2000, the Kenya Power and Lighting Company Staff Retirement Benefits Scheme ("Kenya Power SRBS") was the only Scheme existing for the employees of Kenya Power and Lighting Company Limited ("Kenya Power") and Kenya Electricity Generating Company Limited ("KenGen"). A decision was made by the two employers to operate two separate Schemes and the KenGen Staff Retirement Benefits Scheme ("KenGen SRBS") was established as at 1st January 2000. As at 31st December 2014, all assets to be transferred to KenGen SRBS from Kenya Power had been fully transferred.

Actuarial position

The last actuarial valuation was as at 31st December 2013 by Alexander Forbes Financial Services (E.A) Limited, an independent firm of actuaries, using the Attained Age Method.
The next valuation is ongoing.

According to the valuations at that date, the actuarial present value of promised retirement benefits was Shs 6,309 million and the fair value of the net assets available for benefits at that date was Shs 6,626 million resulting in a surplus of Shs 317 million. The actuary recommended a total contribution rate of 15.9% of members' pensionable emoluments per annum.

The principal actuarial assumptions used were as follows:

- Expected rate of return on Scheme assets - 10% p.a.
- Rate of salary escalation
- 8% p.a.
- Rate of pension increases
- 0% p.a. for post 31st December 1999 service
- 3% p.a. for pre 31st December 1999 service
- Withdrawals
- In accordance with the average experience of other similar schemes
- Ill health early retirement
- In accordance with the average experience of other similar schemes
- Assets
- Taken into account at the full values shown

Membership

	2016	2015
a) Total Members		
Contributing	123	141
Deferred	77	75
Dormant	2	2
Contributing in DC	1,302	1,356
At end of year	**1,504**	**1,574**
b) Pensioners		
At start of year	458	410
Contributing members who retired in 2016	18	32
2015 retirees who joined payroll in 2016	3	-
Widows or widowers pension becoming payable	7	25
		188
	486	467
Less: Deaths	(4)	(4)
Less: Cessation of Children Pension	(15)	(5)
At end of year	**467**	**458**

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Dear Members,

I am pleased, on behalf of the Board of Trustees, to present to you the annual report and financial statements for the year ended 31st December, 2016.

We are also excited to have the Sponsor, KenGen, take over occupancy of the offices at KenGen Pension Plaza 2. KenGen Foundation also commenced operations of the restaurant at 11th Floor of the same building hence strengthening the Scheme's balance sheet going forward.

Macro-economic Environment

In 2016, Kenya's Economic growth is estimated to have increased to 5.9% up from 5.6% in 2015. This was supported by government spending, positive performance of the agriculture sector and resilience of the services sector. The global economy growth decelerated to 2.9% in 2016 from a revised growth of 3.1% in 2015 whose effects were relatively felt in the country's economy due to reliance on commodity exports, tourism and remittances.

Through the year, the overall inflation averaged 6.3% compared to 6.6% in 2015. The easing of inflation was largely due to reduced costs of petroleum products and tight monetary policies. The uptick in inflation in recent months has been largely driven by an increase in food prices.

Owing to these turbulent economic times, the Kenya Shilling weakened against major currencies and averaged KSh 101.5 per USD in 2016 compared to KSh 98.2 per USD in 2015.
There was also a notable decline in interest rate in 2016 as compared to 2015. The 91 day, 182 day and 364 day treasury bills averaged 8.6%, 10.9% and 11.7% in 2016 compared to 11.0%, 12.2% and 12.9% in 2015 respectively.

The equity market was, on average, on a downward trend during the year. The Nairobi Securities Exchange NSE 20-share index recorded an increase to 3,982 points in the first quarter of 2016 but declined through to the fourth quarter to record 3,186 points in December 2016, representing a drop of 21.1% compared to December 2015.

Whereas the market value and returns from government securities held by the Scheme rose due to dropping interest rates, the equity positions held by the Scheme were negatively affected due to declining stock prices.

Financial Performance & Asset Base

The Scheme achieved an annual return on investment of 10% which was higher than the market average of 8.0% as reported in the Alexander Forbes Consulting Actuaries Scheme Survey for the one year ended 31st December 2016. This goes to reassure the members that the Scheme remains financially sound to meet members promised benefits. The survey done by Alexander Forbes further goes to show that majority of pension schemes' high returns was attributed to returns earned on fixed income securities of 14.3% as compared to returns on equities of -9.6% for the one year ended 31st December 2016.

The total market value of the Scheme's assets as at the end of the year stood at KShs. 7.862 billion up from KShs. 7.347 billion for the year ended 2015. The Fund's total increase in net assets for the year 2016 was KShs. 514.350 million up from a decrease in net asset of KShs. 134.238 million in the previous year.

"10% Annual Rate of Return achieved in 2016"

The Board has a firm focus to maintain an appropriate balance between maximizing the long-term return on investments notwithstanding short-term volatility. As such, the Scheme has enhanced investment in property, currently with a value of KShs. 4.8 billion, as a measure to mitigate the Scheme against the risks associated with reduced economic activity directly affecting the financial environment where the Scheme has 40% of its investments.

Review of the Actuarial Valuation

As is the requirement of the Retirement Benefits Act 1997 and the Income Tax (Retirement Benefits) Rules 1994, the Scheme Actuary usually carries out an actuarial valuation after every three years to ascertain the financial position of the Scheme. We wish to confirm the valuation is currently been undertaken as at 31st December 2016 and shall guide the sponsor and the members on its outcome.

Strategic Direction

The Board has consistently delivered its mandate of giving high and consistent returns to guarantee members' benefits. Its focus is also in diversifying its investment strategy to new securities such as private equity. The Board also upholds continuous improvement in technology which has seen communication platforms such as the Scheme website become more interactive.

Pension Industry and Regulatory Changes

With regard to changes on the regulations, there was a major development on The Public Procurement and Asset Disposal Act, 2015 which came into effect on January 7th, 2016. The said Act under Part I, Section 2 (o) now includes a pension fund as a "Public Entity". This thus places KenGen SRBS as being a "Procuring Entity" under this Act. The Scheme is in the process of implementing the requirements of the Act in order to be compliant.

Another key development on the Finance bill 2016 is the harmonization of taxation rates for pension schemes with the individual rates of taxation. The effect is that members shall pay lower taxes on their benefits. The effective date for this regulation coming to law is 1st January, 2018.

Schemes have now been granted more initiative to invest in non-traditional investment instruments such as Real Estate Investment Trusts (REITs) given the waiver to pay VAT while transferring scheme assets into REITS and asset backed securities (ABS).

Corporate Governance

Enhancing corporate governance is one of the Scheme's key objectives. We have adopted various corporate governance principles that include being accountable to the sponsor, our members, and other stakeholders. As a corporate governance measure, all trustees have been trained on governance practices and are also offered continuous development through trainings on leadership, management and investment of scheme assets.

Changes in the Board

There was a change in the composition of the Board of Trustees in 2017. The Board would like to thank the outgoing trustees; Mr. George Muga, Mr. Henry Nyachae and Mrs. Ziporah Ndegwa for their invaluable contribution during their tenure as they exit with effect from 31st may 2017. The Board also welcomes the newly appointed trustees: Mr. Joseph Sitati, Mr. Yaola Kizito and Ms. Mary Maalu. The new trustees bring in a new mix of skills and experience to help bolster the professional framework of the Board.

The term for Mr. Sospeter Mbogo, pensioner's elected-trustee, has also come to an end and elections were held. The new pensioner elected-trustee is Mr. Patrick Kimemia.

Conclusion

Looking forward, I am confident that we have the strategy, human capital and resources to deliver high returns. I wish to express gratitude to the members for their contributions towards the Scheme, the Sponsor for its continued support, the Trust Secretary and his team who have worked relentlessly towards the administration of members' benefits and the stakeholders of the Scheme who have also played an important role in the Scheme performance. Lastly, I would like to thank my colleagues in the Board for their dedication in managing the Scheme and their efforts to continually improve its performance.

Thank you.

Ziporah Ndegwa
Chairperson, Board of Trustees
KenGen Staff Retirement Benefits Scheme

"Aging is not an option. We have a choice on how to but not when to! In retirement saving, you are just making a choice on how to age which will greatly affect the quality of life in retirement. Do something today that your future self will thank you for!"

Today, the Board reaffirms our Vision of providing "..*expeditious and consistent benefits to members by prudently investing members' contribution and Scheme assets*". In the year 2016, the Scheme gave impressive annual results as a result of our continued focus on the three pillars: portfolio management, customer service and enhancing operational excellence

Operational Efficiencies and Scheme at Competitive Edge

We continue to ensure our members and the beneficiaries are paid their benefits in a timely manner while at the same time improve our digital space to enhance communication to members. As you may note, members have received updates from the Scheme, in a timely manner, either through mobile phone alerts or an email. The Scheme website is now more interactive than ever before and we welcome you for a visit at www.kengensrbs.co.ke

We will also work to place the KenGen Staff Retirement Benefits Scheme at a competitive edge with other Pension Schemes. As such, the Scheme has made an application to participate in various industry awards in order to benchmark our systems, processes and performance with our peers.

Strategic Priorities

In line with the guiding pillar on portfolio management, the Board's strategy is to make purposeful portfolio moves to enhance fund's liquidity. The aim is to shift property exposure currently at 62% to other financial investment instruments. Toward meeting this goal, the Board is selling Rosslyn Springs town houses, which shall reduce property holding in the Scheme to approximately 40% of the total fund.
Nonetheless, the current exposure to property investments provides the Scheme with a cushion from volatile markets associated with the financial markets.

In 2017 we are focused on stronger revenue growth and improved profitability. This is evident following the successful sign off of lease agreements with KenGen and KenGen Foundation for the office space and restaurant space on KenGen Pension Plaza 2 respectively. We are looking forward to competitively lease additional space for purposes of the gymnasium and Health Facility.

Outlook

The Scheme will remain focused on achieving its strategic objectives of obtaining an investment return of 5% above the rate of inflation. The Board is also keen to implement an effective performance appraisal and a monitoring and evaluation system for the Scheme and key parties. With the benefit of having a robust strategy, the Scheme remains optimistic about the year 2017.

During 2017, our goals will include maximizing investment returns through investment in alternative investments; enhancing customer service delivery through regular member education.

Appreciation to Stakeholders

I take this opportunity to thank the Board of Trustees for their continued support and guidance as well as the stakeholders for their contributions in service delivery to the Fund.

We want you to know that KenGen Staff Retirement Scheme is indeed secure and stable.

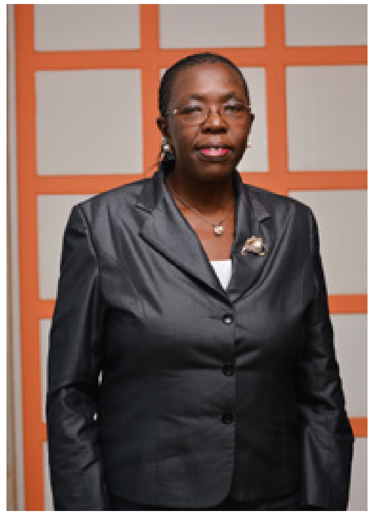
Thank you.

Josphat Muriuki
CEO & Trust Secretary
KenGen Staff Retirement Benefits Scheme

“To provide expeditious and consistent benefits to members by prudently investing members’ contribution and Scheme assets”

Our MISSION

BOARD OF TRUSTEES



She was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme in 2014 as a sponsor appointed trustee. She is the Chairperson of the DB Scheme. She is also a trustee of KenGen Defined Contribution (DC) Scheme 2012. She also serves as the Chairperson of the Administration & legal committee in the DC Scheme. She holds a Bachelors in law and a Diploma in legal Practice.
She is a member LSK and Christian Lawyers Fellowship. She is currently a Non-Executive Director on the KenGen Board.

Ziporah Ndegwa - Chairperson

He was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme in 2014 as a sponsor appointed trustee. He is also a trustee for KenGen Defined Contribution (DC) Scheme 2012.He holds BSC (Hons) Electrical Engineering, MBA (strategic Management). He is currently the Chief Executive Officer & Managing Director of Kenya Electricity Generating Company.

Albert Mugo - Trustee

She was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme on in 2014 as a sponsor appointed trustee. She is a member of the Audit & Risk Committee and a member of Projects Implementation Team, Procurement & tender Committee and the Administration & legal committee. She is a trustee of KenGen Defined Contribution (DC) Scheme 2012 and the Chairperson of its Audit & Risk Committee and a member of Administration & Legal in the DC scheme. She holds a LLB (Hons) Dip in Law, PGDIP Comparative law, CPS (K). She is currently the Company Secretary and Legal Affairs Director of Kenya Electricity Generating Company.

Rebecca Miano - Trustee

He was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme on 1st January, 2006 as a member elected trustee. He is the Chairman of the Finance & Investment Committee, Projects Implementation Team and the Board of Trustees for the KenGen Defined Contribution (DC) Scheme. He is a member of the Procurement & tender Committee and the Administration & legal committee. He holds a Master of Arts (MA) in Labour Management Relations, Bachelor of Arts(B.A) Degree (Hons). He is the General Secretary of the Kenya Electrical Trades & Allied Workers Union (KETAWU) a position he has held for the past 13 years. He is well versed in energy, human resources and labour matters, having worked for Kenya Electricity Generating company Limited and Kenya Power for 16 years. He is also the Chairman of Kenya Power Pension fund (DC Scheme) and a Trustee of Kenya Power Pension Fund (DB Scheme) He is the 1st Assistant Secretary General for Central Organization of Trade Union (COTU-K) and the Gazetted Vice Chairman of The National Industrial Training Authority (NITA). He is also the Chairman of The National Industrial Training Authority Retirement Pension Scheme. In addition he is the Chairman of Tom Mboya Labour College, Kisumu and a founder Board member of Kenya National Qualification Framework Authority . He is a Certified Pension Fund Trustee.

Ernest Nadome - Trustee

He has diverse experience of 35 years in the energy sector having been employed by East African Power in 1981 then KPLC and thereafter KenGen whereby he has served in various capacities in the Finance Department and other assignments which include Committee Member, Stima Plaza Area Tender and Member of staff subcommittee of the Board. He was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme in 2014 as a sponsor appointed trustee. He is the Chairperson of Audit & Risk Committee. He is a member of the Finance & Investment, Project Implementation Team & Tender Committee for the DB scheme and a member of administration & Legal Committee of the DC scheme.He holds Bachelor of Commerce (Accounting Option) and he is a Certified Public Accountant CPA (K)He is currently the Finance Manager with KenGen, Stima Plaza.

Henry Nyachae - Trustee

He has an experience of 34 years in the energy sector having been employed by East African Power in 1982 then KPLC and thereafter KenGen. He has been a union leader since 2003 whereby he has been the National Treasurer for KETAWU. He is also the Team leader in Negotiations & Central Joint Council. He has been a member elected Trustees of KenGen Staff Retirement Benefits Scheme since 2009 and a trustee of KenGen Defined Contribution (DC) Scheme 2012 since 2012. He is a member of Finance & investment Committee and Audit & Risk Committee. He is currently an Assistant Foreman at KenGen Olkaria and a Change Agent.

Peter Mutemi - Trustee

He was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme in 2013 as a pensioners' elected trustee. He is the Chairman of the tender and procurement committee, a member of the administration and legal and Audit and Risks committee. He was the projects Manager 2001 – 2008, Projects Co-coordinator 2009 – 2012 in Kenya Electricity Generating Company Limited, Chairman of St. Stephen High School Kavutiri, Embu in 2012, a board member of Kiambu Institute of Science & Technology in 2013 and a panelist members of interview panel for Mechanical Engineers- Institution of Engineers of Kenya. He holds Bachelors of Science Mechanical Engineering, Higher Diploma in Industrial organization, MA (missiology), a registered engineer and a member of the Institute of Engineers of Kenya. He is an ordained priest of the Anglican Church of Kenya since 2004 and currently the Vicar in charge of St. Paul's Parish Kiambu.

Sospeter Mbogo - Trustee

He has extensive experience in the Human Resources industry having worked in both private and public sectors in various capacities. He was appointed to the Board of Trustees of KenGen Staff Retirement Benefits Scheme in 2014 as a sponsor nominated trustee. He is the Chairperson of Administration & legal committee in the DB Scheme. He is also a member of other committees of the board which include Projects Implementation Team, Audit & Risk as well as the Tender Committee. He holds a bachelor of Arts from Nairobi University and he is a Trained Executive Coach. He is currently the Human Resources & Administration Director with KenGen.

Abraham Serem - Trustee

He was appointed Chief Executive Officer and Trust Secretary in 2016.He holds a Master of Business Administration (MBA-Finance) and Bachelor's Degree in Applied Statistics (Actuarial Science). He is a Certified Investment and Financial Analyst (CIFA), a Certified Information and Security Auditor (CISA) and a Certified Pensions Trustee (CPT). He is a student at Jomo Kenyatta University of Agriculture and Technology pursuing PhD in Leadership & Governance. He has wide experience in Pensions, Finance, Accounting, Information Audit and Investments spanning over 10 years having previously worked as the Pensions Administration Manager with Liaison Group (I.B) Ltd a leading Risk, Insurance, Pensions and Investments Consultancy in Eastern Africa. He is a member of Institute of Certified Investment and Financial Analysts of Kenya (ICIFA) and Information Systems Audit & Control Association – Kenya (ISACA - K).

Josphat Muriuki - Trust secretary

Financial Review

The statement of changes in net assets available for benefits on page 24 shows an increase in the net assets of the Scheme for the year of Shs 514,350,000 (2015: Decrease of Shs 134,238,000) and the net assets statement on page 25 shows the Scheme's net assets as Shs 7,862,225,000 (2015: Shs 7,347,875,000).

Investment of funds

Under the terms of their appointment, Co-op Trust Investment Services Limited and British American Asset Managers were responsible for the investment of available funds. They are not responsible for investment in properties, which are managed in- house.

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

Auditor

PricewaterhouseCoopers continue in office in accordance with the Retirement Benefit Act.

For the Trustees

Ziporah Ndegwa
Chairperson

The Kenyan Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Scheme at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Scheme keeps proper accounting records that are sufficient to show and explain the transactions of the Scheme; disclose with reasonable accuracy at any time the financial position of the Scheme; and that enables them to prepare financial statements of the Scheme that comply with prescribed financial reporting standards and the requirements of the Kenyan Retirement Benefits Act. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Retirement Benefits Act. They also accept responsibility for:

- Designing, implementing and maintaining internal controls as they find necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- Selecting suitable accounting policies and then apply them consistently; and
- Making judgments and accounting estimates that are reasonable in the circumstances

In preparing the financial statements, the Trustees have assessed the Scheme's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. 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 responsibility.

Approved by the board of Trustees on 23rd March 2017 and signed on its behalf by:

Ziporah Ndegwa
Chairperson

Josphat Muriuki
Trust Secretary

Management

SEATED FROM RIGHT
Josphat Muriuki - Trust Secretary, Hannah Nguhi - Investment Officer, Jane Namnyak - Office Assistant, Purity Kamau - Pensions Officer, Gloria Kikete - Finance Officer

STANDING FROM LEFT
Albert Moturi - Assistant Pension Officer, Anthony Mang'eli - Property Officer, Peter Miano - ICT Officer, Rashid Kanyua - Assistant Finance Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENGEN STAFF RETIREMENT BENEFITS SCHEME

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of KenGen Staff Retirement Benefits Scheme (the "Scheme") set out on pages 24 to 41 which comprise the statement of net assets available for benefits at 31st December 2016 and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of a significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of KenGen Staff Retirement Benefits Scheme at 31st December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Fund 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 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 information included in the annual report 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 identified above 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 on the other information, 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 the Trustees for the financial statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits (Occupational Retirements Benefits Schemes) Regulations 2000, and for such internal controls as the Trustees determine 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 have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Scheme's financial reporting process.

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 judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter Ngahu - P/No 1458.

Certified Public Accountants ***31st March 2017***
Nairobi

KenGen
Rosslyn Springs

"Surrounded by the Gigiri Forest and protected by a secure wall, is Rosslyn Springs, a unique development of 4 bedroom townhouses with 3 distinctive concepts."

Statement of changes in net assets available for benefits

	Notes	2016 Shs'000	2015 Shs'000
Income from dealings with members			
Contributions received	5	61,858	63,062
Outgoings from dealings with members			
Benefits payable:- pensioners		(170,265)	(139,706)
- leavers		(158,687)	(109,621)
		(328,952)	(249,327)
Net additions from dealings with members		(267,094)	(186,265)
Returns on investments			
Investment income	6	487,176	540,244
Change in fair value of investment property	7	447,618	(57,949)
Change in fair value of financial assets	8	(25,714)	(336,032)
Impairment of investments	8	(38,563)	(15,000)
Less: Investment management expenses	9	(8,151)	(10,225)
Net returns on investments		862,366	121,038
Administrative expenses	10	(80,922)	(69,011)
Increase /(decrease) in net assets for the year		514,350	(134,238)
Net assets available for benefits at start of year		7,347,875	7,482,113
Net assets available for benefits at end of year		**7,862,225**	**7,347,875**

Statement of net assets available for benefits

	Notes	2016 Shs'000	2015 Shs'000
Assets			
Investment property	7	5,166,255	4,853,029
Other investments	8	2,271,591	2,178,315
Intangible assets		7,922	7,671
Computers		5,291	4,953
Other receivables and accrued income	11	528,057	285,412
Cash at bank	13	44,367	81,048
Total assets		8,023,483	7,410,428
Less: liabilities			
Benefits payable		14,668	24,350
Other payables and accrued expenses	12	146,590	38,203
Total liabilities		161,258	62,553
Net assets available for benefits		**7,862,225**	**7,347,875**

The financial statements on pages 24 to 41 were approved for issue by the Trustees on the 23rd March 2017 and signed on their behalf by:

Ziporah Ndegwa
Chairperson

Josphat Muriuki
Trust Secretary

Statement of cash flows

	Notes	2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
Contributions received		61,858	63,062
Benefits paid		(338,634)	(246,374)
Administrative expenses		(68,313)	(87,262)
Receivable from KenGen Company		(242,462)	(264,165)
Income tax paid		-	(24,986)
Net cash used in operating activities		(587,551)	(559,725)
Investing activities			
Investment income received		487,308	545,234
Interest on Partitioning works		93,767	-
Investment management expenses paid		(6,142)	(14,464)
Purchase of investments		(440,749)	(313,042)
Proceeds from sale of investments		322,014	656,894
Purchase of intangible assets		(252)	(2,021)
Purchase of computer		(338)	-
Purchase of investment property	7	(19,908)	(437,550)
Proceeds from sale of Property	7	154,300	-
Net cash generated from investing activities		590,000	435,051
Increase /(decrease) in cash and cash equivalents		2,451	(124,674)
Movement in cash and cash equivalents			
At start of year		164,508	289,182
Increase /(decrease) in cash and cash equivalents		2,451	(124,674)
At end of year	13	**166,959**	**164,508**

Notes

1.General Information

KenGen Staff Retirement Benefit Scheme is a scheme domiciled in Kenya under the Retirement Benefit Act.

For the Retirement Benefit Act reporting purposes, in these financial statements the balance sheet is represented by the statement of net assets available for benefits.

2.Summary of 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 years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards, the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of Trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the actuary and these financial statements should be read in conjunction with it. The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

(b)Changes in accounting policy and disclosures

The following standards and amendments have been applied by the Scheme for the first time for the financial year beginning 1st January 2016:

(i) New and amended standards adopted by the Scheme

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1st January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Scheme, except the following set out below

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted.

The Scheme is yet to assess IFRS 9's full impact.
Disclosure Initiative – Amendments to IAS 7; Effective 1st January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. draw-downs and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a, net debt, reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Scheme.2 Summary of significant accounting policies (continued)

(c)Foreign currency translation

(i) Functional and presentation currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Scheme operates (the "functional currency"). The financial statements are presented in Kenya Shillings (Shs) rounded to the nearest thousand which is the Scheme's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Currency at rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets available for benefits.

(d)Contributions receivable

Current service and other contributions are accounted for in the period in which they fall due.

(e)Benefits payable

Pensions and other benefits payable are taken into account in the period in which they fall due.

(f)Income from investments

(i)Interest income is recognised on a time-proportion basis for all interest bearing instruments using the effective yield method. Interest income includes coupons earned on fixed income investments and accrued discount 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.

(iii)Rental income is recognised in the period in which it is earned

(g)Investment properties

Properties such as land and buildings and parts of buildings that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties.
Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Scheme and the cost can be reliably measured. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and exclude the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the balance sheet date.

Gains and losses arising from the changes in the fair value of investment properties are included in the statement of changes in net assets available for benefit in the year in which they arise. Subsequent expenditure is included in the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the statement of changes in net assets available for benefits during the year in which they are included.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of changes in net assets available for benefits.

(h)Financial assets at fair value through profit or loss.

All purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date, which is the date the Scheme commits to purchase or sell the asset.

Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all risks and rewards of ownership.

All changes in the fair value arising on investments are recognised in the statement of changes in net assets available for benefits.

The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Trustees establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

Financial assets carried as loans and receivables

Fixed deposits are however carried at amortised cost.

(i)Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

3.Critical accounting estimates and judgements

(i)Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In particular, critical estimates are made by the Trustees in determining the fair values of investments that are not traded in an active market and investment properties. Fair value estimation of financial assets at fair value through profit or loss. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

(ii)Fair value of investment properties

Management estimates the fair value of investment properties by using open market value

4.Financial risk management objectives and policies

The Scheme's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates, interest rates, and market prices of equities. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Scheme does not hedge any risks.

Risk management is carried out by the investment manager under policies and guidelines approved by the Trustees.

Market risk

(i) Foreign exchange risk

The Scheme is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to offshore fixed and time deposits denominated in US dollars and South African Rand. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily by setting limits on the percentage of net assets available for benefits that may be invested in such deposits.

At 31st December 2016, if the Shilling had strengthened/ weakened by 10% against the US dollar with all other variables held constant, the increase in net assets available for benefits for the year would have been NIL (full provision on offshore) (2015: Shs 4,170,580) higher/lower, mainly as a result of US dollar denominated investment.

(ii) Cash flow and fair value interest rate risk

The Scheme's interest bearing assets include corporate bonds and bank deposits which are at fixed interest rates and hence not subject to interest rate risk. The Scheme has no interest bearing liabilities.

Holding all other factors constant, the impact of a 10% change in the effective interest rate of investments in bonds would have increased/decreased the net assets available for benefits by Shs 147,254,000 (2015: Shs 129,880,000).

(iii) Other price risk

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

At 31st December 2016, if the prices of all equity investments had increased/decreased by 10% with all other variables held constant, the increase in net assets available for benefits for the year would have been Shs 43 million (2015: Shs 50 million) higher/ lower.

Credit risk

Credit risk arises from investments other than equity investments, contributions receivable, 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 of each investment, taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Trustees.

The amount that best represents the Scheme's maximum exposure to credit risk at 31st December 2016 is made up as follows:

	2016 Shs'000	2015 Shs'000
Kenya Government securities	1,472,548	1,297,880
Commercial paper and corporate bonds	287,736	296,428
Offshore investment and deposit	-	41,706
Local deposits	122,592	83,460
Other receivables	37,141	17,997
Cash at bank	44,367	81,048
	1,964,384	**1,818,519**

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

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The Trustees agree with the investment manager on the amount to be invested in assets that can be easily liquidated.

All financial liabilities apart from rent deposits at 31st December 2016 were payable within 90 days. Rent deposits are payable within 1 year.

Fair value estimation

The following table presents the Scheme's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 Shs'000	Level 2 Shs'000	Total Balance Shs'000
31 December 2016			
Financial assets	388,715	-	388,715
Quoted equities	1,472,548	-	1,472,548
Kenya Government securities	-	-	-
Offshore investments	-	-	-
Commercial Paper and corporate bonds		287,736	287,736
	1,861,263	**287,736**	**2,148,999**

	Level 1 Shs'000	Level 2 Shs'000	Total Balance Shs'000
31 December 2015			
Financial assets	458,841	-	458,841
Quoted equities	1,297,880	-	1,297,880
Kenya Government securities	41,706	-	41,706
Offshore investments	-	-	-
Commercial Paper and corporate bonds	-	296,428	296,428
	1,798,427	**296,428**	**2,094,855**

There were no transfers between levels 1 and 2 during the year

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Scheme is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NSE equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. 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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value;

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
There were no level 3 assets.

5.Contributions received

	2016 Shs'000	2015 Shs'000
From employer	41,241	41,931
From members	20,617	21,131
	61,858	**63,062**

In accordance with the recommendations of the actuary, contributions are made to the Scheme at the following rates; employees 10%, employer's normal 20%.

6.Investment income

	2016 Shs'000	2015 Shs'000
Rent receivable	270,114	246,537
Less: operating expenses	(76,151)	(84,050)
	193,963	**162,487**
Dividends receivable		
- quoted shares (Kenya)	22,008	27,517
Interest and discounts receivable		
- Kenya Government securities	170,745	166,780
- offshore government securities	-	2,730
- commercial paper and corporate bonds	35,503	42,253
- fixed and time deposits	3,731	16,883
- Treasury bills	2,219	-
Gain on disposal of shares	21,805	130,830
Gain on sale of Bonds	2,105	-
Loss on offshore	-	(10,616)
Other income	35,097	1,380
	487,176	**540,244**

7.Investment property

	2016 Shs'000	2015 Shs'000
At start of year	4,853,029	4,473,428
Additions	19,908	437,550
Disposal	(154,300)	-
Fair value gain /(loss)	447,618	(57,949)
At end of year	**5,166,255**	**4,853,029**

The Scheme's investment properties were revalued at 31st December 2016 by Gimco Limited, independent professionally qualified valuers. Valuations were based on current prices in an active market.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
At 31 December 2016 Investment property	-	**5,166,255**	**5,166,255**
At 31 December 2015 Investment property	-	**4,853,029**	**4,853,029**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

The Scheme leases out all its investment property under operating leases. The leases are for a maimum term of six years. The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2016 Shs'000	2015 Shs'000
Not later than one year	**269,954**	**246,537**

8.Other investments

Year ended 31st December 2016	*Value at 1.1.2016* Shs'000	*Purchases at cost* Shs'000	*Sales at carrying value* Shs'000	*Change in fair value* Shs'000	*Impairment charge* Shs'000	*Value at 31.12.2016* Shs'000
Quoted shares (Kenya)	458,841	92,412	(90,287)	(72,251)	-	388,715
Offshore deposits and investments	41,706	-	-	(3,143)	(38,563)	-
Kenya government securities	1,297,880	348,337	(216,552)	42,883	-	1,472,548
Commercial paper and corporate bonds	296,428	-	(15,174)	6,482	-	287,736
Local deposits	83,460	659,090	(620,273)	315	-	122,592
	2,178,315	**1,099,839**	**(942,286)**	**(25,714)**	**(38,563)**	**2,271,591**

Year ended 31st December 2015	*Value at 1.1.2015* Shs'000	*Purchases at cost* Shs'000	*Sales at carrying value* Shs'000	*Change in fair value* Shs'000	*Impairment charge* Shs'000	*Value at 31.12.2015* Shs'000
Quoted shares (Kenya)	801,680	73,218	(203,457)	(212,600)	-	458,841
Offshore deposits and investments	71,006	-	(36,484)	7,184	-	41,706
Kenya government securities	1,566,835	204,817	(362,239)	(111,533)	-	1,297,880
Commercial paper and corporate bonds	350,218	35,007	(54,714)	(19,083)	(15,000)	296,428
Local deposits 83,460	220,079	1,579,363	(1,715,982)	-	-	83,460
	3,009,818	**1,892,405**	**(2,372,876)**	**(336,032)**	**(15,000)**	**2,178,315**

The Scheme does not hold any single investment exceeding 5% of the net assets of the Scheme except for:

	2016 %	2015 %
Kenya government securities	19	19
Quoted shares (Kenya)	5	7
Investment property	66	67

The Scheme does not hold any single investment exceeding 5% of the respective class or type except for:

	2016 %	2015 %
Safaricom	26	23
Kenya Commercial Bank	8	11
Equity	6	8
Cooperative Bank	6	7
Kenya Power	3	7
Standard Chartered Bank	2	4
Kenya Oil Company K	5	5
East African Breweries	9	5
Diamond Trust of Kenya	4	5

9.Investment management expenses

	2016 Shs'000	2015 Shs'000
Investment managers	5,521	4,347
Custodian	2,630	5,878
	8,151	**10,225**

10.Administrative expenses

	2016 Shs'000	2015 Shs'000
Administrator's fees	2,101	2,163
Actuarial fees	3,654	1,897
Audit fees	1,800	1,800
RBA levy	5,000	5,000
Annual General Meeting expenses	1,488	1,641
Trustees' expenses	13,703	11,695
Training expenses	7,843	8,652
Salary and wages	26,649	20,354
Consultancy fees	1,979	2,828
Other administrative expenses	16,705	12,981
	80,922	**69,011**

11.Other receivables and accrued income

Dividends receivable	1,460	1,646
Prepayments	3,179	3,251
Due from KenGen Defined Contribution (DC) scheme 2012	23,080	14,177
Rent receivable	12,492	2,173
Due from KenGen Company Limited (Note 16)	457,846	264,165
Balance on Purchase of house No 13-Rosslyn	30,000	-
	528,057	**285,412**

12.Other payables and accrued expenses

	2016 Shs'000	2015 Shs'000
Accrued expenses	42,000	31,302
Rent deposits	9,152	6,901
Other Payables	95,438	-
	146,590	**38,203**

NB- Out of other payables Ksh 93m is interest on partitioning work.

13.Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2016 Shs'000	2015 Shs'000
Cash at bank	44,367	81,048
Fixed and time deposits	122,592	83,460
	166,959	**164,508**

14.Tax Status of the Scheme

KenGen Retirement Benefits Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income to the extent allowable.
Investment income earned from investing the accumulated funds arising from the employer and employee's contributions that are in excess of the statutory limit are subject to tax using the statutory income tax rate.

15.Contingent assets and liabilities

(i) Contingent assets
Trustees have made a claim against one of its property managers for breach of an agreement and potential recovery of Shs 166 million of the Scheme assets. The outcome of this will be dependent on the decisions made from the available legal avenues.
(ii) Contingent liabilities
In 2014, the Scheme received a tax assessment for principal corporation tax which after discussions with the KRA has come to an indicative amount of Shs 15m for the period 2009 to 2014. The Scheme is engaging the KRA further to sign the consent. No provisions have been made in these financial statements as the Scheme considers the matter not concluded.

16.Related party transactions

Related parties comprise the Trustees, the sponsoring company and companies which are related to these parties through common shareholding or common directorships.
In addition to amount due from KenGen Defined Contribution (DC) Scheme 2012 and KenGen Company (Note 11) and contributions received (Note 5) the following transactions were carried out with related parties during the year:

	2016 Shs'000	2015 Shs'000
Rent receivable	193,964	162,487
Included in net assets at the year-end are:		
- Quoted shares held in the sponsor company	18,497	29,960
- KenGen infrastructure bond	39,120	50,876
-Due from KenGen Company Limited	457,556	264,165

NOTES

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