

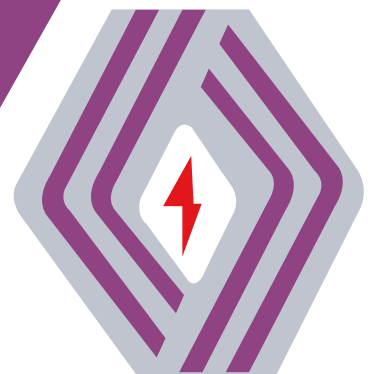
2022



ANNUAL REPORT

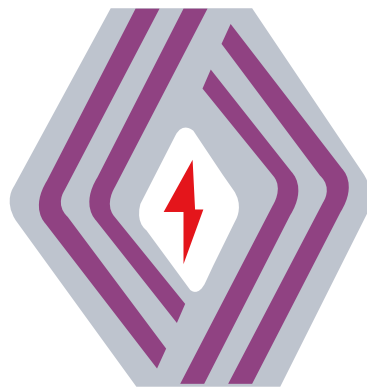
AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2021**



KenGen
**Staff Retirement
Benefits Scheme**

www.kengensrbs.co.ke



KenGen
Staff Retirement
Benefits Scheme





Mission

To deliver on its commitments through prudent investments.



Vision

To be a leading DB Scheme in the region that provides best-in-class service to its members.



Core Values

Customer focus

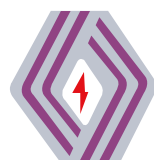
Quality first as we strive to meet our customer's expectation.

Integrity

Acting ethically in every endeavor.

Innovation

Foster Creativity & Innovation.



KenGen
Staff Retirement
Benefits Scheme

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KenGen Staff Retirement Benefits Scheme (DB Scheme) will be held at Sondu Power Station, Football Field and streamed via Zoom **on 15th July 2022** from **10:00 AM to 11:00 AM**.

THE AGENDA OF THE MEETING WILL BE:

- ✓ To read the Notice Convening the Meeting.
- ✓ To receive the Chairman's Report.
- ✓ To receive the Fund Managers' Reports.
- ✓ To receive the Custodial Report.
- ✓ To receive the Administrator's Report.
- ✓ To receive the Scheme's audited financial statements for the period ended 31st December, 2021 together with the Auditors' Report thereon.
- ✓ To receive RBA's remarks.
- ✓ Plenary Session.
- ✓ Any Other Business.
- ✓ Closing Remarks.

This will be a Hybrid AGM. Members from Western Hydros Region will attend physically and all other members will join virtually.

By Order of the Board

Josphat Muriuki
CEO & Trust Secretary
15th June 2022

For any queries you may:

- ✉ Email us on info@kengensrbs.co.ke
- ☎ Call us on 0711 036 962 / 32 www.kengensrbs.co.ke
- 📘 KenGenSRBS [@KenGensrbs](https://www.facebook.com/KenGenSRBS) [@KenGenSRBS](https://www.youtube.com/KenGenSRBS)
- P.O Box 47936 – 00100, Nairobi, Kenya

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KenGen Pension Plaza II

**OUR
BUSINESS**



ABOUT THE SCHEME

The Defined Benefits (DB) Scheme is an occupational Scheme of KenGen staff and has 1,081 members with a fund value of Kshs. 8.2B. The DB Scheme was established under irrevocable Trust Deed and Rules and commenced operations on 1st January 2000. The objective of the DB Scheme is the “provision of retirement benefits to employees of the Sponsor and the participating employers upon their retirement or earlier withdrawal and to the dependents of deceased members” as provided in the Trust Deed of the Scheme. The DB Scheme was closed to new members on 31st December 2011.

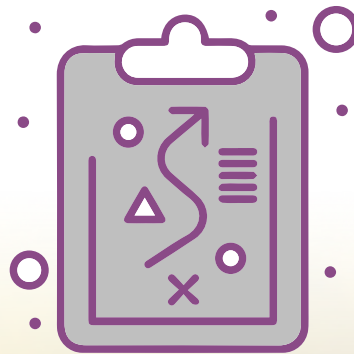


1,081
members



Kshs. 8.2B
Fund Value

Formulation of the
strategic Plan
2019-2028

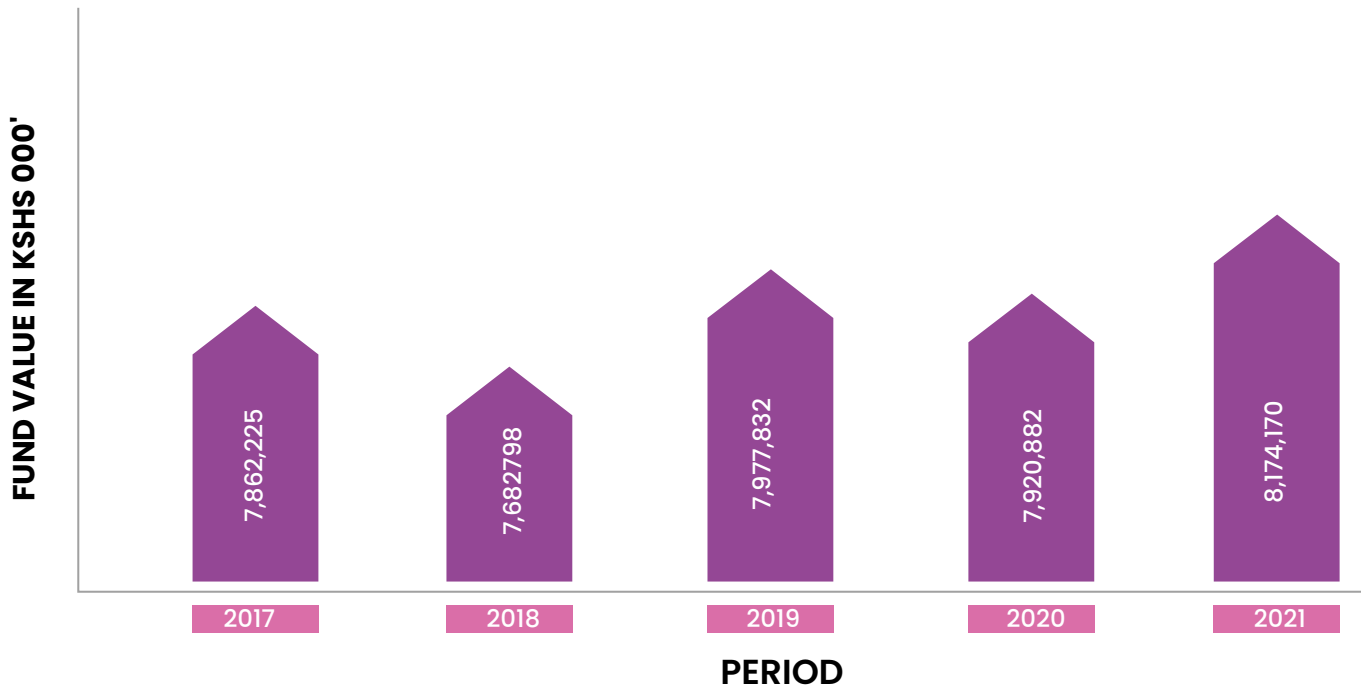


2019-2028



SCHEME HIGHLIGHTS

Fund Value Movement Kshs'000'



Increase(Decrease) in Net Assets Kshs '000'



TRUSTEES, ADVISORS & OTHER INFORMATION

TRUSTEES

Joseph Sitati – Chairman
Ernest N Nadome
Rebecca Miano
Peter Mutemi
Abraham Serem
Mary Maalu
Patrick Kimemia
Elizabeth Njenga
Josphat Muriuki- Trust Secretary



ADMINISTRATOR

Zamara Actuaries, Administrators & Consultants Limited
Landmark Plaza
P.O Box 52439 – 00200
Nairobi



INVESTMENT MANAGERS

British- American Asset Managers
British- American Centre
Mara & Ragati Road Junctions
P O Box 30375 – 00100
Nairobi

Co-op Trust Investment Services Ltd
Co-operative Bank House
P O Box 48231 – 00200
Nairobi



CUSTODIAN

NCBA Bank Ltd
NCBA House
P O Box 44599 – 00100
Nairobi



AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road,
Westlands
Nairobi, Kenya
P.O Box 43963 – 00100
Nairobi



BANKERS

NCBA Bank Ltd
NCBA House
P O Box 44599 – 00100
Nairobi

Co-operative Bank of Kenya Ltd
Co-operative Bank House
P O Box 48231 – 00100
Nairobi



REGISTERED OFFICE

KenGen Pension Plaza 2
Kolobot Road, Parklands
P.O Box 1811– 00606
Sarit Centre
Nairobi



2019

STRATEGIC PLAN

2028



Align Investment to Scheme Liabilities

- The Board is diversifying the investments into more liquid asset classes that provide high return.
- The DB is still on track to full funding.



Improve Member Services and Cost Management

- Members have been engaged and the member education exercises have been done.
- The Scheme has continued to pro-actively reduce costs.
- Operational efficiency and effectiveness has been improved through the ERP.



Optimize Human Resource and Governance Functions

- The Board is engaged, well-trained and active.
- A high integrity and unified organization.
- Uphold good corporate governance standards.
- Highly motivated staff.



Scheme GOVERNANCE



BOARD OF TRUSTEES



He was appointed to the Board of Trustees in 2017 as a Sponsor appointed Trustee. He is the Chairman of the DB Scheme. He holds a BSc (Mechanical Engineering) from the University of Nairobi. He is a Fellow of the Association of Chartered Certified Accountant and is a Certified Information Systems Auditor. He has attended various professional development training programs. He has served as the Group Chief Financial Officer at Abacus Pharma (A) Limited, Chief Finance and Administration Officer at Deacons Limited Nairobi, Commercial Finance Manager-Central East & West Africa Business Unit at Coca-Cola Nairobi, Group Finance Director at Old Mutual Group Nairobi and Finance Manager at Shell BP Kenya Limited among other positions. He brings a wealth of experience in investments and finance. He is a Non-Executive Director on the KenGen Board. He is currently the Chief Finance Officer with Mastermind Tobacco Kenya Ltd.

Joseph Sitati
Chairman

She was appointed to the Board of Trustees in 2017 as a Sponsor appointed Trustee. She is a member of Investment & Strategy Committee and Administration & Communication Committee. She holds a Bachelor of Laws (LLB) Degree, a Diploma in Law and Postgraduate studies in Comparative Law. In 2010, she completed the Advanced Management Program from Strathmore University. She is a registered Certified Public Secretary of Kenya and is a Member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and the Law Society of Kenya (LSK). She has attended various leadership and business programs over her career. Additionally, she is a Commissioner of Oaths (Since 2001), a Notary Public (since 2003) and a finalist of the Chartered Arbitrators. She won the Company Secretary of the Year award in the Champions of Governance Awards 2010 series. She is currently the MD and CEO of KenGen PLC.



Rebecca Miano MBS
Trustee



He was appointed to the Board of Trustees in 2017 as a member elected trustee. He is the Chairman of the Investment & Strategy Committee and a member of Administration & Communication Committee. He holds a Master of Arts (MA) in Labour Management Relations, Bachelor of Arts (B.A) Degree (Hons). He is well versed in energy, human resources and labour matters, having worked for The Kenya Power and Lighting Company PLC and KenGen PLC for 17 years. He is the General Secretary of the Kenya Electrical Trades & Allied Workers Union (KETAWU) a position he has held for the past 17yrs.

Ernest Nadome
Trustee



Mr. Abraham Serem was appointed to the Board of Trustees in 2016 as a Sponsor nominated Trustee. He is the Chairman of Administration & Communication Committee and a member of Audit & Risk Management Committee. He is a seasoned human resource practitioner with vast experience both in Kenya and East Africa. He holds a Bachelor of Arts degree from the University of Nairobi. His other professional qualifications include: Higher National Diploma in Human Resource Management and a Diploma in Intermediate Executive Coaching from the Academy of Executive Coaching. He is a member of the Institute of Human Resource Management. Prior experience includes: Heineken East Africa Ltd where he held the position of HR Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions. He is currently the General Manager, Human Resources & Administration with KenGen PLC.

Abraham Serem Trustee

She was appointed to the Board of Trustees in 2017 as a Sponsor appointed Trustee. She is the Chairperson of the Audit & Risk Management Committee and a member of the Investment & Strategy Committee. She is a finance expert with extensive experience in Audit, Financial Management and Corporate Finance. She holds Master of Business Administration (MBA) and Bachelor of Commerce (B.Com) degrees from the University of Nairobi. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She also holds a Certificate in Senior Leadership Management Programme (SLMP) from Strathmore University and a Certificate in Utility Regulation and Strategy from University of Florida. Prior experience includes: Ernst & Young where she held the position of Assistant Manager Audit, Kenya Airways where she held several Management positions including: Manager Credit Control, Manager Outstations and Manager Treasury. She is currently the General Manager, Corporate & Regulatory Services with KenGen PLC.

Mary Maalu Trustee



He was re-elected to the Board of Trustees on 30th July 2020 as a Pensioners' Elected Trustee. He is a member of the Investment & Strategy Committee and Administration & Communication Committee. He is currently pursuing a PhD in Supply Chain Management, has a Masters of Science in Procurement and Logistic, BA in Economics. He is a certified CIPS, SQA, IFPSM. He is accredited in investment management and World Bank projects. He has over 34 years experience in supply chain management in the energy sector having retired from KenGen PLC as the Supply Chain Manager in 2014. He is a local and international supply chain management consultant.

Patrick Kimemia Trustee

She was appointed to the Board of Trustees in 2020 as a Sponsor Nominated Trustee. She is a member of the Investment & Strategy Committee and Audit & Risk Management Committee. She has over 15 years in strategic and project planning in the energy sector while working with KenGen in various positions, Elizabeth is a well skilled energy strategy & power projects planning expert. She is also an appraisal and financing expert with a keen interest in Public Policy. She holds a Master's Degree in Business Administration from the University of Nairobi, a Bachelor of Arts (Accounting & Economics) from Moi University and a Post graduate Diploma in Financial Management. She is a Certified Public Accountant of Kenya (CPA) K and is currently pursuing a Master's degree in Public Policy with Strathmore University. She was the Capital Planning and Public Private Partnership (PPP) Manager since 2014 and initially the Capital Planning and Strategy Manager between 2009 and 2014 with KenGen PLC. She is currently serving as the General Manager, Business Development with KenGen PLC.



Elizabeth Njenga
Trustee



He has over 34 years experience in the energy sector having been employed by East African Power in 1982 then KPLC and thereafter KenGen PLC. He has been a union leader since 2003 where he has been the National Treasurer for Kenya Electrical Trades & Allied Workers Union (KETAWU). He is also the Team leader in Negotiations & Central Joint Council. He was appointed to the Board of Trustees on 2017 as a Member Elected Trustee.

He is a member of Investment & Strategy Committee and Audit & Risk Management Committee. He is currently a Senior Assistant Lab Foreman II at KenGen Olkaria Power Station and a Change Agent.

Peter Mutemi
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 a PhD in Leadership & Governance. He has wide experience in Pensions, Finance, Accounting 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), The Chartered Institute for Securities & Investment (CISI) UK and Information Systems Audit & Control Association - Kenya (ISACA - K).

Josphat Muriuki
Trust Secretary





Joseph Sitati

Chairman – Board of Trustees

CHAIRMAN'S STATEMENT

Dear Members,

We are pleased to present the 22nd Annual Financial Report of KenGen Staff Retirement Benefits Scheme that covers the financial year ended December 31, 2021.

Operating Economic Environment

In the Year 2021, Kenya's economy expanded at 5% & 5.9%, according to World Bank & IMF estimates, respectively. This was a strong recovery from a growth of -0.3% in the previous fiscal year. The growth was supported by a continued recovery in most of the economic sectors. Also, Kenya's Covid-19 vaccination program picked up speed towards the end of the year, spurring rapid economic recovery. The year was marked with continued business optimism, largely driven by improved business on ease of Covid-19 measures and continued government spending on infrastructure.

Scheme Investments overview

The Scheme's Investment Portfolio is broadly diversified, holding investments ranging from publicly traded short-term & long-term government securities to real estate. The scale and breadth of investments make the management and oversight of these assets highly complex. The fund value increased by Kshs.253.2 million over the past 12 months, ending with a value of Kshs. 8.174 billion on December 31st, 2021. The Scheme's investments generated a net rate of return of 6.3% driven by strong performance across all markets.



The fund value increased by

Kshs.253.2 Million

over the past 12 months

Progress on full funding of the Defined Benefit Scheme.

Our primary goal is to ensure a financially sound Scheme for our members and beneficiaries. We remain focused on achieving full funding by June 2024.

The funding plan is a model of shared responsibility with the Sponsor and works with investment portfolio performance to advance us along the path of long-term sustainability.

While a gap remains between our current assets and the obligations facing the Scheme known as the unfunded actuarial obligation, or unfunded liability we continue to make progress toward reducing the funding shortfall. The Sponsor remitted contributions of Kshs. 0.5 billion towards deficit funding within the year 2021 bringing the amount paid to-date to Kshs. 1.236 billion, a 31.83% of the total deficit amount.

Board of Trustees

In accordance with the RBA Act and Scheme Rules and Regulations, the Board of Trustees is duly constituted. The names of the Scheme Trustees for the reporting period are shown on page 12-14 of this Annual Report.

Looking forward

As we take a leap into year 2022, the economic outlook remains positive; it is expected to expand at 4.7%, however at a slower rate than that of the previous period. There are various supportive factors to allow the economy to expand. We, however, remain cautious of the risks that include the geopolitical conflict between Russia & Ukraine, rising fuel prices and the resurgence of new variants of Covid-19 virus.

Another concern is that the business environment may be affected by increased political activity in the near term, but we remain optimistic that business activity will pick up after the conclusion of the elections.

We remain aware of uncertainties presented in the financial market, and that notwithstanding, we are set to accomplish our goals and objectives clearly laid out in our strategic plan. Members, the Board shall maintain a disciplined asset mix while constantly reviewing the same in addition to review of other actions that can reduce risks and costs across the Scheme.

Long-term value creation is the essence of our commitment. We remain committed to serving our members and ensuring the pension fund continues to pay promised pension benefits for this and future generations. We shall achieve this through our concerted effort.

Appreciation

I would like to thank my colleagues in the Board, the Sponsor, and the Secretariat. A word of an appreciation too to the regulator, RBA, Investment Managers, Administrator, Actuary, Custodian, Auditors, and all other professional consultants for your valuable services to the Scheme. You have been supportive to us as Board and to the Scheme, and as we take a glimpse at history, we can foretell the story ahead will be no different but one of stellar financial performance. Shukrani!



JOSEPH SITATI

Chairman – Board of Trustees



Josphat Muriuki

CEO & Trust Secretary

TRUST SECRETARY'S STATEMENT

To our Members, the Board of Trustees, and all Stakeholders

The 2021 Annual Financial Report issued by KenGen Staff Retirement Benefits Scheme details the performance for the fiscal year beginning January 1, 2021 and ended December 31, 2021.

Strategic Direction

In our 3rd year of implementing the Scheme's 10-year strategy, we continue to offer investment oversight of the Scheme with an aim to improve liquidity, increase returns and achieve a 100% funding level. Key to achieve acceptable liquidity levels is through reduction of property holdings. We continue to enhance liquidity of the Scheme through selective entry to new investments and through aggressive sale of property investments. As at the end of year 2021, we sold the remaining 4 units out of the 17 units at Rosslyn Springs development. The proceeds of sale are to be re-invested into liquid assets with potential to earn high yields.

Our Commitment to Sustainability

We have a duty to administer the Scheme with care, skill, prudence, and diligence, and we believe in a corporate environment that values sustainability is key. We demonstrate our commitment to sustainability as leaders in corporate governance through our robust risk management plan, by developing top-tier staff and professionals to meet the needs of our changing business environment, and by dedicating resources to increase our members' financial awareness. Major initiatives with significant impacts in areas of Benefits Administration and Customer Focus are summarized below.

Major initiatives

1. Internal Scheme Administration

We obtained an approval from the Retirements Benefits Authority (RBA) to provide internal administration to the Scheme with effect from 1st January 2022. Through this, we seek to enhance services to members and their

beneficiaries, gain long-term operational efficiencies; and improve internal controls. We have a quality Enterprise Resource Planning (ERP) system with modern functionality that meets our goals and the needs of our stakeholders. We also offer administration services to the Provident Fund (ex-Kenya Power employees) and Widows & Orphans accounts for our beneficiaries.

2. Helping Our Members build their Futures

Supplemental savings are essential. We dedicate resources to provide our members with retirement planning tools throughout their careers. We not only promote awareness of their Scheme benefits but also educate them on the importance of saving early through workshops offered at every career stage. Recognizing that accurate and complete reporting of member data is essential, we also partner with the Sponsor to continually update our records. In the last year, we ran a successful campaign for members to update their Nominated Beneficiaries.

If you may have missed out, kindly update through the KenGen HR or Scheme Secretariat Offices.

Risk management

We regularly review enterprise-level risks related to the accomplishment of our strategic goals and objectives, while considering internal and external factors that could be catalysts for emerging risks. The COVID-19 pandemic illustrated how our strong risk management plan allowed us to effectively execute our existing emergency business continuity plans to ensure core business functions—managing investments, consistent receipt of member contributions & actuarial deficit funds, and paying benefits—were maintained. We continue to work with an internal auditor to identify, assess and monitor risks that could cause significant downside erosion to Scheme investments and operations.

Awards & Recognition

Financial Reporting (FiRe) Award Year 2021 – Pensions Category

The Scheme won a 2nd Runner's Up award for exemplary performance on the Pensions category (Not-for-profit) financial reporting requirements. The FiRe award, a joint initiative of the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Market Authority (CMA) Kenya, and the Nairobi Securities Exchange (NSE) seeks to recognize promotion of Financial Reporting excellence, fostering of sound corporate governance practices and enhancing corporate investment and environmental reporting.

Gender Inclusion – Pension Schemes Category

In recognition of efforts to promote gender inclusivity, the Scheme won an Award by Pension Trustees and Administrators of Kenya (APTAK).

As our member, join us in celebrating this win.

Our appreciation

We believe we are all led to achieve a common goal – retirement security to our members. Thank you, all my colleagues at the Secretariat and to all our professional service providers. You have all offered a supportive framework towards achieving this. The Board of Trustees has provided us with leadership and guidance and believed us to execute their mandate. We say thank you. Finally, a big thank you, to our members, pensioners and beneficiaries for allowing us to help you build your retirement basket.



Josphat Muriuki
CEO & Trust Secretary



MANAGEMENT



SECRETARIAT

Billy Olick
Procurement
Officer

Josphat Muriuki
Chief Executive Officer and
Trust Secretary

Anthony Mang'eli
Senior Property Officer

Nicodemus Kiptoo
Senior Finance Officer



Evelyne Mwangi
Investment Analyst

Shalin Kyalo
Pensions Administration
Assistant

Purity Kamau
Senior Pensions
Administration Officer

Albert Anam
Pensions Administration
officer

Peter Miano
Senior ICT &
Database Officer

Lawrence Paschal
ICT Support Assistant

Francis Maina
Property Maintenance
Technician

Rashid Kanyua
Financial Accountant



Jane Namnyaki
Hospitality Assistant

Maryanne Muthuri
Admin/Office Assistant

Hannah Nguhi
Senior Investment
Officer

MANAGEMENT



Josphat Muriuki

Chief Executive Officer and Trust Secretary

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 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), The Chartered Institute for Securities & Investment (CISI) UK and Information Systems Audit & Control Association - Kenya (ISACA - K).



Purity Kamau

Senior Pensions Administration Officer

She Joined the Scheme in 2009 and is the Senior Pensions Administration Officer, in charge of the Pension Administration Department. She has over 24 years of experience in Human Resource and Pensions Administration. She holds a bachelor's degree in Business Administration, Diploma and Advanced Diploma in Business Administration with the Association of Business Executive (ABE) UK, Certificate of Proficiency in Insurance (COP), Insurance Fundamentals and Life & Pension Business and Senior Management Course with the Kenya School of Government. She is a Certified Pension Analyst Manager (CPAM) by Global Academy of Finance Management. She is a member of the Association of Pension Trustees & Administrators of Kenya, the Association of Business Executives and Global Academy of Finance Management. Before joining the Scheme, she worked in the Human Resources departments of KenGen, Kenya Power and Daystar University.



Hannah Nguhi

Senior Investment Officer

She joined KenGen Staff Retirement Benefits Scheme in April 2013 and is the Senior Investment Officer in-charge of the Investment Department. Ms. Hannah Nguhi is a versatile investment professional with over 14 years' experience in the pension industry cutting across investment management (equities, fixed income & offshore products), corporate financing & pension administration. She holds a Master's degree in Business Administration (Finance) from the University of Nairobi, a Bachelor of Science in Actuarial Science from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is currently pursuing the Certified Investment and Financial Analyst (CIFA) qualification. She is an associate member of Kenya Institute of Management. Prior to joining KenGen SRBS, Hannah served as a Portfolio Manager at Dry Associates Ltd. She has also served as a Pensions Administrator at Zamara Financial Services (formerly Alexander Forbes).



Peter Miano

Senior ICT & Database Officer

Peter Miano joined KenGen Staff Retirement Benefits Scheme in January 2014 and is the Senior ICT & Database Officer in-charge of the ICT and Database Department. He has over 12 Years' experience in the Information and Communication Technology sector. He holds a Masters of Business Administration (MBA) Strategic Option and a Bachelor of Science Degree in Information Technology with honours both from JKUAT. He also holds a Diploma in Information Technology. He is a distinguished fellow member of the Computer Society of Kenya. He is a Cisco Certified Network Associate, PRINCE2 Certified and a Certified Information Security Management Systems Lead Implementer ISO 27001. He has other professional training in Axis Fundamentals and IT Corporate Governance. Prior to his employment, he has also worked with several other reputable firm that is Postal Corporation of Kenya, Kenya National Bureau of Statistics, Kenya Shell and executed projects with HP and UNEP.



Nicodemus Kiptoo

Senior Finance Officer

He joined KenGen staff Retirement Benefits Scheme in March 2022 and is the Senior Finance Officer in Charge of Finance Department. He has over 11 years' experience in Financial Management, Accounting, Taxation, Risk Management, internal controls, Budgeting and Audits. He holds a B Ed Accounting, Commerce and Economics degree from the University of Nairobi (UON) and is currently pursuing a Master of Business Administration (Finance Option). He is also a Certified Public Accountant (CPA-K) and a member of ICPAK of good standing.

Prior to Joining KenGen SRBS, Nicodemus worked with CPF Financial Services as a Financial and Management Accountant. He has also served as the Cost and Management Accountant at New KCC Ltd.



Anthony Mang'eli

Senior Property Officer

He joined KenGen Staff Retirement Benefits Scheme in November 2016 and is the Senior Property Officer in-charge of the Property Department. He has over 11 years experience in the real estate industry cutting across valuation, property management, investment appraisal, and feasibility studies. He holds a Master's degree in Valuation & Property Management and a B.A. Land Economics, both from The University of Nairobi.

He is a Full Member of the Institution of Surveyors of Kenya (VEMs Chapter) and a Registered and Practicing Valuer. Prior to his appointment at KenGen Pension Scheme, Anthony headed the Property Department at Actuarial Services (E.A) having come from Prestige Management Valuers Ltd as a Senior Valuer and Property Manager.



Billy Olick

Procurement Officer

He joined KenGen Staff Retirement Benefit Scheme in January 2018 and is the Procurement Officer in-charge of the Procurement Department. He has over 6 years' experience in Public Procurement. Holder of Msc Procurement and Logistics, B.com Finance, CIPS Diploma, Diploma in Business Management and CPA 1. He is a Member of Kenya Institute of Supply Management (KISM) and CIPS.

Prior to his appointment at the Scheme, he worked for National Council for Population and Development (NCPD) and Constituency Development Fund (CDF).



FINANCIALS



REPORT OF THE TRUSTEES

The Trustees present their report together with the audited financial statements for KenGen Staff Retirement Benefit Scheme (the "Scheme") for the year ended 31 December 2021.

Establishment, nature and status of the Scheme

Prior to 31 December 2000, the Kenya Power and Lighting Company Staff Retirement Benefits Scheme ("KPLC SRBS") was the only Scheme existing for the employees of Kenya Power and Lighting Company Plc ("KPLC") and Kenya Electricity Generating Company ("KenGen Plc"). A decision was made by the two employers to operate two separate Schemes and the KenGen Staff Retirement Benefits Scheme ("KenGen SRBS") was established in the year ended 31 December 2000. As at 31 December 2014, the transfer of assets to KenGen SRBS from the legacy Scheme had been completed.

The Scheme is governed by a Trust Deed & Rules dated 6 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 (KenGen Plc). 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% (2020: 10%) of their respective basic salaries. The employer contributes at rates based on periodic advice of the actuary. The current rate is 20% (2020: 20%) of employees' basic salaries.

In compliance with the Treasury Circular No. 18 dated 24 November 2011, KenGen Plc undertook a redesign of the retirement benefits arrangement whereby a new defined contributory (DC) Scheme 2012 was established with effect from 01 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.

Actuarial position

The last actuarial valuation was as at 31 December 2020 by Zamara Actuaries, Administrators & Consultants Limited an independent firm of actuaries, using the Attained Age Method.

According to the valuation at that date, the actuarial present value of promised retirement benefits was Kshs. 10,302 million and the fair value of the net assets available for benefits at that date was Kshs. 7,921 million resulting in a deficit of Kshs. 2,381 million. The actuary recommended a remedial plan that is currently being implemented. The details of the Actuarial Valuation are included in note 18.

Membership

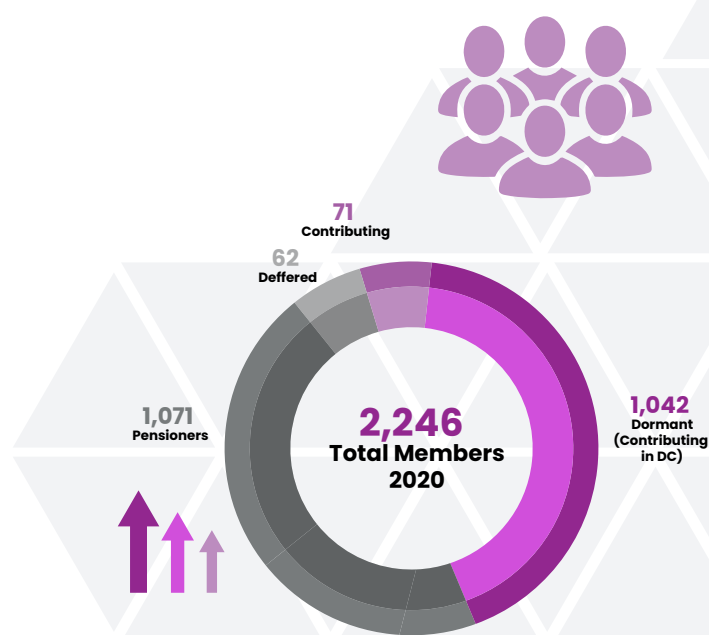
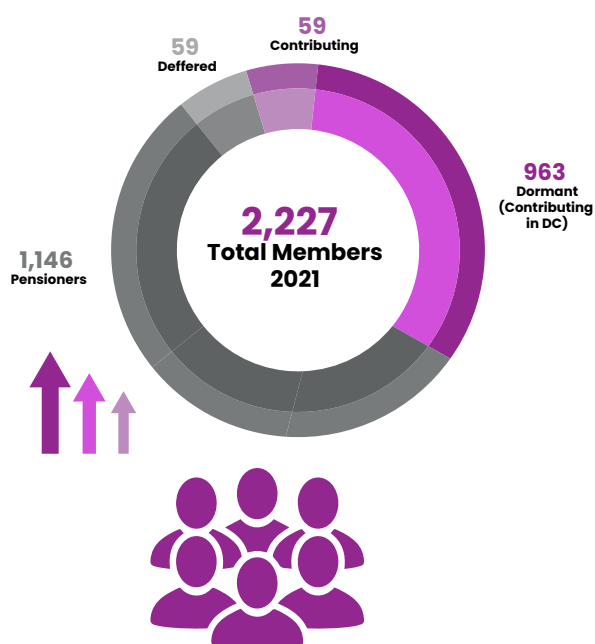
	2021	2020
a) Total members		
In-service members	1,081	1,175
Pensioners and beneficiaries	1,146	1,071
	2,227	2,246

b) Membership Categories

Contributing	59	71
Deferred	59	62
Dormant (Contributing in DC)	963	1,042
At end of year	1,081	1,175

c) Pensioners

At start of year	1,071	999
Contributing members who retired during the year	72	94
Widows or widowers pension becoming payable	57	29
	1,200	1,122
Less: Deaths	(12)	(16)
Less: Cessation of Children Pension	(42)	(35)
At end of year	1,146	1,071



Financial Review

The statement of changes in net assets available for benefits on page 37 shows an Increase in the net assets of the Scheme for the year of Kshs. 253,288,000 (2020: decrease Kshs. 56,950,000) and the statement of net assets available for benefits on page 64 shows the Scheme's net assets as Kshs. 8,174,170,000 (2020: Kshs. 7,920,882,000).

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.

The Scheme's investment portfolio as at 31st December 2021 was as follows:

	2021 Shs'000	%	2020 Shs'000	%	RBA Limit %
Investment Property	4,712,600	57.5%	4,796,000	61	30
Government Securities	2,505,383	30.6%	2,145,745	27	90
Equities	825,102	10.1%	701,813	9	70
Fixed Deposits	112,348	1.4%	257,775	3	30
Corporate Bonds	34,333	0.4%	21,976	0	30
	8,189,766	100	7,923,309	100	

SCHEME GOVERNANCE

1. Trustees in Office

In this financial year, the following Trustees served in the Board of KenGen Staff Retirement Benefits Scheme:

Name of Trustee	Age	Category (Member-elected/Sponsor-nominated/Professional)	No. of Meetings Attended	Certified (Yes/No)	Highest qualification	Membership of Other Boards
Mr. Joseph Sitati	50	Sponsor Nominated	10	Yes	Bachelor's degree	KenGen PLC
Ms. Rebecca Miano	57	Sponsor Nominated	22	Yes	Bachelor's degree	KenGen PLC
Mr. Abraham Serem	58	Sponsor Nominated	26	Yes	Bachelor's degree	N/A
Ms. Mary Maalu	57	Sponsor Nominated	26	Yes	Master's Degree	N/A
Mr. Ernest Nadome	56	Members' Elected	29	Yes	Master's Degree	Kenya Power Pension Fund
Mr. Patrick Kimemia	68	Members' Elected	31	Yes	Master's Degree	N/A
Mr. Peter Mutemi	60	Members' Elected	30	Yes	Bachelor's degree	N/A
Ms. Elizabeth Njenga	50	Sponsor Nominated	25	Yes	Master's Degree	N/A

2. Meetings

The Board of Trustees held four (4) full Board meetings during the year ending 31st December 2021. The meetings were held on the dates set out below:

- 17th March 2021
- 28th May 2021
- 3rd September 2021
- 26th November 2021

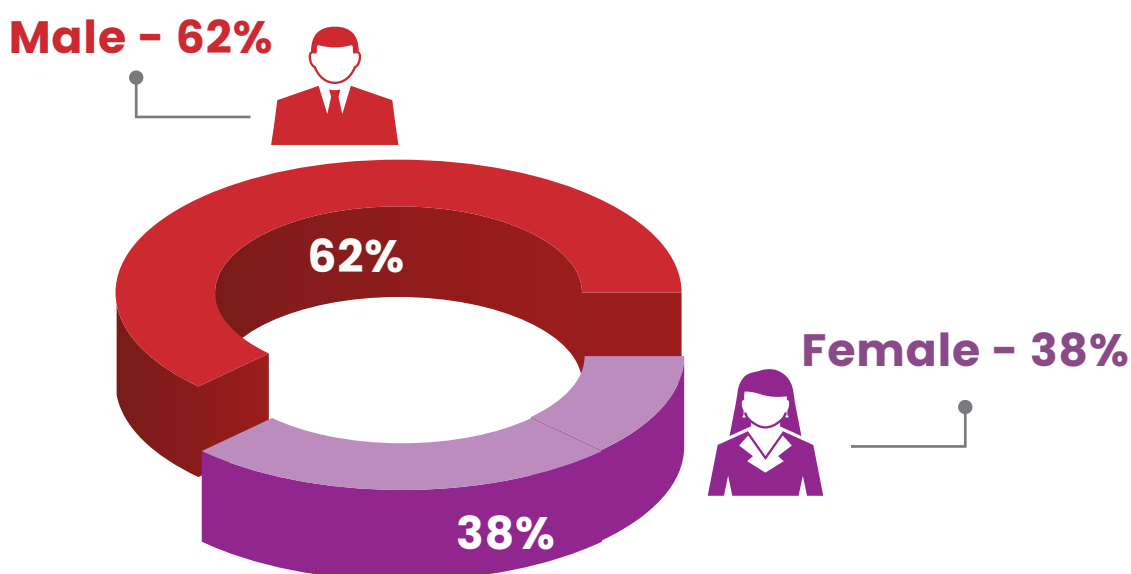


SCHEME GOVERNANCE (Continued)

3. The composition of the Board of Trustees is as hereunder

The Board of Trustees held four (4) full Board meetings during the year ending 31st December 2021. The meetings were held on the dates set out below:

- a. Gender balance: Female – 38% Male – 62%
- b. Skills Mix: No of Trustees with financial skills – 3
- c. Age mix: Number of Trustees who are older than 35yrs – 8



4. Full Board & Committees of the Board

Full Board/ Committee	No. of meetings held	Any external advisors, invitees to meetings	Allowances paid (Shs) '000
Investment & Strategy	11	Professional Consultants	2,085
Administration & Communication	11	Professional Consultants	1,705
Audit & Risk Management	7	Professional Consultants	1,015
Full Board	4	Professional Consultants	2,230

5. Fiduciary responsibility statement

The Board of Trustees is the governing body of the KenGen Staff Retirement Benefits Scheme and is responsible for the corporate governance of the Scheme. Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interest 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.

SCHEME GOVERNANCE (Continued)

The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits Schemes and the Scheme's business operations, apart from the regulations on level of immovable property and the required funding level as summarised below.

- a. The Retirement Benefits Act (the 'Act'), through the Retirement Benefits (Minimum Funding Level and Winding-up of Schemes) Regulations, 2000 Paragraph 4, notes that the minimum required funding level required for the Scheme is 100%. The Scheme's funding ratio as at 31 December 2021 (as per the previous Actuarial valuation report) was 77.8% which is below the minimum required level of 100%.
- b. The Act, through the Investments, Regulations and Policies issued by the Retirements Benefits Authority, caps the investment by pension Schemes in immovable property in Kenya at 30% of the total fund value. As at 31 December 2021, the Scheme's immovable property accounted for 58% of the total plan assets. This is above the RBA's regulatory cap of 30%. The Trustees have a plan in place to reduce the property to the allowable level.

6. Responsibility 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 has also been sending quarterly reports to the Sponsor detailing the activities that have taken place in each quarter.

8. Annual general meeting

The Scheme held the 2021 Annual General Meeting (AGM) Hybrid (Virtual & Physical) on 30th July 2021 at Eastern Hydros Matendeni Ground which 851 members attended making up 38% of the Scheme membership. The Board adequately addressed the members' concerns.

9. Members' sensitization in the year 2021

Channel/Methodology Used	Date Held	No. of Members	Remarks
Pensioner Visits	17 th , 21 st , 24 th & 27 th September 2021	4	Across the country
Pensioner Medical Awareness	24 th , 28 th May 2021	54	Virtually
Pensioner's farewell	17 th Dec 2021	11	Western Hydro's
Pre-retirement Trainings	24 th June, 1 st July, 8 th & 30 th September 2021	163	KSG, Embu & Mombasa

SCHEME GOVERNANCE (Continued)

10. Trustees' remuneration policy

During the year under review, the Trustees were paid a gross sum of Kenya shillings Nine million four hundred and fifty thousand three hundred sixty-four only (Kshs. 9,450,364) being Trustees sitting allowances. The Trustees Capacity Building expenses for the year were Kenya shillings Eight million one hundred eighty-two thousand two hundred and fifteen only (Kshs. 8,182,215).

The payment complied with the Trustee remuneration policy of the Scheme as approved by members at the Annual General Meeting held on the 30th July 2021 at Eastern Hydros Matendeni Ground.

11. Board of Trustee Evaluation

The Board and individual Trustees undertook Board evaluation in the year under review. The Board review process was facilitated internally, and the process took the form of electronic questionnaires. A rating of 97.87% was attained having been reviewed on Board mandate, Strategy, Performance Contract, Board functions, Board meetings, composition of the Board, its structure and flow of information & communication.

12. Auditor

PricewaterhouseCoopers LLP continues in office in accordance with the Retirement Benefits Act.

For the Trustees



Joseph Sitati
Chairman - Board of Trustees

25th March 2022

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the financial position of the Scheme as at the end of the financial year and of its financial performance for that year. It also requires the Trustees to ensure that the Scheme keeps proper accounting records that: (a) show and explain the transactions of the Scheme; (b) disclose, with reasonable accuracy, the financial position of the Scheme; and (c) enable the Trustees to ensure that every financial statement required to be prepared complies with the requirements of the Retirement Benefits Act.

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 Retirement Benefits Act. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting suitable accounting policies and applying them consistently; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to continue as a going concern, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to continue as a going concern.

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 and the cash flows in accordance with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

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 25 March 2022 and signed on its behalf by:

For the Trustees



Joseph Sitati
Chairman – Board of Trustees



Josphat Muriuki
Trust Secretary

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 37 to 64 which comprise the statement of net assets available for benefits at 31 December 2021 and the statements of changes in net assets available for benefits and cash flows for the year then ended and the notes to the financial statements, which include a summary of 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 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

Responsibilities of the 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 requirements of the Retirement Benefits Act, and for such internal control 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.

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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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 control that we identify during our audit.

CPA Bernice Kimacia, Practising certificate No. 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP



Certified Public Accountants
Nairobi

29th March 2022



STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

		2021	2020
	Notes	Shs'000	Shs'000
Income from dealings with members			
Contributions received	5	546,902	408,971
Outgoings from dealings with members			
Benefits payable: – pensioners		(406,837)	(354,014)
– leavers		(293,706)	(341,176)
		(700,543)	(695,190)
Net outflows from dealings with members		(153,641)	(286,219)
Returns on investments			
Investment income	6	544,444	511,585
Change in fair value of financial assets	8(g)	99,657	(28,746)
Change in fair value of investment property	7	(55,252)	(76,519)
Less: Investment management expenses	10	(83,810)	(96,181)
Net returns on investments		505,039	310,139
Administrative expenses	11	(83,001)	(68,504)
Increase/(Decrease) in net assets for the year before income tax	15	268,397	(44,584)
Income tax expense		(15,108)	(12,366)
Increase/(Decrease) in net assets for the year		253,288	(56,950)
Net assets available for benefits at start of year		7,920,882	7,977,832
Net assets available for benefits at end of year		8,174,170	7,920,882

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 Shs'000	2020 Shs'000
Assets			
Investment property	7	4,712,600	4,796,600
Financial assets at fair value through profit or loss			
-Equity investments	8(a)	825,102	701,813
-Treasury bonds	8(c)	2,505,383	2,145,745
-Corporate bonds	8(d)	34,333	21,976
Intangible assets	9(a)	4,207	6,156
Furniture & equipment	9(b)	8,090	1,423
Other receivables and accrued income	12	51,601	100,386
Offshore Investments	8(f)	123,853	-
Cash & cash equivalents	14	153,404	304,376
Total assets		8,418,573	8,078,475
Less: liabilities			
Current income tax payable	15	1,746	241
Other payables and accrued expenses		242,657	157,352
Total liabilities	13	244,403	157,593
Net assets available for benefits		8,174,170	7,920,882

The financial statements on pages 37 to 64 were approved for issue by the Trustees on 25th March 2022 and signed on their behalf by:



Joseph Sitati
Chairman - Board of Trustees



Josphat Muriuki
Trust Secretary

STATEMENT OF CASH FLOWS

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Contributions received	5	546,902	408,971
Benefits paid		(700,543)	(695,190)
Administrative expenses	11	(83,001)	(68,504)
Adjusted for:			
• Add back: Increase/(Decrease) in loss allowance	12	299	(3,378)
• Add back: amortisation of intangible assets	9(a)	1,949	922
• Add back: depreciation of computers	9(b)	2,576	388
Movement in working capital:			
Increase in receivables		48,764	254,534
Increase in payables		87,353	18,338
Income tax paid		(13,603)	(15,448)
Net cash used in operating activities		(109,304)	(99,367)
Investing activities			
Rent income	6	234,069	222,483
Dividend income	6	28,508	26,546
Interest income		292,821	267,284
Investment management expenses	10	(83,810)	(96,181)
Purchase of treasury bonds	8(c)	(633,206)	(756,261)
Purchase of Corporate Bond	8(d)	(33,630)	-
Purchase of quoted equities	8(a)	(105,123)	(163,673)
Proceeds from sale of treasury bonds	8(c)	235,338	280,565
Proceeds from sale of corporate bonds	8(d)	21,951	20,966
Proceeds from sale of equities	8(a)	88,854	137,323
Proceeds from sale of treasury bills	8(b)	-	73,500
Purchase of furniture & equipment	9(b)	(9,243)	(1,758)
Purchase of intangible assets	9(a)	-	(6,647)
Purchase of Offshore Investment	8(f)	(106,946)	-
Proceeds on disposal of investment property	7	61,700	159,680
Investment property additions	7	(32,952)	(12,298)
Net cash (used) generated from investing activities		(41,669)	151,529
(Decrease)/Increase in cash and cash equivalents		(150,972)	51,354
Movement in cash and cash equivalents			
At start of year		304,376	253,022
(Decrease)/Increase in cash and cash equivalents		(150,972)	51,354
At end of year	14	153,404	304,376

Notes (continued)

1. General Information

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

For the IAS 26 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 1 January 2021:

(i) New and amended IFRS standards and interpretations that are effective for the current year

There are no new or revised standards and interpretations that became effective for the first time in the financial year beginning 1st Jan, 2021 that had a significant impact on the Scheme.

ii) New and revised IFRS Standards in issue but not yet effective

Certain new standards and interpretations have been published that are not mandatory for 31st December 2021 reporting period and have not been early adopted by the Scheme. These standards are not expected to have a material impact on the Scheme in the current or future reporting period and on foreseeable future transactions.

(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.

Notes (continued)

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) Contribution's 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 (continued)

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 financial reporting 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

i. Initial recognition

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.

Notes (continued)

ii. Classification

The Scheme classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Scheme's business model for managing the financial assets and the contractual terms of the cash flows.

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 interest on the principal amount outstanding, are classified and measured at amortised cost.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

ii. Classification (Continued)

The Scheme reclassifies debt investments when and only when its business model for managing those assets changes.

Financial instruments held during the year were classified as follows:

- Trade and other receivables, cash and cash equivalents and treasury bills were classified at amortised cost; and
- Quoted instruments, treasury bonds, offshore and corporate were classified at fair value through profit or loss.

iii. Initial measurement

On initial recognition:

- Financial assets classified as at fair value through profit or loss are measured at fair value.
- Trade and other receivables are measured at their transaction price.

All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

iv. Subsequent measurement - Debt instruments

Subsequent measurement of debt instruments depends on the Scheme's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Scheme classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Notes (continued)

v. Subsequent measurement – Equity instruments

The Scheme subsequently measures all equity investments at fair value through profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Scheme's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in profit or loss as applicable

vi. Derecognition

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 the risks and rewards of ownership.

vii. Presentation

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

viii. Impairment

The Scheme recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables 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 a trade receivable 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 profit or loss 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.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Funds restricted for a period of more than three months on origination and cash reserve deposits with the Central Bank of Kenya are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

(j) Comparatives

Where necessary, the comparative numbers have been restated to conform to the current year's presentation.

Notes (continued)

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical estimates are made by the Trustees in determining the fair value investment properties.

Valuation of investment properties

Estimates are made in determining valuations of investment properties. The company management uses experts in determination of the values to adopt.

Management estimates the fair value of investment properties by using open market value. The market value reflects continuation of the existing use and the value may include a special element attributable to the earning potential of the premises for a particular existing purpose by reason of their nature, location, character and physical construction but such element of value if present exists irrespective of the benefit of the property to the particular individual undertaking of which it forms part.

There is judgement involved in the estimation of monetary worth of a particular property (or group of properties), in a specific place, at a given time.

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 under policies and guidelines approved by the Trustees.

Market risk

i. Foreign exchange risk

The Scheme has investments that are subject to foreign exchange risk being offshore investments that amounted to Kshs. 123,852,000 as at 31st December 2021.

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 Kshs. 250,538,250 (2020: Kshs. 214,574,500).

iii. Other 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 net assets available for benefits that may be invested in equity, and by ensuring sufficient diversity of the investment portfolio.

At 31st December 2021, if the prices of all equity investments had increased/decreased by 10% with all other variables held constant, the change in net assets available for benefits for the year would have been Kshs. 82,523,041 (2020: Kshs. 70,181,300) higher/lower.

Notes (continued)

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 table below shows the following for the current period in line with the requirements of IFRS 9:

The gross carrying amount of financial assets with exposure to credit risk at the financial reporting date,

- The age analysis of each of the classes of financial assets as applicable,
- The loss allowance for each class of financial assets split into the various age categories as applicable,
- The net carrying amount of each class of financial assets split into the various age categories as applicable, and
- A narrative of the approach taken by management to calculate the loss allowance for each class of assets.

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Rent Receivables			
Current			
0–30 days	566	(143)	423
Past due			
31 – 60 days	1,870	(401)	1,469
61 – 90 days	4	-	4
Over 90 days	14,974	(1,467)	13,507
	17,414	(2,011)	15,403
Other receivables			
Related party receivables	84,339	-	84,339

Notes (continued)

4. Financial risk management objectives & policies (continued)

Credit risk (continued)

The Scheme has used the simplified approach for measuring the loss allowance for rent receivables and other receivables using a lifetime ECL model which is based on provision matrices.

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
Cash and cash equivalents			
Bank Balances	41,056	-	41,056
Short term deposits (original maturity of 1 - 90 days)	112,348	-	112,348
	153,404	-	153,404

The loss allowance for cash and bank balances was determined using the 12 months expected credit loss model which is based on external ratings for the financial institutions. None of the cash and bank balances are past due. The calculated loss allowance is not material and has therefore not been booked in the financial statements.

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Debt and equity securities			
Treasury bonds	2,505,383	-	2,505,383
Quoted equity	825,102	-	825,102
Corporate bonds	34,333	-	34,333
	3,364,818	-	3,364,818

The loss allowance for debt and equity securities balances was determined using the lifetime ECL model which is based on provision matrices. The calculated loss allowance is not material and has therefore not been booked in the financial statements.

The assessed loss allowances for all the other classes of financial assets are not material and have therefore not been incorporated in the preparation of these financial statements

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Rent Receivables			
Current			
0–30 days	566	(143)	423
Past due			
31 – 60 days	1,870	(401)	1,469
61 – 90 days	4	-	4
Over 90 days	14,974	(1,467)	13,507
	17,414	(2,011)	15,403
Other receivables			
Related party receivables	84,339	-	84,339

The Scheme has used the simplified approach for measuring the loss allowance for rent receivables and other receivables using a lifetime ECL model which is based on provision matrices.

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Cash and cash equivalents			
Bank Balances	46,577	-	46,577
Fixed and time deposits (original maturity of 1 – 90 days)	257,775	-	257,775
	304,352	-	304,352

The loss allowance for cash and bank balances was determined using the 12 months expected credit loss model which is based on external ratings for the financial institutions. None of the cash and bank balances are past due. The calculated loss allowance is not material and has therefore not been booked in the financial statements.

Notes (continued)

4 . Financial risk management objectives and policies (continued)

Credit risk (continued)

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Debt and equity securities			
Treasury bonds	2,145,745	-	2,145,745
Quoted equity	701,813	-	701,813
Corporate bonds	21,976	-	21,976
	2,869,534	-	2,869,534

The loss allowance for debt and equity securities balances was determined using the lifetime ECL model which is based on provision matrices. The calculated loss allowance is not material and has therefore not been booked in the financial statements.

The assessed loss allowances for all the other classes of financial assets are not material and have therefore not been incorporated in the preparation of these financial statements

Liquidity risk

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 as at 31 December 2021 were payable within 90 days. Rent deposits are payable on demand.

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).

Notes (continued)

At 31 December 2021	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Financial assets			
Treasury bonds- FVTPL	2,505,383	-	2,505,383
Quoted equity- FVTPL	825,102	-	825,102
Corporate bonds-FVTPL	34,333	-	34,333
Offshore-FVTPL	123,853	-	123,853
	3,488,671	-	3,488,671

At 31 December 2021	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
Financial assets			
Treasury bonds- FVTPL	2,145,745	-	2,145,745
Quoted equity- FVTPL	701,813	-	701,813
Corporate bonds-FVTPL	21,976	-	21,976
	2,869,534	-	2,869,534

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 financial assets at fair value through profit or loss.

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.

Notes (continued)

5. Contributions received	2021	2020
	Shs'000	Shs'000
Employer contributions	29,801	35,449
Members contributions	14,901	17,722
Supplementary contribution from Sponsor-received	502,200	355,800
	546,902	408,971

In accordance with the recommendations of the actuary, contributions are made to the Scheme at the following rates; members: 10%, employer: 20%.

The supplementary contribution relates to the portion of actuarial deficit funding billed to the Sponsor.

6. Investment Income	2021	2020
	Shs'000	Shs'000
Rent income	234,069	222,483
Dividend income	28,508	26,546
Interest income		
- Treasury bonds	267,140	216,426
- Commercial paper and corporate bonds	2,214	3,544
- Treasury bills	-	5,575
- Term deposits	16,196	9,158
(Loss)/ Gain on disposal of shares (Note 8(a))	(1,653)	1,796
Loss on sale of treasury bonds (Note 8(c))	(11,063)	(5,018)
Loss on corporate bonds (Note 8(d))	(24)	(111)
Gain on sale of Offshore	109	
Interest on related party receivables (Note 17a)	13,150	19,728
Other income	(4,202)	11,458
	544,444	511,585

Notes (continued)

7. Investment Property	2021	2020
	Shs'000	Shs'000
At start of year	4,796,600	5,020,501
Additions	32,952	12,298
Disposals	(61,700)	(159,680)
Fair value (loss)	(55,252)	(76,519)
At end of year	4,712,600	4,796,600

The Scheme's investment properties were revalued at 31 December 2021 by Proland Realtors 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).

Notes (continued)

8. Financial Assets

a) Equity instruments at FVTPL

Movement in number of shares held

Co-op Trust

Description	At 1 January 2020	Additions	Disposals	At 31 December 2020	Additions	Disposals	Bonus units	At 31 December 2021
Bamburi Cement Plc	126,000	-	-	126,000	-	-	-	126,000
Cooperative Bank of Kenya	2,503,080	200,000	-	2,703,080	300,000	-	-	3,003,080
Diamond Trust Bank Ltd	129,500	-	-	129,500	-	-	-	129,500
Equity Group Holdings	400,000	550,000	-	950,000	-	-	-	950,000
East Africa Breweries	105,400	-	-	105,400	80,000	-	-	185,400
KCB Group	1,057,197	200,000	-	1,257,197	600,000	(300,000)	-	1,557,197
KenGen Plc	3,750,553	-	-	3,750,553	-	(3,750,553)	-	-
Kenya Oil Company Ltd	-	-	-	-	-	-	-	-
Nation Media Group	14	-	-	14	-	-	-	14
Safaricom Plc	3,902,000	-	-	3,902,000	1,050,000	(500,000)	-	4,452,000
Kenya Power Plc	1,973,665	-	-	1,973,665	-	(1,973,600)	-	65
Standard Chartered Bank	45,852	4,585	-	50,437	-	-	-	50,437
ABSA Bank	-	200,000	-	200,000	-	-	-	200,000
Sub-total	13,993,261	1,154,585	-	15,147,846	2,030,000	(6,524,153)	-	10,653,693

Notes (continued)

8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in number of shares held (continued)

Britam Asset Managers

Description	At 1 January 2020	Additions	Disposals	At 31 December 2020	Additions	Disposals	Bonus units	At 31 December 2021
Bamburi Cement Plc	40,600	-	(40,600)	-	-	-	-	-
ABSA Bank	636,600	251,700	-	888,300	-	-	-	888,300
BAT Kenya Limited	70	-	-	70	-	-	-	70
Britam Holdings Plc	148,200	-	-	148,200	-	(148,200)	-	-
Cooperative Bank of Kenya	1,276,460	310,200	(876,602)	710,058	-	(132,400)	-	577,658
Diamond Trust Bank Ltd	57,284	-	(34,400)	22,884	-	(11,400)	-	11,484
East Africa Breweries	124,900	96,200	(31,000)	190,100	-	-	-	190,100
Equity Group Holdings	1,349,407	966,600	(561,000)	1,755,007	-	(398,000)	-	1,357,007
KCB Group	1,214,525	874,600	(429,700)	1,659,425	-	(13,478)	-	1,645,947
NCBA Plc	70,000	7,000	-	77,000	-	-	-	77,000
Safaricom Plc	6,022,800	1,590,100	(1,832,200)	5,780,700	505,000	(263,400)	-	6,022,300
Uganda Clays	3,000,000	-	-	3,000,000	-	-	-	3,000,000
KenGen Plc	1,313,100	-	-	1,313,100	-	-	-	1,313,100
Kenya Re Corporation	1,138,808	-	-	1,138,808	-	-	-	1,138,808
Kenya Power Plc	94	-	-	94	-	-	-	94
Standard Chartered Bank	26,535	2,653	-	29,188	34,100	-	-	63,288
Sub-total	16,419,383	4,099,053	(3,805,502)	16,712,934	539,100	(966,878)	-	16,285,156
Total	30,412,644	5,253,638	(3,805,502)	31,860,780	2,569,100	(7,491,031)	-	26,938,749

Notes (continued)

8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in number of shares held (continued)

Co-op Trust

Description	At 1 January 2020	Additions cost	Disposal cost	Gain/(loss) on disposal	Fair value gain/(loss)	At 31 December 2020	Additions cost	Disposal Proceeds	Gain/(loss) on disposal	Fair value gain/(loss)	At 31 December 2021
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Bamburi Cement	10,080	-	-	-	(5,311)	4,769	-	-	-	19	4,788
Co-op Bank Ltd	40,925	2,328	-	-	(9,465)	33,788	3,781	-	-	1,321	38,890
DTK Bank Ltd	14,116	-	-	-	(4,403)	9,713	-	-	-	(2,008)	7,705
Equity Group	21,400	20,128	-	-	(6,805)	34,723	-	-	-	15,390	50,113
EABL Ltd	20,922	-	-	-	(4,664)	16,258	13,217	-	-	1,116	30,591
KCB Group	57,089	7,531	-	-	(16,721)	47,899	23,226	(14,030)	(520)	14,200	70,775
KenGen Plc	21,452	-	-	-	(3,788)	17,664	-	(16,222)	(743)	(700)	-
Kenya Oil C Ltd	-	-	-	-	-	-	-	-	-	-	-
Nation Media	1	-	-	-	(1)	-	-	-	-	-	-
Safaricom Plc	122,913	-	-	-	10,731	133,644	39,497	(20,989)	(311)	17,112	168,953
Kenya Power	5,546	-	-	-	(2,171)	3,375	-	(2,635)	(128)	(612)	-
StanChart Bank	9,285	-	-	-	(2,009)	7,276	-	-	-	(807)	6,469
ABSA Bank	-	1,742	-	-	190	1,932	-	-	-	438	2,370
Sub-total	323,729	31,729	-	-	(44,417)	311,041	79,721	(53,876)	(1,702)	45,468	380,654

Notes (continued)

8. Financial Assets (Continued)

Movement in equities Market value (continued)

Britam Asset Managers

Description	At 1 January 2020 Shs'000	Additions cost Shs'000	Disposal cost Shs'000	Gain/(loss) on disposal Shs'000	Fair value Shs'000	At 31 December 2020 Shs'000	Additions cost Shs'000	Disposal Proceeds Shs'000	Gain/(loss) on disposal Shs'000	Fair value gain/(loss) Shs'000	At 31 December 2021 Shs'000
Bamburi Cement	3,248	-	(805)	(2,443)	-	-	-	-	-	-	-
Barclays Bank	8,499	2,690	-	-	(2,609)	8,580	-	-	-	1,945	10,526
BAT Kenya Ltd	35	-	-	-	(10)	25	-	-	-	6	31
Britam Holdings	1,334	-	-	-	(258)	1,076	-	(1,219)	55	89	-
Co-op Bank Ltd	20,870	3,874	(13,731)	(601)	(1,536)	8,876	-	(1,651)	36	220	7,481
DTK Bank Ltd	6,244	-	(3,990)	241	(778)	1,717	-	(723)	(26)	(283)	684
EABL Ltd	24,793	15,570	(6,339)	185	(4,886)	29,323	-	-	-	2,044	31,367
Equity Group	72,229	36,130	(29,799)	(919)	(13,495)	64,146	-	(20,232)	690	26,979	71,583
KCB Group	65,584	33,380	(23,283)	79	(12,537)	63,224	-	(582)	(3)	12,169	74,808
NCBA Plc	2,580	-	-	-	(520)	2,060	-	-	-	(120)	1,940
Safaricom Plc	189,718	39,799	(59,376)	1,662	26,187	197,990	20,760	(10,571)	(702)	21,071	228,548
Uganda Clays	788	-	-	-	(69)	719	-	-	-	527	1,246
KenGen Plc	7,511	-	-	-	(1,326)	6,185	-	-	-	(683)	5,502
Kenya Re Corp.	3,415	-	-	-	(773)	2,642	-	-	-	(23)	2,619
StanChart Bank	5,373	-	-	-	(1,163)	4,210	4,642	-	-	(735)	8,117
Sub-total	412,221	131,444	(137,323)	(1,796)	(13,773)	390,772	25,402	(34,978)	50	63,206	444,453
Total	735,950	163,673	(137,323)	(1,796)	(58,190)	701,813	105,123	(88,854)	(1,652)	108,673	825,102

Notes (continued)

8. Financial Assets (continued)

b. Treasury bills at FVTPL		
	2021	2020
	Shs'000	Shs'000
At the beginning of the reporting period	-	67,925
Additions at face value	-	-
Disposals proceeds	-	(73,500)
Interest received on maturity	-	5,575
Change in fair value	-	-
At the end of the reporting period	-	-
Maturing as follows:		
Within 1 year	-	-
c. Treasury bonds at FVTPL		
At the beginning of the reporting period	2,145,745	1,644,297
Additions at face value	633,206	756,261
Disposals proceeds	(235,338)	(280,565)
Loss on disposal	(11,604)	(5,018)
Change in fair value	(26,627)	30,770
At the end of the reporting period	2,505,383	2,145,745
Between 1 – 3 years	-	23,075
More than 3 years	2,505,383	2,122,670
	2,505,383	2,145,745
d. Corporate bonds at FVTPL		
At the beginning of the reporting period	21,976	43,070
Additions	33,630	-
Disposals proceeds	(21,951)	(20,966)
Loss on disposal	(24)	(111)
Change in fair value	702	(17)
At the end of the reporting period	34,333	21,976

Notes (continued)

8. Financial Assets (continued)

Corporate bonds at FVTPL (continued)

The corporate bonds breakdown is as shown below;

			2021	2020
	Maturity date	Interest rate	Shs'000	Shs'000
EABL medium term note	28.03.2022	14%	-	21,976
EABL PLC medium term note		12.25%	17,742	-
EABL PLC medium term note		12.25%	16,591	-
			34,333	21,976

			34,333	21,976
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	2021	2020
	Shs'000	Shs'000
Term deposits at amortised cost		
At the beginning of the reporting period	257,775	182,562
Additions at face value	1,476,190	1,904,000
Maturities	(1,633,979)	(1,837,945)
Interest	12,362	9,158

At the end of the reporting period	112,348	257,775
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Notes (continued)

8. Financial Assets (continued)

e. Term deposits at amortised cost (continued)

The corporate bonds breakdown is as shown below;

			2021	2020
	Maturity date	Interest rate	Shs'000	Shs'000
Equity bank	On Call	8.50%	-	22,824
ABSA bank	On Call	7.00%	-	3,888
KCB bank	On Call	6.00%	-	3,621
KCB bank	11.01.2021	7.00%	-	77,400
Equity bank	On Call	7.00%	-	2,009
Co-op deposit	On Call	6.00%	-	102
Co-op deposit	On Call	7.25%	-	5,016
Co-op deposit	On Call	7.25%	-	3,009
Co-op deposit	On Call	7.25%	-	1,003
Equity bank	On Call	6.00%	-	3,034
Equity bank	On Call	7.50%	-	20,037
Co-op deposit	On Call	7.50%	-	2,001
Co-op deposit	25.01.2021	7.25%	-	10,021
NCBA Bank	21.01.2021	9.50%	-	101,810
Co-op deposit	01.02.2021	7.75%	-	2,000
Equity bank	On Call	7.50%	12,675	-
NCBA Bank	On Call	8.50%	7,426	-
NCBA Bank	On Call	8.50%	15,737	-
Equity bank	On Call	7.50%	4,878	-
Equity bank	On Call	7.50%	14,741	-
NCBA Bank	On Call	7.50%	11,063	-
NCBA Bank	On Call	8.00%	4,885	-
KCB bank	On Call	8.25%	37,557	-
KCB bank	On Call	8.50%	3,066	-
NCBA Bank	On Call	8.50%	320	-
			112,348	257,775
Maturing as follows:			-	-
Within 1 Month			112,348	257,775
Between 1 – 3 Months				
Included in the cash and Cash Equivalents in note 14			112,348	257,775

Notes (continued)

9. Administrative Assets (continued)

	2021	2020
	Shs'000	Shs'000
a. Intangible assets		
Cost		
At 1 January	14,771	8,124
Additions	-	6,647
At 31 December	14,771	14,771
Amortisation		
At 1 January	8,615	7,693
Charge for the year	1,949	922
At 31 December	10,564	8,615
Net book value		
At 31 December	4,207	6,156
b. Furniture and equipment		
Cost		
At 1 January	11,405	9,647
Additions	9,243	1,758
At 31 December	20,648	11,405
Amortisation		
At 1 January	9,982	9,594
Charge for the year	2,576	388
At 31 December	12,558	9,982
Net book value		
At 31 December	8,090	1,423

Notes (continued)

	2021	2020
	Shs'000	Shs'000

10. Investment Management Expenses

Investment managers	4,836	5,697
Custodian expenses	2,639	2,480
Investment property operating expenses	76,335	88,004

83,810 **96,181**

11. Administrative Expenses

Administrator's fees	1,600	2,090
Actuarial fees	1,316	
Audit fees	2,089	2,046
RBA levy	5,000	5,000
Annual general meeting	3,059	504
Trustees' expenses	9,450	7,310
Trustee capacity building expenses	8,182	7,650
Salary and wages	22,990	22,916
Leave accrual	2,043	584
Consultancy fees	1,445	3,523
Movement in loss allowance	299	(3,378)
Other operational expenses	21,528	20,259

83,001 **68,504**

12. Other Receivables and Accrued Income

Rent receivable	20,006	17,414
Loss allowance	(2,310)	(2,011)
	17,696	15,403

Related Party Receivables note 17(b)	26,460	84,339
Loss allowance	-	-

26,460 **84,339**

Dividends receivable	5,361	611
Prepayments	2,084	644

51,601 **100,997**

Movements on the loss allowance are as follows:

At start of year	2,011	5,389
Increase (decrease) in loss allowance in the year	299	(3,378)

At end of year **2,310** **2,011**

Notes (continued)

13. Payables and Accrued Expenses

	2021	2020
	Shs'000	Shs'000
Owed to service providers	55,920	39,255
Accrued expenses	59,609	47,125
Rent deposits	8,174	8,488
Interest on partitioning	-	14,891
Withdrawals payable	5,500	16,135
Deposit on Rosslyn Houses	115,200	31,700
	244,403	157,594

14. Cash and Cash Equivalents

	2021	2020
	Shs'000	Shs'000
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank	41,048	46,577
Cash in hand	8	24
Fixed and time deposits (Note 8e)	112,348	257,775
	153,404	304,376

15. Income Tax

a) Tax status of the Scheme

KenGen Staff Retirement 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

	2021	2020
	Shs'000	Shs'000
b) Income tax expense		
Investment income on unregistered portion of Scheme	50,360	42,376
Gain on Sale of Investment Property	-	7,091
Income subject to tax	50,360	49,467
Current income tax at 30% (2020:25%)	15,108	12,367

Notes (continued)

	2021	2020
	Shs'000	Shs'000
c) Current income tax payable		
At start of the year	241	3,323
Income tax expense (Note 15 (b))	15,108	12,366
Tax payments during the year	(13,603)	(15,448)
At end of Year	1,746	241

16. Contingent Assets and Liabilities

a) Contingent assets

The Scheme has made a claim against one of its property managers valued at Kshs. 227 million. The claim relates to a breach of a management contract between the Scheme and its property manager.

The outcome of the claim is dependent on the decisions made from the available legal avenues.

b) Contingent liabilities

The Scheme has made a claim against one of its property managers valued at Kshs. 227 million. The claim relates to a breach of a management contract between the Scheme and its property manager.

The outcome of the claim is dependent on the decisions made from the available legal avenues.

17. 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.

The following transactions were carried out with related parties:

	2021	2020
	Shs'000	Shs'000
(a) Income		
Rent income billed (KenGen Plc)	152,840	179,770
Interest on partitioning receivable (KenGen Plc) (Note 6)	13,150	19,728
Employer contributions (Note 5)	29,802	35,448
Supplementary contributions (Note 5)	502,200	355,800
	697,992	590,746

Notes (continued)

(b) Receivables

Partitioning receivable (KenGen Plc)	-	67,486
Due from KenGen defined contribution Scheme	9,259	16,853
Provident Fund	13,689	-
Contributions Receivable	3,512	-
	26,460	84,339

	2021	2020
	Shs'000	Shs'000

(c) Financial assets

Quoted shares held with the Sponsor	5,502	23,850
	5,502	23,850

18 Actuarial valuation

a) Tax status of the Scheme

A valuation was carried out by the Scheme as at 31st December 2020 by Zamara Actuaries, Administrators & Consultants Limited.

The purposes of the valuation were:

- To assess and carry out actuarial review of the Scheme as at 31st December 2020.
- To provide or review actuarial factors for individual benefit calculations.
- To project cash flows ten years into the future.
- Propose a remedial plan for funding in case of deficit.

The actuarial funding status of the Scheme as of 31st December 2020 is summarised as follows

Current employees	5,697
Current pensioners	3,334
Deferred members	116
Members with unclaimed benefits	347
	Kshs. 'million
Refund of employee contributions on death	36.5
Administrative expense reserve	772.5
Total liabilities	10,302.4
Total assets	7,920.9
Actuarial surplus/(deficit)	(2,381.5)
Funded ratio	76.9%

The valuation took into consideration two types of assumptions, namely: demographic and financial. These are summarised as follows:

Demographic assumptions

The valuation took into consideration two types of assumptions, namely: demographic and financial. These are summarised as follows:

The demographic assumptions relate to membership movements, covering events such as termination, disablement, retirement and death.

- Current employees- The employee movement between January and December 2020 indicated average annual termination, mortality and disability rates of 4.4 per mile, 7.0 per mile and 1.0 per mile respectively.
- Retirees- the retirees' movement between January 2018 and December 2020 indicated an average annual mortality rate of 9.5% per mile.
- Early retirement- The pensioner's data showed that the average age at retirement for the then retirees was 58.49 years, which was consistent with an early retirement rate of 3% p.a for the ages 50 through 59.
- The valuation assumed that all the employees and retirees were married, and that the male spouses were three years older than female spouses.
- The valuation assumed that the retirees commuted one third of their pension on retirement, meaning up to their death, the spouses' pension is 75% of the pension the retiree was receiving just before they died.

18 Actuarial valuation (continued)

Financial assumptions

The key financial assumptions applied were the interest rate and the rate of salary and pension increases. The following outlined assumptions were used in the Scheme valuation:

Valuation interest	10% p.a
Salary escalation rate	8% p.a
Pension escalation rate for KPLC service	3% p.a
Pension escalation rate for KenGen service	0% p.a
Inflation rate	5% p.a
Commutation	Retiring members commute one third of the pension
Scheme administrative expenses	1% p.a. of the employees and pensioners actuarial liabilities

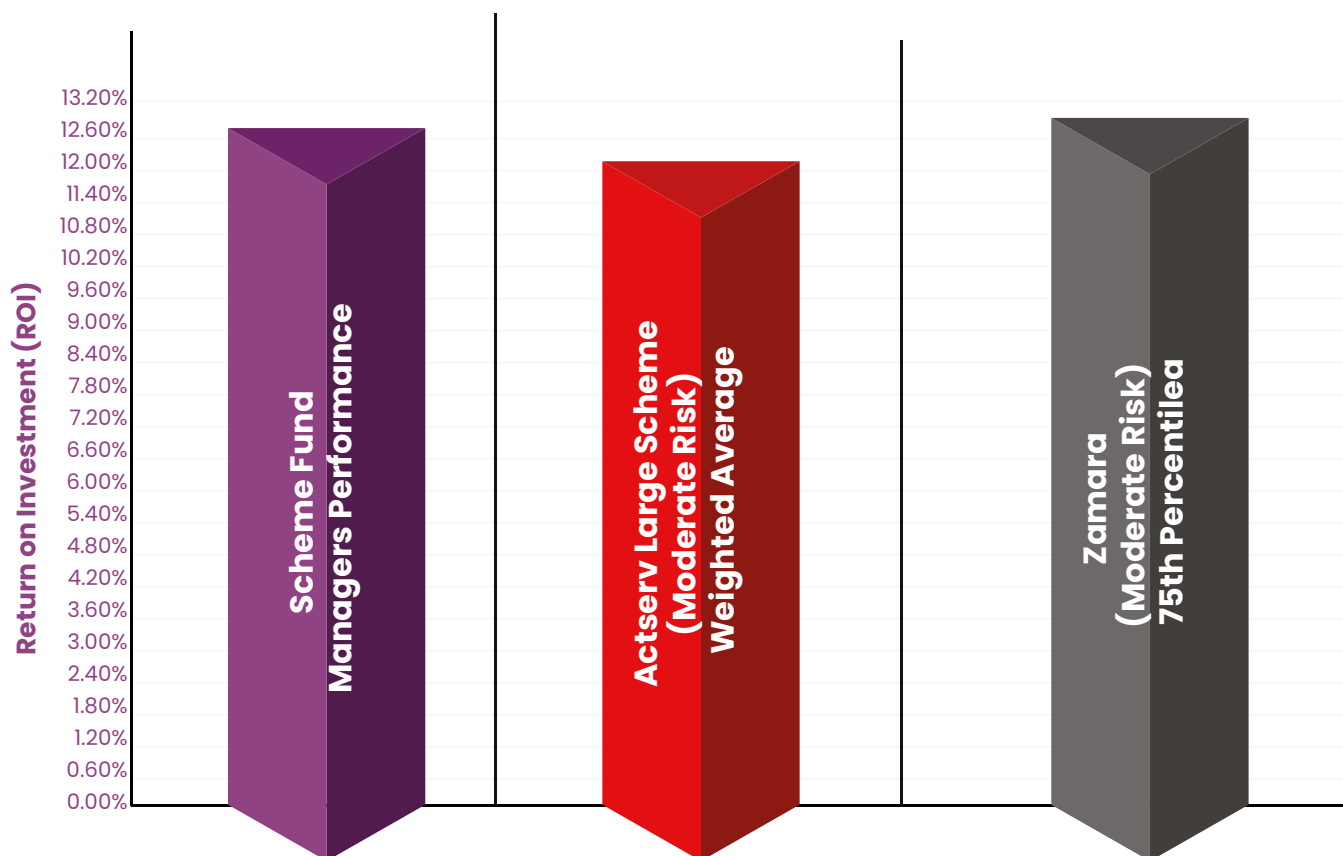
The valuation interest rate is the anticipated return on Scheme assets.

In line with the actuarial valuation and the requirements of the Retirement Benefits (Minimum Funding Level and Winding-up of Schemes) Regulations, 2000, the Trustees and the Sponsor have prepared remedial action plan, currently being executed.

- The Sponsor to make supplementary contributions, being monthly lump sum payments into the Scheme over a period of (5) years, commencing 1 July 2019 and ending in June 2024. The monthly contributions have been set to escalate at a rate of 25% per annum.
- The Scheme to be undertaking annual actuarial valuations to review the evolution of the Scheme's funding position within the life of the remedial action plan.
- The Scheme to sell immovable property in excess of the RBA regulatory cap in order to increase its liquidity.
- The Sponsor and the members to continue contributing to the Scheme at the rates of 20% and 10% respectively.

INDUSTRY STATISTICS

Performance Statistics



12.78%

**Scheme Fund Managers
Performance**

12.30%

**Actsolv Large Scheme
(Moderate Risk) Weighted
Average**

13.00%

**Zamara (Moderate Risk) 75th
Percentile**

GALLERY

APTAK Awards



The Scheme participated in the 2022 Kenya Pensions Awards hosted by the Association of Pension Trustees and Administrators Kenya (APTAK), which was held at Pride Inn Hotel Mombasa on 25th February 2022. The Scheme managed to clutch the Diversity & Inclusion Award.

FiRe Awards 2021



The Scheme participated in the FiRe Awards 2021, where the award ceremony was held at Serena Hotel on 17th December 2021. The Scheme managed to win the 2nd runners up in the financial reporting award under the pension category. This shows the Scheme's continued efforts to enhance corporate value by driving excellence in financial reporting.

AGM 2021



AGM 2021



MEMBERS ENGAGEMENT



MEMBERS ENGAGEMENT



BOARD RETREAT



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