

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2022

BUILDING RESILIENCE: NAVIGATING TOWARDS A BRIGHTER FUTURE

AWARDS & ACCOLADES FOR THE YEAR ENDED 31 ST DECEMBER 2022



APTAK AWARDS Diversity & Inclusion Award 2022



FiRe Awards 2022 Pension Category 1st Runners Up

Awards 2022



FiRe Awards 2021 Pension Category 2nd Runners Up



Champions of Governance Awards **Retirement Benefits** 2022 Winner



Champions of Governance Awards CEO of the year Award 2022 Winner



Champions of Governance Awards 2022 Overall Category 1st Runners Up



Champions of Governance Awards Chairman of the Year Award 2022 2nd Runners Up





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.



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 Pride Inn Paradise Resort – Mombasa on 28th July, 2023.

The meeting will commence at 10.00am.

THE AGENDA OF THE MEETING WILL BE:

- To read the Notice Convening the Meeting.
- To receive the Fund Managers' Reports.
- To receive the Scheme's audited financial statements for the period ended 31st December 2022 together with the Auditor's Report thereon.
- Plenary Session
- Any Other Business
- Closing remarks.

This will be a Hybrid AGM. Members from Kipevu Power Station will attend physically and all other members will join virtually via Zoom webinar.

By Order of the Board



Josphat Muriuki

CEO & Trust Secretary 14th June 2023

For any queries you may:

- Email us on agm@kengensrbs.co.ke
- (F) KenGenSRBS (D) @KenGensrbs (D) @KenGenSRBS

P.O Box 47936 - 00100, Nairobi, Kenya



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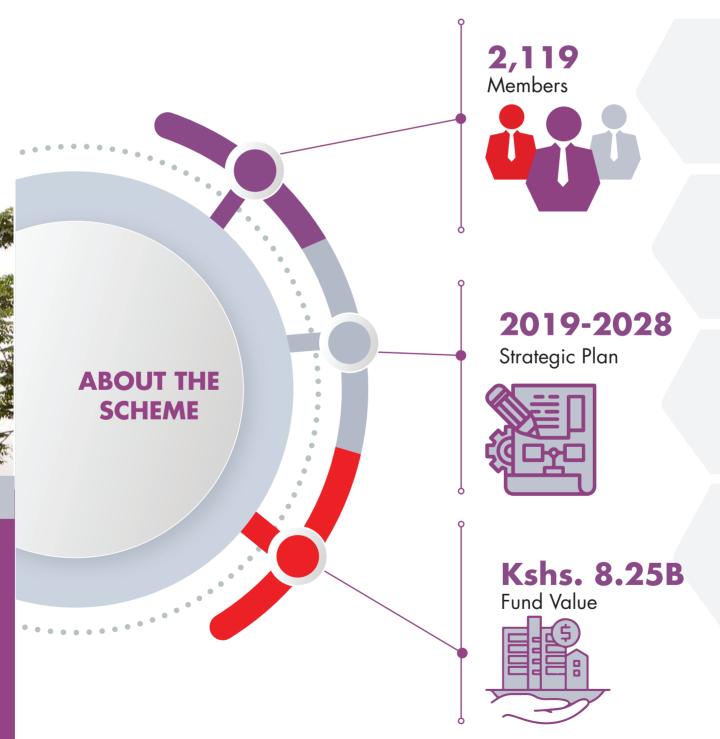
OUR BUSINESS





ABOUT THE SCHEME

The Defined Benefits (DB) Scheme is an occupational Scheme of KenGen staff and has 2,119 members with KES 8.25B in Assets Under Management (AUM). 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 in 2012.





ACCESS OF RETIREMENT SAVINGS



Leaving Service

A member is paid 50% of the total benefits in the Scheme less applicable tax.

The balance of 50% or the entire member account can transferred into Registered Post Retirement Medical deferred Fund or in the Scheme until retirement age.

Emigration

If a member leaves the Scheme and relocated from Kenya with no intention of returning, the member is paid 100% of the benefits upon submission of the required documents.

Retirement

Payable from the age of 50 years or earlier on ill-health grounds The benefits payable include a lumpsum equivalent to one-third of the total accrued benefits and a monthly pension is payable during the lifetime of a member.

Death In Service - Pension is payable to the beneficiaries. 50% of the main member's pension is payable to the spouse and 12.5% of the main member's pension is payable to a maximum of 4 children up to 21 years plus an Insured group life benefit equal to 5 times the annual basic salary is paid out as a lump sum (As per Group Life policy in Place) Death In Retirement - If the pensioner dies before the expiry of the guarantee period (60 months), a one-off lump sum benefit is payable based on residual pension and a pension is payable to spouse and children as above.





OUR PRODUCTS



1. Widows and Orphans account

In the unfortunate death of a member, the family is usually left with a big responsibility of taking care of the deceased's children. The most critical need is to continue with their education. To ensure that the children continue with their education uninterrupted, the Fund has established a widows and Orphans Account derived from the member's accrued benefits and the group life insurance benefits. The Widows and Orphans account caters for school fees, shopping, upkeep and related expenses.



3. Retirees Medical Cover.

Medical expenses have a significant budget allocation to pensioners' monthly income and to some extent their entire family members' income. Equally, access to quality health care is equally important but at a cost. It was therefore necessary to transfer the cost/risk to another party to take care of the unknown and that is why the Scheme introduced the Retirees' Medical Cover in 2013.

This is an arrangement where the Scheme has negotiated with different local medical insurance firms to provide medical covers for retirees. The Board of Trustees approves the payment of premiums in advance to these insurance firms and recovers the premiums from the retiree's pension in monthly installments. The Retirees' Medical Scheme is open and voluntary to all retired members.



2.NSSF Contracting out Certificate.

The Scheme received the Contracting out certificate by RBA on the 26th of May 2023. Therefore, the Scheme manages members NSSF Tier II contributions as per the NSSF Act of 2013.



ICT INFRASTRUCTURE AND SERVICE AUTOMATION

The Scheme has recently acquired Microsoft Dynamics Business Central ERP, a comprehensive solution designed to automate and optimize business processes. The key modules operationalized to enhance the Scheme's services and activities are:



The implementation of various modules within the Microsoft Dynamics Business Central ERP demonstrates the Scheme's commitment to automating and optimizing its internal operations. By leveraging these modules, the Scheme enhances services and activities across pensions administration, financial management, investments management, property management, human resources and administration, procurement management, and system administration. The implementation of these

E-Board Management System

The implementation of the E-Board Management System has revolutionized the company's board governance practices. By digitizing and streamlining board processes, the system enhances efficiency, transparency, and collaboration among board members. From meeting management and secure document storage to electronic voting and resolution tracking, the system provides a comprehensive solution for effective board governance.

Member Self-Service Portal

The implementation of the Member Self-Service System demonstrates the company's commitment to enhancing member engagement and satisfaction. By providing members with personalized accounts, convenient information access, and streamlined service requests, the system empowers members to take control of their membership and access services at their convenience.

Power Bi Reporting System

The implementation of the Power Bl Reporting System has revolutionized data analytics and decision-making within the company. By integrating data from multiple sources, visualizing it in interactive dashboards, and providing real-time analytics, the system has enabled data-driven insights and empowered decision-makers at all levels.



SCHEME HIGHLIGHTS

Fund Value Movement Kshs'000



PERIOD

Increase(Decrease) in Net Assets Kshs '000





TRUSTEES, ADVISORS & OTHER INFORMATION



TRUSTEES

Joseph Sitati Rebecca Miano Abraham Serem Ernest N Nadome Mary Maalu Elizabeth Njenga Austin Ouko

Chairman Retired on 18th October 2022. Retired on 18th October 2022.

Austin Ouko Appoint
Jeniffer Mbugua Appoint
Patrick Kimemia

Appointed on 18th October 2022. Appointed on 18th October 2022.

Peter Mutemi Josphat Muriuki Retired on 24th December 2022. Trust Secretary

Nuriuki Trust S



CUSTODIAN

NCBA Bank Ltd NCBA House P.O. Box 44599 - 00100 Nairobi



ADMINISTRATOR

Josphat Muriuki KenGen Pension Plaza 2 Kolobot Road, Parklands P.O. Box 47936 - 00100 Nairobi, Kenya



AUDITOR

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



INVESTMENT MANAGERS

British- American Asset Managers British- American Centre P.O. Box 30375 - 00100 Nairobi

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



ACTUARY

Zamara Actuaries, Administrators & Consultants Limited P. O. Box 52439 - 00200 Nairobi



REGISTERED OFFICE

Kengen Pension Plaza 2, 11th Floor Kolobot Road, Parklands P.O. Box 47936 - 00100 Nairobi, Kenya





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 proactively 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



Joseph Sitati Chairman

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 at Mastermind Tobacco Kenya Ltd.



Ernest Nadome

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.



Mary Maalu

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, Finance and Accounts at KenGen PLC.

KenGen Staff Retirement Benefits Scheme

BOARD OF TRUSTEES



Elizabeth Njenga

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 and Strategy at KenGen PLC.



FCS Austin Ouko

Trustee

He holds a Bachelor of Laws (LL.B) and Master of Laws (LLM) in Public Finance & Financial Services Law from the University of Nairobi, Master of the Science of Law (JSM) from Stanford University Law School, California, USA. Mr. Ouko holds a Diploma in Law from the Kenya School of Law, Practice Diploma in International Commercial Law from the College of Law of England & Wales, Postgraduate Diploma in Domestic Arbitration from the Chartered Institute of Arbitrators, Advanced Diploma in Business Administration and a Diploma in Management of Information Systems. He is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public, registered Certified Public Secretary, Fellow of the Institute of Certified Secretaries Kenya, Fellow of the Chartered Institute of Arbitrators (UK & Kenya Branch), an Accredited Governance Auditor, member of the Law Society of Kenya, the International Bar Association, the Commonwealth Lawyers Association and the Kenya Institute of Management. He is currently the Company Secretary and General Manager Legal Affairs at KenGen PLC.

KenGen Staff Retirement

BOARD OF TRUSTEES



Jennifer Mbugua

Trustee

She was appointed to the Board of Trustees in 2022 as a Sponsor nominated Trustee. She is a member of the Administration & Communication Committee and a member of the Audit & Risk Management Committee.

She holds a Masters in Business Administration, Human Resource Management Specialisation from University of Nairobi, a Bachelor of Arts Degree in Government and Public Administration from Moi University. She holds a higher national diploma in human resource management and she is a Certified Human Resource Professional from the College of Human Resource Management. She is a member of the Institute of Human Resource Management (IHRM). She is currently the Human Resource Service Manager at KenGen PLC.



Patrick Kimemia

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.



Josphat Muriuki

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 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).



BOARD OF TRUSTEES-RETIRED



Rebecca Miano MBS

Trustee

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 CS EAC, ASALs & Regional Development - East African Community, ASALs & Regional Development.



Abraham Serem

Trustee

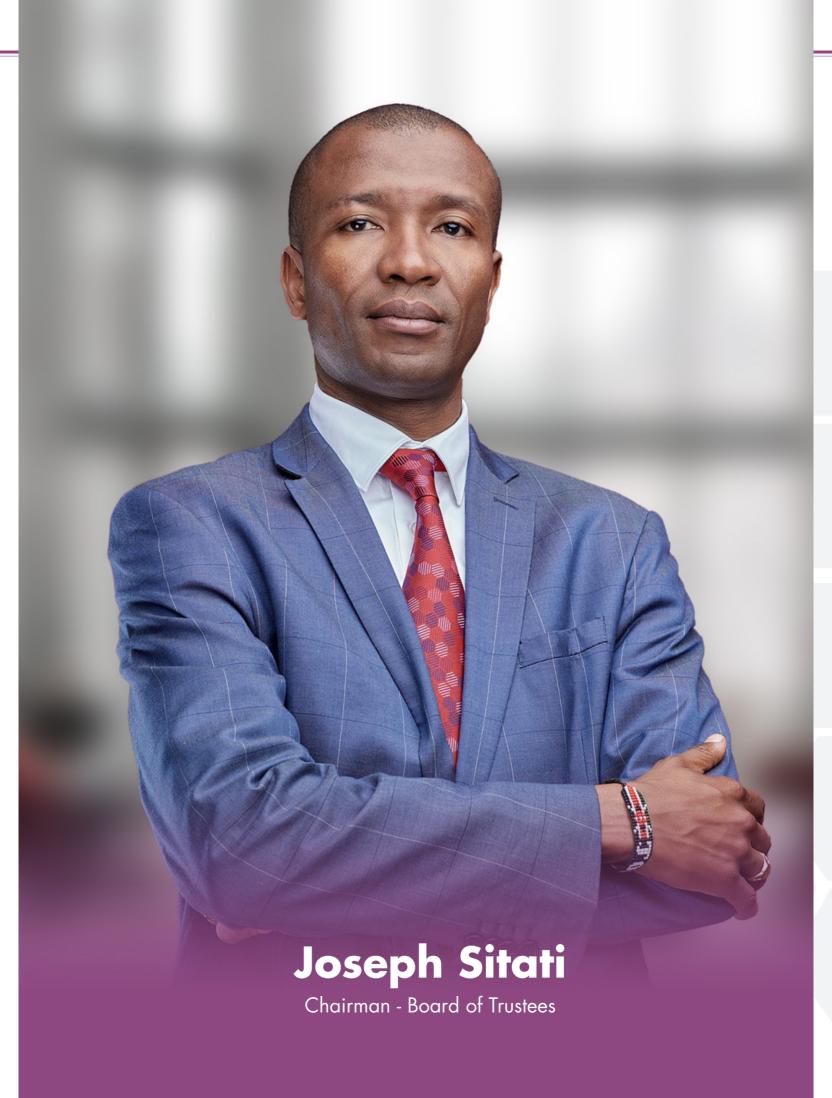
Mr. Abraham Serem was appointed to the Board of Trustees in 2016 as a Sponsor nominated Trustee. He is the Chairman of Administration & Communication Committee and a member of Audit & Risk Management Committee. He is a seasoned human resource practitioner with vast experience both in Kenya and East Africa. 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 acting Managing Director and CEO at KenGen PLC.



Peter Mutemi

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 was a Senior Assistant Lab Foreman II at KenGen Olkaria Power Station and a Change Agent.



KenGen Staff Retirement Benefits Scheme

CHAIRMAN'S STATEMENT

Dear Members,

The Board of Trustees is elated to present the 23rd Annual Financial Report of KenGen Staff Retirement Benefits Scheme that covers the financial year ended December 31st, 2022.

Turbulent Year: Major drivers of low performance in 2022

According to the IMF report, the global GDP grew by 3.4% in 2022 slower than the 6% recorded in 2021. Attributable to global markets weakened as inflation soured causing a cost-of-living crisis, Russian invasion in Ukraine disrupted commodities supplies and spurred an energy crisis in Europe while the impact of Covid-19 caused an economic slowdown in China.

The global GDP grew by 3.4% in 2022

3.4%

Locally, Kenya's economy expanded by 4.8% during the year according to the Central Bank of Kenya, this was lower than the 5.3% and 5.5% projected by IMF and World Bank respectively. This was mainly due to insufficient rainfall resulting in agricultural sector contraction and deterioration of business conditions in the Kenya private sector due to weakening of the Kenyan shilling and inflationary pressures.

Central banks of developed markets steadily increased interest rates in a bid to combat the rising inflation. This negatively impacted the local capital markets with foreign investors exiting the local equities market hence the dip in valuation prices for large market capitalization stocks.

Investors continued to bid for higher interest rates to cushion their investments returns from being eroded from the high inflation. This led to rise in interest rates for both short term and long term government securities, and also lowered valuation of treasury bonds as interest rates and price are inversely related.

Scheme Funding Position & Investments Strategy

Funding Position

With the ongoing implementation of the actuarial deficit funding schedule, we are optimistic that the Scheme will attain full funding by June 2024. The Sponsor duly makes monthly payments of the funds, which are re-invested by the Scheme's Investment Managers in high yielding government securities which have proven to be more resilient in the current market volatility. During the year the Sponsor remitted Ksh. 787.20 million towards deficit funding, bringing the amount paid from July 2019 to December 2022 to Ksh. 1.848 billion, i.e. 54.69% of the total deficit amount of Ksh.3.38 billion.

Strategy

The Scheme's portfolio has been well diversified to various asset classes: real estate, government securities, equities, offshore and money markets which cushions the Scheme from market volatility. During the year, the Scheme fully exited its investment in Rosslyn Springs through the sale of 17 town houses reducing its real estate allocation from 56.7% recorded in 2021, to close at 52.2%. The Scheme targets to gradually reduce its exposure in real estate to 30% as stipulated in the Investment Policy Statement.

Through its investment managers, the Scheme continues to scout for opportunities in offshore markets and alternative investments which are in line with the Scheme's risk appetite.

Despite the volatility in capital markets the fund value increased by 0.98% i.e., 80 million year on year to close the year ended December 31^{st,} 2022 at Ksh.8.254 billion. The increment is due to receipt of actuarial deficit funds and proceeds of sale of the town houses that we re-invested in government securities. The Scheme had a net return of 3.1% for the year 2022.

KenGen Staff Retirement Benefits Scheme

Governance

There were changes in the members of the Board of Trustees which were registered with the regulator on 31st December 2022, whereby Ms. Rebecca Miano and Mr. Abraham Serem retired. There were two new members joining: Mr. Austin Ouko and Ms. Jennifer Mbugua. The Board thanks the outgoing trustees for their involvement in steering the Scheme to greater heights and welcome the incoming trustees and we believe their presence will strengthen the board to deliver its mandate.

As part of ensuring good governance, the board undertook the annual board evaluation which enhances accountability and highlights areas of improvement as they execute their mandate.

Awards

The Scheme participated in various awards during the year:

- i. The Champions of Governance (COG) Awards 2022. This is an Award for excellence in governance issued by the Institute of Certified Secretaries (ICS) given to those organizations and individuals that exhibit the highest standards of practice of good governance, in line with its vision and mission. The Scheme bagged the following awards:
 - Chairman of the Year Award- 2nd runners up
 - CEO of the Year Award- Winner
 - Champions of Governance Award, Pension Category- Winner
 - Champions of Governance Award- 1st runners up
- ii. Kenya Pension Award: this is an award that celebrates excellence, professionalism, and dedication within Kenya's Pension space. The Scheme was the winner under the Diversity and Inclusion award category.
- iii. Financial Reporting (FiRe) Award: this is an award that recognizes the best practice of financial reporting. The Scheme was awarded 1st Runner up.

2023 Outlook

The International Monetary Fund (IMF) forecasts the global GDP growth for 2023 will be 2.8% marking a sharp slowdown from 3.4% growth in 2022 due to tighter monetary policy as both developed and emerging markets raise interest rates as they combat rising inflation. Kenya's GDP is estimated to grow by 5% according to World Bank, as the agricultural sector is expected to rebound with the increase in rainfall and improvement of business conditions for the private sector.

Members, the Board remains committed to securing your financial future and is aware of the prevailing uncertainties in the capital markets and prevailing global inflation. The implementation of the Scheme's 10-year strategy is on course, the review and re-alignment of the investment portfolio is continuous to ensure the Scheme garners higher returns to achieve liquidity while preserving members capital.

We remain committed to serving our members and create value on our members contributions as we aim to pay benefits to all our members and the coming generations.

Wrap up.

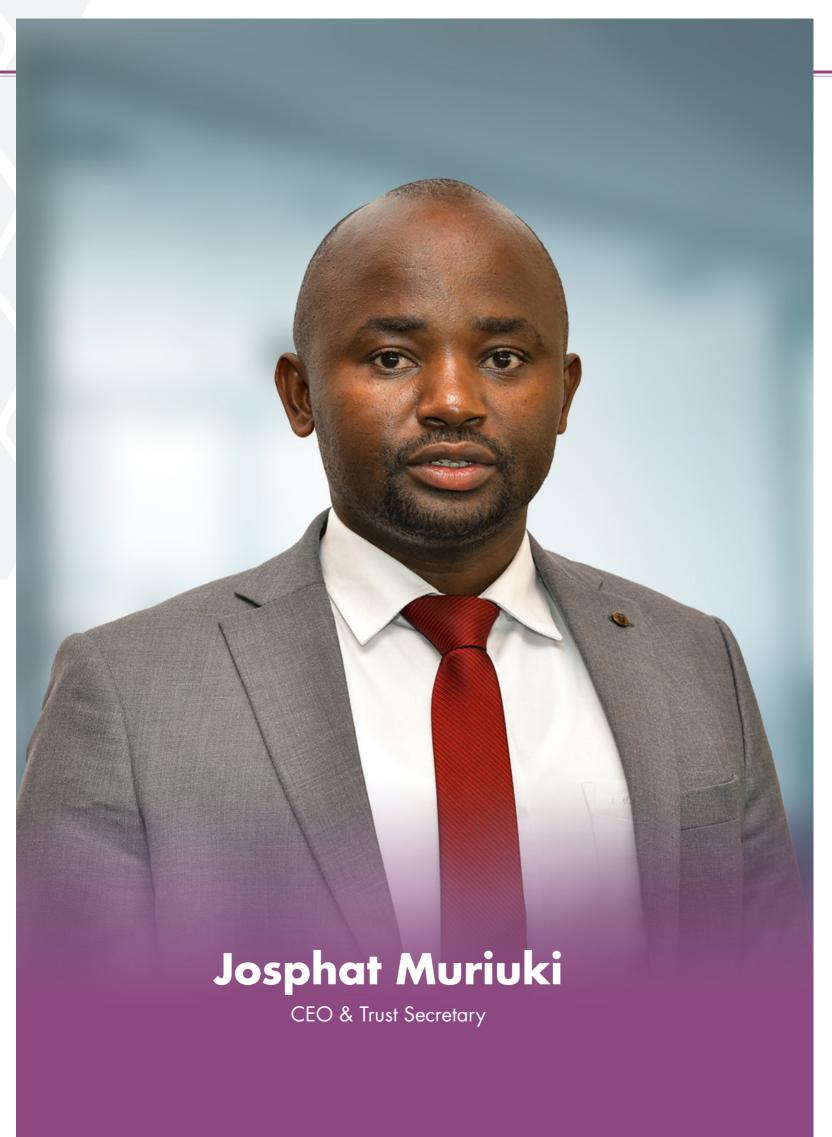
Finally, I especially want to thank my fellow Board members, the Sponsor, and the Secretariat for your support and commitment during this year which has been amongst the most turbulent. I am truly grateful to you for your efforts in ensuring the Scheme's continued success.

I would also like to recognize and appreciate the regulator, RBA, Investment Managers, Actuary, Custodian, Auditors, for taking the time to join us and sharing your insights. We look forward to our future fruitful engagements.

Thank you!

JOSEPH SITATI

Chairman - KenGen STAFF RETIREMENT BENEFITS SCHEME





TRUST SECRETARY'S STATEMENT

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

I am delighted to present to you our 2022 annual report which gives an account of our performance and activities during the year. Our 10 Year strategic plan has provided us with focus and inspiration, opening a world of possibilities for the Scheme. At the four years of implementation mark, we took stock of our efforts, reflected on our achievements and, most importantly, refined our efforts to build on our momentum in the years ahead. Our achievements are shaped by the strength of the foundations we set. We have worked tirelessly with, and on behalf of, our members to shape better policies, enhance member programs, optimizing on available resources and improvement on services

Our Business Strategy

Members, the 10-year strategy continues to steer the Board in a focused direction, which for the Scheme our aim is to ensure members benefits are fully funded as we improve liquidity and increase returns.

During the Year 2022, we carried out key strategic initiatives. For the Scheme, firstly, we completed sale of all housing units at Rosslyn Springs development and proceeds deployed to liquid high yielding investments. Secondly, we engaged two top-quartile fund managers - GenAfrica & Sanlam for a threeyear term which we believe their expertise will enable the Scheme to improve on its asset's performance. During the year, the Scheme continued to align its asset allocation with the strategic target levels which was informed by the members' age profile. This was meant to not only optimize the return on investment but also ensure an appropriate level of liquidity was maintained to meet the retirement benefits obligations. Monitoring and evaluation is an essential element in the investment and portfolio management.

This ensures that the outcome of the investment actions is monitored and aligned to the ever-evolving investment environment.

Fund Administration

We received an approval from the Retirements Benefits Authority (RBA) to provide internal administration to the Scheme with effect from 1st January 2022. Through this, we have enhanced service provision to members and their beneficiaries, we now 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.

Members Engagement during the Year

Reflecting on the longevity of our members' careers and their increased lifespans, the Scheme dedicates resources to emphasize awareness, outreach, and education throughout their careers. We offer financial awareness workshop series every two years that emphasizes the importance of supplemental saving plans in addition to the Schemes benefits. We partnered with the Sponsor to hold education across all the working stations. We urge all our Members to take advantage of the sensitization workshops when they come next your station.

Customer Experience

Adding value to our members is amongst key success metrics for the daily work of the Secretariat team of employees. Every interaction counts in creating a seamless good experience for our members. As part of the Scheme's renewal, we have set up mechanisms and processes to keep constantly up to date with our members' sentiments. This includes feeding the insights from our customers back to the Scheme to foster understanding and ambitions for continuous improvement.



Check the quarterly newsletter which is committed to providing timely and transparent information about the Scheme, well beyond what is required of us by legislation. Did you know you have access to an Online Portal to check member information at a click of a button? You can also download the App right on your mobile gadget.

Risk Management

As a Scheme with an exceptionally long investment horizon, we must be prepared to navigate all market conditions. Our aim is thus not to quickly acquire new assets or disposing of existing ones. Instead, we must assess, understand, and proceed using good judgment. For long-term investors, extreme market volatility requires to stay the course to insulate us from actions that could work against us in investing. It is our job to tame these impulses. We are taking the time now to identify the changes that will be both enduring and progressive. We are balancing our search for new opportunities with our long-term strategy while maintaining conservative levels of liquidity. Our long-horizon approach to building a highly diversified, resilient portfolio will continue to be our guide through what is to come.

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.

Outlook

The focus in the year 2023 will be on capital preservation and long-term prospects to maximize investment returns. 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. The future offers a considerable upside for the economy and for the Scheme and we remain focused on implementing our strategic plan. We are confident in our ability to take advantage of any opportunities that may arise and employing informed resource allocation that will deliver superior returns to our members.

Appreciation

I would like to thank the Sponsor for the unwavering support and commitment towards the Scheme. I also acknowledge with appreciation the Board of Trustees whose guidance has been invaluable during the year. The dedication of the Secretariat staff cannot go unrecognized, their efforts, integrity and hard work during the period has sustained our success. I take this opportunity to also thank our members for their immeasurable support. I remain confident in our ability to continue to deliver value and quality of life to our members. A word of an appreciation also to RBA and our service providers for your valuable services to the Scheme. Shukrani!



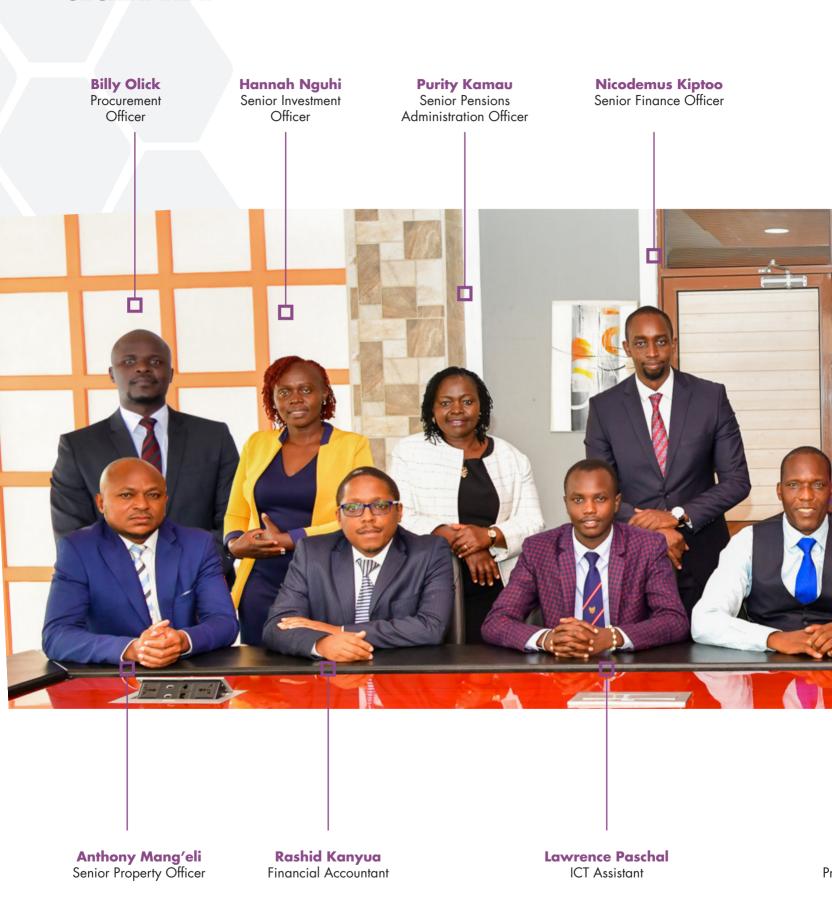




MANAGEMENT



SECRETARIAT





Jane Namnyak Hospitality Assistant **Doreen Wairimu**Pensions Administration
Assistant

Evelyne Mwangi Investment Analyst



Francis MainaProperty Maintenance
Technician

Maraka Silvio Accounts Assistant **Albert Anam**Pensions Administration
Officer

Josphat Muriuki
Chief Executive Officer
and Trust Secretary

KenGen Staff Retirement Benefits Scheme

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 KamauSenior 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 Itd. She has also served as a Pensions Administrator at Zamara Financial Services (formerly Alexander Forbes).



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 Natirahi

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 OlickProcurement 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 of KenGen Staff Retirement Benefit Scheme (the "Scheme") for the year ended 31 December 2022.

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% (2021: 10%) of their respective basic salaries. The employer contributes at rates based on periodic advice of the actuary. The current rate is 20% (2021: 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 Shs 10.3 billion and the fair value of the net assets available for benefits at that date was Shs 7.9 billion resulting in a deficit of Shs 2.4 billion. The actuary recommended a remedial plan that is currently being implemented. The details of the Actuarial Valuation are included in note 18.





	2022	2021
a) Total members		
In-service members	979	1,081
Pensioners and beneficiaries	1,140	1,146
	2,119	2,227
b) Membership Categories		
Contributing	40	59
Deferred	49	59
Dormant (Contributing in DC)	890	963
At end of year	979	1,081
c) Pensioners		
c) Pensioners At start of year	1,146	1,071
•	1,146 100	1,071 72
At start of year		
At start of year Contributing members who retired during the year	100	72
At start of year Contributing members who retired during the year	100 13	72 57
At start of year Contributing members who retired during the year	100 13	72 57
At start of year Contributing members who retired during the year Widows or widowers pension becoming payable	100 13 1,259	72 57 1,200





Financial Review

The statement of changes in net assets available for benefits on page 41 shows an increase in the net assets of the Scheme for the year of Shs 80,109,000 (2021: Shs 253,289,000) and the statement of net assets available for benefits on page 42 shows the Scheme's net assets as Shs 8,254,279,000 (2021: Shs 8,174,170,000).

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 2022 was as follows:

	2022	%	2021	%	RBA Limit %
	Shs'000		Shs'000		
Investment Property	4,307,800	52.8%	4,712,600	57.5%	30
Government Securities	2,710,952	33.2%	2,505,383	30.6%	90
Equities	751,675	9.2%	825,102	10.1%	70
Fixed Deposits	360,036	4.4%	112,348	1.4%	30
Corporate Bonds	34,349	0.4%	34,333	0.4%	30
	8,164,812	100	8,189,766	100	

The Scheme's immovable property is above the RBA limit of 30%. The Trustees have continued implementing the plan to dispose some of its Investment Property in order to be within the limit.





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	49	Sponsor Nominated	10	Yes	Bachelor's degree	KenGen Plc
Ms.Rebecca Miano*	57	Sponsor Nominated	12	Yes	Bachelor's degree	N/A
Mr. Abraham Serem**	57	Sponsor Nominated	17	Yes	Bachelor's degree	N/A
Ms Mary Maalu	56	Sponsor Nominated	28	Yes	Master's Degree	N/A
Ms.Elizabeth Njenga	49	Sponsor Nominated	30	Yes	Master's Degree	N/A
Mr. Austin Ouko***	41	Sponsor Nominated	6	Yes	Master's Degree	N/A
Ms.Jennifer Mbugua***	50	Sponsor Nominated	5	No	Master's Degree	N/A
Mr. Ernest Nadome	55	Members' Elected	25	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	26	Yes	Bachelor's degree	N/A

^{*}Trustee Rebecca Miano retired from the Board on 18th October 2022.

2. Meetings

The Board of Trustees held Seven (7) full Board meetings during the year ended 31st December 2022. The meetings were held on the dates below:

- a. 11th March 2022
- b. 24th March 2022
- c. 03rd June 2022
- d. 02nd September 2022
- e. 01st November 2022
- f. 06th December 2022
- g. 09th December 2022

^{**}Trustee Abraham Serem retired from the Board on 18th October 2022.

^{***}Trustee Austin Ouko was appointed to the Board on 18th October 2022.

^{****}Trustee Jennifer Mbugua was appointed to the Board on 18th October 2022.

^{*****}Trustee Peter Mutemi retired from the Board on 24th December 2022.



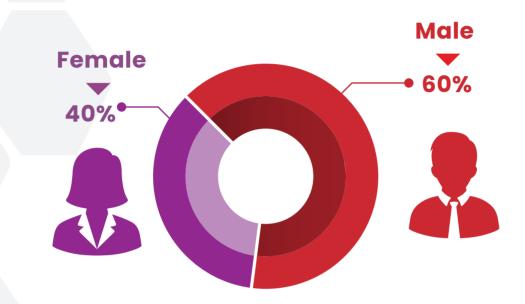
SCHEME GOVERNANCE (Continued)

3. The composition of the Board of Trustees is as here under

a. Gender balance: Female -40% Male - 60%

b. Skills Mix: No of Trustees with financial skills - 3

c. Age mix: Number of Trustees who are older than 35yrs - 10



4. Committees of the Board

Full Board/ Committee	No. of meetings held	Any external advisors, invitees to meetings
Investment & Strategy	7	Professional Consultants
Administration & Communication	5	Professional Consultants
Audit & Risk Management	5	Professional Consultants
Full Board	7	Professional Consultants

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 31st December 2020 (as per the previous Actuarial valuation report) was 76.9% 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 2022, the Scheme's immovable property accounted for 52.8% 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 2022 Annual General Meeting (AGM) Hybrid (Virtual & Physical) on 15th July 2022 at Western region Sondu Grounds which 1,192 members attended making up 59% of the Scheme membership. The Board adequately addressed the members' concerns.





9. Members' sensitization in the year 2022

Channel/Methodology Used	Date Held	No. of Members	Remarks
Member Education Forums	April, May, September, October & November 2022	377	Eastern Region, Western Region, Thermal regions and Upper Tana
Beneficiary Visits	June & July 2022	3	Across the country
Pensioners Education	April, May & June 2022	374	Across the country
Pensioner's farewell	December 2022	9	Western regions & Upper Tana

10. Trustees' remuneration policy

During the year under review, the Trustees were paid a gross sum of Kenya shillings Seven Million One Hundred Twenty Thousand only (Shs 7,120,000). The Trustees Capacity Building expenses for the year were Kenya shillings Thirteen Million Three Hundred Fifty Seven Thousand Six Hundred Seventy Seven only (Shs 13,357,677).

The payment complied with the Trustee remuneration policy of the Scheme as approved by members at the Annual General Meeting held on the 15th July 2022 at Western region Sondu Grounds.

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 97.70% 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

27th March 2023





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:

- 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 27th March 2023 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 39 to 66 which comprise the statement of net assets available for benefits at 31 December 2022 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 significant accounting policies and other explanatory information. In our opinion, the financial statements give a true and fair view of the financial position of KenGen Staff Retirement Benefits Scheme as at 31st December 2022, 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.



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.



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 Number 1457 Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP



Benice Kmacia





STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

		2022	2021
	Notes	Shs'000	Shs'000
Income from dealings with members			
Contributions received	5	824,775	546,902
Outgoings from dealings with members			
Benefits payable: - pensioners		(477,772)	(406,837)
- leavers		(411,400)	(293,706)
		(889,172)	(700,543)
Net outflows from dealings with members		(64,397)	(153,641)
Returns on investments			
Investment income	6	652,602	544,444
Change in fair value of financial assets	8 (f)	(354,326)	99,657
Change in fair value of investment property	7	38,635	(55,252)
Less: Investment management expenses	10	(86,977)	(83,810)
Net returns on investments		249,934	505,039
Administrative expenses	11	(85,447)	(83,001)
Increase in net assets for the year before income tax	15	100,090	268,397
Income tax expense		(19,981)	(15,108)
Increase in net assets for the year		80,109	253,289
			7.000.000
Net assets available for benefits at start of year		8,174,170	7,920,881
Net assets available for benefits at end of year		8,254,279	8,174,170





STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2022	2021
		Shs'000	Shs'000
Assets			
Investment property	7	4,307,800	4,712,600
Financial assets at fair value through profit or loss			
-Equity investments	8(a)	751,675	825,102
-Treasury bonds	8(b)	2,710,952	2,505,383
-Corporate bonds	8(c)	34,349	34,333
Intangible assets	9(a)	2,155	4,207
Furniture & equipment	9(b)	7,549	8,090
Other receivables and accrued income	12	145,948	51,601
Offshore Investments	8(e)	85,048	123,853
Cash & cash equivalents	14	410,478	153,404
Total assets		8,455,954	8,418,573
Less: liabilities			
Current income tax payable	15	3,603	1,746
Other payables and accrued expenses	13	198,072	242,657
Total liabilities		201,675	244,403
Net assets available for benefits		8,254,279	8,174,170

The financial statements on pages 30 to 69 were approved for issue by the Trustees on 27^{th} March 2023 and signed on their behalf by:

Joseph Sitati
Chairman - Board of Trustees

Josphat Muriuki Trust Secretary



STATEMENT OF CASH FLOWS

	Notes	2022	2021
		Shs'000	Shs'000
Cash flows from operating activities			
Contributions received	5	824,775	546,902
Benefits paid		(889,172)	(700,543)
Administrative expenses	11	(85,447)	(83,001)
Adjusted for:			
Add back: Increase/(Decrease) in loss allowance	12	1,368	299
Add back: amortisation of intangible assets	9(a)	2,052	1,949
Add back: depreciation of computers	9(b)	1,407	2,576
Movement in working capital:			
- (Decrease)/Increase in receivables		(94,347)	48,764
- (Decrease) /Increase in payables		(44,585)	87,353
Income tax paid	15(c)	(18,124)	(13,603)
Net cash used in operating activities		(302,073)	(109,304)
Investing activities			
Rent income	6	264,588	234,069
Dividend income	6	44,927	28,508
Interest income		327,010	296,915
Other income/(expenses)	6	5,331	(4,093)
Investment management expenses	10	(86,977)	(83,810)
Purchase of treasury bonds	8(b)	(612,829)	(633,206)
Purchase of Corporate Bond	8(c)	-	(33,630)
Purchase of quoted equities	8(a)	(146,209)	(105,123)
Proceeds from sale of treasury bonds	8(b)	293,708	235,338
Proceeds from sale of corporate bonds	8(c)	-	21,951
Proceeds from sale of equities	8(a)	27,029	88,854
Purchase of furniture & equipment	9(b)	(866)	(9,243)
Purchase of Offshore Investment	8(e)	-	(106,946)
Proceeds on disposal of investment property	7	454,615	61,700
Investment property additions	7	(11,180)	(32,952)
Net cash (used) generated from investing activities		559,147	(41,668)
Increase/(decrease) in cash and cash equivalents		257,074	(150,972)
Movement in cash and cash equivalents			
At start of year		153,404	304,376
Increase/(decrease) in cash and cash equivalents		257,074	(150,972)
At end of year	14	410,478	153,404



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 2022:

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 1 January 2022 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 2022 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.



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

- Interest income is recognised on a timeproportion 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.

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 the statement of changes in net assets available for benefits. 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 of 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.

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.



vii. 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 noncurrent 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:

- a. the credit risk has increased significantly since initial recognition; or
- b. 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.

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.

KenGen Staff Retirement Benefits Scheme

Notes (continued)

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 85,048,000 as at 31st December 2022 (2021: Shs 123,853,000).

A 10% increase/decrease in the exchange rate would result in Kshs 8,504,800 fluctuation in post-tax profit in 2022 (2021: Kshs 12,385,300).

ii. Cash flow and fair value interest

The Scheme's interest-bearing assets include corporate bonds and bank deposits which are at fixed interest rates and hence not subject to interest rate risk.

The Scheme has no interest-bearing liabilities. Holding all other factors constant, the impact of a 10% change in the effective interest rate of investments in bonds would have increased/decreased the net assets available for benefits by Shs 30,786,000 (2021: Shs 26,714,000).

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 2022, 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 Shs 75, 167,546 (2021: Shs 82,510,215) higher/lower.





Credit risk

Credit risk arises from investments other than equity investments, contributions receivable, other receivables and cash and cash equivalents. The Scheme does not have any significant concentrations of credit risk. The Investment Manager assesses the credit quality of each investment, taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Trustees.

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

- a. The gross carrying amount of financial assets with exposure to credit risk at the financial reporting date,
- b. The age analysis of each of the classes of financial assets as applicable,
- c. The loss allowance for each class of financial assets split into the various age categories as applicable,
- d. The net carrying amount of each class of financial assets split into the various age categories as applicable, and
- e. A narrative of the approach taken by management to calculate the loss allowance for each class of assets.

At 31 December 2022	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Rent Receivables			
Current			
0 — 30 days	5,022	(143)	4,879
Past due			
31 — 60 days	1,102	(114)	988
61 — 90 days	9,588	(1,263)	8,325
Over 90 days	19,814	(2,158)	17,656
	35,526	(3,678)	31,848
Other receivables			
Related party receivables	102,258	-	102,258



4. Financial risk management objectives and 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 2022	Gross carrying amount	Loss allowance	Net carrying amount
Cash and cash equivalents			
Bank Balances	50,434	-	50,434
Short term deposits (original maturity of 1 - 90 days)	360,036	-	360,036
	410,470	-	410,470

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.





4. Financial risk management objectives and policies (continued)

Credit risk (continued)

At 31 December 2022	Gross carrying amount	Loss allowance	Net carrying amount
	Shs'000	Shs'000	Shs'000
Debt and equity securities			
Treasury bonds	2,710,952	-	2,710,952
Quoted equity	751,675	-	751,675
Corporate bonds	34,349	-	34,349
Offshore investments	85,048	-	85,048
	3,582,024	-	3,582,024

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

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	17,566	(1,766)	15,800
	20,006	(2,310)	17,696
Other receivables			
Related party receivables	26,460	-	26,460

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.



4. Financial risk management objectives and 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	41,048	-	41,048
Fixed and time deposits (original maturity of 1 - 90 days)	112,348	-	112,348
	153,396	-	153,396

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
Offshore investments	123,853		123,853
	3,488,671	-	3,488,671

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 31st December 2022 were payable within 90 days. Rent deposits are payable on demand.

4. Financial risk management objectives and policies (continued)

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).

31 December 2022	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
Financial assets			
Treasury bonds- FVTPL	2,710,952	-	2,710,952
Quoted equity- FVTPL	751,675	-	751,675
Corporate bonds-FVTPL	34,349	-	34,349
Offshore-FVTPL	85,048	-	85,048
	3 582 024	_	3 582 024

31 December 2021	Level 1	Level 2	Level 3
	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

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.

5. Contributions received	2022	2021
	Shs'000	Shs'000
Employer contributions	25,050	29,801
Members contributions	12,525	14,901
Actuarial Deficit Funding from the Sponsor (KenGen Plc)	787,200	502,200
	824,775	546,902

In accordance with the recommendations of the actuary, contributions are made to the Scheme at a rate of 10% for members and 20% by employer.

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

6. Investment Income	2022	2021
	Shs'000	Shs'000
Rent income	264,588	234,069
Dividend income	44,927	28,508
Interest income		
- Treasury bonds	307,861	267,140
- Commercial paper and corporate bonds	4,120	2,214
- Term deposits	16,402	16,196
Gain/(loss) on disposal of equity instruments at FVTPL (Note 8(a))	7,672	(1,652)
Gain/(loss) on disposal of treasury bonds at FVTPL (Note 8(b))	1,701	(11,064)
Loss on disposal of corporate bonds at FVTPL (Note 8(c))	-	(24)
Interest on related party receivables (Note 17(a))	-	13,150
Other income/(expenses)	5,331	(4,093)
	652,602	544,444



7. Investment Property	2022	2021
	Shs'000	Shs'000
At start of year	4,712,600	4,796,600
Additions	11,180	32,952
Disposal	(454,615)	(61,700)
Fair value gain/(loss)	38,635	(55,252)
At end of year	4,307,800	4,712,600

The Scheme's investment properties were revalued at 31st December 2022 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).

	Level 3	Total
	Shs'000	Shs'000
At 31 December 2022		
Investment property	4,307,800	4,307,800
At 31 December 2021		
Investment property	4,712,600	4,712,600



8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in number of shares held (continued)

Co-op Trust

Description	At 1 January 2021	Additions	Disposals	At 31 December 2021	Additions	Disposals	Bonus units	At 31 December 2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Bamburi Cement Plc	126,000	-	-	126,000	-	-	-	126,000
Cooperative Bank of Kenya	2,703,080	300,000	-	3,003,080	-	-	-	3,003,080
Diamond Trust Bank Ltd	129,500	-	-	129,500	-	-	-	129,500
Equity Group Holdings	950,000	-	-	950,000	50,000	(50,000)	-	950,000
East Africa Breweries	105,400	80,000	-	185,400	-	-	-	185,400
KCB Group	1,257,197	600,000	(300,000)	1,557,197	-	-	-	1,557,197
KenGen Plc	3,750,553	-	(3,750,553)	-	-	-	-	-
Kenya Oil Company Ltd	-	-	-	-	-	-	-	-
Nation Media Group	14	-	-	14	-	-	-	14
Safaricom Plc	3,902,000	1,050,000	(500,000)	4,452,000				4,452,000
Kenya Power Plc	1,973,665	-	(1,973,600)	65	-	-	-	65
Standard Chartered Bank	50,437	-	-	50,437	25,000	-	-	75,437
ABSA Bank	200,000	-	-	200,000	-	-	-	200,000
Sub-total	15,147,846	2,030,000	(6,524,153)	10,653,693	75,000	(50,000)	-	10,678,693



8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in number of shares held (continued)

Britam Asset Managers

Description	At 1 January 2021	Additions	Disposals	At 31 December 2021	Additions	Disposals	Bonus units	At 31 December 2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Bamburi Cement Plc	-	-						
ABSA Bank	888,300	-	-	888,300	-	-	-	888,300
BAT Kenya Limited	70	-	-	70	-	-	-	70
Britam Holdings Plc	148,200	-	(148,200)	-	-	-	-	-
Cooperative Bank of Kenya	710,058	-	(132,400)	577,658	-	-	-	577,658
Diamond Trust Bank Ltd	22,884	-	(11,400)	11,484	-	-	-	11,484
East Africa Breweries	190,100	-	-	190,100				190,100
Equity Group Holdings	1,755,007	-	(398,000)	1,357,007	648,200	(92,300)	-	1,912,907
KCB Group	1,659,425	-	(13,478)	1,645,947	818,300	(357,800)	-	2,106,447
NCBA Plc	77,000	-	-	77,000	-	-	-	77,000
Safaricom Plc	5,780,700	505,000	(263,400)	6,022,300	2,877,800	-	-	8,900,100
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	29,188	34,100	-	63,288	-	-	-	63,288
Sub-total	16,712,934	539,100	(966,878)	16,285,156	4,344,300	(450,100)	-	20,179,356
Total	31,860,780	2,569,100	(7,491,031)	26,938,849	4,419,300	(500,100)	-	30,858,049



8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in equities Market value

Co-op Trust

Description	At 1 January 2021	Additions cost	Disposal cost	Gain/ (loss) on disposal	Fair value gain/ (loss)	At 31 December 2021	Additions cost	Disposal Proceeds	Gain/ (loss) on disposal	Fair value gain/ (loss)	At 31 December 2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Bamburi Cement Plc	4,769	-	-	-	19	4,788	-	-	-	(819)	3,969
Cooperative Bank of Kenya	33,788	3,781	-	-	1,321	38,890	-	-	-	(1,952)	36,938
Diamond Trust Bank Ltd	9,713	-	-	-	(2,008)	7,705	-	-	-	(1,230)	6,475
Equity Group Holdings	34,723	-	-	-	15,390	50,113	1,971	(6,702)	4,813	(7,920)	42,275
East Africa Breweries	16,258	13,217	-	-	1,116	30,591	-	-	-	464	31,055
KCB Group	47,899	23,226	(14,030)	(520)	14,200	70,775	-	-	-	(11,445)	59,330
KenGen Plc	17,664	-	(16,222)	(743)	(699)	-	-	-	-	-	_
Kenya Oil Company Ltd	-	-	-	-	-	-	-	-	-	-	-
Nation Media Group	-	-	-	-	-	-	-	-	-	-	-
Safaricom Plc	133,644	39,497	(20,989)	(311)	1 <i>7</i> ,112	168,953	-	-	-	(61,438)	107,515
Kenya Power Plc	3,375	-	(2,635)	(128)	(612)	-	-	-	-	-	-
Standard Chartered Bank	7,276	-	-	-	(807)	6,469	3,134	-	-	1,166	10,769
ABSA Bank	1,932	-	-	-	438	2,370	-	-	-	90	2,460
Sub-total	311,041	79,721	(53,876)	(1,702)	45,470	380,654	5,105	(6,702)	4,813	(83,084)	300,786





8. Financial Assets (Continued)

a) Equity instruments at FVTPL (continued)

Movement in Market value (continued)

Britam Asset Managers

Description	At 1 January 2021	Additions cost	Disposal cost	Gain/ (loss) on disposal	Fair value gain/ (loss)	At 31 December 2021	Additions cost	Disposal Proceeds	Gain/ (loss) on disposal	Fair value gain/ (loss)	At 31 December 2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Bamburi Cement	-	-	-	-	-	-	-	-	-	-	-
Barclays Bank	8,581	-	-	-	1,945	10,526	-	-	-	400	10,926
BAT Kenya Ltd	25	-	-	-	6	31	-	-	-	(1)	30
Britam Holdings	1,075	-	(1,219)	55	89	-	-	-	-	-	-
Co-op Bank Ltd	8,876	-	(1,651)	36	220	7,481	-	-	-	(375)	7,106
DTK Bank Ltd	1,717	-	(723)	(26)	(283)	685	-	-	-	(109)	576
EABL Ltd	29,323	-	-	-	2,044	31,367	-	-	-	475	31,842
Equity Group	64,146	-	(20,232)	690	26,979	71,583	31,311	(4,714)	1,226	(14,282)	85,124
KCB Group	63,224	-	(582)	(3)	12,169	74,808	33,673	(15,613)	1,633	(14,246)	80,255
NCBA Plc	2,060	-	-	-	(120)	1,940	-	-	-	1,090	3,030
Safaricom Plc	197,985	20,760	(10,571)	(702)	21,071	228,543	76,120	-	-	(89,724)	214,939
Uganda Clays	719	-	-	-	527	1,246	-	-	-	468	1,714
KenGen Plc	6,185	-	-	-	(683)	5,502	-	-	-	(1,274)	4,228
Kenya Re Corp.	2,642	-	-	-	(23)	2,619	-	-	-	(535)	2,084
StanChart Bank	4,210	4,642	-	-	(735)	8,117	-	-	-	918	9,035
Sub-total	390,768	25,402	(34,978)	50	63,206	444,448	141,104	(20,327)	2,859	(117,195)	450,889
Total	701,809	105,123	(88,854)	(1,652)	108,675	825,102	146,209	(27,029)	7,672	(200,279)	751,675





8. Financial Assets (continued)

b. Treasury bonds at FVTPL	2022	2021
	Shs'000	Shs'000
At the beginning of the reporting period	2,505,383	2,145,745
Additions at face value	612,829	633,206
Disposals proceeds	(293,708)	(235,338)
Interest received on maturity	1,701	(11,604)
Change in fair value	(115,253)	(26,626)
At the end of the year	2,710,952	2,505,383
Between 1 – 3 years		
More than 3 years	2,710,952	2,505,383
	2,710,952	2,505,383
c. Corporate bonds at FVTPL		
At the start of the year	34,333	21,976
Additions	-	33,630
Disposals proceeds	-	(21,951)
Loss on disposal	-	(24)
Change in fair value	16	702
At the end of the reporting period	34,349	34,333

The corporate bonds breakdown is as shown below;

Corporate bonds at FVTPL	Maturity date	Interest rate	2022	2021
			Shs'000	Shs'000
EABL PLC Medium Term Note	29.10.2026	12.25%	18,109	17,742
EABL PLC Medium Term Note	29.10.2026	12.25%	16,240	16,591
			34,349	34,333

(d) Term deposits at amortised cost	2022	2021
	Shs'000	Shs'000
At the end of the year	112,348	257,775
Additions at face value	2,029,762	1,476,190
Maturities	(1,782,074)	(1,633,979)
Interest	-	12,362
At the end of the year	360,036	112,348



8. Financial Assets (continued)

The breakdown for term deposits is as follows

Term deposits at amortised cost	Maturity date	Interest rate	2022	2021
			Shs'000	Shs'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
Equity Bank	On Call	9.50%	31,294	-
I & M Bank	On Call	9.50%	51	-
I & M Bank	On Call	9.50%	44,131	-
KCB Bank	On Call	9.50%	50,273	-
KCB Bank	On Call	9.50%	2,525	-
KCB Bank	On Call	9.50%	1,401	-
KGNF-00308			10,388	-
NCBA Bank	On Call	9.25%	145	-
NCBA Bank	On Call	9.50%	6,023	-
NCBA Bank	On Call	9.50%	2,528	-
Co-op deposit	On Call	10.50%	71,371	-
Co-op deposit	On Call	10.25%	35,099	-
Co-op deposit	On Call	10.25%	90	-
Co-op deposit	On Call	10.50%	4,002	-
Co-op deposit	On Call	10.00%	60,395	-
Co-op deposit	On Call	10.25%	15,253	-
Co-op deposit	On Call	10.10%	9,027	-
Co-op deposit	On Call	10.25%	16,040	-
			360,036	112,348
Maturing as follows:				
Within 1 Month			-	-
Between 1 – 3 Months			360,036	112,348
Included in the cash and Cash Equivalents in (note 14)			360,036	112,348



8. Financial Assets (continued)

e. Offshore investments	2022	2021
	Shs'000	Shs'000
At start of the year	123,853	-
Additions	-	106,946
Fair value (loss)/gain	(38,805)	16,907
	85,048	123,853

f. Fair value (loss)/gain		
Treasury bonds (Note 8(b))	(115,253)	(26,627)
Equity investments	(200,284)	108,675
Corporate bonds (Note 8(c))	16	702
Offshore investments (Note 8(e))	(38,805)	16,907
	(354,326)	99,657





9. Administrative Assets (continued)

	2022	2021
	Shs'000	Shs'000
a. Intangible assets		
Cost		
At 1 January	14,771	14,771
At 31 December	14,771	14,771
Amortisation		
At 1 January	10,564	8,615
Charge for the year	2,052	1,949
At 31 December	12,616	10,564
Net book value		
At 31 December	2,155	4,207
b. Furniture and equipment		
Cost		
At 1 January	20,648	11,405
Additions	866	9,243
At 31 December	21,514	20,648
Amortisation		
At 1 January	12,558	9,982
Charge for the year	1,407	2,576
At 31 December	13,965	12,558
Net book value		
A. 21 D	7.540	0.000
At 31 December	7,549	8,090
10. Investment management expenses		
Investment managers	4,826	4,836
Custodian expenses	2,595	2,639
Investment property operating expenses	79,556	76,335
	86,977	83,810



11. Administrative Expenses

	2022	2021
	Shs'000	Shs'000
Administrator's fees	-	1,600
Actuarial fees	500	1,316
Audit fees	2,124	2,089
RBA levy	5,000	5,000
Annual general meeting	2,671	3,059
Trustees' expenses	<i>7</i> ,120	9,450
Trustee capacity building expenses	13,358	8,182
Salary and wages	28,386	26,990
Leave accrual	1,778	2,043
Consultancy fees	3,455	1,445
Movement in loss allowance (note 12)	1,368	299
Other operational expenses	19,687	21,528
	85,447	83,001

12. Other Receivables and Accrued Income

	2022	2021
	Shs'000	Shs'000
Rent receivable	35,526	20,006
Loss allowance	(3,678)	(2,310)
	31,848	17,696
Related Party Receivables note 17(b)	102,258	26,460
Loss allowance	-	-
	102,258	26,460
Dividends receivable	3,664	5,361
Prepayments	8,178	2,084
	145,948	51,601
Movements on the loss allowance are as follows:		
At start of year	2,310	2,011
Increase (decrease) in loss allowance in the year	1,368	299
At end of year	3,678	2,310





13. Payables and Accrued Expenses

	2022	2021
	Shs'000	Shs'000
Trade payables & accrued expenses	129,492	113,783
Rent deposits	8,622	8,174
Withdrawals payable	10,658	5,500
Deposit on Rosslyn Houses	49,300	115,200
	198,072	242,657

14. Cash and Cash Equivalents

	2022	2021
	Shs'000	Shs'000
For the purposes of the cash flow statement, cash and cas	h equivalents comprise the fo	llowing:
Cash at bank	50,434	41,048
Cash in hand	8	8
Fixed and time deposits (Note 8(d)	360,036	112,348
	410,478	153,404

^{*}The deposits are accessible to the scheme at any time they are needed.

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

	2022	2021
	Shs'000	Shs'000
b) Income tax expense		
Investment income on unregistered portion of Scheme Gain on Sale of Investment Property	66,602	50,360
,		
Income subject to tax	66,602	50,360
Current income tax at 30%	19,981	15,108



	2022	2021
	Shs'000	Shs'000
c) Current income tax payable		
At start of the year	1,746	241
Income tax expense (Note15 (b))	19,981	15,108
Tax payments during the year	(18,124)	(13,603)
At end of Year	3,603	1,746

16. Contingent Assets and Liabilities

a) Contingent assets

The Scheme has made a claim against one of its property managers valued at Shs 166 million plus costs and interest. 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 had no contingent liabilities as at 31st December 2022 (2021: nil).

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:

	2022	2021
	Shs'000	Shs'000
(a) Income		
Rent income billed (KenGen Plc)	238,009	152,840
Interest on partitioning receivable (KenGen Plc) (Note 6)	-	13,150
Employer contributions (Note 5)	25,050	29,802
Actuarial Deficit Funding from the Sponsor (KenGen Plc) (Note 5)	787,200	502,200
	1,050,259	697,992



(b) Receivables

Due from KenGen defined contribution scheme	20,097	9,259
Other Receivables	1,326	13,689
Actuarial Deficit Receivable	72,900	-
Contributions Receivable	7,935	3,512
	102,258	26,460

(c) Financial assets

	4,228	5,502
Quoted shares held with the Sponsor(Note 8(a))	4,228	5,502

18 Actuarial valuation

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
Additional voluntary contributions	-
Refund of employee contributions on death	36.5
Administrative expense reserve	772.5
Total liabilities	10,302.4
Total assets	7,920.9
Actuarial 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 demographic assumptions relate to membership movements, covering events such as termination, disablement, retirement and death.

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.
- The Scheme will undertake anotherActuarial valuation at the end of 2023.





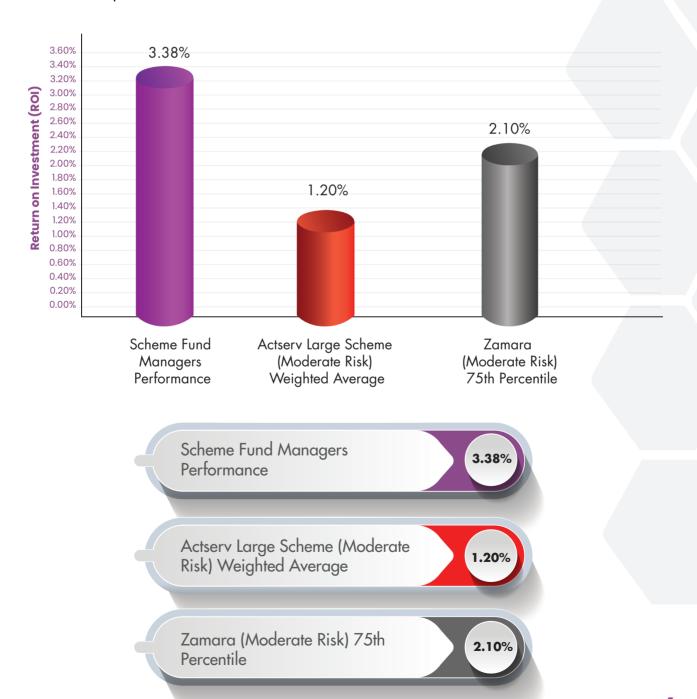
INDUSTRY STATISTICS

2022 Performance Statistics

The year 2022 was faced with market volatility globally as the Ukraine – Russia war disrupted supply chains of commodities such as fuel and grains hence their prices increased significantly. The year was also faced with high inflation as the cost of goods and service rose, central banks of both developed and emerging markets increased interest rates to combat the soaring inflation.

Locally, the increase in interest rates had adverse effects on the capital markets as foreign investors dumped local equities, dipping the valuation of high cap stocks, and lowering valuation of bonds as price and interest rates are inversely related. Consequently, lowering the return in the market.

Below is the performance statistics for DB Scheme.





BOARD RETREAT



















MEMBERS ENGAGEMENT

















AGM 2022



















CoG AWARDS







FiRe AWARDS











NOTES	Benefits Schem

KenGen Staff Retirement Benefits Scheme	
NOTES	Stan Ben



MOBILE APP



Did you know the Scheme also has a mobile application on the apple store and google playstore?

You can download the KenGen SRBS app on your smart phone and login with the same account that you had registered with on the member portal.

Links to the application can be found below or you can search the respective application store for our app

DOWNLOAD 🕹











KenGen Staff Retirement Benefits Scheme
KenGen Pension Plaza 2, 11th Floor
Kolobot Road, Parklands
P. O. BOX 47936, 00100, NairobiKenya.
Tel: (+254) 0711 036962/713 / 0732116962/713
Email: info@kengensrbs.co.ke