KENYA PIPELINE
COMPANY LIMITED

2024 ANNUAL REPORT

AND FINANCIAL STATEMENTS

Prepared in accordance with the International Financial Reporting Standards (IFRS)

From Pipe Dreams to East African Giant: 50 Years of Kenya Pipeline Company

Kenya Pipeline Company (KPC) is celebrating its 50th anniversary, a milestone that marks not just the company's growth but also the transformation of Kenya and the broader East African region. To appreciate this journey, one must look back to 1973, when KPC was founded at a time of immense regional transition. Emerging economies sought stability and development, and Kenya was beginning to reap the benefits of a decade of independence. It was against this backdrop that KPC was established as a State Corporation under the Companies Act Cap 486 of the Laws of Kenya, with the primary mandate of efficiently, reliably, and safely transporting petroleum products from the now-defunct Kenya Petroleum Refineries Limited to the hinterland.

The birth of KPC was a game-changer in Kenya's energy sector, significantly reducing reliance on costly and inefficient road transport while enhancing safety and environmental protection. It took five years before the first batch of fuel was piped to Nairobi in 1978, marking the beginning of a robust and evolving petroleum infrastructure that would drive Kenya's industrial and economic growth. By ensuring a steady supply of petroleum products, KPC played a critical role in stabilizing fuel prices, securing energy needs, and supporting various industries, including manufacturing, agriculture, and transportation. Over the decades, the company's impact has expanded beyond Kenya, shaping the region's economic landscape.

From its initial pipeline linking Mombasa to Nairobi, KPC has grown into a vast network covering 1,342 kilometres. This intricate system traverses mountain ranges, savanna grasslands, national parks, and urban centres, connecting Mombasa to Nairobi and extending to Nakuru, Eldoret, and Kisumu. Each day, thousands of trucks queue at KPC depots to transport fuel to Kenya's farthest corners and neighbouring countries, reinforcing the company's role as a regional economic enabler. Initially, the Mombasa-Nairobi pipeline relied on booster stations every 55-60 kilometres due to relatively weak pumps. Today, these pump stations strategically positioned from Mombasa through Konza to Nairobi—have been significantly upgraded to enhance efficiency. The decommissioning of the original pipeline in 2022, following the commissioning of a modern 20-inch pipeline (Line 5) in 2018, has increased capacity and ensured a more reliable fuel supply to match growing regional demand.

In tandem with pipeline expansion, KPC has been instrumental in upgrading oil transportation infrastructure. A pivotal achievement was the launch of the Kipevu Oil Terminal II (KOT II) in 2022. The 770-metre jetty, the largest of its kind at the time, allows simultaneous offloading of multiple petroleum products from some of the world's largest sea tankers. With a flow rate of up to five million litres per hour, KOT II significantly reduces demurrage costs, saving taxpayers billions and stabilizing pump prices. KPC has embraced modern technology to enhance efficiency, security, and service delivery. A state-of-the-art fibre-optic monitoring system enables engineers to control and oversee pipeline operations remotely. From a centralized nerve centre, staff can open or close valves, detect leaks, and respond to potential sabotage attempts in real-time, ensuring the pipeline's security and operational integrity.

At the heart of KPC's logistical operations is its Nairobi headquarters, which manages the critical lines serving western Kenya. These include the dual-track Eldoret pipeline

KPC has grown into a vast network covering ***1,342*** *kilometres.*

The Kisumu jetty, a key component in fuel exports to Uganda and beyond, with over 27 million litres shipped within months of its 2023 re-launch.

Total storage 4 billion litres. Mombasa (Kipevu, 326 million litres), Nairobi (233 million litres), and Changamwe (140 million litres), along with additional facilities at major airports and regional depots in Nakuru, Eldoret, and Kisumu

(Line 4 and Line 2) and the Kisumu line (Line 6 and Line 3). The Kisumu jetty, a key component in fuel exports to Uganda and beyond, has become increasingly important, with over 27 million litres shipped within months of its 2023 re-launch. The jetty's modernization has bolstered Kenya's position as a regional fuel hub, providing a viable alternative to road transport for Uganda, Rwanda, and the Democratic Republic of Congo.

Beyond transportation, KPC has made significant investments in fuel storage. The company operates extensive tank farms with a total storage capacity of over four billion litres. These include massive depots in Mombasa (Kipevu, 326 million litres), Nairobi (233 million litres), and Changamwe (140 million litres), along with additional facilities at major airports and regional depots in Nakuru, Eldoret, and Kisumu. These storage capacities ensure consistent fuel supply, mitigating shortages and stabilizing the market.

To enhance efficiency, KPC has modernized its fuel loading systems. Traditional top-loading, which fills one tanker compartment at a time, has been complemented by bottom-loading technology. This advanced method allows simultaneous loading of multiple compartments, reducing turnaround time and increasing operational efficiency. Such improvements have significantly boosted the speed and safety of fuel dispatch, directly benefiting Kenya's and the region's economies.

KPC's 50-year journey is a testament to visionary leadership, strategic investments, and a commitment to national and regional development. The company has evolved from a modest fuel transporter to a cornerstone of East Africa's energy sector, ensuring the steady flow of petroleum products that power industries, businesses, and households.

Looking ahead, KPC continues to explore opportunities for expansion, technological innovation, and regional integration. With plans to further enhance its infrastructure and embrace cleaner energy solutions, the company remains steadfast in its mission to drive economic progress and solidify Kenya's position as a regional energy hub.

As it marks half a century of service, Kenya Pipeline Company stands as a beacon of transformation an enduring symbol of resilience, growth, and the boundless potential of a nation on the move.

Contents


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ACRONYMS AND ABBREVIATIONS

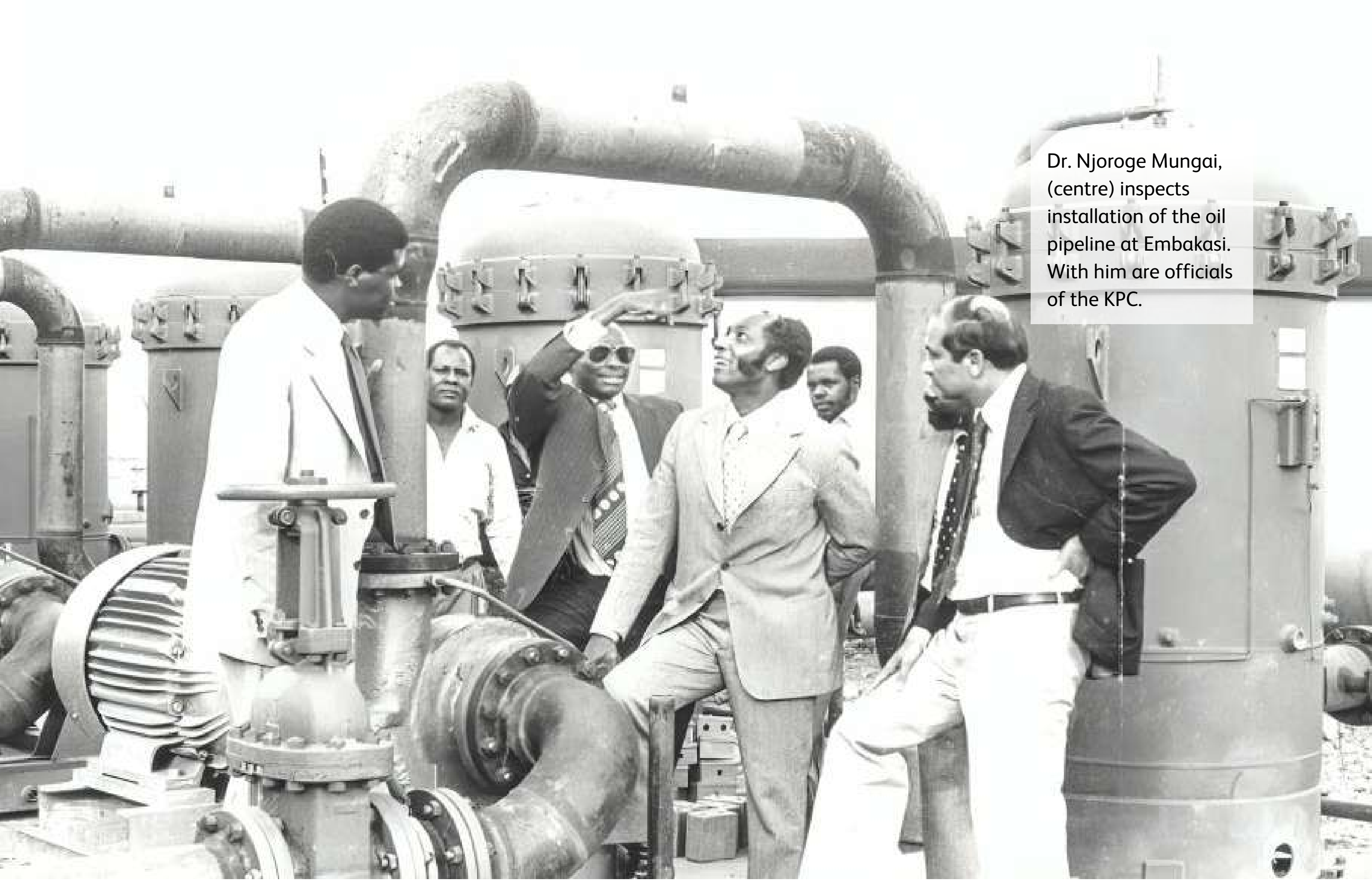
ADA	Alcohol and Drug Addiction
ADR	Alternative Dispute Resolution
AERC	Africa Economic Research Consortium
AGO	Automotive Gasoline Oil
BCM	Business Continuity Management
BCP	Business Continuity Plan
CA	Communication Authority of Kenya
CARS	Corrective Action Reports
CEO	Chief Executive Officer
CIFA (K)	Certified Investment and Financial Analyst
CO	Crude Oil
COFEK	Consumers Federation of Kenya
CPA (K)	Certified Public Accountants of Kenya
CPS	Certified Public Secretary
CRA	Corruption Risk Assessment
CSI	Corporate Social Investment/ Customer Satisfaction Index
CSP	Corporate Strategic Plan
CSW	Customer Service Week
CX	Customer Experience
DAV	Debit Adjustment Voucher
DRC	Democratic Republic of Congo
DTB	Diamond Trust Bank
EACC	Ethics and Anti-Corruption Commission
EAPTA	East Africa Petroleum Transporters Association
EHS	Environment Health and Safety
EOPS	Early Oil Pilot Scheme
EPRA	Energy and Petroleum Regulatory Authority
ERM	Enterprise Risk Management
ERMP	Enterprise Risk Management Policy
ESG	Environmental Social Governance
ESIA	Environment, Social Impact Assessment
FOC	Fibre Optic Cable
FY	Financial Year
GAA	Government Advertising Agency
GHG	Greenhouse Gases
GoK	Government of Kenya
HAZOP	Hazard and Operability
HCV	Hydro-Carbon Value
HDip	Higher Diploma

ACRONYMS AND ABBREVIATIONS

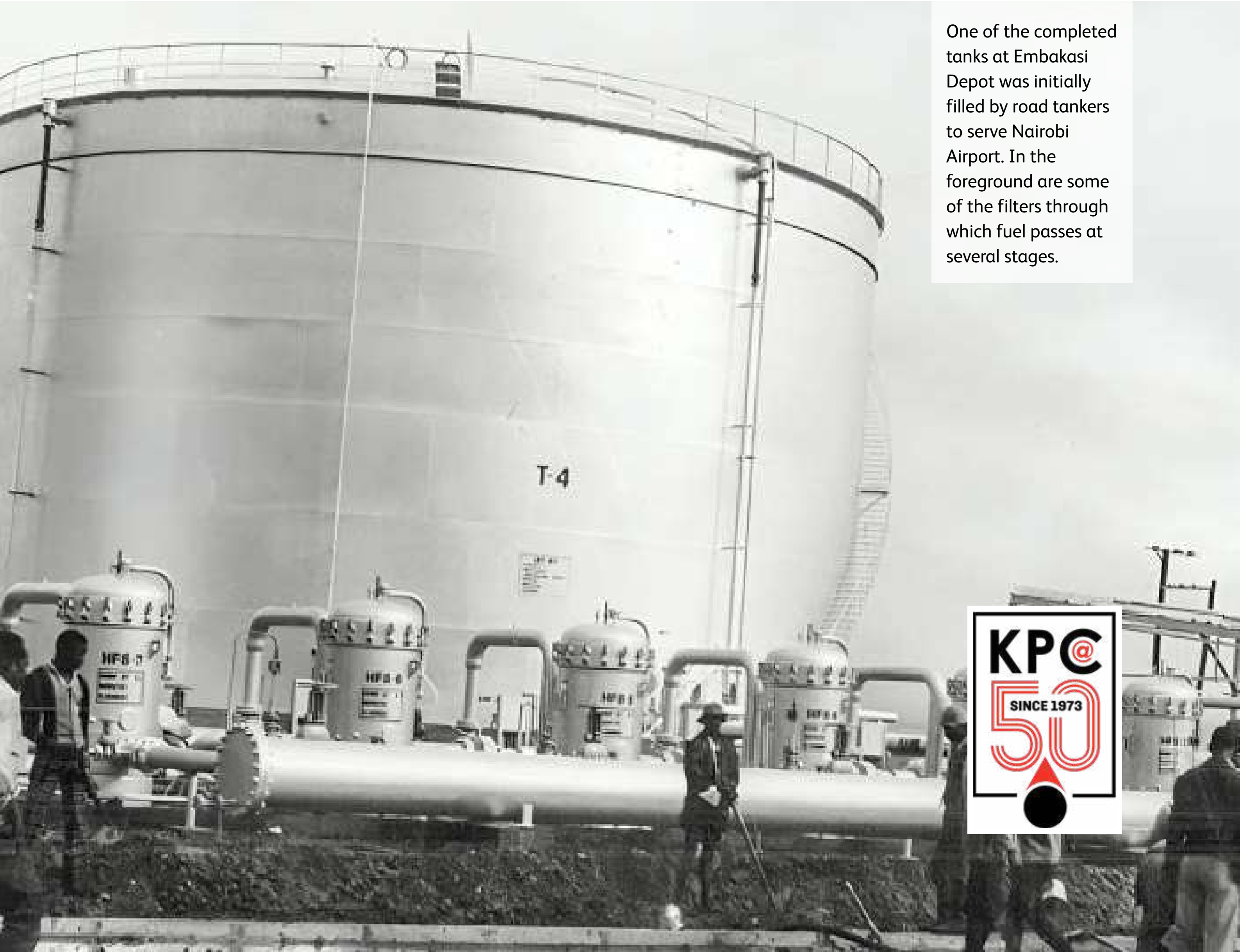
HFO	Heavy Fuel Oil
HSC	Head of State Commendation
HSE	Health, Safety and Environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICPAK	Institute of Certified Public Accountants of Kenya
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILI	In-Line Inspection
ISACA	International Systems Audit and Control Association
JKIA	Jomo Kenyatta International Airport
KAA	Kenya Airports Authority
KeNHA	Kenya National Highway Authority
KMTC	Kenya Medical Training College
KNCCI	Kenya National Chamber of Commerce and Industry
KOJ	Kisumu Oil Jetty
KOSF	Kipevu Oil Storage Facility
KOT	Kipevu Oil Terminal
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Company
KPRL	Kenya Petroleum Refinery Limited
KRA	Kenya Revenue Authority
Kshs	Kenya Shillings
LLB	Bachelor of Law
LPG	Liquefied Petroleum Gas
MCIPS	Member of Chartered Institute of Procurement and Supply
MDA	Ministries, Departments and Agencies
MIA	Moi International Airport
MIEK	Member Institute of Engineers of Kenya
MIOC	Management Integrity Oversight Committee
MIOG	Morendat Institute of Oil and Gas
MKISM	Member of Kenya Institute of Supplies and Management
MTCC	Morendat Training and Conference Centre
MTN	Mobile Telephone Network
NCD	Non-Communicable Diseases
NCTTCA	Northern Corridor Transit Transport Coordination Authority
NCTTR	Northern Corridor Transit Transport Route
NDC	Nationally Determined Contributions

ACRONYMS AND ABBREVIATIONS

NEMA	National Environmental Management Authority
NOCK	National Oil Corporation of Kenya
NSSF	National Social Security Fund
NT	National Treasury
NTSA	National Transport Safety Authority
OAG	Office of The Auditor General
OGW	Order of Grand Warrior
OMC	Oil Marketing Company
OSH	Occupation Safety and Health
PC	Performance Contracting
PFM	Public Finance Management
PIC	Public Investment Committee
PMS	Premium Motor Spirit
PSASB	Public Sector Accounting Standards Board
PwD	Persons with Disability
REng	Registered Engineer
RMC	Risk Management Committee
ROW	Right of Way
RPO	Real Point Objectives
RTO	Real Time Objectives
RUL	Remaining Useful Life
SAGA	Semi-Autonomous Government Agencies
SCAC	State Corporations Advisory Committee
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Coordination Meeting
SDG	Sustainable Development Goals
SIC	Standards Implementation Committee
SLDP	Strategic Leadership Development Program
SMC	Strategic Management Course
SOCA	Safety Observations and Corrective Actions
TCP	Tariff Control Period
UNCDF	United Nations Capital Development Fund
URA	Uganda Revenue Authority
USD	United States Dollar
VAT	Value-Added Tax
VFD	Variable Frequency Drive
VSM	Vessel Scheduling Meeting
WHO	World Health Organization
WIP	Work in Progress



Dr. Njoroge Mungai, (centre) inspects installation of the oil pipeline at Embakasi. With him are officials of the KPC.



One of the completed tanks at Embakasi Depot was initially filled by road tankers to serve Nairobi Airport. In the foreground are some of the filters through which fuel passes at several stages.

Corporate Information

BACKGROUND INFORMATION

Kenya Pipeline Company Limited (KPC) is a State Corporation wholly owned by the Government of Kenya (GoK) with 99.9 % shareholding by The National Treasury and less than 0.1 % by the Ministry of Petroleum and Mining. KPC was incorporated in 1973 under the Companies Act, Cap 486 of the Laws of Kenya, and commenced commercial operations in February 1978. At cabinet level, KPC is represented by the Cabinet Secretary for Ministry of Petroleum and Mining who is responsible for the company's general policy and strategic direction.

The main objective of the Company is to provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland. In pursuit of this objective, the Company has constructed a pipeline network, storage and loading facilities for transportation, storage, and distribution of petroleum products. The current installed system consists of 1,342 kilometres of pipeline with current capacity to handle about 14 billion litres of petroleum products.

The pipeline infrastructure plays a key role in spurring economic growth and development in the East African region. To this end, KPC has developed a Corporate Strategic Plan (CSP) dubbed KPC Vision 2025 with the aim of transforming the Company into Africa's Premier Oil and Gas hub. The mission of the company is to transform lives through safe and efficient delivery of quality oil and gas from source to customer. A mid-term strategy refocusing was done in August 2022 intended to **Review, Refocus** and **Re-plan** the strategy based on the current realities. The refocused CSP is anchored on four key pillars:

Business leadership: Winning and leading the market in Kenya.

People: Amazing performance by all KPC employees.

Systems and processes: Reliable and best in the world technology and systems.

Image and reputation: Amazing relationships with all our stakeholders.

Vision

Africa's Premier
Oil & Gas Company

Mission

Transforming lives through safe and effecient delivery of quality oil and gas from source to customer

Values

- Integrity
- Transparency
- Accountability
- Diligence
- Team spirit
- Loyalty
- Care for the Environment

The Corporate Strategic Plan (CSP) is anchored on four key pillars

Business leadership
Winning and leading the market in Kenya.

People
Amazing performance by all KPC employees.

Systems & processes
Reliable and best in the world technology and systems.

Image & reputation
Amazing relationships with all its stakeholders.

OUR NETWORK

1,342 Kilometers of pipelines traversing Kenya from the coast to the hinterland

884,000 Cubic Metres capacity storage facilities at seven (7) locations

11 Pumping stations

2 Aviation Hydrant Refueling facilities at Jomo Kenyatta and Moi International Airports

5 Truck & Rail loading facilities

2 Oil and Gas Marine Terminals at the coastal town of Mombasa and Kisumu on Lake Victoria

DIRECTORS

The Directors of the entity are as follows:

Name	Particulars
Faith Bett - Boinett	Chairman – Appointed 23 December 2022
Joe K Sang, EBS	Managing Director – Appointed 3 May 2023
Hon. CPA John Mbadi, EGH	Cabinet Secretary, National Treasury
Liban Mohamed	Principal Secretary, State Department for Petroleum
Hon. Dorcas Oduor	The Attorney-General
Dr. Eng. Edward Musebe	Appointed on 18 August 2023
Irene Wachira	Appointed on 18 August 2023
Mutungwa Wambua	Appointed on 18 August 2023
Jane Njeri Mwangi	Appointed on 18 August 2023
Hon. Joyce Emanikor	Appointed on 18 August 2023
Sharon Irungu - Asiyo, HSC	Alternate Director, State Law Office
Abraham Koech	Alternate Director to Cabinet Secretary National Treasury
Mohamed Birik Mohamed, OGW, EBS	Alternate Director to PS State Department for Petroleum

COMPANY SECRETARY	Flora Okoth P.O. Box 73442 - 00200 Nairobi, Kenya
REGISTERED OFFICE & HEADQUARTERS	Kenpipe Plaza Sekondi Road Off Nanyuki Road Industrial Area P. O. Box 73442 - 00200 Nairobi, Kenya
CORPORATE CONTACTS	Telephone: (254) 020 2606500-4 Email: info@kpc.co.ke Website: www.kpc.co.ke

CORPORATE INFORMATION

PRINCIPAL BANKERS

Co-operative Bank of Kenya
Co-operative House Branch
Nanyuki Road
P.O. Box 67881 - 00200
Nairobi, Kenya

Equity Bank
Kenpipe Plaza, Sekondi Road
Off Lunga Lunga Road
P. O. Box 78569 – 00507
Nairobi, Kenya

Kenya Commercial Bank
Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi, Kenya

National Bank of Kenya
National Bank Building
Harambee Avenue
P. O. Box 72866 - 00200
Nairobi, Kenya

NCBA
Wabera Street Branch
P. O. Box 30437 – 00100
Nairobi, Kenya

Stanbic Bank Limited
Stanbic Centre-Chiromo road
P. O Box 72833 - 00200
Nairobi, Kenya

Standard Chartered Bank
Stanchart Chiromo
P.O. Box 30003-00100
Nairobi, Kenya

Citibank, N.A.
Citibank House
Upper Hill Road
P. O. Box 30711 - 00100
Nairobi, Kenya

INDEPENDENT AUDITORS

Auditor General,
The Office of the Auditor General,
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi, Kenya

PRINCIPAL ADVOCATES

Attorney General
Office of the Attorney General,
Department of justice
Harambee Avenue
P. O. Box 40112 – 00200
Nairobi, Kenya

Mohammed Muigai Advocates
MM Chambers 4th Floor,
K-Rep Centre
P.O. Box 613323 - 00200
Nairobi, Kenya

Ongoing construction of foundation of storage tanks at Embakasi Airport in this photo taken on March 1, 1976.

Board of Directors

FAITH BETT - BOINETT (MRS)
BOARD CHAIRMAN

Mrs. Faith Bett - Boinett is a lawyer by profession with expertise in Legal Risk & Compliance, Governance, Public Financial Management, Human Resources, Public Sector Strategic Partnership & Alliances and is an Educator.

She has over 20 years working experience in the public and private sectors. She is the Chairperson of the Board of Directors of Kenya Pipeline Company Ltd, she is keen to see the Company improve its performance through transformational change. She is the Managing Partner at Boinett & Bett Co. Advocates. She served as Chairperson of the Board Finance and General Purposes Committee of Nyayo Tea Zone Development Corporation as well as Board of Management at Moi Girls High School, Eldoret. She also served at the Board of Privatization Commission.

In her 20 years of experience, she has had direct involvement in management of several Semi-Autonomous Government Agencies (SAGAs) and Higher Education institutions as Director on the Board of Management for state corporations. In these roles, she has provided strategy formulation and implementation oversight on statutory obligations, policies, practices and processes that direct and control public and private sector organizations.

She has good understanding and interpretation of Kenya's Constitution and various Acts including good abilities in Litigation, Conveyance, Pleadings, Statutory Drawings and Alternative Dispute Resolution (ADR), Company Laws, Employment Act 2007, Occupational Safety and Health Act 2007, Labour Institutions Act, Labour Relations Act 2007 and WIBA 2007 amongst others.

Faith is a member of FIDA and a champion of women's rights and those who are disadvantaged. The firm where she serves as Managing Partner, was ranked among the best-performing law firms in the country in fighting for children's and women's rights.

JOE SANG, EBS
MANAGING DIRECTOR

Mr. Joe Sang has over 15 years' hands-on experience gained in a variety of senior positions in both private and public sector organizations including being General Manager Finance & Strategy at KPC, Group Head of Business Performance & Planning at East African Breweries Limited and Finance Director at East African Maltings Limited. He also worked for Unga Group and National Oil Corporation of Kenya (NOCK).

He believes that his philosophy of developing others to deliver great business performance is critical as KPC transforms to become Africa's Premier Oil & Gas Company. He is a Certified Public Accountant CPA(K), and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He holds a Bachelor of Arts in Economics and a Master of Business Administration in Strategy from the University of Nairobi.

HON. CPA JOHN MBADI, EGH
CABINET SECRETARY,
THE NATIONAL TREASURY

Hon. John Mbadi has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency for two terms, Suba Constituency, and Gwassi Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defense and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

Hon. Mbadi's contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills comprise planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills. His areas of interest include politics, reading, and soccer.

MOHAMMED LIBAN
PRINCIPAL SECRETARY,
STATE DEPARTMENT FOR PETROLEUM

Mr. Mohamed Liban is the Principal Secretary for the State Department for Petroleum. He was ppointed to the position in December 2022. Prior to the appointment, he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019.

Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health.

Among other qualifications, Mr. Liban holds a Master of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTC), International Diploma in Community Eye Health from London University and, Higher National Diploma in Ophthalmology from KMTC. He has also attended several Human Resource Management courses.

The PS is a Life Member of the Kenya Society for the Blind and Kenya Red Cross Society.

HON. DORCAS ODUOR
THE ATTORNEY GENERAL OF THE REPUBLIC OF KENYA

Ms. Dorcas Oduor is an advocate of the High Court of Kenya and previously served as Secretary of Public Prosecutions at the office of the Director of Public Prosecutions (DPP).

She has previously served in various capacities including as Deputy Director of Public Prosecutions (ODPP), Head of Economic, International and Emerging Crimes Departments) (ODPP).

She also worked as the Deputy Chief State Counsel and as a State Counsel for the (department of Public Prosecution) at the Office of the Attorney General.

She has been a member in various agencies/ commissions including Chairperson of the Board of Review on Mentally Insane (Criminal Psychiatric), Assisting Counsel Akiwumi Commission on Land Clashes, Assisting Counsel Bosire Commission on the Goldenberg Affair.

She has worked as the Assisting Counsel Kiruki Commission on Artur Brothers, Joint Secretary Police Reform Commission, (Ransley Commission), Chair of the Board on Criminal Psychiatrists (on behalf of the Attorney General) and member of the National Task Force on Money Laundering and Terrorist Financing among others.

DR. ENG. EDWARD MUSEBE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. (Eng.) Edward Musebe Achieng is a registered Engineer with the Engineers Board of Kenya. He holds a PhD in Business Administration from the University of Nairobi, a Master's degree in Business Administration from the United States International University-Africa and a BSc degree in Mechanical Engineering from the University of Nairobi.

He has gained a wealth of business management experience having worked as Managing Director, Chemelil Sugar Company Limited and other leading commercial companies including Diageo and Magadi Soda. He is an Assistant Professor in Strategic Management and Leadership at the United States International University-Africa.

Dr. Musebe is a Director of Carbacid Company Limited, and was also a non-executive Chairman of Kenya Broadcasting Corporation from 2013 to 2016. He has also been a Director at the Kenya Institute of Mass Communication.

MUTUNGWA WAMBUA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Mutungwa Wambua has over 14 years' experience gained in a variety of senior positions in both private and public sector organizations. He is a devoted Human Resource professional and businessman. He is currently pursuing a Master's Degree in Strategic Management. He has a Diploma in Information Technology and a Diploma in Human Resource Management. Mr. Wambua has strong technical skills acquired from many years of experience working in the IT field and has a comprehensive knowledge on the latest IT software and systems; having worked at Capital Software Company as HR Assistant and ultimately as Branch Manager in charge of HR and technical Support

Mr. Wambua is a Director of Techno Sphere Solutions where he is in charge of administration, marketing and management. He is a Director and CEO of Wavenet Systems Ltd, a startup company and also has business acumen in logistics.

HON. JOYCE EMANIKOR
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mrs. Hon. Joyce Emanikor is a development specialist with bias in Education and Environment. She is the holder of an MA in Development Studies, a BA in Community Development & Peace Studies and is currently undertaking a PhD in Environmental Governance and Management at the University of Nairobi.

She has been a legislator in the Kenya National Assembly for two consecutive terms, 2013-2022, where she played a role in oversight, legislation, representation, budgeting, and Parliament Leadership. She sponsored a bill and several legislative amendments in Parliament and also participated in various Parliamentary Committees. Hon. Joyce previously worked in the fields of Education as an Emergency Education Consultant for UNICEF, Kenya Country Office, Emergency Response Programmes and Development for the UN, the Government of Kenya, International NGOs, Faith-based organizations, and community-based organizations.

She is a recipient of the Head of State Commendation (HSC) in December 2010 for outstanding contribution to development in Turkana.

JANE NJERI MWANGI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Jane Mwangi is experienced in cooperatives and administration in the field for more than 15 years. She is a holder of a Certificate and a Diploma in Cooperatives Management.

She has a wealth of experience in projects coordination for local and county governments.

IRENE WACHIRA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Irene W. Wachira possesses over twenty years of experince in corporate strategy, finance, business development, and compliance.

Her career highlights include her role as CEO of The Croft (K) Ltd., a Nairobi-based real estate development company, as Operations Manager with BP North America, and as a Financial Intelligence/ Compensations Executive with Citi Group in New York, among other functions.
Irene's competencies span across board governance, corporate strategy, financial analysis, budgeting, project management, risk management, and regulatory compliance. She is known for her ability to drive change, build strong teams, and maintain stakeholder relations.

Irene holds a B.A. in Psychology with a Minor in Economics and is a certified Project Management Professional (PMP), GSRE, and AML Compliance specialist.

ABRAHAM KOECH
ALTERNATE DIRECTOR TO PS NATIONAL TREASURY

Mr. Abraham Kipkorir Koech serves as Deputy Director of Investments at Kenya's National Treasury and Economic Planning, where he advises on government investment policies and oversees financial oversight and reforms for state corporations. He also represents the National Treasury as an Alternate Director on the boards of several state corporations, contributing to governance and strategic decision-making.

Mr. Koech holds an MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Arts Hons in Economics from the University of Nairobi. He has also completed extensive training in leadership, corporate governance, and quality management systems.
Previously, he held key roles at the Kenya Post Office Savings Bank (KPOSB), rising to Deputy Head of Strategy and Change. In this capacity, he played a critical role in policy formulation, strategic planning, and organizational transformation.

His professional journey of 28 years in public sector reflects a commitment to advancing Kenya's financial sector through strategic oversight, policy development, and governance reforms, making him a valuable contributor to the country's economic growth.

MOHAMED BIRIK MOHAMED, OGW, EBS

ALTERNATE DIRECTOR TO PS ENERGY & PETROLEUM

Mr. Mohamed Birik was appointed Secretary Administration in the State Department for Petroleum in 2021. Prior to this deployment, he was the Regional Commissioner, North Eastern, where he served from 2018 to 2020.

A career administrator, Mr. Birik joined the Civil Service as a District Officer in 1994. Since then, he has served in various parts of the country as a District Officer, District Commissioner, County Commissioner and Regional Commissioner. Mr. Birik is a decorated officer having been awarded Order of the Golden Warrior (OGW) in 2008 following successful restoration of peace and security in Mt. Elgon District where he was the DC.

Mr. Birik holds a Bachelor of Arts in Education degree from the University of Nairobi and is currently pursuing a Masters in Peace and Conflict Resolution at Kenyatta University. He has attended various courses at Kenya Institute of Administration (KIA) including Advanced Public Administration, Strategic Leadership Development Program (SLDP) and Senior Management Course (SMC).

Other notable courses attended include Certificate Course in Management at the Center of Excellence for Stability of Police Units in Italy and Kenya – Uganda Border Conference.

SHARON IRUNGU-ASIYO, HSC

REPRESENTATIVE OF THE ATTORNEY GENERAL

Ms. Sharon Irungu-Asiyo, HSC is an Advocate of the High Court of Kenya and is currently a Principal State Counsel at the Office of the Attorney General. She has over fifteen years post-admission experience to the roll of advocates in both private and public sector experience, majoring in commercial and corporate law, international business and international financial transactions.

As a public sector legal practitioner, Ms. Irungu-Asiyo is currently based at the Government Transactions Division at the Office of the Attorney General where her primary duties entail drafting, vetting and reviewing Government Contracts, negotiating commercial and financial agreements on behalf of the Government and issuing advisory opinions on emerging issues and areas of law that have an impact on Government Contracts.

As an alternate member representing the Hon. Attorney General in the Board of Kenya Pipeline Corporation, Ms. Irungu-Asiyo provides strategic leadership on emerging issues of law affecting the management and operational aspects of KPC.

FLORA OKOTH
GENERAL MANAGER (COMPANY SECRETARY & LEGAL SERVICES)

Mrs. Flora Fiona Okoth has over 28 years' legal, business management and administrative experience gained in public and private sectors. She has worked in the Insurance sector and practiced law in partnership and as a sole practitioner in various stages of her career. She has acquired extensive board experience having served in two large organizations as Company Secretary. Mrs. Okoth has also chaired the board of a community development NGO, the Community Aid International for five years from 2012 – 2017.

Mrs. Okoth has a Master of Laws (LLM) in International Economic Law, from University of Warwick in the United Kingdom, an Executive MBA degree from the United States International University (USIU – Kenya), Bachelor of Laws degree (LLB) from University of Nairobi and Diploma in Law from the Kenya School of law. Flora is also a member of the Law Society of Kenya (LSK) and a Certified Public Secretary (CPS) since 2005

Construction of the
Nairobi- Mombasa
pipeline.

The Executive Management Team

JOE K. SANG, EBS
MANAGING DIRECTOR
BA Economics, MBA Strategy, CPA(K)

PIUS MWENDWA
GENERAL MANAGER (FINANCE)
B. Com (Finance), Mcom (Finance option), CPA(K).

ZILPER MICHELLE ABONG'O
GENERAL MANAGER (STRATEGY)
BA, Msc. Economics & Policy of Energy & Environment

DINAH J. KIRWA
GENERAL MANAGER (HUMAN RESOURCE & ADMINISTRATION)
BA, MPhil (Human Resource Development, HDip (HR Management), CHRP

ENG. DEREK OKOVA
GENERAL MANAGER (PIPELINE OPERATIONS & MAINTENANCE)
BSc. Civil Engineering, MSc. Civil Engineering

THE EXECUTIVE MANAGEMENT TEAM

MAUREEN MWENJE
GENERAL MANAGER (SUPPLY CHAIN)
LLB, LLM (Law in Development), MCIPS, MKISM

CATHERINE KALOKI
GENERAL MANAGER (AUDIT)
B.Com (Finance), MBA, CPA(K), ISACA

DR. NANCY KOSGEI
DIRECTOR (MORENDAT INSTITUTE OF OIL & GAS)
BA (Community Development), MA (Project Planning & Management), PhD (Developmental Studies)

ENG. DAVID MURIUKI
GENERAL MANAGER (INFRASTRUCTURE)
BSC (Mechanical Engineering), MBA (Strategic Management), REng, MIEK

FLORA OKOTH
GENERAL MANAGER (COMPANY SECRETARY & LEGAL SERVICES)
LLB, LLM (International Economic Law), Diploma (Law), CPS, Executive MBA

TOM MAILU
Ag. GENERAL MANAGER (KPRL)
BA (Economics), MA (Economics)

Management Team

ANTONY NDEGWA
FINANCE & ACCOUNTING MANAGER

SAMSON SOIMO
REVENUE & COMMERCIAL SERVICES MANAGER

ENG. MOSES TAWUO
MAINTENANCE MANAGER

GRACE NJOROGE
MARKETING & BUSINESS DEVELOPMENT MANAGER

GLORIA KHAFAFA
LEGAL SERVICES MANAGER

DR. DISTERIUS NYANDIKA
RISK & QUALITY ASSURANCE MANAGER

ANDREW KIPKEMBOI
CORPORATE COMMUNICATIONS MANAGER

AMOS MUGIRA
QUALITY CONTROL MANAGER

CAROL KIPLAGAT
SAFETY, HEALTH & ENVIRONMENT MANAGER

JOEL MBURU
SUPPLY LOGISTICS MANAGER

PROF. KIMANI CHEGE
DEPUTY DIRECTOR TRAINING & ACADEMIC LINKAGES (MIOG)

PAMELA ONDAGO
CONSULTANCY MANAGER (MIOG)

MANAGEMENT TEAM

ENG. ANDREW BIRIR
PROJECT CONSTRUCTION MANAGER

PAUL NJUGUNA
PROJECTS PLANNING RESEARCH & DEVELOPMENT MANAGER

SHEILA CHEPSIROR
ADMINISTRATION MANAGER (KPRL)

RACHEL GATHONI MUIRURI
FOUNDATION MANAGER

CAPT. BONIFACE NDAKA
AIRWING MANAGER

THOMAS NGIRA
HUMAN RESOURCE MANAGER

FRANCIS MURAYA
ICT MANAGER

NICHOLAS GITOBU,
SUPPLY CHAIN MANAGER

CAXTON NJUGA
INTERNAL AUDIT MANAGER

MARTIN WANYAMA
OPERATIONS MANAGER

KENNETH SABILA
Ag. SECURITY MANAGER

ELIZABETH AKINYI
Ag. CORPORATE PLANNING MANAGER

THEOPHILUS MUTHOKA
Ag. FINANCE MANAGER, KPRL

JUDY LIMO
AG. ADMINISTRATION MANAGER

A ceremony to mark the arrival of the first oil consignment from Mombasa at the Nairobi terminal on February 18,1978.

Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Joe Sang, EBS
2.	General Manager Strategy	Zilper Abong'o
3.	General Manager Finance	Pius Mwendwa
4.	General Manager Supply Chain	Maureen Mwenje
5.	General Manager Infrastructure	Eng. David Muriuki
6.	Ag. General Manager Pipeline Operations & Maintenance – Acting until March 2024	Eng. Martin Wanyama
	General Manager Pipeline Operations & Maintenance – joined from March 2024	Eng. Derek Okova
7.	General Manager, Human Resource & Administration	Dinah Kirwa
8.	Ag. General Manager, Internal Audit – Acting until 4 August 2024	Caxton Njuga
	General Manager, Internal Audit	Catherine Kaloki
9.	Ag. Director MIOG until April 2024	Prof. Kimani Chege
	Director MIOG from April 2024	Dr. Nancy Kosgei
10	General Manager Company Secretary & Legal Services	Florah Okoth

FIDUCIARY OVERSIGHT ARRANGEMENTS

The following bodies/ committees oversight the fiduciary responsibility of the Company

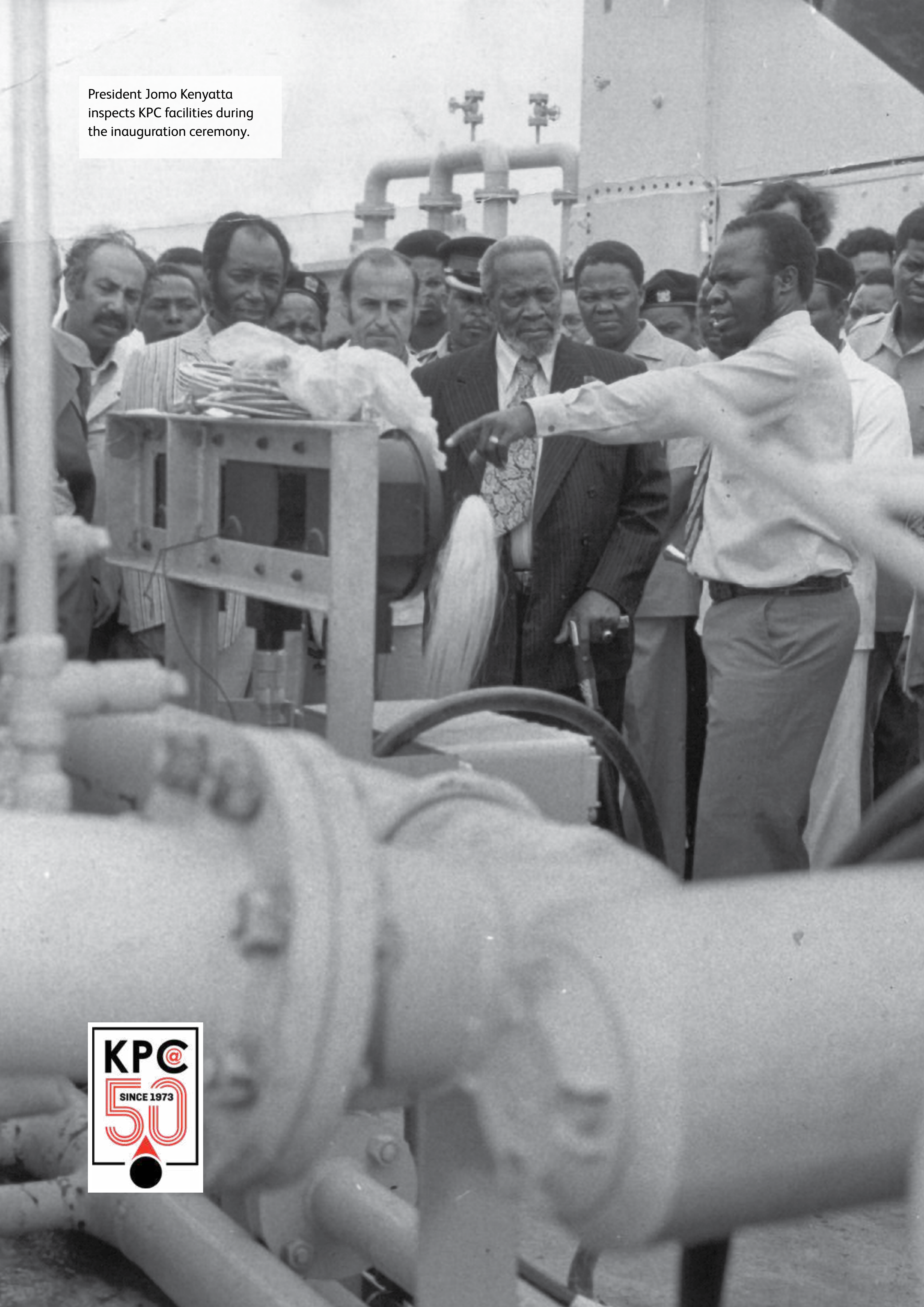
Audit and Risk Committee of the Board of Directors

Finance Committee of the Board of Directors

Public Investment Committee (PIC) of the National Assembly

Energy Committee of the Senate

Office of the Auditor General (OAG)



President Jomo Kenyatta inspects KPC facilities during the inauguration ceremony.

Chairman's Statement: Celebrating 50 Years of Excellence and Looking Ahead

Dear Shareholders,

My warmest greetings and heartfelt congratulations as we celebrate the 50th anniversary of the Kenya Pipeline Company (KPC). It is a moment of immense pride for me, as Chairman of the KPC Board, to share my thoughts at this significant milestone in our company's history. This anniversary is more than just a celebration; it is a reflection of our long and illustrious journey, marked by determination, innovation, and dedication.

Our story is one of growth and transformation. Over the past five decades, KPC has played a crucial role in Kenya's development, serving as the backbone of the country's energy supply chain. We have been the unseen hand that ensures refined oil products and, more recently, data is delivered safely and efficiently from the Indian Ocean's eastern seaboard to other parts of the country and region, fostering prosperity and growth in Kenya and beyond.

Reflections on a Historic Journey

As we look back on our journey, it is clear that KPC's history is rich with both challenges and triumphs. The KPC@50 Coffee Book, which commemorates this milestone, is a living history of our company, capturing the big moments, the obstacles we have overcome, and the extraordinary achievements we have made together. It honours the people who have been at the heart of our success, working tirelessly to ensure KPC remains a cornerstone of Kenya's economic landscape. As we celebrate our past, we also look to the future with a renewed sense of purpose and expectation. We are committed to continuing our vital role in Kenya's development, while ensuring that our operations are conducted in a safe and environmentally responsible manner. We are ready to reimagine, reshape KPC for the next 50 years, and prepared to meet whatever challenges come our way.

Key Achievements and Strategic Developments

As we close the 2023/24 fiscal year, I am pleased to report that KPC has made substantial progress on several key initiatives. Notably, the establishment of a Liquefied Petroleum Gas (LPG) facility in Mombasa is well underway, and the construction of a bottom loading facility in Nairobi is nearing completion. The LPG is poised to significantly reduce the cost of cooking gas as well as help preserve the environment as more people switch from wood fuel.

Sustainability and Corporate Social Investment (CSI)

Sustainability remains at the core of our operations. Through the KPC Foundation, we have continued to invest in Corporate Social Investment (CSI) initiatives that positively impact communities across the nation. Our focus on education, healthcare, and the empowerment of special groups; women, youth, and persons with disabilities, aligns with national development agendas, Sustainable Development Goals (SDGs), and Vision 2030. These efforts reflect our commitment to not only growing our business but also contributing to the broader societal good.

Environmental, Social, and Governance (ESG) Initiatives

Our commitment to Environmental, Social, and Governance (ESG) principles is stronger than ever. We have made significant investments in low-carbon technologies, such as

FAITH BETT-BOINETT (MRS)
BOARD CHAIRMAN

KPC@50 SINCE 1973

We are ready to reimagine and reshape KPC for the next 50 years.

the installation of Variable Frequency Drives (VFD) to optimize energy consumption in our operations. This initiative has resulted in substantial energy savings, reduced emissions, and considerable cost savings, aligning with global climate objectives and regulatory standards.

Business Diversification and Future Growth

In our pursuit of business diversification, we have continued to expand our market share through the fiber optic business line. By leveraging excess capacity for data and communication services, we are actively supporting the Government's Digital Superhighway agenda. Plans are already underway to further develop this business portfolio, with the aim of enhancing revenue streams in the coming years.

Capacity Building and Strategic Planning

The Morendat Institute of Oil and Gas (MIOG) remains a critical asset in building human resource capacity for pipeline management and operations. I am pleased to announce that MIOG has been upgraded to a National Polytechnic, further solidifying its role as a Center of excellence in the industry.

Our strategic outlook has also evolved with the revision of our Corporate Strategic Plan to Vision 2025. This forward-thinking approach ensures that KPC remains aligned with the dynamic market environment and continues to fulfill its strategic imperatives. Our recent acquisition of the ISO Integrated Management System (IMS) underscores our commitment to maintaining the highest standards of operational excellence and compliance with international benchmarks.

Conclusion

As we conclude this fiscal year, we do so with a deep sense of gratitude and optimism. KPC has continuously introduced new initiatives and measures to make our services more efficient and accessible. As we look forward to the next fiscal year, our focus remains on enhancing efficiency, driving sustainability, and securing new growth opportunities.

I extend my deepest appreciation to the Ministries of Energy and Petroleum and the National Treasury for their continued support, which has been instrumental to our success.

To our Management and Staff, your dedication and relentless efforts have been the cornerstone of our achievements. Your commitment has not only ensured the profitability of KPC, but also guaranteed a reliable fuel supply for Kenya and the region.

Finally, I would like to express my heartfelt gratitude to my fellow Directors on the KPC Board. Your leadership, commitment, and dedication to upholding the highest standards of governance have been invaluable as we navigate the future together, focused on realising KPC's Strategic Vision and delivering value to our shareholders.

FAITH BETT - BOINETT (MRS)
CHAIRMAN

Managing Director's Statement: Celebrating 50 Years of Resilience and Innovation

JOE SANG, EBS
MANAGING DIRECTOR

Dear Shareholders,

As we conclude the fiscal year 2023/24, it is with immense pride and a deep sense of responsibility that I reflect on the achievements of the Kenya Pipeline Company (KPC) during this significant year - our Golden Jubilee. This year marks a monumental milestone in KPC's history, as we celebrate 50 years of uninterrupted service, dedication, and innovation.

Reflecting on Our Journey

Over the past five decades, KPC has evolved from a national pipeline operator to a key player in Kenya's infrastructure and petroleum sectors. Our pipelines have reliably transported refined petroleum products across the country, fuelling industries, supporting communities, and driving Kenya's economic growth. As we commemorate our 50th anniversary, we also recognize the resilience and adaptability that have defined our journey. From expanding our core business to diversifying into new revenue-generating ventures like the Fibre Optic Cable (FOC) business and the Morendat Institute of Oil and Gas (MIOG), KPC has remained committed to excellence in every endeavour.

Financial Performance

In the fiscal year 2023/24, KPC maintained its strong financial performance, reflecting our strategic priorities and proactive measures to address emerging challenges. Despite the unpredictability of the business environment, our team's diligence and innovative approach enabled us to achieve a 32 % increase in profit before tax, amounting to Kshs 10.0 billion for the year ending 30 June 2024, compared to Kshs 7.6 billion achieved the previous fiscal year.

Our throughput volumes also witnessed a significant increase of 6 %, reaching 9,115,130m³ from 8,597,451m³. Domestically, throughput figures rose marginally from 4,451,254m³ to 4,457,019m³, while export volumes increased by 12 % to 4,658,111m³ compared to 4,146,197m³ in the same period last year. This growth is a testament to our operational efficiency and our commitment to meeting the demands of our customers.

Operational Excellence

KPC has consistently operated within budgeted expenditures thanks to the stringent austerity measures implemented at the onset of the financial year. Compared to prior year, overall operating expenses rose by 9 % to Kshs 27.0 billion from the previous year's Kshs 24.9 billion. The Company's cash reserves dropped by 44 % to Kshs 6.5 billion compared to Kshs 11.7 billion at the end of the corresponding period last year. This decline can be attributed to the payment of dividends to the National Treasury and the settlement of a long legal dispute with one of the oil marketers.

These financial results underscore our ability to navigate a challenging landscape

32% increase in profit before tax, amounting to Kshs 10.0B for the year ending June 30, 2024

MANAGING DIRECTOR'S STATEMENT:

Operated within budgeted expenditures due to stringent austerity measures implemented in the year

Strong cash reserves of Kshs. 6.5billion after payment of Kshs. 7.0 billion in dividends to National Treasury

while upholding our commitment to delivering value to our stakeholders. Our focus on innovation, sustainability, and continuous improvement has positioned KPC for a promising future.

Acknowledging Our Stakeholders

As we continue to reflect on our 50th anniversary, I would like to extend my heartfelt gratitude to all who have contributed to KPC's success. To our shareholders, thank you for your trust and continued support. To the Ministry of Energy & Petroleum and The National Treasury, your policy guidance and budgetary support have been instrumental in our achievements.
I also wish to recognise our customers, whose loyalty and confidence in KPC have driven us to continually enhance our services. Lastly, I commend our dedicated staff, whose commitment and hard work have propelled KPC to new heights.

Looking Forward

As we look to the future, KPC remains dedicated to driving sustainable growth and innovation. We will continue to invest in our people, infrastructure, and technology to ensure that we not only meet, but exceed the expectations of our customers and stakeholders. The next phase of our journey will be guided by the same principles of excellence, resilience, and vision that have brought us this far.

In conclusion, as we close the fiscal year 2023/24, let us celebrate our past, embrace the present, and look forward to a future filled with even greater achievements. Happy 50th anniversary, KPC! Together, we will continue to fuel Kenya's progress and leave a lasting legacy for generations to come.

JOE SANG, EBS
MANAGING DIRECTOR

KPC staff at work in Nairobi on August 13, 1978.

Statement of Performance against Predetermined Objectives for FY 2023/24

KPC effectively delivered on its core mandate which is to transport and deliver petroleum products to the hinterland and progress its strategic growth agenda. KPC's strategic objectives is guided by the 10-year plan for the period 2015/16 - FY 2024/25 focused on transforming KPC to a diversified Oil and Gas business. The Plan was reviewed and recalibrated to align the strategic objectives and targets to current realities through an Addendum dubbed **Refocused Corporate Strategic Plan** approved by the Board of Directors on 5th August 2022.

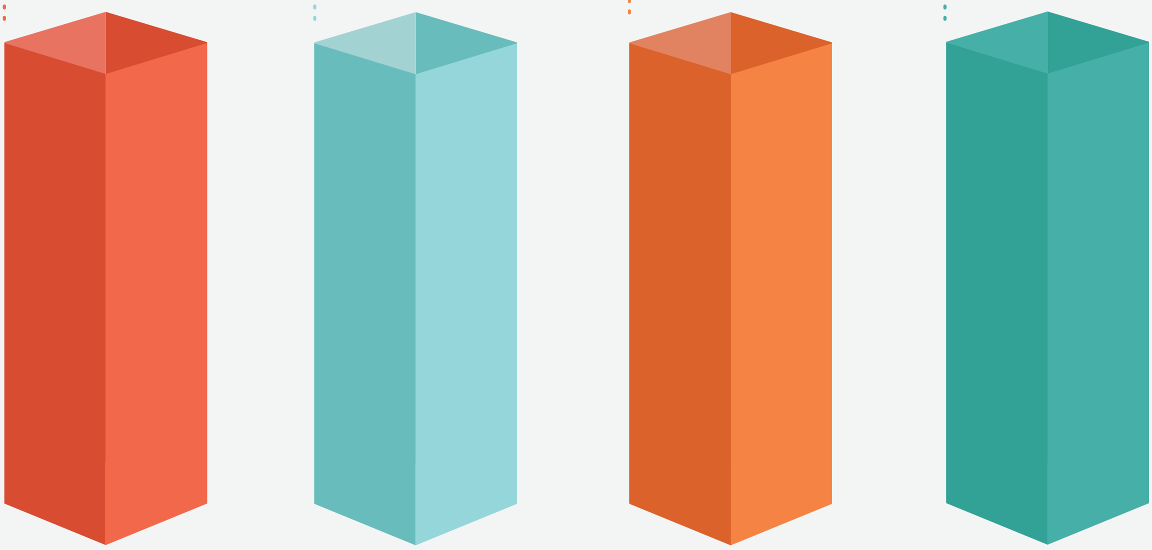
KPC transformational plan as outlined in the Refocused Plan is anchored on the following four pillars.

Business Leadership Pillar: Winning the market in Kenya.

People Pillar: Amazing performance by All our People.

Image and Reputation Pillar: Amazing relationships with all stakeholders.

Systems and Processes: Best in the world.



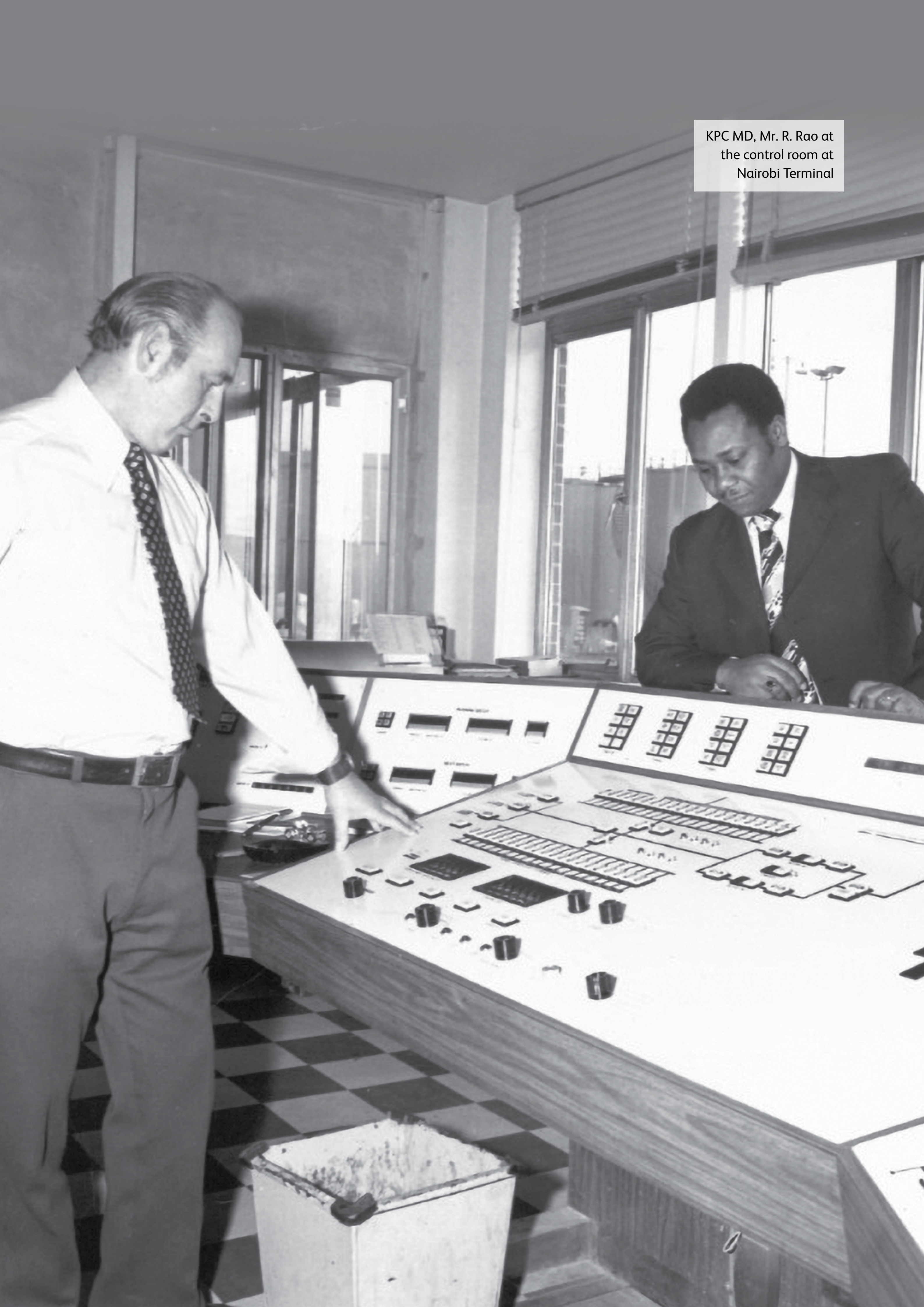
KPC's annual work plans were aligned to the above four strategy pillars and the revised strategic objectives and action plans. The Company's achievement against its set performance targets for the FY 2023/24 period are, as indicated in the table below:

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/24

Strategic Objective	Action Plans	KPI for 2023/24	Achievements
1. Business Leadership			
Grow existing business	Rehabilitate Port Reitz Tanks	Project implementation as per work plan	100 % complete. Commissioning awaiting the completion of the complementary connectivity project aimed at connecting the tanks to the New KOT, Line 5 and KOSF. Progress on the connectivity project is at 78 %.
	Truck loading in KPRL	Complete project by December 2022	99.6 % complete.
	LPG truck loading (skid)	Complete project by June 2023	100 % complete and operationalized.
	Construct truck-loading facilities in Nairobi	Project Implementation as per work plan	Progress at 66 % targeted to be completed by December 2024.
	Expand the FOC business.	Implementation of the approved FOC business expansion plan	Budgetary proposals and Project Concept Notes approved by KPC Board and sent to Treasury for approval.
Diversification of business and revenue base	Develop LPG Import Handling and Storage facility in Mombasa	i. Secure budget ii. Procure Contractor	Front End Engineering Designs and Environmental and Social Impact Assessment undertaken by February 2023 and project implementation restructured by Government to allow private sector participation.
Embed ESG in business decisions	Structure a sustainable ESG strategy and Metrics for KPC.	Develop metrics for energy efficiency and carbon offset scheme	Consultant being engaged to carry out a study on KPC's Green House Emission (GHG) and determine the baseline as well as guide on carbon offset program.
2. People Pillar			
An organisation structure that is aligned to the achievement of the strategy	Review of Company Structure	Revised organization structure	Revised structure was approved by the Board, awaiting SCAC approval.
Improve performance of the organisation through effective Talent Management	Enhance staff learning and growth	i. Minimum of 3-man days training per staff ii. Growth plans for top talent developed and implemented	Succession Plan Policy was developed and approved by the Board for implementation.
	Develop an organisation competency framework	Talent map of defined skills & competencies required for career progression	100 % complete. The Career Guidelines has been reviewed and is awaiting SCAC approval.
Create an organisation culture that supports change and high employee engagement	Develop and implement wellbeing programs	Roll out of bespoke wellness programs	100 % complete. All planned wellness programs for the year under review were implemented.

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/24

Strategic Objective	Action Plans	KPI for 2023/24	Achievements
Strengthen leadership quality and build integrity	Strengthen the leadership pipeline	i. Leadership competency framework ii. Develop career plans for key leaders	Awaiting SCAC approval.
3. Image and Reputation Pillar			
Improve Stakeholder relationship	Continuous realignment of media relationship strategy to emerging issues	i. Progressive increase in positive publicity i. Establish an image rating system for continuous improvement	The survey was done and a baseline index established.
Strengthen internal and external communication	Develop and roll out a cohesive communication strategy	i. Roll out communication strategy i. 90 % staff awareness on KPC issues	In Progress. The communication strategy document was approved and rollout has commenced.
4. System and Processes Pillar			
Enhance and Integrate systems and processes	Integrate core KPC system: SCADA & SAP ERP	SAP ERP system integrated with SCADA	Project dependent on upgrade of the SCADA. The SCADA upgrade project stalled at 60 % due to non-performance of the contractor.
	Implement Internet of Things (IOT) solution using the new SCADA and smart meters	Data integration through Internet of Things (IOT)	Pending. Depended on new SCADA.
	Implement a Biometric Access point and integrate to SAP time management for payroll accounting	An Integrated IS i.e. no stand-alone system	Biometric devices deployment in progress.
	Implement Integrated Security Management System based on ISO 27001	Certification	Tender Awarded.
	Adopt energy efficient technologies	Alternative power supply plan for depots and stations (solarisation)	Completed HQ Pilot Project. Studies being undertaken on viability of roll out to other stations.



KPC MD, Mr. R. Rao at the control room at Nairobi Terminal

Corporate Governance Statement

Corporate Governance helps to enhance corporate performance in its systems, processes and operations in order to safeguard the interests of all stakeholders. This ensures Board and Management accountability and helps build public trust in the Company.

The Board of Kenya Pipeline Company Limited is responsible for the governance of KPC and is accountable to all its stakeholders by overseeing the effective management and control of the Company. Transparency, accountability, and disclosure are the key focus areas of KPC's Board oversight. This is well demonstrated in KPC's audited Financial Statements over the years. Management has also implemented an enterprise risk assessment framework where risks are identified, monitored, and controlled.

In implementing the Corporate Governance tenets, the Board seeks to add value through constructive dialogue and engagement with stakeholders as well as Management with a strong focus on the Company's strategic agenda.

The Board embraces and recognises the benefits of diversity in skills and experience in its compositions and this engenders the effective discharge of the Board's strategic oversight function.

Board Composition

As of 30th June 2024, KPC's Board of Directors constituted ten (10) members comprising of a non-executive Chairman, the Cabinet Secretary, The National Treasury & Economic Planning, the Permanent Secretary, State Department of Petroleum, Ministry of Energy and Petroleum, the Attorney General, the Managing Director and five (5) independent non-executive directors with a mix of skills and competencies. The non-executive directors are independent of Management.

Board Committees

The Board has established four (4) standing Committees with specific terms of reference to exercise the Board's delegated responsibilities. The Committees are namely; Audit, Human Resources, Technical and Finance Committees. The Board also established one (1) Ad-hoc Board Committee to discuss and oversee sensitive and urgent matters which included KPRL takeover, closure of legacy issues that have the potential of significant adverse impact on the zero-fault audit government directive and increasing threats to KPC infrastructure on easement areas whose term lapsed in quarter 2. The Board Audit Committee complies with the prevailing Guidelines on Audit Committees as provided under the Mwongozo Code.

To effectively execute its oversight role, the Board has established five (5) standing committees with specific delegated mandates. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors.

The membership as at 30th June 2024 is summarised as follows:

BOARD AUDIT COMMITTEE (BAC)

Members

1. Jane Njeri Mwangi – (Chair)
2. Sharon Irungu - Asiyo, HSC
3. Amos Cheptoo
4. Mohamed Birik Mohamed, OGW, EBS

Terms of Reference

1. To provide structured company systems, processes, and procedures together with effective internal controls.
2. Overseeing the Company's audit function in a process that is independent of management.
3. Assists the board and management by providing assurance.
4. Provide advice, guidance, and potential improvements on the adequacy and effectiveness of KPC's initiatives for:
   - Values and ethics.
   - Governance structure.
   - Risk management.
   - Internal control framework.
   - Oversight of the internal audit function.
   - Liaising with the external auditors by reviewing their reports and letters, and other providers of assurance (eg. Public Investments Committee, Public Accounts Committee).
   - Review Financial statements for compliance with reporting standards and public accountability reporting.

BOARD FINANCE COMMITTEE (BFC)

Members

1. Irene Wachira- Chairperson
2. Amos Cheptoo
3. Mutungwa Wambua
4. Joe Sang, EBS

Terms of Reference

1. Oversight Enterprise Risk Management.
2. Monitoring and oversight of the Company's financial resources.
3. Advice on financial strategies e.g. capital management, borrowing and asset/liability management.
4. Oversight of the organization's budget planning and implementation process.
5. Review of financial performance and analysis.
6. Analysis of debt service.
7. Analysis of cash flow management.

BOARD HUMAN RESOURCES COMMITTEE (BHRC)

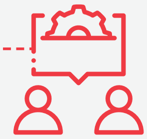
Members

1. Hon. Joyce Emanikor, HSC – (Chair)
2. Mohamed Birik Mohamed, OGW, EBS
3. Mutungwa Wambua
4. Joe Sang, EBS

Terms of Reference

1. Oversight of the management of Human Resources.
2. Reviews and provides recommendations to the Board on the organisation structure, the staff establishment, procedures on staff recruitment and selection, performance and reward system.
3. Reviews and advises Management on terms and conditions of service in line with the company's human resources management strategies, initiatives and policies.
4. Any other matter that the Board may from time-to-time delegate to the Board Human Resource Committee.

BOARD TECHNICAL COMMITTEE (BTC)



Members

1. Dr. Eng. Edward Musebe – (Chair)
2. Jane Njeri Mwangi
3. Sharon Irungu - Asiyo, HSC
4. Joe Sang, EBS

Terms of Reference

1. Assist the Board in fulfilling its oversight responsibilities on specific technical matters.
2. Oversees and advises the Board about the development and advancement of the Company's petroleum transportation and storage capacity, the Company's expansion opportunities, project development, project economic analysis and appraisal of technical risk factors.
3. Any other matters as may be requested by the Board.

Board Meetings

Full Board and Committee Meetings are held in accordance with the Annual calendar as well as the respective Charters, save in exceptional instances where critical business matters arise.

Fifty-Three (53) Board and Committee meetings were held in the year ending 30 June 2024. The attendance was as shown in the table below:

MEETING	NO. OF MEETINGS	ATTENDANCE
Annual General Meeting	1	100 %
Extra Ordinary General Meeting	1	98 %
Full Board	5	98 %
Board Retreat	1	100 %
Special Full Board	8	97 %
Joint KPC/KPRL Full Board Meeting	3	98 %
Board Finance Committee (BFC)	6	98 %
Special Board Finance Committee (SBFC)	1	99 %
Joint Special KPC/KPRL Board Finance Committee	2	100 %
Board Human Resource Committee (BHRC)	3	98 %
Special Board Human Resource Committee (SBHRC)	6	99 %
Board Human Resource Committee Retreat	1	99 %
Board Technical Committee (BTC)	5	100 %
Special Board Technical Committee (SBTC)	1	99 %
Joint BTC-BFC Meeting	1	100 %
Board Audit Committee (BAC)	4	98 %
Special Board Audit Committee (SBAC)	1	100 %
Ad Hoc Committee	2	100 %
Board & Management Retreat	1	100 %
TOTAL	**53**	**-**

Appointment and Removal of Board Members

Pursuant to the tenets of Mwongozo Code of Governance, the Chairman of KPC was appointed by H.E. the President of the Republic of Kenya vide gazette notice number 15797 dated 22nd December 2022. Further, five (5) independent members were appointed by the Cabinet Secretary, Ministry of Energy & Petroleum vide gazette notice number 10861 dated 18th August 2023. No Directors have been removed from office since their appointment.

Board Charter

The roles and responsibilities of the Board, together with the mechanisms that assist members in fulfilling their strategic oversight role, are outlined in the KPC Board Charter. It requires the Board to carry out its responsibilities by evaluating the operational and strategic plans in light of corporate governance. KPC's adherence to the Charter has made it possible for the company to grow sustainably, economically and have a beneficial social impact.

It requires the Board to carry out its responsibilities by evaluating the operational and strategic plans in light of corporate governance.

Role of the Board

As the Company's stewards, the Board of Directors sets the company's current course as well as its future course by offering direction and guidance through strategic leadership and oversight. The role of the Board includes:

a) Assuming ultimate accountability and responsibility for the performance and affairs of the Company and promoting the legitimate interests of the Company and its shareholders.

b) Maintaining effective control over the Company, directing and supervising the business and affairs of the Company.

c) Responsibility to the broader stakeholders which include, inter alia, the present and potential beneficiaries of the Company's services, clients, suppliers, lenders, employees and the wider community to achieve continuing prosperity for the Company.

d) Carrying full fiduciary responsibility and owing a duty of care and skill to the Company in terms of Law and the code of ethics.

e) Exercising leadership, enterprise, integrity and judgement in directing the Company's affairs to achieve continuing prosperity within the context of transparency and accountability.

f) Overseeing, approving, monitoring and reviewing corporate strategy, major plans of action, Company policies, appropriate systems, annual budgets and business plans.

g) Establishing performance objectives to enable it to measure Management's performance and the progress of the Company in attaining set goals, objectives and targets.

h) Managing and protecting the Company's financial position with the aid of its Audit Committee.

i) Ensuring that the Company complies with all relevant laws, regulations and codes of ethical business practice.

j) Responsibility for risk management of the Company through oversight, monitoring and reviewing efficacy of the internal control systems in place.

Conflict of Interest

The Board has ensured that there is a policy on the Management of Conflict of Interest in place.

KPC also maintains a conflict-of-interest register which is present at every Board meeting to ensure that any Member in attendance with a conflict of interest declares so and records it in the register before the meeting. Such Member is forbidden from taking part in any discussions and decision-making processes regarding any subject where the conflict of interest arises.
No conflict was declared in the quarter and registered in the conflict of interest register.

The Office of the Inspectorate of State Corporations
In accordance with Section 18 (2) of the State Corporation Act, the Inspector General (Corporations) has the power to attend meetings of any state corporation including the meetings of the Board and its Committees. During the year, Mr. Chrisologus Makokha was the appointed representative of the Inspector General (Corporations) at all the Company's full Board and Board Committees meetings.

Notices and Board packs for all Board and Committee meetings were shared with him. The appointed representative attends Board meetings at their discretion,

Board Induction

Within a month of appointment of new Directors to the Board, an induction programme is prepared, and Management gives the new Members detailed presentations of the company including but not limited to the Company's strategy, the financial performance, vision, mission, values and regulations that govern the organisation. The new Members also visit the company's installations to understand the business from a broader perspective.

Board Development Programme

Every year, a Board Training calendar is prepared based on the Board's training needs analysis, reviewed and approved by the Board. Members attend the various trainings, workshops and conferences in the Calendar and any such trainings, workshops and conferences that may not be in the calendar that are necessary for the development and knowledge enhancement of the Board.

The development programmes are both local and international.

Board Evaluation

The State Corporations Advisory Committee conducts an annual Board evaluation to determine their performance. The evaluation is conducted in a 360-degree module where the Members evaluate entire Board's performance, the Chairperson is evaluated by all Members, the Chairperson evaluates each Member, and the CEO is evaluated by all Members. Further, the Company Secretary is evaluated by the Board and the Internal Auditor is evaluated by the Board Audit Committee.

The State Corporations Advisory Committee issues the evaluation results at a later date to the Board highlighting areas of good performance and aspects that require improvements. Through the evaluation results, the Board evaluates itself and devises strategies on how to perform better.

The Board Evaluation for FY 2022/2023 was conducted by the State Corporations Advisory Committee on 6th February 2024. The evaluation results for the year are yet to be submitted by the State Corporations Advisory Committee.

Board Remuneration

Pursuant to Mwongozo: The Governance Code of Governance for State Corporations, Board Members are entitled to remuneration. The Directors' letters of appointments as well as various circulars from the Government give provisions and guidelines on when and how much fees and allowances the Directors are entitled to for conducting the Company's business.

Below is a summary of entitlement per Board Member

Type of Payment	Chairman	Member
Honoraria (Per month)	Kshs. 80,000	N/A
Sitting Allowance	Kshs. 20,000	Kshs. 20,000
Transport/Mileage allowance	*N/A	AAK Rates
Lunch allowance	Kshs. 2,000	Kshs. 2,000
Director's fees per annum	Kshs. 960,000	Kshs. 960,000
Accommodation allowance outside Nairobi	Kshs. 18,200	Kshs. 18,200

*Chairman is provided with a Company vehicle

For the financial year ended 30 June 2024, the Directors' fees and remuneration are as below.

	Honoraria	Directors Fees	Expense allowances	Sitting/Duty Allowance
Faith Bett - Boinett	960,000	960,000	87,200	380,000
PS National Treasury	-	960,000	-	-
PS State Department of Petroleum	-	960,000	-	-
Dr. Eng. Edward Musebe	-	960,000	2,146,094	1,240,000
Irene Wachira	-	960,000	1,020,587	1,980,000
Jane Njeri Mwangi	-	960,000	1,622,474	1,340,000
Hon. Joyce Emanikor	-	960,000	2,145,000	1,320,000
Mutungwa Wambua	-	960,000	1,856,577	1,520,000
Sharon Asiyo	-	-	329,530	1,040,000
Amos Cheptoo	-	-	100,800	900,000
Mohamed Birik	-	-	141,200	900,000
Total	**960,000**	**7,680,000**	**9,449,462**	**10,620,000**

The Directors' annual fees are paid upon approval by the shareholders at the Annual General Meeting. An Annual General Meeting has not been held in the year and therefore their fees for the year are provisions and have not been paid.

Governance Audit

A governance audit for the year is to be conducted in the next Financial Year by an accredited governance auditor in compliance with the Mwongozo: The Code of Governance for State Corporations and the Board Charter.

The audit is assessing KPC's governance practices based on the following parameters:

a. Ethical leadership and strategic Management
b. Transparency and Disclosure
c. Compliance with Laws and Regulations
d. Communication with Stakeholders
e. Board Independence and governance
f. Board Systems and procedures
g. Consistent shareholder and shareholders' value enhancement
h. Corporate social responsibility

A governance Audit for Financial Years 2020/2021 and 2021/2022 was conducted and an action matrix was developed to enable both Board and Management close out the issues raised. The Company also continually implements the findings and recommendations from the legal and governance audits.

Code of Ethics and Conduct

KPC ensures that all its Board Members have read, understood and signed a code of ethics policy that is aligned with code of ethics set out in the Constitution of Kenya, 2010 and the KPC's core values.

FLORA OKOTH (MRS)
COMPANY SECRETARY

The Minister for Energy, Munyua Waiyaki (centre), inspects aviation fuel at the Kenya Pipeline terminal in Embakasi.

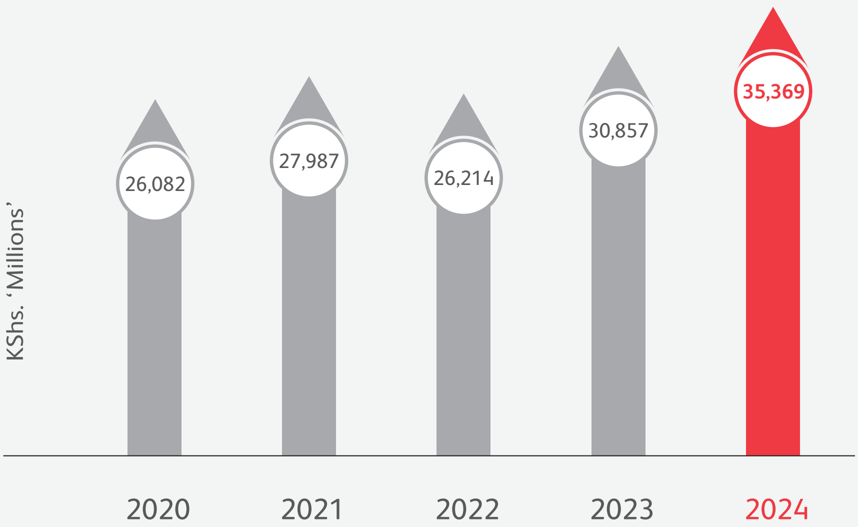
Management Discussion and Analysis

Kenya Pipeline Company has posted impressive financial performance for the last five years. The Company continues to show resilience despite the difficult operating environment given the macro-economic pressures, volatile financial markets and persistent inflationary pressures. Throughput revenues continued the growth trajectory buoyed by the favourable foreign exchange rates from export sales. This has impacted the Profit before Tax positively which is on an upward trajectory. Despite the marginal decrease in asset base, the company continues to invest in capital projects like the Liquefied Petroleum Gas (LPG) importation, handling and storage facilities, Leak and intrusion detection and the Supervisory Control and Data Acquisition (SCADA) system, Line IV (Nairobi-Eldoret) capacity enhancement and Nairobi Terminal (PS10) bottom loading facility.

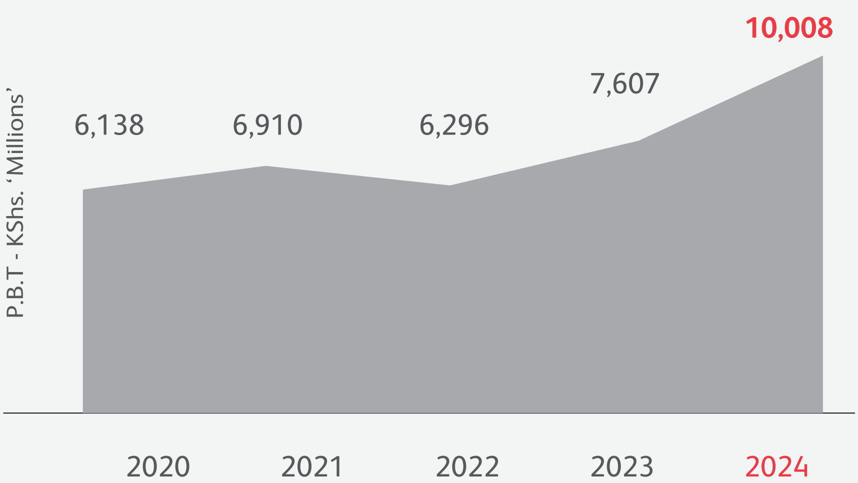
KPC has maintained healthy cash balances over the five years and has been able to meet all its financial and statutory obligations.

Below is graphical presentation of the company financial performance for the last five years.

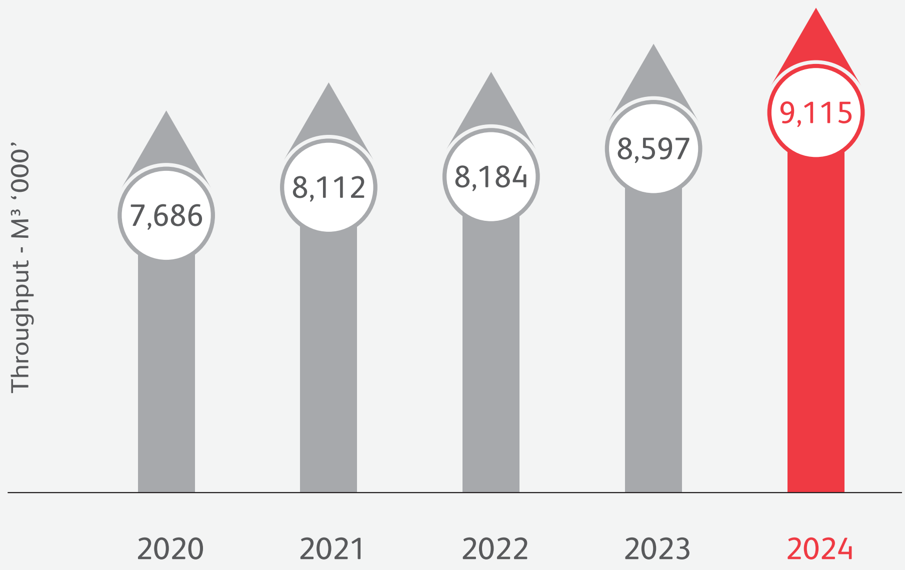
Revenue



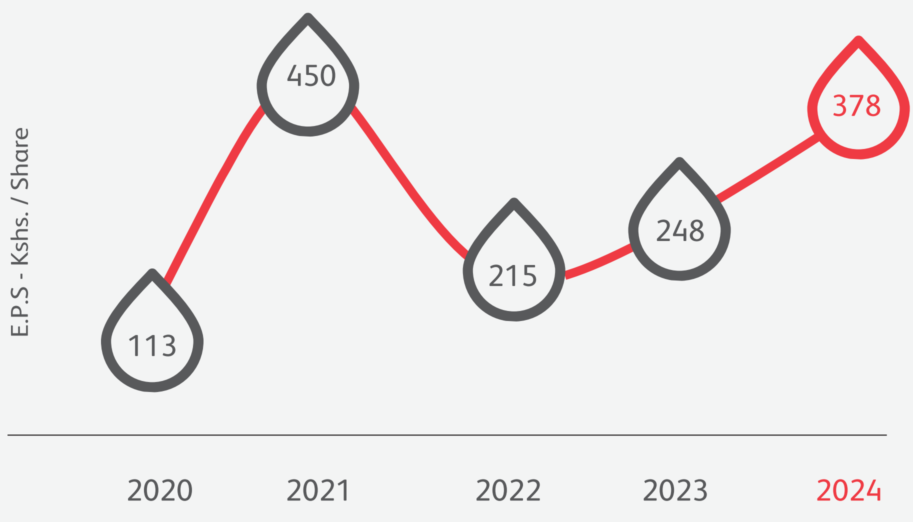
Profit before Tax



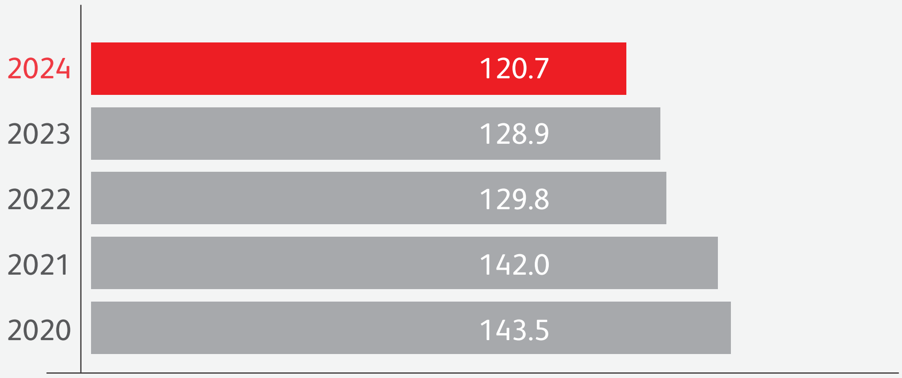
Throughput



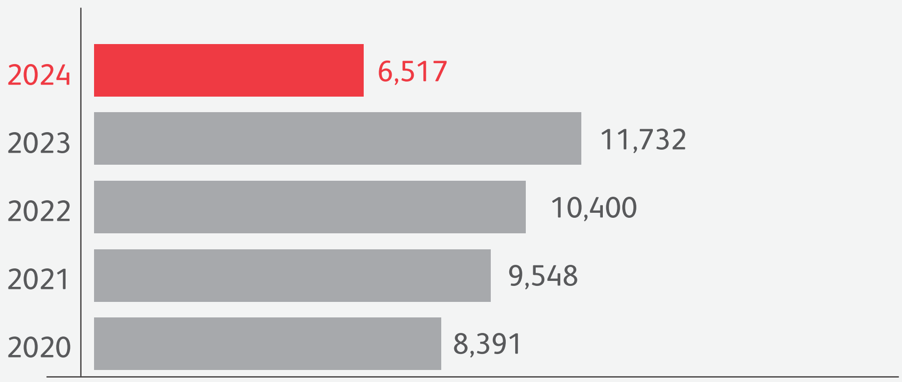
Earnings Per Share



Total Assets (KShs. 'Billions')



Cash & Cash Equivalents (KShs. Millions)



The Company acquired the Kenya Petroleum Refineries Limited (KPRL in quarter 2 to provide additional storage capacity to complement storage at KOSF and reduce demurrage charges. KPRL has large tracks of land which Kenya Pipeline Company will use for future business expansion.

The upgrade of the flowrate in the Nairobi to Eldoret line (Line 4) is also ongoing to cater for the surging demand in that area for both local and export customers.

The Cabinet Secretary, Ministry of Energy and Petroleum, Davis Chirchir and Cabinet Secretary, The National Treasury, Prof. Njuguna Ndungu, with KPC and KPRL Managing Directors during the share transfer ceremony

INTEGRATED RISK MANAGEMENT REPORT

The company operates in a dynamic and challenging environment that requires proactive and effective management of risks to enable it to create and protect its shareholders' value. The Board of Directors approved the revised ERM policy framework in September 2023, thus setting the right tone at the top on sustained embedding of the integrated risk management approach in the company. During the year under review, KPC Management continued to strongly support the implementation of the ERM framework through the execution of activities in the ERM programme that was approved by the Managing Director on 20th July 2023.

During the process of executing the ERM annual program, due attention is paid to risk integration and optimization i.e. managing uncertainties and maximising opportunities in the competitive business environment. The aggregation and prioritisation of KPC risk portfolio has continued to inform decision making and provide reasonable assurance about the realisation of company objectives.

1.0 KPC PRINCIPAL RISKS FY2023/24

During the financial year 2023/2024, KPC undertook a companywide risk assessment to formally re-evaluate the company risks, prioritise principal risks and develop mitigation measures for implementation. Risk monitoring and reporting is undertaken quarterly. The principal risks and the mitigation measures implemented during the financial year are as shown below:

Principal Corporate Risks

Risk		Key Mitigation Measures
1. Project Execution		
Operational Risk	Concerns that company projects under implementation may not be delivered on time, cost and quality thus impacting negatively on the project objectives and company strategic goals.	• The company reviewed work programs for all awarded projects to align with expectation of the contracts and held project review meetings for all ongoing projects to assess risks, challenges and offered mitigation measures. • Initiated review of the project execution procedure to enhance efficiency in project management. • Engaged stakeholders and reviewed the standard tender document resulting in substitution of the provision for Joint Ventures (JVs) to Sub-contractors thereby eliminating disputes and project inefficiencies. • Sensitisation on the approved project management framework (PFM), provisions of public investment management (PIM) guideline and SAP project system (PS) reporting was conducted for senior management with a view to enhance effectiveness of project management in the company. • Lessons learnt in project implementation have been consolidated and are being tracked by executive management for continual improvement.
2. Cybersecurity Threats and Attacks		
Operational Risk	Increased integration with our customers, increased use of remote access, personal and mobile devices on company network and the rampant cyberattacks nationally & globally are major concerns for the company.	• Initiated setting up of the Security Operation Centre (SOC) through complete installation of the integrated ICT security solutions for monitoring cyber security threats and attacks. • Continuous monitoring and reporting on system vulnerabilities and close-out of reported issues and non-conformities were undertaken during FY2023/24. • Enhanced collaboration and partnership with National Computer & Cybercrime Coordination Centre (NC4) in areas of audit, training and capacity building. KPC representatives attended a workshop on the National Cyber Risks Assessment (NCRA) reporting.

Risk		Key Mitigation Measures
3. Pipeline Systems Integrity		
Operational Risk	Delays in the inspection of line 2&3 and implementation of pipeline inspection report recommendations for line 5, 4&6 and other maintenance programs that may compromise integrity of the pipeline system is a source of uncertainty.	• Commencement of Inline Inspection (ILI) for Line 2&3. This was initiated and partially completed and expected to be finalised by September 2024. • Implementation of recommendation of the Inline Inspection reports on Line 5 completed with exception of defects at Kiboko river crossing which is underway following onboarding of a contractor on 28th May 2024. • Commenced implementation of the Leak Detection System (LDS), the Pipeline Intrusion Detection (PID) system and the SCADA system upgrade project.
4. Market Shares		
Strategic Risk	The source of uncertainty is the increased competition, regional geopolitics and the possibility of Uganda Government shifting to the central corridor in the importation of oil products owing to the misalignment on G2G oil importation arrangements with GOK and thus negatively impacting KPC export market share.	• Stakeholder meetings were held with regional agencies; Kenya Port Authority (KPA), Uganda Revenue Authority (URA) and Rwanda Revenue Authority (RRA) to enhance efficiency on export market clearance. • Proposal for the establishment of a regional liaison office in Kampala to enhance service delivery was prepared and approved. • Held 3 No. regional-reach forums for Uganda, S. Sudan, Rwanda and DRC Congo to enhance market share. • Quarterly engagement meetings between Infrastructure, Operations and Marketing departments to align customer needs to projects. • Continual monitoring and reporting on emerging geopolitical issues and in particular on G2G challenges and its impact on KPC market share. The G2G issue was escalated and resolved through bilateral talks between governments of Kenya and Uganda, UNOC was granted import/export license by EPRA.
5. KPRL/KPC Integration		
Strategic Risk	The source of uncertainty relates to managing the post-acquisition challenges, mitigation of inherent governance risk in mergers and acquisition (M&A) that may have a negative impact on the realization of KPC objectives.	• Initiated implementation of the post-acquisition plan which is imperative for KPC to realise the strategic objective of KPRL acquisition. • Constituted three sub-committees from the thematic areas of Finance, Operations and Governance vital in fast tracking the implementation of the post-acquisition plan. • Periodic monitoring and reporting on the post-acquisition roadmap.
6. Terrorism		
Safety, Health & Environmental Risk	KPC pipeline and its auxiliary facilities constitutes strategic infrastructure to the country that needs to be highly safeguarded from any disruption of catastrophic nature to ensure security of supply of petroleum products.	• The company has prioritized implementation of recommendations from the benchmarking exercise undertaken during the financial period. • KPC Management developed a comprehensive security strategic plan that is intended to improve the overall security capability of the company. • Sustained collaboration and liaison initiatives with external security agencies for intelligence updates and monitoring of terror incidences in the country. • Working closely with National Counter Terrorism Centre (NCTC), conducted mapping and rating criticality of KPC pipeline infrastructure with a view to establishing the level of exposure to terrorism and cyber threats.

Risk		Key Mitigation Measures
7. Environmental		
Safety, Health & Environmental Risk	Hydrocarbon release due to product spillages and leakages could lead to environmental pollution and impact negatively on social, economic, and environmental aspects of our business.	• Continued collaboration with OSMAG and other key stakeholders' for KOJ and lake transport teams (KPA, KRC, Lake Basin Development Commission and OSMAG). • Sustained the course of closing-out of process safety audit findings and recommended corrective actions on installed pipeline systems equipment. • During the year, KPC trained 5No. staff on oil spill response and an additional 16No. staff working at KOT2 on basic safety life skills that includes swimming, use of life jackets and marine oil spill management to manage marine pollution.
8. Fire		
Safety, Health & Environmental Risk	The company handles highly inflammable petroleum products and fire may breakout because of lightning and other sources of ignition that may lead to catastrophic consequences.	• Project on automation of the firefighting system along MSA - NRB Pipelines is at 99 % completion. • Initiated project works for the relocation of Fire emergencies stores from the Tank Farms area to safe locations within the KPC system at PS5, PS10 and PS14. • Trained 24No. staff on basic fire-fighting skill and in addition a Companywide refresher induction exercise was conducted on safety, Health & Environment that targeted all employees. • Implementation of recommendations arising from the last fire equipment inspection and safety audit
9. Litigation		
Legal & Regulatory Risk	Due to the nature of its operations, the company can sue and be sued leading to increased litigation costs. The company has high liability legacy cases yet to be determined.	• KPC Management assigned legal officers of the company specific contracts to provide guidance during their implementation process to enhance effective contract management controls. • Sustained sensitisation of user department on lessons learnt from outcomes of concluded litigation cases. • KPC has continued to use Alternate Dispute Resolution (ADR) as an amicable way to settling contractual issues and prioritised any recommendations to settling cases out of court.
10. Tariff		
Financial Risk	Slow execution of contractual parameters (capital project requirements) within the approved tariff may lead to paying back awarded money (tariff clawback) through regulatory edict thus leading to erosion of the optimal tariff.	• During the year under review, top management were sensitized on the tariff model requirements. • Conducted quarterly monitoring and reporting on status of CAPEX Projects implementation allowed in the tariff model. • The company during the budgetary process aligned CAPEX projects allowed in the tariff model with proposed budget estimates.

1.1 Commentary on Key Changes on the Principal Risks

In comparison with the previous FY 2022/2023, the tariff risk was included in the list of principal risks for FY 2023/2024 following assessment of its overall risk profile and its possible impact to the company revenues. Delay in KPRL Takeover risk was dropped from the list of principal risks in FY 2023/2024 following the government approval of the takeover, it was replaced with KPRL/KPC integration risk as the source of uncertainty mutated to the transitional challenges inherent in the integration process. Owing to the effectiveness of implemented controls to mitigate the reputation risk, its overall risk rating was on a downward trajectory during the period, and it was therefore dropped from the principal risks. However, due to its volatility and the need to maintain the gains already made in mitigating the risk, it was monitored and reported on quarterly basis as an evolving risk during the FY 2023/2024.

2.0 EMERGING/EVOLVING RISKS

During the period under review, the company proactively monitored the business environment and micro-economic factors to identify any significant emerging/evolving risks. Therefore, the key emerging/evolving risks reported during the period under review were:

Evolving Risks

Change in regulations

Source of concern is operating in dynamic regulatory environment as manifested in government policy measures (Treasury Circular No. 2/2024) in areas of budget rationalization, provision of 80 % of profit after tax and cease procurement of essential items. These measures may have negative impact to company operations.

Mitigations Escalated for Action:
Conduct assessment of possible overall impact on KPC business and institute appropriate prudent financial management measures.

Climate Change

Source of uncertainty is on sustainability of the core business of company as countries & global companies continue investing in and transitioning to alternative sources of energy. The increased uptake of E-mobility in the country may have negative impact to KPC throughput in the long run.

- Document and comply with all government regulations and policies related to climate change e.g. national green energy fiscal incentive policy framework.
- Develop appropriate energy transition strategies to guide the company to the future.
- Carry out baseline emission assessment, develop strategies for ESG implementation for the company and generate a sustainability report showcasing the company's ESG footprint.

Reputation

Adverse publicity in print, audio and social media about the Company may dent its image and brand.

- Continue monitoring media engagement to ensure positive narrative is always maintained.
- Sustain implementation of company strategies such as media meet and greet, media forums and interactions that result in its positive image and KPC brand.
- Conduct companywide sensitization to staff on provisions of the approved Communication policy.

3.0 BUSINESS CONTINUITY MANAGEMENT

The KPC business continuity policy provides a framework for establishment, implementation, monitoring and maintaining of business continuity plans for continual improvement. The overall objective of KPC business continuity policy is to enhance business resilience in the event of a major disruption through timely resumption and delivery of essential business activities.

An important element of Business Continuity Management(BCM) is the testing and exercising of the company's Business Continuity Plans (BCP) that aims to ensure that the business continuity strategies and procedures put in place are effective, valid and can be executed successfully during an actual crisis.

In FY2023/2024, the BCP testing and exercising focus was on Cybersecurity threat scenario. Cybersecurity threat remains one of the top 10 corporate risks. It is therefore imperative for the company to ensure adequate preparedness, enhance business continuity awareness and resilience in the event of a cyber-attack. Arising from the annual BCP testing and exercising, cybersecurity vulnerabilities were identified, and areas of improvement incorporated in the Business Continuity Plans. In addition, a KPC cybersecurity playbook was developed and deployed to enhance business continuity awareness and resilience in the event of a cyber-attack.

4.0 REVISED ERM FRAMEWORK

The Company undertook a gap analysis on the existing ERM framework and processes, developed a revised ERM policy and procedure manual aligned to best practices that was approved by the Board of Directors in September 2023.

The key changes on the revised ERM Framework were on the incorporation of the Risk Appetite Statement that defined the company acceptable risk levels for each risk category aligned to the risk tolerance limits, reviewed the roles and responsibilities for those charged with managing risks in the company to enhance clarity and accountability, and enhanced the risk assessment criteria making it more informative and improve clarity during risk assessment exercise.

To effectively operationalise the revised ERM framework, a companywide sensitisation was undertaken during the financial year that aimed to create awareness on the provision of ERM policy, principles of risk management and promote positive risk culture in the company.

Kenya Pipeline Company's Eldoret pump station on October 18,2023.

Environmental and Sustainability Reporting

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

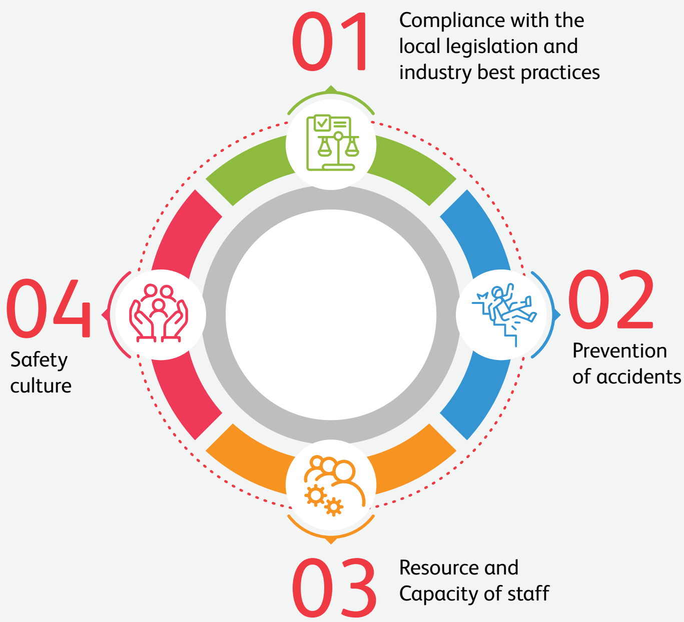
KPC has a detailed Occupational Health, Safety and Environmental Management System that guides implementation of its related programs. The management system also includes social performance aspects, in response to the large infrastructure projects the organisation undertakes to safeguard the workers and communities within which it operates.

KPC recognises its duty of care to ensure all reasonable steps are taken to protect and preserve the environment within which it operates. As such, workplace hazards are assessed, eliminated and/or controlled, occupational health preservation and injury protection of its employees, contractor workers, customers and other stakeholders through various work programmes with a goal of zero harm.

The company's HSE policy guides the organisation in compliance to all relevant local legislations and international guidelines, including sustainability considerations in all its operations, to attain a continual performance improvement. The day-to-day management of HSE matters is coordinated through a Safety, Health and Environment Department (SHED) whose vision is to achieve World class safety performance measured as zero fatalities and a proactive safety culture to foster commitment of various stakeholders on enhancement of HSE performance.

The implementation of the HSE Management system falls under 4 pillars:

In this FY under review, the key highlights for KPC are:



- KPC achieved 28 percent reduction in energy consumption from188,805,020 KWh to 135,412,342 KWh despite an increase in throughput from 6,336,203.65 m3 in 2017 to 8,913,764 m3 in 2023. This reduction in our energy consumption and by extension carbon footprint has been achieved through installation of energy efficient technologies in Variable Frequency Drives and installation of efficient motors.

KPC in this environmental restoration programmes committed about KShs. 55 million, greatly impacting these communities financially.

- Achievement of 100 % in environmental compliance with environmental licensing.
- KPC has planted over 702,128 seedlings over the last 3 years with full restoration of 50 hectares of degraded mangrove forest at Jomvu Kuu Creek in Mombasa County with 500,000 seedlings and impacting about 5,000 households through 12 community-based forest associations (CFAs) within Mombasa County. KPC as part of reforestation of Narasha Forest in Baringo County, has planted 200,200 seedlings, restoring about 200 hectares of degraded forest and impacting about 1000 households from whom seedlings are purchased at their community nurseries and provision of labour supplementing the household incomes as the labourers also undertake farming within the same farm lots under the shamba system. These restoration efforts are expected to enhance food security and improve individual households livelihoods with improved regular incomes from the plantation activities during every rainy season.
- This reforestation efforts has offset carbon emissions from our operations equivalent to 141.5 MtCO2.
- Re-use of 14.5 tonnes of used oil produced from company operations through donation to Numerical Machining complex for their use in their furnaces greatly reducing our waste footprint.
- Raising awareness for over 1,409 staff on Health, Safety and Environment matters through refresher inductions to foster their commitment to safer workplace.

- Stack emissions monitoring and acquisition of stack emissions licenses.

- Clean up and bioremediation of 6No spill incident sites.

The above four pillars are discussed in further details as below;

Compliance

KPC complies with all local legislation namely the Environment Management and Coordination Act,1999 Cap 387, Occupational Safety and Health Act, 2012 Cap 514, Energy Act, 2012 Cap 314, and Water Act, 2016 among other legislations relevant to its operations. This local legislation compliance has ensured consideration for stakeholders' (internal and external) involvement in all aspects of KPC projects to ensure environmental and social sustainability. These international certifications ensure commitment to higher standards over and above the local legislative requirements on HSE Management. Adherence to these standards has greatly improved operational impacts relating to the environment such as efficient resource use.

In addition, KPC has gone beyond local legislation compliance to commit to international certification in HSE management for ISO 14001:2015 on Environmental Management Standards; ISO 45001:2015 on Occupational Health and Safety, and ISO 9001:2015 on Quality Assurance.

KPC has complied to the regulation requirements as follows:

- KPC has a compliance obligation register that has identified all the legal requirements that the company complies with, and the last audit indicates 100 percent compliance on the various regulatory requirements.

- Valid licenses/certificates and permits per regulatory requirements such as effluent discharge licenses; depot operating licenses from EPRA; workplace registration certificates; and municipal fire permits.

- Acquisition of EIA licenses for projects as prescribed by NEMA. For the period under review, KPC obtained ESIA licenses for asbestos roofing materials replacement project, Oil Spill containment dams, PS 28 Automotive Gasoline Oil (AGO) Tank at Kisumu Depot, fire stores and Western Kenya pipeline capacity enhancement project at Ngema pump station.

- Acquisition of EPRA licenses for projects as prescribed by EPRA for all KPC terminals.

- Statutory audits, inspections monitoring, and testing conducted internally or externally by third parties e.g. NEMA, SGS, EPRA, BV to ensure rigorous environmental performance.

- Attainment of about 70 % closure of all Corrective actions raised in various audits, committing the company to enhanced operational safety at all times.

Non-Statutory compliance – Process Safety

At KPC, we place the highest priority on process safety to prevent any catastrophic failures in our system. Our dedicated efforts ensure that our Pipeline Operations, safety, and utility systems adhere to the strictest standards of reliability and integrity. This approach minimises the risk of hazardous releases and enhances plant uptime and efficiency.

KPC conducted process safety audits of its pipelines Line IV,V & VI using a multi-disciplinary team comprising members from various departments. The audits resulted in the identification of a total of 209 corrective actions. At present, 33 % of these corrective actions have been successfully closed, while 23 % are currently in progress.

Some of the achieved milestones from the process audits include:

- Integration of Line V Emergency Shut Down (ESD) system with tanks independent alarm system.

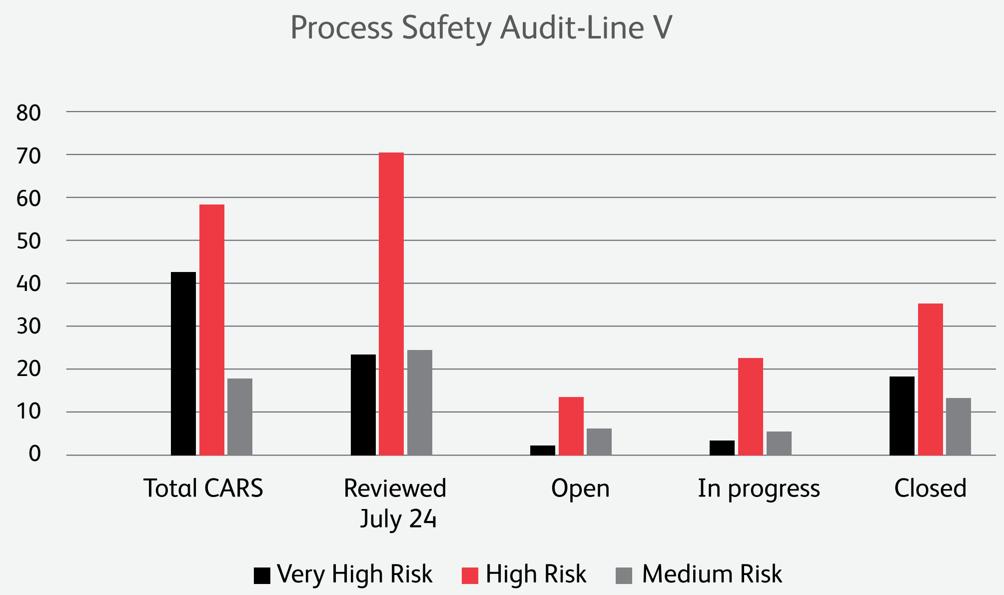
- Capacity enhancement of staff operating and maintaining the pipelines.

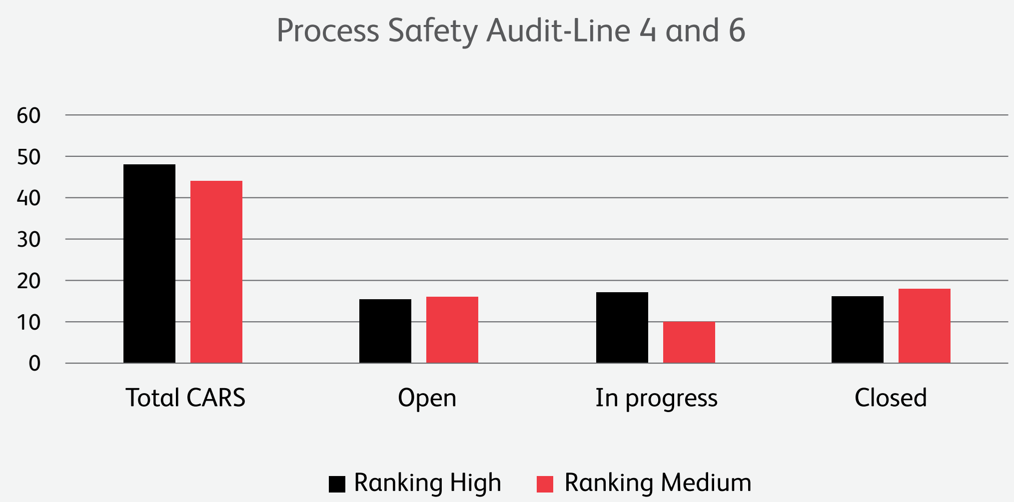
- Enhancement and completion of the Firefighting system along Line V.

- Review of documentation for Safe Operation of Critical Systems in the Lines.

- Upgrade of the Line control valves in Line to enhance safe operation.

- Enhancement of containment facilities within the stations where the 3 Lines pass.



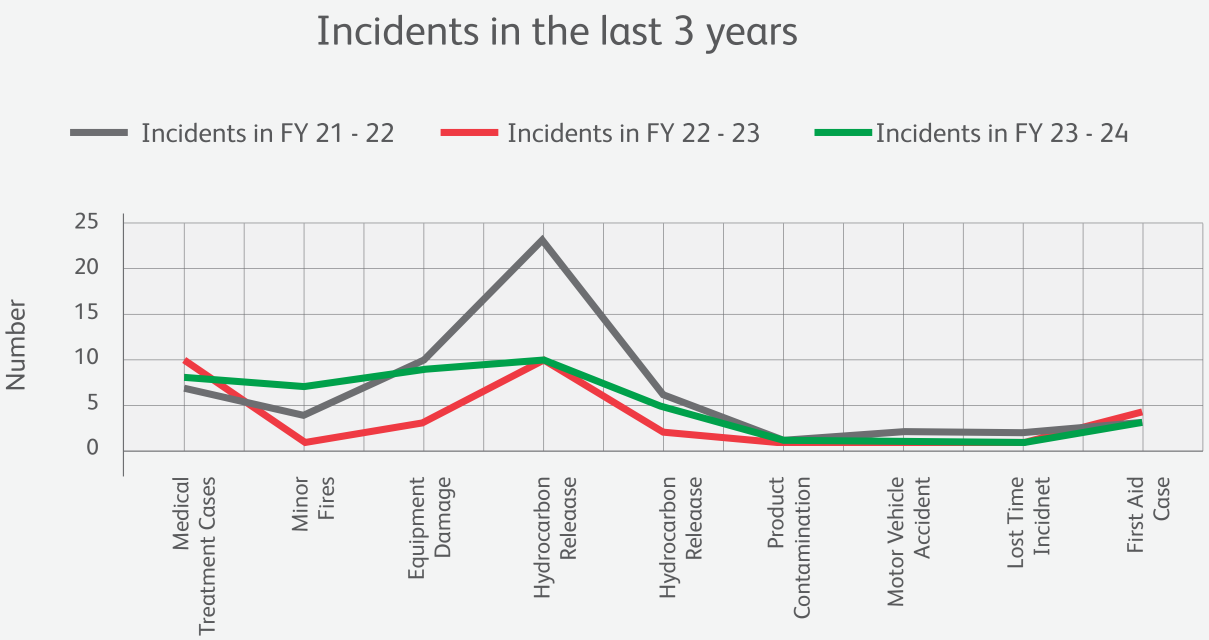


Prevention of Accidents

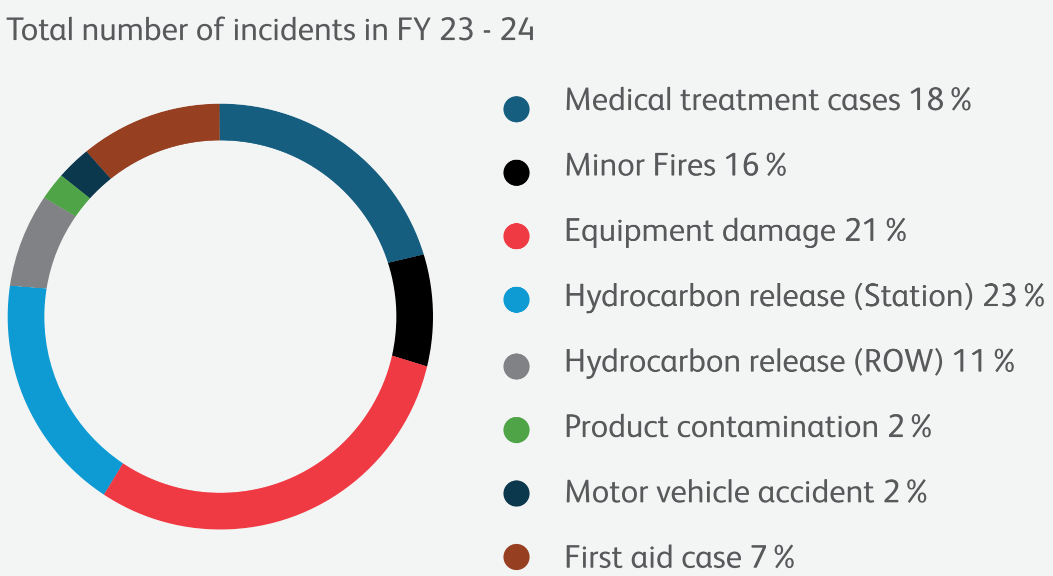
KPC has made safety a top priority. The company's commitment to the safety and well-being of its workforce, partners, and surrounding communities is integral to its operations.

This section focuses on prevention to minimising risks and cultivating a safety-first culture. Under the Prevention of accident pillar, KPC undertakes Hazard and Operability (HAZOP) and Process Safety Audits and risk assessments for its operations. This helps in coming up with control measures to prevent the realisation of hazards and mitigation measures to reduce the consequences of possible incidents. As a result, KPC has in place site-specific emergency response plans.

During the fiscal year 23-24, KPC successfully achieved the significant milestone of zero fatalities and only 1 lost-time incident. This accomplishment underscores our unwavering commitment to maintaining the highest standards of occupational health and safety throughout our operations.



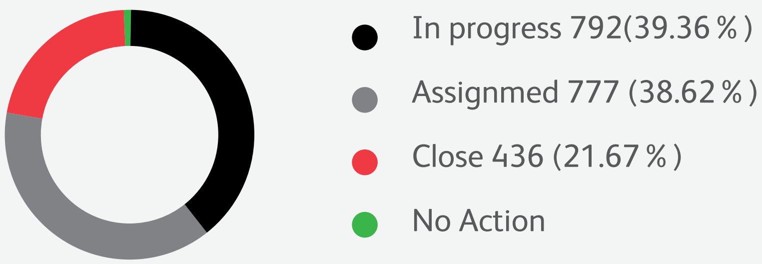
In FY 23-24, a total of 45 incidents were reported in KPC stations as follows, 8No Medical Treatment Cases, 7No Minor fires, 9No Equipment Damage, 10No Hydrocarbon Releases within the stations, 5No Hydrocarbon Release within the ROW, 1No Product Contamination, 1No Motor Vehicle Accident, 3No First Aid Cases and 1No lost time incident. Additionally, a total of 1,856 Safety Observations and Corrective Actions (SOCA) were reported within the period.



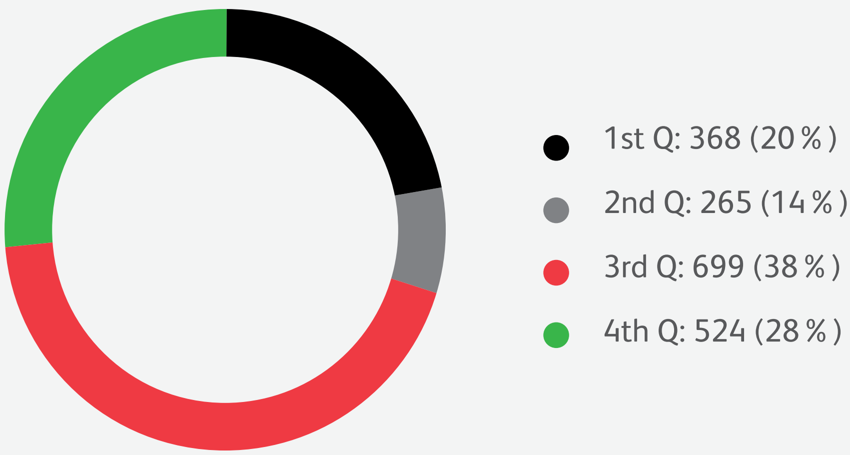
KPC rolled out an online system for reporting and closing unsafe acts, and unsafe conditions and Near miss denoted Safety Observations and Corrective Actions (SOCA) in 28th April 2022 to replace a near miss reporting framework which was not effective and was not able to distinguish other categories other than Near miss. The system has been a success and has seen prompt closure of reported SOCA and positively impacted the safety culture with all staff required to report at least 1 SOCA per quarter. A total of 2012 SOCAs were reported in FY 2023-24.

SOCA CATEGORY	SOCAs REPORTED IN 2023/2024
Unsafe Conditions	1481
Unsafe Acts	220
Near-Misses	311
TOTAL SOCAs	2,012

The SOCA system has the capability of assigning the SOCA to the action parties to close out the SOCA as highlighted below:



SOCA REPORTED FY 23-24



Resource and Capability

The resource and capacity pillar aims to ensure that staff carrying out safety critical roles are equipped to carry out their work effectively in a safe manner. Training provided includes risk assessment, emergency response management, incident command, basic firefighting courses, first aid, incident investigation, HSE committee course, environmental sustainability, bioremediation, social impact assessment, among others. KPC has carried out specific training on the following areas:

1) KPC conducted **annual refresher training for 1,049 staff** in FY 23-24. This training included components on environmental management, waste management, impacts, and aspects within KPC facilities.

2) KPC trained **210 Health, Safety and Environment committee** members for all KPC workplaces and issued them appointment letters. The role of the HSE committee is to drive HSE agenda in the stations.

3) KPC trained **176 first aiders** for all KPC workplaces and issued them appointment letters as required by the Occupational Safety and Health (First Aid in the Workplace) Regulations, 2023.

4) KPC **carried out bi-weekly awareness to all staff** on all HSE-related matters. Some of the awareness shared included waste management, toll-free number, Safety during floods, care for the environment, climate change opportunities, Africa climate summit participation, and tree planting at KPC amongst others.

5) KPC trained its staff on **response to emergencies** from basic Fireman courses to advanced Fireman courses, greatly improving its capacity to respond to emergencies across all tiers from tier I-III. This has made KPC among a few organisations in the country that is incorporated in the national emergency coordination response under the Ministry of Interior, with adequate capacity in both human and equipment availability.

annual refresher training for 1,049 staff

trained 210 Health, Safety and Environment committee members

trained 176 first aiders for all KPC workplaces and issued them appointment letters

trained its staff on response to emergencies from basic Fireman courses across all tiers from I-III

6) KPC has **trained staff in climate change policies** where a staff member is the lead negotiator for the country at the United Nations Climate Change Conference on an article on response measures which is relevant to the energy sector.

7) KPC has trained **staff on environmental auditing for upstream and midstream oil and gas sector** under the guidance of the World Bank and IFC to enhance environmental considerations in project planning and implementation.

8) KPC has trained its staff on Environmental **Incident investigation training** to enhance establishing root causes for closeout and preventive management of incidents.

9) Health and wellbeing management. As workers are affected by varying situations at work resulting in mental health conditions, the mental well-being of each worker is important to HSE Management. As such, KPC **conducted regular wellness clinics** and mental health talks to raise awareness of mental conditions at the workplace to improve coping mechanisms.

Safety Culture

The culture pillar aims to attain a proactive safety culture. Programs running under this pillar include Safety week, World Environment Day, Weekly Safety Bulletin, Safety Observations, and Corrective Action reporting and reward and recognition programs. This ensures proactive HSE management.

Based on improved safety culture management and performance targeting requirements for individual staff in near miss reporting, Management was actively involved in undertaking safety cycles with staff, and a feedback mechanism was instituted.

Furthermore, with increased reporting, safety walkabouts, and close-out action from reported SOCAs, KPC sites have greatly enhanced safety. In addition, KPC rolled out refresher induction for all staff and achieved over 70 % in this Financial year.

Corporate Social Investment

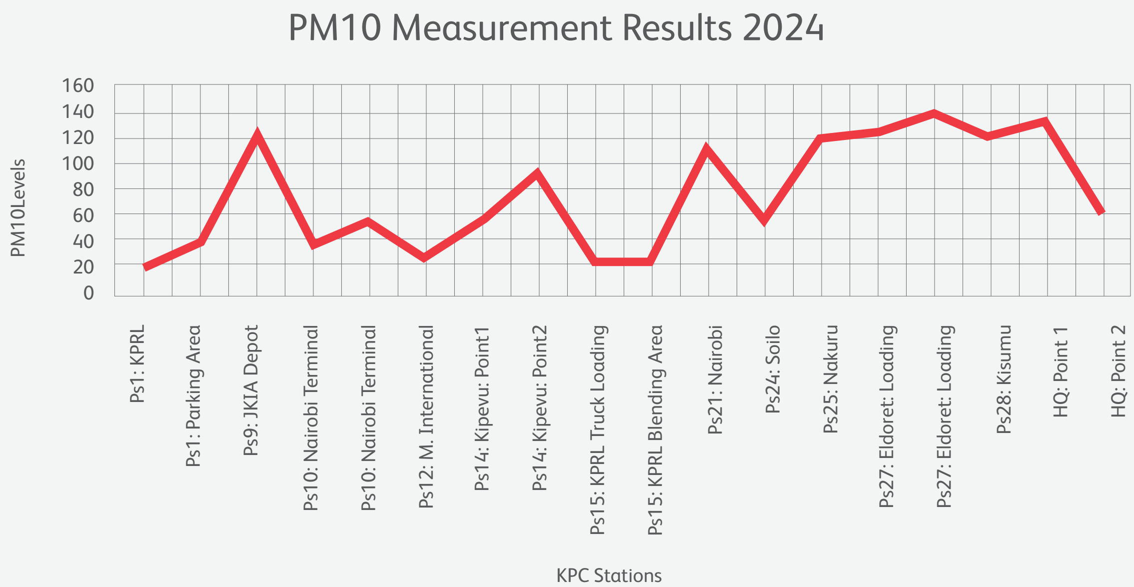
KPC as part of its corporate social investment to address stakeholders' involvement in KPC operations, sets aside 1.5 percent of its revenue which is equivalent to KShs.150m for investment in communities within which it operates. These investments are in three thematic areas of water, health, and educational sectors support towards infrastructural development and bursaries support to the local communities in the affected areas. Through such involvement, safety management has greatly improved with communities viewing themselves as part of KPC, thereby reporting potential interference with KPC infrastructure and incidents. This interactive relationship has greatly ensured KPC responds to incidents along its Right of Way swiftly.

As a responsible corporate entity, KPC ensures successful repair of any defective pipeline sections in the event of incidents and undertakes environmental remediation for all contaminated sites. The 2 No. major HCR incident was addressed with site impact assessment and remediation process completed, and communication maintained with relevant Authorities.

Environmental Actions

KPC, as a responsible corporate entity, is dedicated to safeguarding and preserving natural resources. We understand the pressing need to address current environmental challenges, such as resource depletion and biodiversity loss. Through our initiatives and partnerships, we are committed to contributing to a more sustainable future for our country and society.

- Air quality – Compliance to the Limits
  The monitoring and management of ambient particulate matter (PM) levels are of utmost importance due to their impact on human health, visibility, water quality and materials, as well as the global climate. In response to this, KPC undertakes annual monitoring using accredited service providers to address air pollution known as the Environmental Management and Coordination Act (Air Quality) Regulations, 2014.



All monitored locations in KPC had Particulate matter (PM10) concentrations within the guideline values of 150 µg/m3 for industrial areas as proposed in the Environmental Management and Co-ordination Act (Air Quality) Regulations, 2014.

Waste Management

KPC is dedicated to minimising its environmental impact by effectively managing both hazardous and non-hazardous waste produced across its facilities. The company prioritises a waste hierarchy approach, focusing on prevention, re-use, and recycling before resorting to disposal. By implementing these strategies, KPC aims to reduce its overall waste generation, conserve resources, and contribute to mitigating global warming.

To enhance its waste management efforts, KPC carried out the following:

- Rolled out **waste segregation management** practices in its facilities by distributing over 93 waste bins for waste segregation.
- Implemented a **comprehensive training program** to educate employees about waste management practices.
- Carried out **effluent waste monitoring** in all 19 facilities with over **76 samples** tested. All sites were compliant with NEMA regulations.
- Timely disposed over $29.5M^3$ of sludge using NEMA-approved waste handler for **re-use** in its facilities compared to the previous year thereby promoting re-use of waste generated within KPC.
- Successfully piloted a new model of the **oil-water separator** at Pump Station 7 to ensure that all the parameters of Water Quality regulations are met.
- Certification and accreditation of **Environmental laboratory** to carry out effluent water monitoring.
- Removal and replacement of asbestos roofing materials of about 2900m2 from its infrastructure for disposal.

93

waste bins for waste segregation.

disposed over

29.5^{M3}

of sludge using NEMA-approved waste handler for re-use

Biodiversity

It is imperative to acknowledge that the decline in biodiversity can have profound implications for ecosystems. In the KPC operational areas ecosystems, much like in other regions, biodiversity faces threats arising from factors such as habitat destruction, resource overexploitation, pollution, and climate change. Consequently, the development and implementation of effective conservation strategies are of paramount importance to ensure the enduring preservation of diverse biodiversity.

KPC has undertaken the following measures:

- KPC has a fully established Department for maintaining the Right-of-Way (ROW) that coordinates maintenance and immediate response to emergencies along the pipelines minimizing adverse implications on the environment.
- Implementing erosion control measures to conserve soil along the ROW.
- Elaborate emergency response plans, procedures, and equipment for handling emergencies along the ROW.
- Installation of a Leak detection system to detect any leak along the ROW.
- As part of the Right-of-Way (ROW) maintenance, bioremediation and clean-up of all spills are undertaken immediately to mitigate against the adverse environment impacts. In the last three years, we have successfully cleaned and restored 16No oil spill sites, with ongoing work at 10 additional locations. Furthermore, hydrogeological surveys have been conducted at 3 of the ongoing sites to ensure the effectiveness of our remediation efforts.

Water Conservation

Water is a crucial resource for KPC's operations, used primarily for domestic purposes, operational needs, and firefighting response. KPC is committed to reducing water consumption as stated in its environmental policies. To accomplish this goal, the company has established water conservation and monitoring programs, including maintaining accurate records of water usage at its stations. The main challenge lies in accurately measuring water usage due to the diverse applications within KPC.

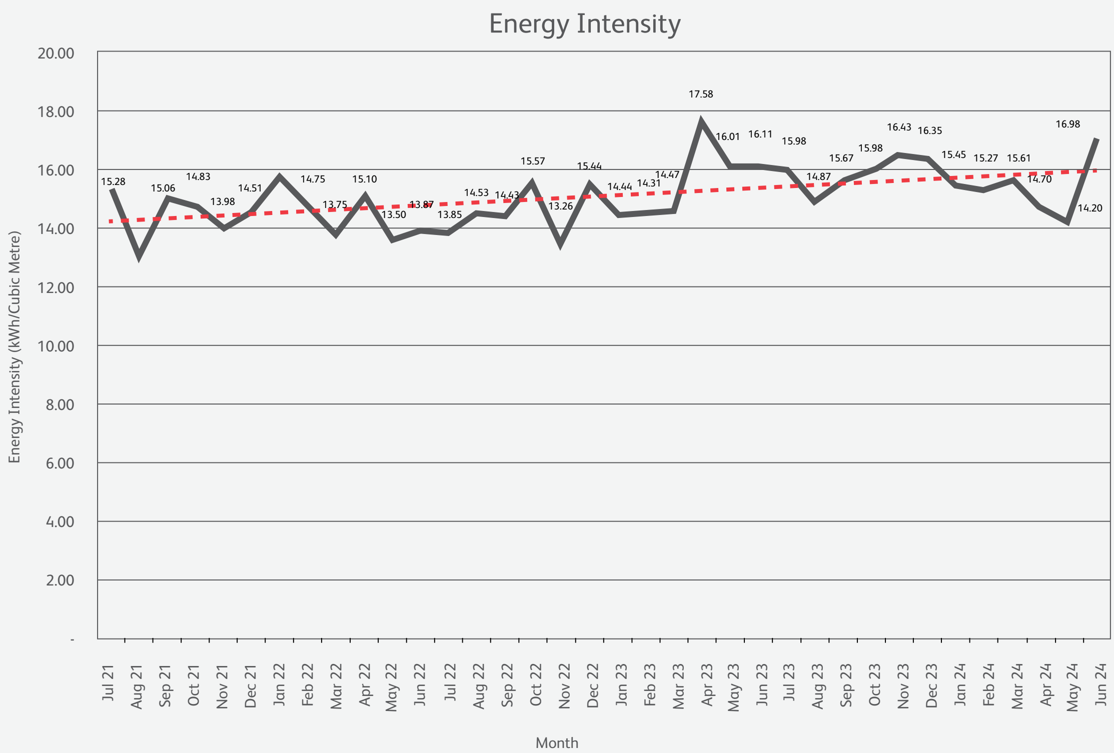
Energy use and Efficiency

KPC relies on energy to power its operations, including the critical function of running mainline pumps and supporting auxiliary activities.

KPC has made substantial investments in energy efficiency in alignment with the Paris Climate Change Agreement.

The company has phased out inefficient technology by installing new switch gears and Variable Frequency Drives (VFDs) on its mainline pumps and Western Kenya depots to effectively decrease energy consumption.
Despite a notable increase in throughput from 6,336,203.65 m3 in 2017 to 8,913,764 m3 in 2023, KPC has successfully reduced its total KWh consumption from 188,805,020 KWh to 135,412,342 KWh. This excellent reduction of 28 % is because the VFDs play a crucial role in managing power consumption by adjusting based on actual demand/torque from the pumps, allowing the motors to draw only the required energy and thereby minimising energy wastage.

The company also continuously monitors its energy efficiency using energy intensity, which for this fiscal year was measured at 15.60 with a total consumption of 141,543,808 KWH against a throughput of 9,071,235.46M3.



Climate Change Mitigation and Adaptation Programs
KPC in adaptation and mitigation programs to climate change under the stewardship on national climate change policy has instituted various actions to meet the nationally determined contributions (NDC) target of reducing our GHG emissions as a country per Paris Agreement on climate change.

Among these commitments include:

- Installing a 225kw solar plant at its HQ to provide clean energy. KPC is also exploring options of solarising its interstations.
- Installation of energy-efficient lights and the phase-out of old traditional lights in most of its facilities.
- Undertaking stack emission monitoring and acquisition of stack emission licenses for all KPC sites.
- Tree planting efforts with the planting of 50 hectares of degraded mangrove forest at Jomvu Kuu Creek in Mombasa County and 120 hectares of Narasha Forest in Baringo fully restored after planting of about 500,000 seedlings for Mangroves and 200,200 planted in Narasha

in Baringo County. This achievement was attained in partnership with Community Forest Associations (CFAs), Kenya Forest Service (KFS), and partners such as Equity Group Foundation, Mama Doing Good, among others. To ensure the sustainability of the trees, KPC is supporting maintenance programs for replacement of the damaged seedlings and monitoring. These trees will eventually contribute to carbon offset as mangrove forests have some of the largest carbon sink capacities.

- In compliance with the Sustainable Waste Management Act, KPC in Q1 rolled out a waste segregation program through provision of waste segregation bins and training of staff. This will ensure that KPC separates her waste which can be repurposed into something useful.

- All product tanks constructed since 2016 after the Climate Change Act came into force, have been dome roofed with higher efficiency in curbing fugitive emissions.

This achievement clearly shows KPC has been an industry leader in environmental sustainability in the country and a pillar in the United Nations Framework Convention on Climate Change commitment target of emission reductions.

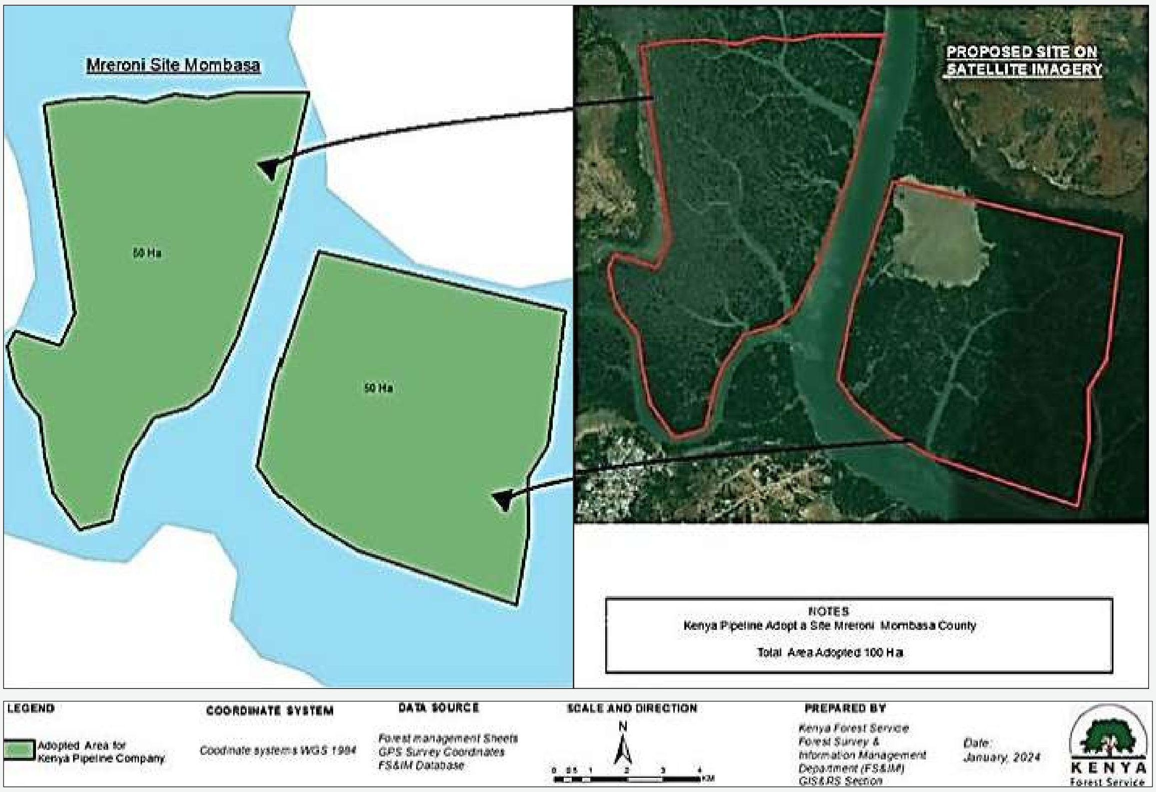
Areas to focus on:

- Carrying out baseline greenhouse gas emission assessments for KPC facilities and generating GRI sustainability reports.

- Creating a carbon offset plan within KPC by leveraging available technology.

- Fully implementing a paperless project to eliminate use of paper within all KPC facilities.

Kenya Pipeline Company Adopt a Site Mreroni Mombasa



i) Employee welfare

Under the People pillar, we have ensured that the hiring process is guided by the Human Resources Policy and Procedures Manual (HRPPM) Section 2.14 Recruitment Procedure. All positions are filled competitively in line with the laid down rules and regulations. KPC meets the constitutional threshold composition of gender in its workforce and is bound by the Human Resources Policy and Procedures Manual (HRPPM). It is a requirement for the Manual (HRPPM) to be revised after three years.

The Effort made towards improving skills as well as managing careers is guided by the provisions of Section 9 of the HRPPM on Training and Development.

Key initiatives include:

1. **Induction:** Newly appointed persons and transferred staff are taken through a comprehensive induction program to familiarise themselves on the nature of business and the processes of KPC. Both new and transferred staff undertake a two (2) weeks induction program from the date of reporting.

2. **Training Needs Assessment (TNA):** This is carried out to identify the competency gaps that requires training intervention. Thereafter staff undergo actual training and a follow up of an evaluation to establish the impact of the training. It is a requirement that all staff must attend a minimum of three (3) days training in a given Financial Year.

In addition, staff are sponsored for various trainings depending on availability of funds in order to assist them acquire additional qualification to their jobs.

Emphasis are put on the following courses: -

a) CPD training for professional staff to keep abreast of current trends within their respective profession.
b) Statutory Courses for compliance.
c) Performance Contract related courses.
d) Departmental skills Development courses.

3. **Professional Subscription:** The Company meets the cost of initial registration to a professional body as well as subsequent subscription, practicing certificate and the cost for CPD trainings.

KPC has put in place the following systems and mechanisms that govern individual performance and reward employees for their contribution in a fair and equitable manner:

1. Development of the performance management Policy as contained in the HR Policy and Procedure Manual, 2019 which clearly defines the objectives, process, period and ratings to govern performance at KPC.

2. Automation of the staff appraisal system by implementing the SAP HCM Performance management module which raised staff participation in the appraisal process to 100 %.

3. Enhancement of compliance to SRC guidelines on rewards and sanctions through alignment of the KPC Reward and Sanction Policy to the SRC guidelines on Performance Rewards and Sanctions.

4. Establishment of a HR Management Advisory Committee responsible for reviewing and advising the MD on several HR management and development issues one of which includes staff performance management.

KPC is compliant with the stated OSHA Act, 2007 by ensuring medical surveillance is continually conducted through pre-employment, annual occupational and exit medical examinations. The costs are met by the employer.

4. Staff sensitization

KPC carries out various initiatives that promote wellness and general well-being to staff. This includes sensitization and wellness clinics organized to support the agenda on universal Healthcare and promoting preventative Care, Wellness medical Screenings for Cancer and HIV, mental health and Alcohol and Drug Abuse. creation awareness. This is done in conjunction with medical practitioners from major hospitals. The initiatives are not only open to staff and their dependents but also to our customers the Oil Marketing Companies hosted within the KPC facilities.

ii) Market place practices

a) **Responsible competition practice**

As part of our escalated marketing initiatives, KPC has built trust with our primary customers of both petroleum products and its Fibre Optic Cable plant; a relationship based on equal treatment, intensive and personal customer relations and continual customer satisfaction surveys aimed at improving services. Daily communication occurs with our customers and stakeholders at all our service delivery points on availability of products and services, as well as feedback on resolution of their pain points in staying true to our commitment to supply the country and region.

b) **Responsible supply chain and supplier relations**
In accordance with article 227 of the 2010 Constitution that requires public entities to be fair, equitable, transparent, competitive and cost-effective when contracting for goods, works and services, KPC has put in place measures to ensure that these crucial tenets of our constitution are achieved. KPC further strictly adheres to the public procurement laws in order not only to ensure fairness and transparency in our procurement process, but also realise value for money for the company and therefore the Kenyan taxpayer. It is in this regard, KPC has complied with the Presidential executive order number 2 of 2018 on automation of her procurement process through a user-friendly Supplier Relationship Management system (SRM). This is a system that enables all potential suppliers to register online as KPC suppliers from wherever they may be. The system allows suppliers to bid and be evaluated online, making the whole process fair and transparent. All suppliers are given equal opportunity to bid through Open Tender method and where requests for quotations method is used, all suppliers registered under a particular product category are invited to bid. Despite the system being user-friendly, KPC conducts continuous online user training to ensure that all bidders are well acquainted with the system and therefore able to bid. KPC further conducts supplier appraisals which give suppliers feedback on areas of weakness with a view of helping them do business with KPC.
Finally, KPC has continued to successfully implement the government policy on access to government procurement opportunities (AGPO) for disadvantaged groups of women, Youth and people living with disabilities. In the year under review, business worth Kshs 668,536,925 was awarded to the groups.

c) **Responsible marketing and advertisement**
KPC has also continued to adhere to the National Treasury Circular No. 9/2015, Ref: MOF/TE 3/03/(37) of 10th July 2015 that directed all Ministries and State Corporations to channel all their advertising needs through Government Advertising Agency (GAA) via its MYGOV pull out/insertion in the local dailies.

d) **Product stewardship**
Under the Systems and Processes Pillar, focus has been to ensure that the pipeline has adequate capacity to meet current and future petroleum products demand and that the Company's operations and business processes are automated. One such monumental improvement has been KPC's cashless payments system within the Finance module that has reduced the risk of fraud through a lasting audit trail, hastened transaction lead time and reduced paperwork.

MORENDAT INSTITUTE OF OIL AND GAS NATIONAL POLYTECHNIC

Morendat Institute of Oil and Gas (MIOG) National Polytechnic has solidified its position as an oil and gas training leader with commitment to excellence, innovation, and global recognition. Over the years, the institution has grown and evolved, becoming an influential training hub for skilled professionals in the oil and gas industry and beyond.

The recent elevation from a Technical Vocational College to a National Polytechnic status marks a pivotal moment in its growth and shaping the sector's future by providing a strong academic framework to develop the next generation of leaders. As a qualification-awarding institution, MIOG plans to introduce four unique programs: Diplomas in Energy Studies, Oil and Gas Engineering, Fire and Safety Technology, and a higher diploma in Specialized Welding. MIOG launched an International Certified Welder course to certify welders to ISO 9606 standards. This certification is recognized globally and gives trainees the expertise to work in diverse sectors, including oil and gas, construction, and manufacturing. The first cohort completed their training, and the processing of their documents for migrating abroad is ongoing.

MIOG's commitment to excellence was further demonstrated when the institution's nominee, who emerged as number one in the Kenya National WorldSkills welding competition, represented the country at the WorldSkills International Competitions in Lyon, France in 2024.
MIOG continues to conduct a wide range of training programs through partnerships with local and international organizations to meet the need for a competent workforce in the dynamic oil and gas sector. A collaboration with Kivu Petrolage El Stockage of Congo has seen its staff gain knowledge and skill in oil depot operations and management, courtesy of the KPC staff expertise. Other organizations include KENGEN, EWURA of Tanzania, Central Bank of Kenya, VTTI, Energy and Petroleum Regulatory Authority (EPRA), and Public Service Superannuation Fund

International welding course trainee

CORPORATE SOCIAL INVESTMENT (CSI) REPORT

1. Introduction

KPC, through the KPC Foundation, endeavours to have a positive impact on the people of Kenya through transforming the lives of individuals, groups and communities and caring for the environment, while at the same time enhancing corporate image, brand, and reputation. The company, therefore, has continued to implement various impactful development programs that are responsive to our stakeholders' needs.

KPC established the KPC Foundation to design, manage and coordinate its corporate social investments. The mandate of the KPC Foundation as provided in the Trust Deed is to undertake the corporate social responsibilities of KPC in the focus areas of empowerment of youth, women and persons with disabilities, education, health and sanitation, access to clean water, sports, energy conservation and environmental restoration, and in emergencies. These focus areas aim to enhance the Foundation's strengths in its resolve to deliver more benefits to stakeholders and attain sustainable social development.

At the close of the Financial Year 2023/2024, KPC Foundation implemented at least 43 CSI programs worth over Kshs.93,000,000 as shown below.

Table 1: No. of programs and amount

Focus Area	No. of Programs	Amount
Education	19	53,785,638
Emergency	2	1,000,000
INUKA Scholarship	1	12,186,000
Empowerment	9	10,414,000
Health	7	6,407,275
Sports	3	2,700,000
Water	2	6,999,480
Grand Total	43	93,492,393

Below were programs update in FY 2023/2024 that have positively impacted the beneficiaries as well as the company's image and reputation as a responsible corporate citizen.

2. Empowerment of Youth, Women and Persons with disabilities

People with disabilities (PWDs) confront a range of handicapping situations depending on the extent of their disability. Access to infrastructure, services and other economic opportunities is a big challenge. Therefore, in conformity with the CSI policy, KPC has seized the opportunity to contribute to the National Empowerment of PDWs in the aspects of socio-cultural, education and economic development in form of the INUKA Empowerment Program, namely;

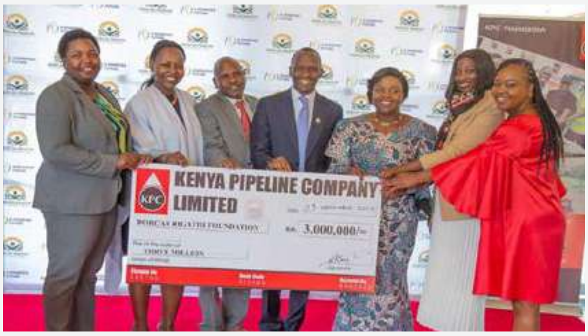
Kshs. 10,414,000 donated to a total of 9 groups across the country

2.1. INUKA Social Empowerment Program (ISEP)

KPC Foundation has empowered special group (Women, Youth and People with Disabilities) through cash donations to boost their businesses, literacy trainings on AGPO in partnership with KPC procurement and supported them to be self-reliance. In FY 2023/2024, Kshs. 10,414,000 (Kenya Shillings Ten Million, Four Hundred and Fourteen Thousand only) were donated to a total of 9 No. (Nine) groups across the country. These groups include fund donation to Kikuyu Constituency Education (KICE) Foundation, donation of beehives and accessories to Bidii Creek Conservancy Community, INUKA Mentorship Program in partnership with NCPWD, Support of Olmaroroi Cultural Group, Support Youths with Disability on mentorship in partnership with Sunshine Rotary Club.

KPC Foundation donated 20 No. beehives and accessories worth KShs. 465,000. to Bidii Creek Convservancy in Mombasa County on 4th November 2023.

Donation of Waste Management working tools to youths at Mukuru



KPC Chairperson and BOT members presenting a cheque towards the ongoing Boy Child rehabilitation program across the country as part of creating healthier and stronger generation of young boys.

2.2. INUKA Scholarship Programme (ISP)

2.2.1. Introduction

Inuka Scholarship was established in 2017 to support secondary education for bright but financially disadvantaged students with disabilities from all 47 counties. Each year, two students are selected from each county, and to date, 736 students have benefited from the Inuka program (376 have completed and 361 are in session).

The primary objective is to transform the lives of needy students with disabilities from all regions by enabling them to access secondary education and fully integrate them to the members of their communities. The program, initially launched as a secondary education scholarship initiative, has expanded to include tertiary education.

736
students have benefited from the Inuka program:


Foundation teams visit Inuka Scholars in various schools across South Rift, Nyanza, Mt. Kenya and Western regions.

KPC Foundation Team visited INUKA beneficiaries, including Form Fours, in various schools across the country in the month of October to mentor and wish them success in the 2023 Kenya Certificate of Secondary Education examinations.

2.2.3. INUKA Students Vetting and Recruitment

In December 2023, KPC Foundation, in collaboration with the National Council for Persons with Disabilities (NCPWD) A total of 94No. students were recruited across the counties to join Form One in academic year 2024.

A total of 94No. students were recruited across the counties to join Form One in academic year 2024.

3. Provision of Education Infrastructure

One of the KPC Foundation Focus area is Education. The objective is to support government initiatives of access to education by supporting the constructions of education infrastructure across the country.

In the financial year under review, KPC Foundation supported the construction of over **29No. structures worth over Kshs. 52Million**, *comprising of Science Laboratories, Computer Laboratories, Classrooms, Administration blocks, Dormitories, and ablution blocks across the country to support access and improve quality education. It has also furnished classrooms and equipped laboratories among others,* **impacting over 12,000 beneficiaries.**

Completed CSI Project at Lambwe Secondary School.

Completed Classrooms at St Joseph Junior Secondary School in March 2024.

KPC Foundation undertaking groundbreaking ceremony of a Dormitory at Siburi Secondary School in Homabay and a Computer Laboratory at Ongeche Secondary School in May 2024.

4. Provision of Health Services

In the FY 2023/2024, KPC Foundation invested substantially in health, in support of the Government's Universal Health Care. Some of our successful projects that the Foundation has undertaken under health focus included commissioning of 3No. Health facilities, 3No Medical Camps and donation of 2No delivery beds as listed below. The projects and medical camps worth over Kshs. **29 million.**

Donation of Delivery beds at Embakasi Health Centre in June 2024.

KPC Foundation BOT and Laikipia Governor commissioning Maili Nane Dispensary on 26th January 2024.

A patient receives her prescription during the MCK Ukuu Dispensary medical camp held 21st and 22nd May 2024.

No.	Project	Cost
1.	Completion of Modern Theatre, Laboratory and Casualty at Wenjengi Health Centre at Murunga County. The project was completed in November 2023.	7,995,815
2.	Commissioning of Maili Nane Dispensary on Friday 26th January 2024 led by the KPC Foundation Board of Trustees and the Governor of Laikipia County.	8,000,000
3.	Commissioning of constructed Port Reitz Sub-County Hospital New-Born Unit by KPC Foundation Board of Trustees Chairman and the Governor of Mombasa County on 7th March 2024.	5,045,500
4.	Construction and Commissioning of MCK Ukuu Dispensary on Friday 21st May 2024 by KPC Foundation Team.	6,500,000
5.	Donation of 2No Delivery beds and Accessories to Embakasi Health Centre.	600,000
6.	Free Medical camps undertaken at Maili Nane Dispensary, Port Reitz Sub-County Hospital on 7th and 8th March 2024 and at Ukuu Dispensary on 21st and 22nd May 2024.	1,500,000

5. Provision of Water

Provision of clean water to communities is one of the key focus areas of the Foundation. Communities need clean water to stay physically healthy and prevent diseases caused by a lack of adequate water, sanitation, and hygiene (WASH).

KPC Foundation acquired a drilling rig for provision of water by drilling boreholes in the communities and also support the internal KPC need for water provision.

Drilling of borehole and equipping at St. Patrick's Secondary School and Set Kobor Mixed Day & Boarding Primary School at a cost of Kshs. 3M and Kshs. 3.9M respectively.

In the year under review, KPC Foundation Board of Trustees approved **2No. drilling of borehole and equipping** at St. Patrick's Secondary School and Set Kobor Mixed Day & Boarding Primary School at a cost of **Kshs. 3million and Kshs. 3.9million respectively.**

The borehole drilling activity at St. Patrick Secondary School commenced on 22nd June 2024. The project was fully funded by KPC Foundation, and it included borehole drilling, and equipping with installation of solar powered systems, solar pump, piping, water tower and water tank.

KPC Drilling Rig.

Borehole drilling and equipping at St. Patrick Secondary School in June 2024.

6. Emergency Response

KPC Foundation is in the forefront of supporting communities in response to natural and man-made disasters. We support the governments and emergency service providers across Kenya to save lives by strengthening the emergency systems through training, knowledge development, advocacy and research.

In the financial year under review, KPC Foundations participated in the following emergencies.

- Donation of foodstuff to Ansar Islamic Organization community in Lunga Lunga.
- Donation of foodstuff by staff to flood victims in Mukuru Kwa Ruben in May 2024.
- Donation of **Kshs. 1million** in support of the Embakasi gas fire victims.

Donation of foodstuff to pupils at Mukuru Kwa Ruben.

KPC BoT handing over a cheque to Ansar Muslim Community from Mukuru. KPC Foundation donated food stuff worth Ksh.200,000.00 to the community as a support towards the Ramadhan celebrations.

STAKEHOLDER MANAGEMENT

KPC's business model is aimed at creating long-term value for all stakeholders. Stakeholder management is a critical component to the successful delivery of the corporate strategy, enhancing cordial working relationships and collaboration for mutual business prosperity. Stakeholder engagement is also key in identifying and resolving emerging customer issues.

For FY2023/24 performance, the top five marketers commanded an aggregated market share of 50%.

To enhance stakeholder relationships and customer experience, KPC participated in various engagements with various stakeholders. The primary stakeholders are the:

1. Oil Marketing companies (OMCs)

   They receive daily updates on the products available, status, and planned engagements. For FY2023/24 performance, the top five marketers commanded an aggregated market share of 50%. The top 20 commanded 75% while the remaining OMCs share 25% of the market.

   KPC engaged OMCs for quarterly meetings at the depots. Nakuru depot (PS 25) meeting was held on 23rd May 2024, Eldoret depot on 6th June 2024, KPRL on 24th April 2024.

   Vessel Schedule Meetings (VSM) and Supply Coordinators Meetings (SCM), KPC engaged in meetings held on 20th April 2024, 28th May 2024 and 6th June 2024, by the petroleum industry to plan for import cycles, enhance prompt resolution of industry challenges and promote cordial relationships with all stakeholders.

Courtesy visit to Oryx Energies during Customer Service Week 2023.

2. Government Agencies

   KPC fostered strong international partnerships in Kenya and beyond through various engagements. KPC collaborated with stakeholders such as Government agencies in Kenya and the Region, The National Treasury, Ministry of Energy & Petroleum, Uganda National Oil Corporation (UNOC) and ASSIMPER (Rwanda). KPC hosted high profile local and international delegations who visited the company to familiarise themselves with our business.

KPC and Uganda National Oil Company delegation pose for a photo at during a meeting at KPC Head office.

3. Sensitization on Citizen's Service Delivery Charter

   Companywide staff sensitisation on Citizen's service delivery charter was undertaken between 13th and 22nd September 2023 to create awareness on KPC's mandate, services offered, standards and commitments to the stakeholders and complaints handling mechanisms in service delivery.

KPC & VIVO Energies MDs presenting a fuel voucher to a motorcyclist at Shell service station.

4. KPC@50

   As part of KPC@50, KPC Board and Management visited Uganda for a Market Stakeholder Golf tournament & Dinner forum held between 22nd and 24th November 2024 at the Uganda Golf club.

Uganda contributes approximately 40 % of KPC's revenue and thus it is a very critical transit market to KPC. The team also visited Mahathi Infra Uganda facility at Bugiri, Bukasa to deliberate on full commercial uptake of KOJ/MIUL incremental volumes from other markets (South Sudan, East. DRC, Rwanda and Burundi) towards enhanced volume uptake from Kisumu Oil Jetty (KOJ).

Courtesy visits and meetings were held with the Kenya High Commission in Uganda, Ministry of Energy and Mineral Development,-Uganda, Uganda National Oil Corporation (UNOC), select OMCs to apprise them on new developments in KPC's operations, the on-going capacity enhancement projects and obtain service delivery feedback in line with transit share enhancement targets. A Stakeholders Golf tournament and Dinner was held on 23rd November 2023 in Kampala, Uganda.

5. Lake Victoria Blue Economy

Lake Victoria Blue Economy Monitoring and Evaluation Team met for a workshop at Acacia Hotel, Kisumu between 28th and 29th November 2023 for Monitoring, Evaluation and Learning (MEL) Capacity Building led by PWC. The Multi Agency Technical Committee (MATC) representing various institutions overseeing implementation of the lake region blue economy framework deliberated on how to enhance MATCs skills and knowledge in MEL practices. KPC is a member of the Lake Victoria Blue Economy by virtue of the Kisumu Oil Jetty (KOJ) being a key catalyst for commerce in the Lake.

6. Local stakeholder engagements

a) Kenya Revenue Authority (KRA)

KPC team engaged KRA Assistant Manager (PMU) in Mombasa on 24th April 2024 where a meeting was held between KRA, URA, OMCs, KPC, KPRL where issues on service delivery and business support by KRA teams was addressed.
KPC engaged with KPA, URA & RRA in Mombasa between 11th and 13th March 2024.

b) Energy & Petroleum Regulation Authority (EPRA)

KPC participated in an industry meeting held at EPRA offices in Nairobi on 22nd March 2024 to discuss on LPG importation.

c) Kenya Petroleum Refineries Limited (KPRL) Stakeholder meeting

KPRL depot management lead hosted a meeting in quarter four on 10th April 2024 to discuss service delivery issues.

d) Uganda National Oil Company (UNOC)

UNOC team was hosted by Kisumu Terminal Manager (TM) on 14th of June 2024 who took them through the full cycle of terminal operations. All support to ensure seamless importation to Uganda starting 2nd-4th July 2024 and logistical flow to Uganda has been accorded. TSA signed between KPC and UNOC. UNOC was onboarded as an OMC and inducted to the business through a rigorous training process to support success of the business.

A meeting attended by the technical officials from the Republic of Kenya (Ministry of Energy and Petroleum, Kenya Revenue Authority, Kenya Pipeline Company) and Uganda (Ministry of Energy and Mineral Development, Uganda National Oil Company and Ministry of Justice and Constitutional Affairs) was held at Pride Inn Hotel, Mombasa between 18th and 22nd September 2023. Uganda is reviewing how petroleum products are procured with the intent of directly sourcing its petroleum products overseas and directly importing the same into Uganda to, among others, guarantee the security of supply for the Ugandan market.
Uganda took a policy decision in March 2023 to directly import its petroleum products to meet its market demand through Uganda National Oil Company (UNOC). The purpose of the meeting was to engage the stakeholders on the possibility of the new arrangement.

Northern Corridor Transit & Transport Coordination Authority stakeholders pose for a photo in Uganda.

KPC team led by BOD members and MD meets with PS-MEMD-Irene Bateebe at the Ministry of Energy and Mineral Development, Uganda.

e) *South Sudan Revenue Authority*

Enforcement of South Sudan E-Petroleum permit to unlock the stalemate of the permit. A virtual meeting was held on 22nd - 23rd April 2024, amongst OMCs, KRA, SSRA and KPC to decongest Eldoret depot. The stalemate was resolved.

7. Business visits – Market Development

i. *Eastern Democratic Republic of Congo and Rwanda Market*

A meeting between KPC and Rwanda was held on 5th March 2024. Rwanda expressed its desire to increase its petroleum imports through the port of Mombasa as a preferred logistical route. Rwanda tabled salient issues that needed to be addressed to support their proposed incremental volumes through the Kenyan route.

The objective of the transit market visits was to profile the markets, apprise the transit stakeholders of enhanced infrastructural capacity, and obtain feedback on service delivery.

The visits entailed one-on-one engagements with the Kenya High Commission in the planned countries, relevant Government agencies, revenue agencies, customers, and transport associations. Various engagements, high-level deliberations, and corre-spondents have been made since February 2024 with a view of resolving salient issues towards enhanced transportation of refined petroleum products from Kenya.

KPC Managing Director hosted Petroleum Stakeholders at Serena Hotel, Kigali. From Left ASSIMPER Chair Mr. Eric Mutaganda, Minister of Commerce Dr. Jimmy Gasore, KPC MD, Mr. Joe Sang, and Minister of Trade and Industry Mr. Jean-Chrysostome Ngabitsinze.

ii. *South Sudan*

A technical meeting between KPC and South Sudan was held on 17th January 2024 to deliberate on strengthening business relations between Nile Pet, KPC and NOCK, expansion of downstream operations between the two (2) countries and capacity building and technology transfer. A delegation of officials from NRA, South Sudan visited KPC offices in Nakuru on 23rd March 2024 to sensitize stakeholders on e-petroleum permit and its enforcement.

iii. *Seychelles between 17th and 22nd June 2024 for Business Development*

The team engaged and held meetings with the following key stakeholders:

a. Minister of Investment, Entrepreneurship & Industry (and the Director of Seychelles Investment Board- SIB).

b. Seychelles Petroleum Company Limited (SEYPEC).

KPC team meeting at Seychelles Petroleum Company.

c. Seychelles Ports Authority (SPA).

d. IntelVision Telecommunications Company.

The objective of the visit was to:

a. Explore opportunities for development of new markets for backloading, trans-shipment and bunkering business in the Indian Ocean Islands, with Seychelles being the anchor to be served from KOT-II, KOSF and KPRL.

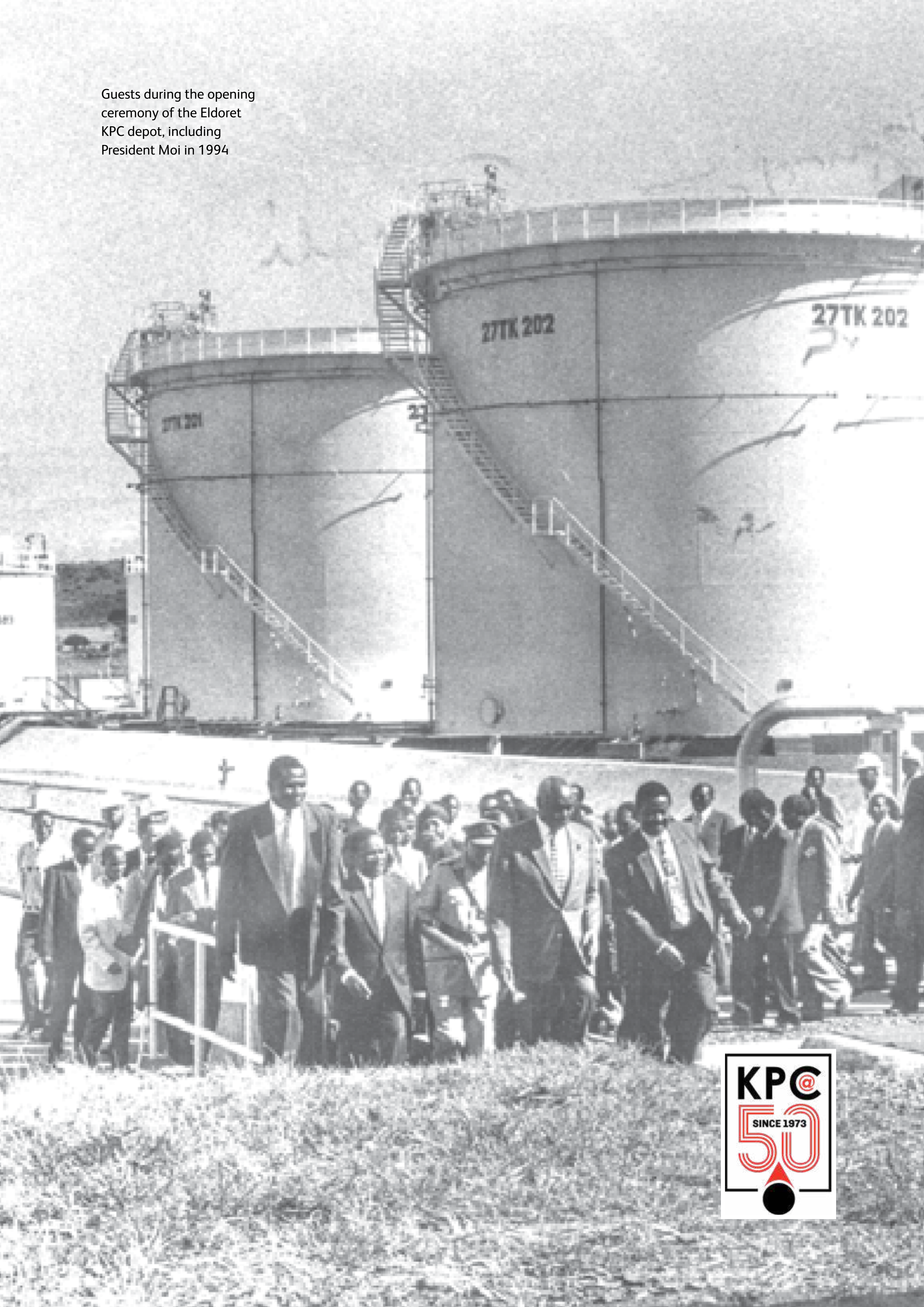
b. Introduce SEYPEC to training opportunities at our Oil and Gas School - Morendat Institute of Oil and Gas (MIOG).

c. Explore opportunities for the nascent KPC Fibre Optic Cable business and how to partner with submarine cables connecting Mombasa to Seychelles.

d. Outcomes and opportunities: SEYPEC and KPC can therefore collaborate in business and achieve additional or uncaptured throughput in the Eastern Seaboard of Africa through bunkering and trans-shipment. In addition, utilisation of KOT II for storage facilities in Mombasa to expand its trans-shipment business in the Indian Ocean by using Seychelles for small vessels and Mombasa for large vessels and to supply neighbouring ports and islands.

8. Kisumu Oil Jetty (KOJ)
   KPC has been instrumental in onboarding OMCs to utilise use of the Jetty. Most OMCs utilised the facility – 42No. Voyages of 88.7 million litres were delivered.

Vessel loading at the Kisumu Oil Jetty



Guests during the opening ceremony of the Eldoret KPC depot, including President Moi in 1994

Statement on Leadership and Ethics

KPC Management is committed to promoting and fostering an organizational culture that does not tolerate any acts of fraud or corruption and continues to strive towards ensuring that appropriate structures are instituted to facilitate mainstreaming integrity and promoting an ethical culture in the Company. Towards this effort, the Company reconstituted the Management Integrity Oversight Committee (MIOC) to include the entire Executive Management Team. MIOC, which is the apex Corruption Prevention Committee, is chaired by the Managing Director and provides oversight to the integrity program, and supports the Integrity champions spearheading the corruption prevention activities within the respective regions. Regional Integrity Assurance Committees were reconstituted and thirty newly trained Integrity Assurance Officers by the Ethics and Anti-Corruption Commission (EACC) were distributed within the Committees.

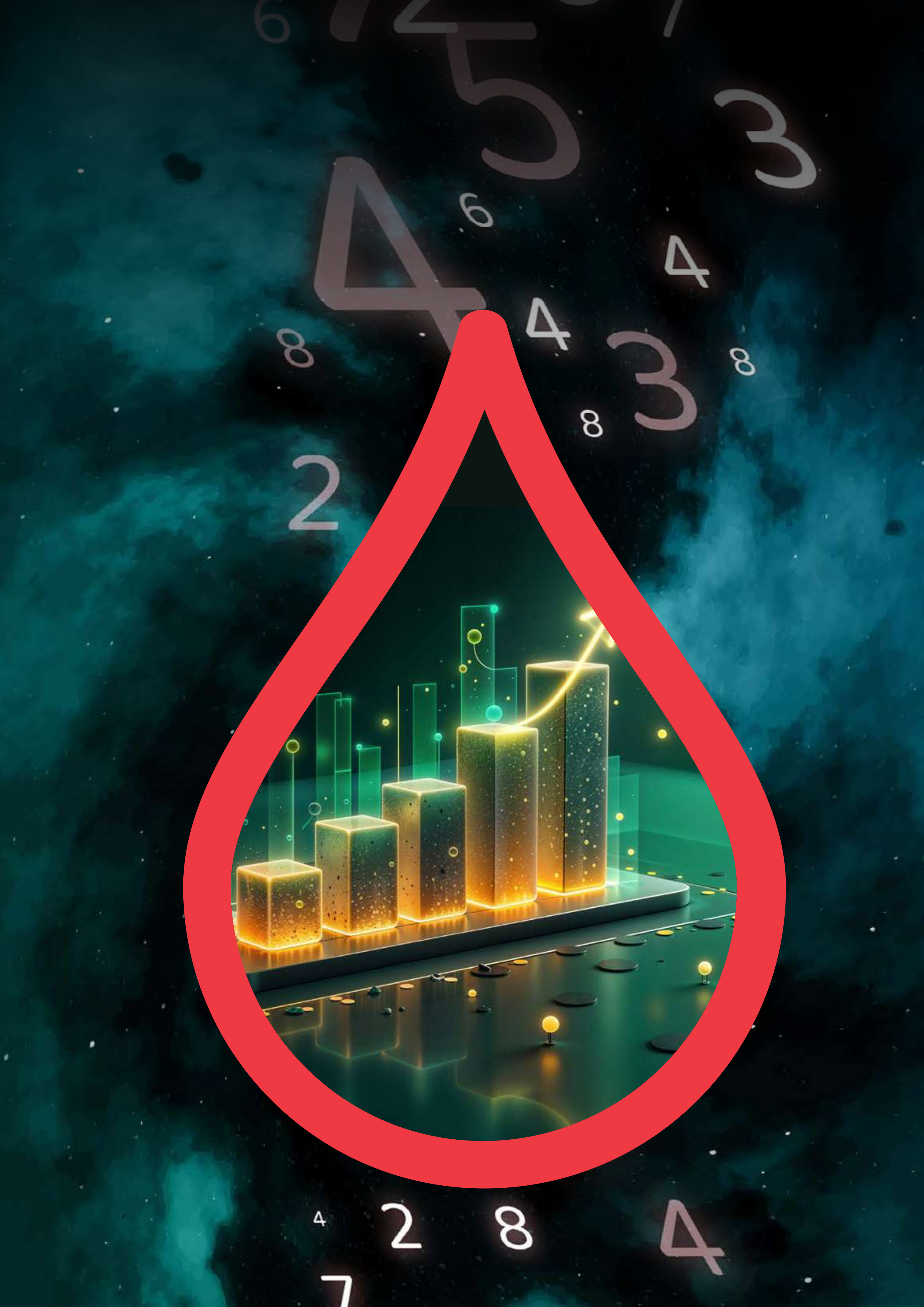
Several Integrity Policies have been developed and operationalised as guidelines for the staff and Stakeholders and have been made available on the KPC website – www.kpc.co.ke. This includes the Code of Conduct and Ethics to provide guidelines on the ethical values as well as regulate the behaviour, relationships, and actions of staff; the Gift Policy to provide guidelines on the receiving and giving of gifts, declaration and disposal process, with the Gift registers placed in all the Company Depots/Stations for ease of declaration; the Anti-Corruption Policy, to outline the roles and responsibilities of various Officers in the corruption prevention process; and the Whistleblower Policy to encourage staff and stakeholders to report on suspected corrupt activities anonymously while assuring them protection against reprisal. The Company has also developed and rolled out Bribery and Corruption Prevention Procedures which are aligned with the Bribery Act 2016 and Bribery Regulations 2021.

To identify corruption prone areas within all the corporate processes, Bribery and Corruption Risk Assessments (BCRA) are regularly undertaken, and Bribery and Corruption Prevention/Mitigation Plans are developed. The recommendations once adopted, are then passed to the relevant departments for implementation with regular follow-ups and reports to Management and other regulatory authorities. Quarterly reports are collated and submitted to Management for monitoring the implementation status in line with the guidelines.

Staff are regularly sensitised on the principles of ethical conduct and integrity and the consequences of corrupt practices, through face to face and online training. During the period under review, a retreat was held for the Integrity Assurance Officers (IAOs) drawn from regions spread across the Company who are instrumental in ensuring that KPCs Corruption strategies are implemented. The retreat focused on the successes and challenges that they faced during the FY 2023-2024 as well as planning for the FY 2024-2025 activities.

Staff are encouraged to report any suspected incidences of corruption through various mechanisms which KPC has put in place including anonymous email- report.corruption@kpc.co.ke, integrity boxes or in-person reporting as outlined in the Procedures for Prevention of Bribery and Corruption and the Anti-Corruption Prevention Policy. The Managing Director maintains an 'open-door policy'' and encourages staff to walk into his office to report any suspected corruption that they may be afraid to report through other channels. The Managing Director jointly with the apex Corruption Prevention Committee, are committed to ensure protection of whistleblowers, informants, and witnesses against any reprisal or detrimental action, or any form of victimisation for making disclosures on bribery or corruption in line with the Bribery Act, 2016, the Bribery Regulations, 2021, KPC Procedures for prevention of Bribery and Corruption, 2023, and KPC Whistle Blower Policy (Rev. 2023).

The measures for protection against retaliation, reprisal, or victimisation of any person who reports any knowledge or suspicion of an act of bribery or corruption in good faith, have been outlined in the Bribery and Corruption Procedures. The consequences for any person who harasses, intimidates, victimises, or takes any detrimental action against a whistleblower, informer, or witnesses are outlined in the KPC Whistleblower Policy, 2023, and the KPC Procedures for the Prevention of Bribery and Corruption, 2023.



Report of the Directors

The Directors present their report together with the audited financial statements of Kenya Pipeline Company Limited (the "Company") for the year ended 30 June 2024, which disclose the Company's state of affairs.

ACTIVITIES

The principal activity of the company is transportation and storage of refined petroleum products.

RESULTS

	Kshs
Profit before tax	**10,008,244,255**
Tax charge	**(3,140,994,281)**
Profit after tax for the year	**6,867,249,974**

DIVIDEND

The board does not recommend payment of interim dividend in respect of the year.

(FY 2023 - **7.0 Billion**, FY 2021 - Kshs. **8.0 Billion**, FY 2020 - Kshs. **2.7 Billion**).

DIRECTORS

The current Directors are as shown on page 16 to 25.

AUDITORS

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Company Secretary

Nairobi

Date: 21 November 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Cap 486 of the Companies Act, require the Directors to prepare financial statements in respect of Kenya Pipeline Company Limited, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on 30 June 2024.

This responsibility includes:

i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
iii. designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
iv. safeguarding the assets of the company;
v. selecting and applying appropriate accounting policies; and
vi. making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of Company's transactions during the quarter ended 30 June 30 2024, and of the company's financial position as at that 30 June 2024. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements:

The entity's financial statements were approved by the Board on21 November 2024 and signed on its behalf by:

Faith Bett Boinett
BOARD CHAIRPERSON

Joe K. Sang, EBS
MANAGING DIRECTOR

Report of the Auditor General on Kenya Pipeline Company Limited for Year Ended 30 June 2024

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Pipeline Company Limited set out on pages 94 to 154, which comprise the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Pipeline Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Pipeline Company Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no other key audit matters to report in the year under review.

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although, Management indicated in appendix 1 to the financial statements that the matters had been resolved and provided support on actions taken towards their resolutions, the report was yet to be concluded by the National Assembly.

Other Information

The Directors and Management are responsible for the other information set out on page 5 to 92 which comprise of Corporate Information, The Board of Directors, The Executive Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Managing Director's Statement, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting, and the Statement of Directors

Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Kenya Pipeline Company Limited financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Penalties and Interests on Unsettled Contractor Claims

During the year under review, Management paid an amount of Kshs.2,857,388,658 (USD.19,375,988.56) to Zakhem International Construction (Kenya) Ltd from a provision made in the prior year, as part settlement of interests and penalties amounting USD 21,546,094.32 (Kshs.2,785,909,996) levied on unsettled claims in respect of construction of a new oil pipeline from Mombasa to Nairobi between 2014 and 2018. The settlement was based on a consent agreement entered between the Kenya Pipeline Company Limited Management and Zakhem International Construction (Kenya) Ltd on 25 September, 2023 in a suit filed at the High Court. In the consent, KPC agreed to pay a sum of USD.69,684,238.46 (approximately Kshs.9,010,172,033) comprising of sums owed to the contractor and interest thereon at 6% amounting to USD.48,138,144.14 (approximately Kshs.6,224,262,037) and USD.21,546,094.32 (approximately Kshs.2,785,909,996) respectively.

Review of documents provided in respect of the matter indicated that Management contracted Zakhem International Construction Company Limited for construction of a new oil pipeline from Nairobi to Mombasa at a cost of USD. 484,502,886.40 (approximately Kshs.62,646,223,212) inclusive of taxes. The construction was initially scheduled to be completed within eighteen (18) months from the date of contract on 01 July, 2014. However, the Project experienced delays occasioned mainly by change of design specifications by the Project Engineer and omitted works in the initial contract. The Project was completed on 30 June, 2018 after 48 months.

Due to the delays, the Contractor applied for five (5) extension of time claims amounting to USD.204,511,827.11 (approximately Kshs.26,443,379,245). The claims were however, disputed by the Project Engineer, occasioning appointment of an Independent Expert Scheduler to assess the claims and recommend payable amount. The Scheduler assessed Extension of Time (EOT)1 - 4 and recommended a payment of Kshs.5,691,659,885 (USD.44,019,024.63). The amount was agreed by both parties. However, a National Government Investigative Agency directed KPC Management in a letter dated 26 July, 2019 to suspend all transactions relating to the contract pending criminal investigations.

As the Agency investigations were ongoing, the Contractor sought legal redress in the High Court where a partial ruling was made on 16 June, 2020 in favor of the contractor. The parties subsequently agreed to an out of court settlement leading to filing a consent letter.

In the circumstances, the justification and rationale for stoppage of all payments, and delays in conclusion of the investigations which occasioned interest and penalties of Kshs.2,785,909,996 (USD 21,546,094.32) could not be ascertained.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Long Outstanding Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.8,090,589,703 which is net of provisions for bad and doubtful debt and as disclosed in Note 24 to the financial statements. Note 24 to the financial statements includes a balance of Kshs.5,131,572,100 in respect of trade receivables. Review of the aging analysis for the receivables revealed an amount of Kshs.779,400,000 in respect of Oil Marketing Companies (OMCs) which had been outstanding for more than 120 days. However, the period exceeded 45 days provided for in the Transport and Storage

Agreement after which, Kenya Pipeline Company Limited (KPC) is at liberty to sell all such products and apply the proceeds of such sale in or towards the satisfaction of such lien and all proper charges and expenses in relation thereto.

In addition, an amount of Kshs.733,000,000 had been long outstanding from Kenya Airports Authority (KAA) in respect of use of hydrant systems at Jomo Kenya international Airport (JKIA) in Nairobi and Moi International Airport (MIA) in Mombasa. Management did not indicate measures taken to recover the amounts and the extent such measures had yielded.

In the circumstances, the effectiveness of internal control measures put in place to collect outstanding debts could not be confirmed

2. Inadequacies in Regulations Governing Staff Car Loans Scheme

The Company implemented an employee Car Loan and Mortgage Scheme. The Scheme is governed by rules and regulations which provide criteria for an employee to qualify for the loans, entitlements and support documents required during application. Review of the rules revealed that an applicant was not required to register cars or houses acquired using loaned amount jointly with the Company as collateral for the loan, or the register security rights under the movable security Rights Act, 2017. This makes enforceability of KPC rights in case of default difficult. In addition, the rules and regulations did not provide for the Company's interest in the assets in insurance policies taken for the motor vehicles. It was not clear how the Company secures itself in case of theft or accident of the motor vehicles used as collateral.

During the financial year under audit, the Company had a total of 254 running car loans, where 50 was fully repaid during the year. Review of the car loan records revealed a total of 173 employees with a total balance of Kshs.108,241,498 who had been advanced car loans and whose vehicles had not been jointly registered with the Company.

Further, staff loans and advances included Kshs.14,593,507 owing from seven (7) former employees who were not servicing the loans. Management did not indicate steps taken to recover the outstanding amount.

In the circumstances, the adequacy and effectiveness of controls governing staff loans and advances could not be confirmed.

3. Weaknesses in Information Technology Input Controls

Analysis of sales data revealed weaknesses in the data input controls of the SAP system applications. The weaknesses were characterized by many reversals in billing and receipting, stemming from errors attributed to system hitches in like data flow from one module to another, posting sales in Kenya Shillings instead of USD and posting receipts to the wrong Oil Marketing Company (OMC). The errors were primarily due to lack of validation during the entry posting process. As a result, a total of 1,318 reversals were made during the year due to incorrect entries, accounting for 4% of the total revenue transactions. In addition, the reversals were not supported by approvals from management.

In the circumstances, the adequacy and effectiveness of IT input controls for revenue could not be confirmed.

4. Inadequate System Security Configurations

During the year under review, the Company was operating the Supervisory Control and Data Acquisition (SCADA) System on a Windows XP Platform and Windows 7, with some operating systems not activated. In addition, workstations were running on an unauthorized license activator. This raised concerns about the system's security, reliability, and compliance due to the unauthorized license activator, outdated nature of the operating system, and the lack of current antivirus protection.

The use of an unsupported and obsolete system heightens the risk of cyberattacks, as the expired antivirus further exposes the system to malware, ransomware, and other cybersecurity threats. Further, the dependence on legacy software and an unsupported Operating System increases the likelihood of system failures, data corruption, and operational inefficiencies, posing a substantial risk to the safe and uninterrupted operation of pipeline monitoring and control functions.

In addition, the SAP ERP software system was installed on outdated support packages. The age of the support packages exceeded the recommended timeframe of 24 months for which SAP provides high-priority security updates. This exposes the company to risks related to performance inefficiencies and security vulnerabilities.

In the circumstances, the security of the Company network and underlaying ecosystem could not be ascertained.

5. Un-updated Business Continuity and Disaster Recovery Plans

Review of ICT Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) revealed that they were last approved in 2021 and 2018, respectively, and had not been updated as required, despite the mandate for a biennial review. Failure to update these critical documents increases the Company's exposure to operational and technological risks, especially as the IT environment and organizational needs continue to evolve. Regular reviews are essential to ensure that these plans remain aligned with current business operations, IT infrastructure, and emerging risks.

In the circumstances, the ability indicated in the BCP and DRP to adequately respond to emerging threats and disaster occurrences could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

i. The information given in the Directors' report on page 91 is consistent with the financial statements; and

ii. The auditable part of the Directors' remuneration report on page 116 has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company'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 Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 November, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

		FY 2024	FY 2023
	Note	**Kshs**	**Kshs**
Revenue	6	35,369,329,508	30,857,218,143
Direct Costs	7	(14,517,860,099)	(13,217,831,223)
GROSS PROFIT		**20,851,469,409**	**17,639,386,919**
OTHER INCOME			
Finance Income	9(a)	888,457,329	883,056,483
Other Income	8	832,123,996	977,868,372
Other Gain/(Losses)	10	(2,205,641,660)	1,111,419,800
TOTAL OTHER INCOME		**(485,060,336)**	**2,972,344,656**
OPERATING EXPENSES			
Administration Expenses	11(a)	9,122,376,161	11,320,442,848
Provision for bad & doubtful debts	11 (b)	756,591,221	84,506,786
Provision for ageing waiver	11(b)	-	629,234,723
Finance Costs	9(b)	479,197,436	970,109,062
TOTAL OPERATING EXPENSES		**10,358,164,818**	**13,004,293,419**
PROFIT/(LOSS) BEFORE TAXATION	**13**	**10,008,244,255**	**7,607,438,155**
INCOME TAX EXPENSE/(CREDIT)	14 (a)	3,140,994,281	3,108,010,211
PROFIT/(LOSS) AFTER TAXATION		**6,867,249,974**	**4,499,427,944**
Earnings per Share	15	**378**	**248**
OTHER COMPREHENSIVE INCOME (OCI)/ (LOSS)			
Items that will not be reclassified subsequently to profit or loss;			
Re-measurement (Other Comprehensive Income – DB Retirement Benefit Scheme)		-	1,327,713,990
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		**6,867,249,974**	**5,827,141,934**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

		FY 2024	FY 2023
ASSETS	**Note**	**Kshs**	**Kshs**
Non-Current Assets			
Property, plant and equipment	17	83,325,374,835	84,055,476,767
Leasehold land	18	15,032,385,882	15,775,062,079
Intangible assets	19	52,944,523	27,652,017
Right of Use Asset	20	67,493,073	98,643,722
Investments	21	36,306,359	36,306,359
Retirement benefits	22	1,327,713,990	1,327,713,990
Long Term receivables	24	3,524,045,667	3,316,663,265
Total Non-Current assets		**103,366,264,329**	**104,637,518,200**
Current Assets			
Inventories	23	2,646,842,730	2,440,530,782
Trade and other receivables	24	8,090,589,703	10,073,913,598
Tax recoverable	26	101,898,752	-
Short term deposits	25(a)	4,343,019,910	9,338,957,389
Bank and cash balances	25(b)	2,174,299,629	2,392,813,774
Total Current Assets		**17,356,650,723**	**24,246,215,543**
Total Assets		**120,722,915,053**	**128,883,733,743**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	27	363,466,007	363,466,007
Share premium		512,288,916	512,288,916
Retained earnings	29	76,699,077,731	76,831,827,757
Revaluation reserve	28	11,510,282,545	11,536,027,639
Capital and Reserves		**89,085,115,199**	**89,243,610,319**
Non-Current Liabilities			
Deferred taxation	30	19,154,105,433	20,188,051,145
Syndicated Long Term Loan	33(a)	-	3,367,442,249
Lease liability	32	31,105,968	75,659,687
Total Non-Current Liabilities		**19,185,211,401**	**23,631,153,082**
Current Liabilities			
Trade and other payables	31	9,883,590,590	10,816,511,667
Due to Related Parties	37(c)	80,000,000	80,000,000
Tax Payable	26	-	1,715,803,852
Current Portion of Long-Term Loan	33(b)	2,456,291,794	3,367,459,000
Lease liability	32	32,706,069	29,195,824
Total Current Liabilities		**12,452,588,453**	**16,008,970,343**
Total Equity and Liabilities		**120,722,915,053**	**128,883,733,743**

The financial statements on pages 97 to 157 were approved and authorised for issue by the Board of Directors on 21 November 2024 and signed on their behalf by:

Board Chairman
Faith Bett-Boinett

Managing Director
Joe K. Sang, EBS

Head of Finance
Pius Mwendwa
ICPAK M/NO: 4454

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	REVALUATION RESERVE	TOTAL EQUITY
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 01 July 2022	**363,466,007**	**512,288,916**	**70,812,999,502**	**17,052,060,642**	**88,740,815,067**
Profit for the year	-	-	4,499,412,270	-	4,499,412,270
Fair value adjustment through reserves	-	-	316,239,688	(449,867,505)	(133,627,817)
Prior year adjustments	-	-	-	284,324,403	284,324,403
Deferred tax charge to reserves	-	-	-	(1,349,377)	(1,349,377)
Fair value adjustment of Line 5 additional costs	-	-	-	(6,618,571,204)	(6,618,571,204)
Impairment of Line 1	-	-	-	1,269,430,680	1,269,430,680
Re-measurement of DB Scheme	-	-	1,203,176,297	-	1,203,176,297
As at 30 June 2023	**363,466,007**	**512,288,916**	**76,831,827,757**	**11,536,027,639**	**89,243,610,319**
Profit for the year	-	-	6,867,249,974	-	6,867,249,974
Revaluation of foreign denominated reserves	-	-	-	(25,745,094)	(25,745,094)
Dividends Paid	-	-	(7,000,000,000)	-	(7,000,000,000)
As at 30 June 2024	**363,466,007**	**512,288,916**	**76,699,077,731**	**11,510,282,545**	**89,085,115,199**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	FY 2024 Kshs.	FY 2023 Kshs.
CASH FLOWS FROM OPERATIONS			
Cash generated from operations	36(a)	14,261,114,224	21,172,365,228
Interest received	9(a)	888,457,329	883,056,483
Interest expense	9(b)	(467,349,786)	(970,109,062)
Interest expense on lease liability	9(b)	(11,847,651)	(11,353,575)
Taxes Paid	14(a)	(4,174,939,993)	-
Net cash generated from operating activities		**10,495,434,123**	**21,073,959,074**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	(4,257,565,879)	(2,680,689,169)
Exceptional Capital Expenditure		-	(6,618,571,204)
Proceeds from disposal of PPE		25,758,765	-
Purchase of intangible assets	19	(96,529,944)	(13,726,737)
Purchase of investment - KPRL	23	(236,542,862)	(162,624,834)
Net cash flows used in investing activities		**(4,564,879,960)**	**(9,475,611,943)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal lease liability	32	(41,043,474)	(19,747,084)
Dividends paid	16	(7,000,000,000)	-
Repayment of borrowings	36(b)	(4,103,962,315)	(10,247,196,232)
Net cash flows from financing activities		**(11,145,005,789)**	**(10,266,943,317)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(5,214,451,626)**	**1,331,403,814**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**11,731,771,164**	**10,400,367,349**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**6,517,319,538**	**11,731,771,163**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

	Initial budget	Supplementary/ Adjustments	Final budget	Actual on comparable basis	Performance difference	% Var
Revenue	Kshs		Kshs	Kshs	Kshs	Kshs
Throughput Revenue	32,342,778,946	-	32,342,778,946	34,975,256,321	2,632,477,375	8 %
Other income	1,127,800,768	-	1,127,800,768	2,042,239,506	914,438,738	81 %
Total Income	**33,470,579,714**	**-**	**33,470,579,714**	**37,017,495,827**	**3,546,916,113**	**11%**
Expenses						
Compensation of employees- employee Emoluments	7,062,683,420	76,705,110	7,139,388,530	5,955,059,288	1,184,329,242	17 %
Other employee costs	1,574,387,793	177,037,843	1,751,425,636	1,674,593,839	76,831,797	4 %
Direct Costs excl. depreciation and electricity	3,705,598,625	1,011,219,187	4,716,817,812	3,494,153,031	1,222,664,781	26 %
Admin. Costs excl. depreciation & electricity	2,453,045,159	314,021,420	2,767,066,579	1,924,898,880	842,167,699	30 %
Depreciation & Amortisation	7,676,240,676	(885,008,996)	6,791,231,680	5,620,737,044	1,170,494,636	17 %
Electricity	2,059,999,999	787,401,702	2,847,401,701	2,847,401,701	-	-
Finance cost	566,882,580	-	566,882,580	467,349,786	99,532,794	18 %
Court award	-	2,926,033,376	2,926,033,376	2,062,574,948	863,458,428	30 %
Penalties & Interest Expense	-	3,177,415,457	3,177,415,457	250,173	3,177,165,284	100 %
Foreign Exchanges loss (gain)	-	-	-	2,205,641,660	(2,205,641,660)	-
Provision for bad debts	-	-	-	756,591,221	(756,591,221)	-
Total Expenditure	**25,098,838,252**	**7,584,825,100**	**32,683,663,352**	**27,009,251,571**	**5,674,411,781**	**17%**
Surplus for the period	**8,371,741,462**		**786,916,362**	**10,008,244,255**	**9,221,327,894**	**-**
Capital Expenditure						
Capital investments	**9,507,346,169**	**(494,991,846)**	**9,012,354,323**	**4,590,638,685**	**4,421,715,638**	**49%**
Total Approved Budget	**34,606,184,421**	**7,089,833,254**	**41,696,017,675**	**31,599,890,256**	**10,096,127,419**	**24%**

PFM Act Section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Explanation of the Variances:

(i) The budget adjustment of **Kshs . 7,089, 833, 254** is the approved supplementary budget for the year comprising of **Kshs 7,584,825,100** for recurrent expenditure and a budget rationalisation of **Kshs 494,991,846** for Capital expenditure.

(ii) **Throughput and revenues** are the favourable budget variance on revenue performance is on account of improved performance on export sales and better foreign exchange rate. Further, it is propelled by higher than budgeted storage and penalty Income.

(iii) Savings on **employee costs** are attributable to savings due to lower than anticipated annual increment.

(iv) **Direct costs** had a cost saving of 26 % occasioned by ongoing major maintenance activities on tanks maintenance are yet to be complete by the end of the year.

(v) Savings on **administrative costs** were on account of austerity measures by management and utilisation of internal resources.

(vi) The expenditure on **finance costs** was occasioned by high interest rates due to the increased Secured Overnight Financing Rate (S.O.F.R.) coupled with the depreciating shilling which exposed the organisation to higher than projected interest payments.

(vii) The variance on **capital expenditure** is mainly due to operational challenges which led to low capital budget absorption.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Pipeline Company is established by and derives its authority and accountability from the Company Act, Cap 486 of the Laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Pipeline Company and all values rounded off to the nearest Kenya Shillings.

The financial statements have been prepared in accordance with the PFM Act, the Company Act, Cap 486 of the laws of Kenya, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) New and amended standards and interpretations in issue and effective in the year ended 30 June 2024

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

IFRS 18 Presentation and Disclosure in Financial statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The new standard is effective for annual periods beginning on or after 1 January 2027. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in the financial year 2024.

4. SUMMARY OF ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities, net of Value-Added Tax (VAT), where applicable, and when specific criteria have been met for each of the entity's activities as described below.

i) Revenue from transportation and storage of petroleum products; is recognised in the year in which the company delivers services to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.
ii) Finance income comprises interest receivable from bank deposits and investment in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
iii) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.
iv) Rental income is recognised in the income statement as it accrues using the effective lease agreements.
v) Other income is recognised as it accrues.

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are;

Freehold land	Nil
Buildings - residential	2 % or unexpired lease period
Buildings - industrial	2 % or unexpired lease period
Show ground pavilion, wooden and fences	20 %
Pipeline and tanks	2.5 %
Pumps, transformers and switchgear	5 %
Furniture, fittings and equipment	10 %
Roads	20 %
Helicopters	10 %
Motor vehicles	25 %
Computers	33 %

A prorated depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

The Remaining Useful Life (RUL) applied for revalued property, plant and equipment assets values are as below:

Freehold land	No useful life
Buildings - residential	2 % or period of lease whichever is less
Buildings - industrial	2 % or period of lease whichever is less
Show ground pavilion, wooden and fences	20 %
Pipeline and tanks	Remaining useful life as per valuation
Pumps, transformers and switchgear	Remaining useful life as per valuation
Furniture, fittings and equipment	50 % of the maximum life as per the policy
Roads	10 %
Helicopters	10 %
Motor vehicles	25 %
Computers	33 %

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

a) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

b) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

c) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

d) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

e) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss (FVTPL).

f) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through profit or loss (FVTPL).

g) Unquoted investments

Unquoted investments stated at cost under non-current assets and comprise equity shares held in other Government owned or controlled entities.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

i) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. The Company has a credit period of 45 days after which they are considered as credit impaired. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end as follows:

- Full provision for specific receivables where all efforts for recovery of the debt have been exhausted.
- Full provision for debts that are over and above the line-fill value calculated at landed cost.
- Full provision for specific staff receivables where efforts for recovery have been exhausted.
- For sundry receivables, a 10 % of outstanding amounts for more than 180 days.
- Bad debts are written off after all efforts at recovery have been exhausted.

j) Taxation

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognised directly in net assets is recognised in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the entity operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

k) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside surplus or deficit is recognised outside surplus or deficit. Deferred tax items are recognised in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

n) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

o) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

p) Retirement benefit obligations

The company operated a defined benefit contribution pension scheme for eligible employees until 30 June 2006. With effect from 1 July 2006, the scheme was closed to new members and a defined contribution pension scheme was established.

The assets of these schemes are held in separate trustee administered funds. The defined contribution scheme is funded by contributions from both the employees and employer.

For the defined contribution pension scheme, the cost of providing benefits is limited to the company contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and re-measurement.

The company presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. The company also makes contributions to the National Social Security Fund, a statutory defined contribution pension scheme. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs. 2,160 per month per employee.

q) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

r) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any 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 profit or loss.

s) Budget information

The rationalised budget for FY 2023/24 was approved by the National Treasury on 25 July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

Kenya Pipeline Company budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.
A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 97 of these financial statements.

t) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognised are measured at their fair value. To the extent that an asset has been recognised, the Entity also recognises a corresponding liability, adjusted by a cash consideration paid or received.

u) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2024.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Sources of Estimation Uncertainty

- Actuarial valuation of defined benefits plan
  The net asset under the defined benefit scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- Impairment of assets
  At each reporting date, the company reviews the carrying amount of its financial, tangible and intangible assets to determine whether there is any indication that the assets have suffered impairment. If any such indication exists, the assets recoverable amount is estimated, and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.
- Changes in the market in relation to the asset.

o Impairment losses on trade and other receivables

The company reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables before a decrease can be identified.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

c) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes 24 and 35.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. REVENUE

IFRS 15 Revenue from contracts with customers requires disclosure to reflect the nature, timing, amount, and uncertainty of its revenue within its disclosure requirements. The Company has determined that the disaggregation using the below categories and the nature of revenues is appropriate for its circumstances.

	FY 2024	FY 2023
	Kshs	Kshs
Local service fees	10,803,950,854	10,716,629,873
Export service fees	19,753,039,630	15,124,970,592
Storage facility fees	4,338,419,479	3,833,163,912
Penalties on overstayed product	432,661,009	1,083,963,612
Penalties from ASE	1,352,597	1,267,906
KPRL Lease Income	5,303,341	8,724,452
Liquefied Petroleum Gas Sales	34,602,598	28,254,689
Crude Oil Revenue	-	60,243,107
	35,369,329,508	**30,857,218,143**

Analysis of unit sales by market/destination category in cubic metres is as follows.

	FY 2024	FY 2023
Type of Customers	M^3	M^3
Local sales	4,658,111	4,146,197
Export sales	4,457,019	4,451,254
Total Throughput Sales	**9,115,130**	**8,597,451**

Bottom loading of a truck at Eldoret Depot

7. DIRECT COSTS

	FY 2024	FY 2023
	Kshs	Kshs
Pipeline maintenance staff costs (Note 12)	3,674,563,890	3,689,906,596
Depreciation	4,492,569,296	4,468,675,993
Pipeline maintenance costs	3,017,068,722	2,353,031,732
Electricity and fuel	2,853,541,851	2,280,676,677
Insurance	427,397,342	306,104,766
Other maintenance costs	49,686,967	115,108,068
Amortisation expense	3,032,030	4,327,392
	14,517,860,099	**13,217,831,223**

8. OTHER INCOME	FY 2024	FY 2023
Rent income	110,781,441	110,984,293
Helicopter income	-	810,622
Hydrant Income	-	43,971,648
Income from Collateral Financing	155,889,938	132,749,414
Non-Refundable Tender Deposits	8,925,369	-
MTCC /MIOG collections	170,221,685	126,047,724
Laboratory Income	2,960,674	4,499,925
FOC Lease Income	352,062,044	263,744,080
Income from communication equipment	195,467	186,159
Miscellaneous income	31,087,378	108,375,593
Write-back of provision	-	186,500,914
	832,123,996	**977,868,372**

9. OTHER INCOME

a) INTEREST INCOME	FY 2024	FY 2023
Interest from commercial banks	840,010,412	832,722,584
Interest on staff loans	48,446,917	50,333,899
	888,457,329	883,056,483
b) FINANCE COSTS		
Loan interest	467,349,786	958,755,487
Interest on lease liability	11,847,651	11,353,575
	479,197,436	**970,109,062**
10. OTHER GAINS & LOSSES		
Gain on disposal of PPE	(72,415,005)	(34,340,302)
Foreign Exchange (Loss)/Gain	(2,133,226,654)	1,145,760,102
	(2,205,641,660)	**1,111,419,800**

11. a) ADMINISTRATION EXPENSES

	FY 2024	FY 2023
	Kshs	Kshs
Administrative staff costs (Note 12)	3,694,119,811	3,705,870,291
Depreciation and Lease Amortisation	1,125,135,718	1,261,351,866
Depreciation of Right-of-Use asset	31,150,649	25,958,873
Other office and general expenses	973,179,260	1,175,351,838
Impairment loss on Work in Progress (WIP)	75,704,933	508,428,162
Inventory provision	-	(18,777,604)
Travelling, mileage and entertainment (Note 12)	122,683,149	80,885,390
Advertising and printing expenses	168,311,559	67,657,733
Corporate Social investment	85,736,968	83,286,320
Staff Training (Note 12)	177,382,460	159,063,403
Rent and rates	16,455,482	12,212,718
Consultancy fees	138,060,739	53,704,227
Telephone and postage	45,199,224	44,368,736
Legal and professional expenses	199,838,130	91,062,337
Court Awards	2,062,574,948	885,575,021
Motor vehicle expenses	128,815,994	91,632,684
Buildings repairs and maintenance	1,988,311	14,377,224
Bank charges	22,737,934	12,226,480
Penalties & Interest	3,869,796	3,027,732,573
Auditors' remuneration	11,379,310	7,737,931
Directors Expenses:		
Directors' fees/honoraria	3,495,785	6,360,000
Board Retreats and general expenses	3,720,960	1,705,492
Sitting /duty allowance	11,740,000	7,336,000
Training expenses	2,866,996	9,540,563
Travel expenses and Subsistence allowance	16,228,045	5,794,591
	9,122,376,161	**11,320,442,848**
b) Provision for Bad & Doubtful debt		
Provision for Long Outstanding Debts	756,591,221	84,506,786
Provision for Ageing Penalties	-	629,234,723
	756,591,221	**713,741,509**

12. STAFF COSTS

	FY 2024	FY 2023
	Kshs	Kshs
Salaries and wages, (inclusive of travel, mileage, staff training and entertainment)	6,562,216,021	6,506,938,837
Group life and medical cover	414,022,111	516,512,670
Pension-company contribution	483,462,743	491,912,594
NSSF-company contribution	25,886,640	9,988,920
Leave pay provision	44,721,523	(28,519,067)
Gratuity Provision	55,360,096	57,698,557
Fringe Benefits Tax	33,277,641	30,277,700
Staff welfare	49,802,536	50,915,471
	7,668,749,310	**7,635,725,681**
Split as follows:		
Direct staff costs (Note 7)	3,674,563,890	3,689,906,596
Administrative staff cost (Note 11)	3,994,185,420	3,945,819,085
	7,668,749,310	**7,635,725,681**

Administrative staff costs are Salaries and Wages, inclusive of Group Life and Medical Cover, Pension-Company Contribution, Staff Welfare, Recruitment Costs, Subsistence Allowance, NSSF- Company Contribution and Uniforms.

The average number of employees at the end of the year was:

	FY 2024	FY 2023
Permanent Management	636	647
Permanent Unionisable	645	685
Contract Managers	30	41
All other contract staff i.e. MTCC, GYM, Volleyballers	75	45
Temporary staff (Relief Drivers)	29	4
Secondment	4	-
Intern	44	-
TOTAL	**1,463**	**1,422**
Provision for Leave Pay		
Balance at beginning of the year	205,759,463	144, 653,920
Additional provision at end of year	90,378,375	102,400,221
Leave paid out or utilised during the year	(49,539,404)	(41, 294,678)
Balance at the end of the year	**246,598,434**	**205, 759,463**

13. PROFIT BEFORE TAX

	FY 2024 Kshs	FY 2023 Kshs
The profit before tax is arrived at after charging/(crediting):		
Staff costs (Note12)	7,668,749,310	7,635,725,681
Depreciation of property, plant and equipment (Note 17)	4,806,823,409	4,982,012,039
Amortisation of intangible assets (Note18 & 19)	813,913,635	778,302,084
Provision for bad and doubtful debts (Note 11(b)	756,591,221	713,741,509
Directors' expenses (Note 11(a)	38,051,786	30,736,645
Auditors' remuneration (Note 11(a)	11,379,310	7,737,931
Gain on disposal of PPE (Note 10)	72,415,005	34,340,302
Net foreign exchange Loss (Note 10)	(2,133,226,654)	1,145,760,102
Interest receivable (Note 9(a)	(840,010,412)	(832,722,584)
Interest payable (Note 9(b)	479,197,436	970,109,062
Rent income (Note 8)	(110,781,441)	(110,984,293)

14. TAXATION	FY 2024 Kshs	FY 2023 Kshs
a) Tax charge		
Current taxation	4,174,939,993	3,009,935,907
Deferred tax (Note 29)	(1,033,945,712)	(128,922,045)
Under/(Over) Provision of deferred tax in prior years	-	226,996,349
Total taxation charge	**3,140,994,281**	**3,108,010,211**
b) Reconciliation of tax expense to the expected tax based on accounting profits		
Profit before taxation	10,008,244,255	7,607,438,155
Tax at the applicable rate of 30 %	3,002,473,277	2,282,231,447
Expenses not deductible for tax purposes	206,570,765	611,914,084
Income not subject to tax	(68,049,761)	(13,126,966)
Prior year adjustment	-	226,996,349
Total taxation charge	**3,140,994,281**	**3,108,010,211**

15. EARNINGS PER SHARE

Earnings per share is calculated based on the profit attributable to shareholders divided by the number of ordinary shares in issue.
Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive instruments outstanding at the balance sheet date.

EARNINGS PER SHARE-BASIC AND DILUTED	FY 2024 Kshs	FY 2023 Kshs
Net Profit After Taxation	6,867,249,974	4,499,427,944
Number of ordinary shares in issue	18,173,300	18,173,300
Earnings Per Share	**378**	**248**

16. DIVIDENDS PER SHARE

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. During the year, the Company paid Kshs. 7,000,000,000 in respect of FY 2022-2023 Financial performance.

	FY 2024	FY 2023
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	7,000,000,000	-
Paid during the year	(7,000,000,000)	-
Balance at end of the year	-	-

17. PROPERTY, PLANT AND EQUIPMENT

a) FIXED ASSET MOVEMENT SCHEDULE AS AT 30 JUNE 2024

	Freehold Property	Buildings and Roads	Pipeline Pumps & Tanks	Equipment Furniture & Fittings	Helicopters	Motor Vehicles & Tractors	Capital Work-in-Progress	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
1 July 2023	**1,920,242,500**	**7,423,271,479**	**73,734,210,839**	**19,304,962,134**	**183,275,000**	**1,271,892,264**	**1,831,929,792**	**105,669,784,007**
Additions(Acquisitions)	-	-	80,453,892	186,072,763	-	-	3,991,039,224	4,257,565,879
Transfers from WIP	-	197,150,581	445,047,255	798,718,180	-	-	(1,440,916,016)	-
Disposals	-	-	(13,699,000)	(184,078,611)	-	(27,290,900)	-	(225,068,511)
Adjustment (Stalled projects provision reversed)	-	-	-	-	-	-	18,057,536	18,057,536
Adjustment (impairment in value)	-	-	-	-	-	-	(93,762,468)	(93,762,468)
30 JUNE 2024	**1,920,242,500**	**7,620,422,059**	**74,246,012,987**	**20,105,674,466**	**183,275,000**	**1,244,601,364**	**4,306,348,066**	**109,626,576,442**
DEPRECIATION								
1 July 2023	**-**	**1,462,469,825**	**13,009,826,899**	**5,972,626,709**	**73,310,000**	**1,096,073,807**	**-**	**21,614,307,239**
Charge for the year	-	389,372,635	2,995,642,267	1,337,819,308	18,327,500	65,661,700	-	4,806,823,409
Eliminated on Disposal	-	-	(1,311,092)	(91,327,089)	-	(27,290,860)	-	(119,929,041)
30th JUNE 2024	**-**	**1,851,842,459**	**16,004,158,074**	**7,219,118,927**	**91,637,500**	**1,134,444,647**	**-**	**26,301,201,607**
NET BOOK VALUE: 30th JUNE 2024	**1,920,242,500**	**5,768,579,600**	**58,241,854,913**	**12,886,555,539**	**91,637,500**	**110,156,717**	**4,306,348,066**	**83,325,374,835**
COST								
1 July 2022 Restated	**1,920,242,500**	**7,757,466,982**	**73,682,563,173**	**18,583,799,009**	**183,275,000**	**1,212,613,350**	**373,526,780**	**104,013,535,384**
Additions(Acquisitions)	-	-	44,613,152	222,587,238	-	42,077,586	2,371,411,193	2,680,689,169
Transfers from WIP	-	15,573,217	103,813,602	246,529,408	-	38,663,793	(404,580,020)	-
Disposals	-	(349,768,720)	(991,087,067)	(48,002,111)	-	(21,462,466)	-	(1,410,320,363)
Impairment in value	-	-	894,307,979	-	-	-	(508,428,162)	385,879,817
At 30 June 2023	**1,920,242,500**	**7,423,271,479**	**73,734,210,839**	**19,304,962,134**	**183,275,000**	**1,271,892,264**	**1,831,929,792**	**105,669,784,007**
DEPRECIATION								
1 July 2022 Restated	**-**	**1,374,537,228**	**10,361,279,126**	**4,761,478,833**	**54,982,500**	**807,432,251**	**-**	**17,359,709,938**
Charge for the year	-	376,484,177	3,024,129,134	1,252,967,347	18,327,500	310,103,881	-	4,982,012,039
Eliminated on Disposal	-	(288,551,580)	(375,581,361)	(41,819,472)	-	(21,462,326)	-	(727,414,738)
At 30 June 2023	**-**	**1,462,469,825**	**13,009,826,899**	**5,972,626,709**	**73,310,000**	**1,096,073,807**	**-**	**21,614,307,239**
NET BOOK VALUE: At 30 June 2023	**1,920,242,500**	**5,960,801,654**	**60,724,383,940**	**13,332,335,425**	**109,965,000**	**175,818,457**	**1,831,929,792**	**84,055,476,767**

- **Capital work-in-progress**

Capital work in progress (WIP) relates mainly to the costs of ongoing works on pipeline installations/modifications and other civil works.

Details of the company's property, plant and equipment and information about fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair value as 30 June
30 June 2024	Kshs	Kshs	Kshs	Kshs
Buildings and roads	-	-	5,768,579,600	5,768,579,600
Pipeline, pumps & tanks	-	-	58,241,854,913	58,241,854,913
Equipment, furniture & fittings	-	-	12,886,555,539	12,886,555,539
Helicopters	-	-	91,637,500	91,637,500
Motor vehicles & tractors	-	-	110,156,717	110,156,717
	-	-	77,098,784,269	77,098,784,269
30 June 2023				
Buildings and roads	-	-	5,956,560,028	5,956,560,028
Pipeline, pumps & tanks	-	-	60,512,580,427	60,512,580,427
Equipment, furniture and fittings	-	-	11,578,066,630	11,578,066,630
Helicopters	-	-	109,965,000	109,965,000
Motor vehicles & tractors	-	-	178,089,140	178,089,140
	-	-	78,335,261,225	78,335,261,225

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

ASSET DESCRIPTION	COST Kshs	ACCUMULATED DEPRECIATION Kshs	NBV Kshs
Freehold Land	4,024,646,642	-	4,024,646,642
Buildings and Roads	9,533,940,393	4,130,947,849	5,407,992,544
Plant and Machinery	66,416,078,612	13,434,238,150	52,981,840,462
Helicopters	388,831,318	388,831,298	20
Motor Vehicles	511,029,322	510,181,990	847,331
Computers & Related Equipment	953,735,387	784,006,532	169,421,936
Office Equipment, Furniture & Fittings	26,530,497,570	7,747,772,615	18,782,724,955
Total	**108,358,759,244**	**26,995,978,434**	**81,367,473,890**

Property plant and Equipment includes the following assets that are fully depreciated.

	Cost	Normal Depreciation
Buildings & Roads	717,904,600	41,127,324
Pipeline, Pumps & Tanks	42,414,754	1,596,181
Equipment, Furniture & Fittings	786,759,556	153,854,966
Motor Vehicles & Tractors	483,440,685	121,075,984
Intangible assets	1,889,256,896	632,194,706

Depreciation charge has been spilt between administrative and direct costs as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Total depreciation as per property, plant & equipment (Note 17)	4,806,823,409	4,859,415,566
Direct costs (Note 7)	4,492,569,296	4,582,373,910
Administrative costs	314,254,113	277,041,655
	4,806,823,409	**4,582,313,910**

18. LEASEHOLD LAND

	FY 2024	FY 2023
COST VALUATION	Kshs	Kshs
1 July	**18,729,306,450**	**18,729,306,450**
Disposals	-	-
As at 30 June	**18,729,306,450**	**18,729,306,450**
AMORTISATION		
1 July	(2,954,244,371)	(2,211,568,175)
Charge for the period	(742,676,197)	(742,676,197)
As at 30 June	**(3,696,920,568)**	**(2,954,244,371)**
NET BOOK VALUE	**15,032,385,882**	**15,775,062,079**

Payments to acquire leasehold interests in land are treated as prepaid lease rentals and amortised over the term of the lease. Leasehold land is held at valuation and categorised under level 3 of the fair value hierarchy.

Included under leasehold land is land valued at Kshs 5,306,734,993 relating to the JKIA Embakasi Depot whose title is held under the Kenya Airports Authority (KAA). KPC is pursuing a separate title.

19. INTANGIBLE ASSETS

	FY 2024	FY 2023
COST	Kshs	Kshs
1 July	1,933,766,235	1,920,039,498
Additions	96,259,944	13,726,737
As at 30 June	**2,030,296,178**	**1,933,766,235**
AMORTISATION		
1 July	**1,906,114,218**	**1,896,447,203**
Charge for the year	71,237,438	9,667,015
As at 30 June	1,977,351,655	1,906,114,218
NET BOOK VALUE	**52,944,523**	**27,652,017**

Intangible assets comprise cost of purchased computer software. Computer software costs are amortised over 3 years.

20. RIGHT OF USE (ROU) ASSET

	FY 2024	FY 2023
COST	Kshs	Kshs
At Start of year	124,602,595	-
Additions	-	124,602,595
As at 30 June	124,602,595	124,602,595
DEPRECIATION		
At Start of year	(25,958,873)	-
Charge for the year	(31,150,649)	(25,958,873)
As at 30 June	**(57,109,522)**	**(25,958,873)**
Net Book Value	**67,493,073**	**98,643,722**

As a lessee, the company entered into a lease agreement in June 2022 for leasing motor vehicles from Government identified dealers. The leased motor vehicles were delivered in September and October 2022.

The following are the amounts in the profit or loss

	FY 2024	FY 2023
Depreciation expense on right of use assets	31,150,649	25,958,873
Interest expense on lease liability	11,847,651	11,353,575
Expense relating to maintenance costs	33,094,089	28,790,092
	76,092,389	**66,102,540**

21. INVESTMENTS – at cost

	FY 2024	FY 2023
	Kshs	Kshs
Unquoted investments		
Consolidated Bank of Kenya Limited	67,030,000	67,030,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,304,359	36,304,359
Petroleum Institute of East Africa	2,000	2,000
	36,306,359	36,306,359
Details of the investment in Consolidated Bank of Kenya Limited are shown below:		
As at 30 June		
746,500 Ordinary Shares of Kshs.20 each	14,930,000	14,930,000
2,605,000 preference shares of Kshs.20 each	52,100,000	52,100,000
Impairment charge on Consolidated Bank of Kenya Limited preference shares	(30,725,641)	(30,725,641)
	36,304,359	**36,304,359**

The investment in the Petroleum Institute of East Africa comprises one class "A" Redeemable Preference share of Kshs. 2,000. The investments are stated at cost as fair value cannot be reliably determined.

22. RETIREMENT BENEFITS

a) National Social Security Fund

This is a statutory defined contribution pension scheme in which both the employer and employee contribute equal amounts. The amount contributed during the year has been charged to the profit or loss for the year.

b) Defined Benefit Scheme (Closed)

The company did not make any contributions to the scheme in the year (2023 - nil). An actuarial valuation of the scheme's assets and the present value of the defined benefits obligation is carried out every two years. The last valuation was in FY2022/2023 and was carried out in August 2023 by the scheme's actuaries, Ruparelia Consulting Limited (RCL) for the purpose of preparing IAS 19 Disclosures. The balances for the scheme's assets and the present value of the defined benefits obligation for FY2023 are the same ones that have been carried in FY2024. There were no amounts recognised in the statement of profit or loss and other comprehensive income in respect of the defined benefit plan in FY2024.
Amendments to the Retirement Benefit Regulations were announced by the Cabinet Secretary, National Treasury, in the Finance Act 2015. This related to a clarification on the distribution of surplus on wind up of a defined benefit scheme. The regulations provide for an equal sharing of surplus between members and the scheme sponsor upon wind up of a scheme. As a result of these change, an asset ceiling has been applied to limit the defined benefit asset to 50% of the surplus, which is the maximum available to the sponsor in the event the scheme is wound up. The principal assumptions used for the purpose of the actuarial valuation in FY2023 were as follows:

b) Defined Benefit Scheme (Closed) (Continued)

	FY 2024	FY 2023
Discount rate(s)	15%	15.0%
Future salary increases	5%	5.0%
Future pension increases	0%	0.0%
Mortality (pre-retirement)	A1949 - 1952	A1949-1952
Mortality (post-retirement)	PMA/PXA 1992 ales	a (55) m/f
		At rates consistent with similar arrangements
Withdrawals		At rates consistent with similar arrangements
Ill health		50% at 55 and 100%
Retirement age	60 years	60 years

The amount recognised in the statement of profit or loss and other comprehensive income in respect of these defined benefit plan are as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Total service cost	-	-
Interest costs:		
Interest cost on defined benefit obligation	-	762,896,412
Interest income on plan assets	-	(1,057,076,174)
Interest on the effect of the asset ceiling	-	286,642,070
Net interest income	-	(7,537,692)
Components of defined benefits plan recognised in profit or loss	-	(7,537,692)

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Present value of funded defined benefit obligation	4,869,674,125	4,869,674,125
Fair value of plan assets	7,345,102,105	7,345,102,105
Net underfunding in funded plan	(2,655,427,980)	(2,655,427,980)
Limit on defined benefit asset	1,327,713,990	1,327,713,990
Present value of defined benefit (asset)	**(1,327,713,990)**	**(1,327,713,990)**

The reconciliation of the amount included in the statement of financial position is as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Net asset at the start of the year	2,155,203,531	2,155,203,531
Net income recognised in the income statement	286,642,070	286,642,070
Employer contributions	-	-
Amount recognised in other comprehensive income	(1,114,131,611)	(1,114,131,611)
Present value of overfunded defined benefit asset	**1,327,713,990**	**1,327,713,990**

Movements in the present value of the defined benefit obligation in the current year were as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Opening defined benefit obligation	5,978,782,568	5,978,782,568
Current service cost	-	-
Interest cost	762,896,412	762,896,412
Contributions from plan participants	-	-
Actuarial (gain)/loss	(1,550,929,083)	(1,550,929,083)
Actuarial gain due to experience	-	-
Benefits paid	(501,075,771)	(501,075,771)
Closing defined benefit obligation	**4,689,674,125**	**4,689,674,125**

The reconciliation of the amount included in the statement of financial position is as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Opening fair value of plan assets	7,345,102,105	(8,133,986,099)
Interest income on plan assets	-	(1,057,076,174)
Contributions from the employer	-	117,000,000
Employee contributions	-	-
Benefits paid	-	501,075,771
Return on plan assets excluding amount in interest income	-	1,461,884,397
Closing fair value of plan assets	**(7,345,102,105)**	**(7,345,102,105)**

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	FY 2024	FY 2023
	Kshs	Kshs
Equity instruments	1,214,433,342	1,214,433,342
Debt instruments	3,784,716,638	3,784,716,638
Property	2,039,900,000	2,039,900,000
Call and fixed deposit	306,052,125	306,052,125
Total Scheme (Assets)	**7,345,102,105**	**7,345,102,105**

c) Defined Contribution Scheme:

Contributions to the Kenya Pipeline Company Staff Retirement Benefits Scheme are at 7.5 % and 15 % from employee and employer respectively from July 2019. The company's liability is limited to any unpaid contributions.

23. INVENTORIES

	FY 2024	FY 2023
	Kshs	Kshs
Spare parts and consumables	2,710,797,323	2,504,004,345
Provision for obsolete stocks	(63,473,563)	(63,473,563)
Provision for Stock	(481,030)	-
	2,646,842,730	**2,440,530,782**

Reconciliation of impairment allowance for Inventory

	FY 2024	FY 2023
	Kshs	Kshs
At the beginning of the year	63,473,563	82,357,419
Additional provision during the year	481,030	-
Recovered during the year	-	(18,883,856)
Written off during the year	-	-
At the end of the year	**63,954,594**	**63,473,563**

24. TRADE AND OTHER RECEIVABLES

	FY 2024 Kshs	FY 2023 Kshs
Trade receivables	5,131,572,100	13,154,750,471
Staff loans and advances	1,787,759,267	1,917,944,862
VAT recoverable	2,182,763,661	2,504,057,082
Withholding tax receivable	78,220,850	63,629,621
Prepaid construction costs	106,656,301	106,656,301
Prepaid expenses	663,048,020	214,827,927
Refundable deposits	9,477,446	9,477,446
Other debtors	3,676,916,923	3,459,097,441
	13,636,414,568	**21,430,441,153**
Provision for bad and doubtful debts	(2,021,779,198)	(8,039,864,291)
	11,614,635,371	**13,390,576,861**
Recoverable as follows:		
Current Assets:		
Within one year	8,090,589,703	10,073,913,596
Non-current Assets:		
After one year -staff loans-	1,420,851,957	1,450,012,416
Long-term Receivables	2,103,193,711	1,866,650,849
	11,614,635,371	**13,390,576,861**

The amounts recoverable after one year relate to staff loans and advances and a long-term receivable in respect of KPRL capital expenditure.

Ageing analysis of the Trade receivables was as follows:

Particulars	FY 2024 Kshs	FY 2023 Kshs
Less than 30 days	2,855,575,103	3,981,482,420
Between 30 and 60 days	1,689,278	62,859,556
Between 61 and 90 days	13,115,439	365,073,880
Between 91 and 120 days	43,551,863	15,283,338
Over 120 days	1,821,264,122	5,742,414,646
	4,735,195,805	**10,167,113,870**

Provision for Bad & Doubtful Debts

Description	Specific Provisions Kshs	Other Provisions Kshs	Total Kshs
Balance at the beginning of the year	8,009,089,463	30,774,829	8,039,864,291
Additional Provisions	223,996,814	-	223,996,814
Reduction in provision	(6,638,800,619)	-	(6,638,800,619)
Change due to Forex Valuation	396,718,712	-	396,718,712
Balance at the end of the year	**1,991,004,369**	**30,774,829**	**2,021,779,198**

25. CASH AND SHORT-TERM DEPOSITS

a) Short Term Deposits	FY 2024 Kshs	FY 2023 Kshs
Fixed deposits	**4,343,019,910**	**9,338,957,389**

The fixed deposits have a tenor of 3 months and the effective interest rate in the year was 8.06 % p.a. (2023 – 10.55 %).

FIXED DEPOSIT AS AT 30 JUNE 2024

Bank name	Amount	Interest rate
NCBA	379,246,315	9.00 %
Equity Bank	1,284,902,775	6.50 %
CFC Stanbic	700,000,000	18.30 %
Co-operative Bank	1,978,870,820	6.5 %
	4,343,019,910	**8.06%**

b) Bank and Cash Balances

		Account Number	Interest rate	FY 2023
			Kshs	Kshs
1.	ABSA Bank Kenya Plc	0948011697	178,503	197,511
2.	NCBA Bank Kenya (Kshs)	6634970017	132,183,193	29,794,481
3.	NCBA Bank Kenya (USD)	6634970025	1,034,150	30,045
4.	Standard Chartered Bank (Kshs)	104023872500	119,311,670	354,423,753
5.	Standard Chartered Bank (USD)	8704023872500	422,727,637	706,681,777
6.	Stanbic Bank (Kshs)	100000534425	161,169,962	357,418,475
7.	Stanbic Bank (USD)	100000681347	603,684,148	356,790,898
8.	Citibank (Kshs)	104052002	311,741,788	400,847,575
9.	Citibank (USD)	104052029	332,302,289	84,075,886
10.	Co-op Bank (KShs)	1136028439200	4,219,602	41,204,429
11.	Co-op Bank (USD)	2120028439200	9,828,965	583,708
12.	Equity Bank (Kshs)	560291247368	59,798,932	21,903,890
13.	Equity Bank (USD)	560261355277	13,693,232	35,578,841
14.	Kenya Commercial Bank	1108981061	844,115	2,246,521
15.	Petty Cash		1,581,444	1,035,984
			2,174,299,629	**2,392,813,774**

26. TAXATION (RECOVERABLE)/PAYABLE

	FY 2024	FY 2023
	Kshs	Kshs
Balance brought forward	1,715,803,853	(827,398,507)
Charge for the year (Note 14(a))	4,174,939,993	3,009,935,907
Instalment tax payments in the year	(3,206,028,598)	(237,070,900)
Balance of FY 2023 Tax paid	(2,656,254,297)	(115,243,217)
Withholding tax paid on interest income	(130,359,703)	(114,419,432)
	(101,898,752)	**1,715,803,852**

27. SHARE CAPITAL

	FY 2024	FY 2023
	Kshs	Kshs
Authorised:		
19,369,580 Ordinary Shares of Kshs.20 each	387,391,600	387,391,600
Issued and fully paid:		
18,173,300 Ordinary Shares of Kshs.20 each	363,466,007	363,466 ,007

28. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

The company contracted an independent valuer M/S Tysons Limited to carry out valuation of its Land and certain classes of Property, Plant and Equipment and which amounts were adopted on 30 June 2023.

29. RETAINED EARNINGS

The retained earnings represent amount available for distribution to the Company's shareholders. Undistributed retained earnings are retained to finance the company's business activities.

30. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using the applicable rate, currently at 30 %. The make-up of the deferred tax liabilities in the year and the movement on the deferred tax account during the year are presented below:

Particulars	FY 2024	FY 2023
	Kshs	Kshs
Deferred tax liability		
Accelerated capital allowances	16,352,018,066	17,265,686,710
Deferred tax on revaluation surplus	3,942,813,371	3,942,813,371
Interest receivable	(19,143,611)	(31,456,653)
Unrealised exchange gains	-	842,816,786
	20,275,687,826	**22,019,860,213**
Deferred tax assets		
Provisions	(665,070,793)	(1,861,402,184)
Un-realised exchange loss	(476,759,521)	-
Interest Payable	20,297,922	29,593,117
	(1,121,582,392)	**(1,831,809,067)**
Net deferred tax liability	**19,154,105,434**	**20,188,051,145**
The movement in Deferred Tax was as follows:		
At 1 July (as previously reported)	20,188,051,145	20,072,668,334
Deferred tax charge to Profit or Loss (Note 14)	(1,033,945,712)	128,922,045
Deferred tax charge to equity	-	244,304,856
At the end of the year	**19,154,105,434**	**20,188,051,145**

31. TRADE AND OTHER PAYABLES

	FY 2024	FY 2023
	Kshs	Kshs
Trade payables	7,815,046,049	5,138,225,002
Other payables	1,807,649,382	5,449,478,932
Catering, training & tourism development levy	223,581	(182,134)
Leave pay provision	246,598,434	205,759,462
Withholding tax payable	14,073,145	23,230,404
	9,883,590,591	**10,816,511,667**

32. LEASE LIABILITY

	FY 2024	FY 2023
	Kshs	Kshs
At the beginning of the year	104,855,511	124,602,595
Additions for the year	-	-
Interest charge	11,847,651	11,353,575
Payment of interest	(11,847,651)	(11,353,575)
Payment of Principal	(41,043,474)	(19,747,084)
At the end of the year	**63,812,037**	**104,855,511**

The carrying amount of the current portion is **Kshs. 32,706,069** while the non-current portion is **Kshs. 31,105,968.**

33. LONG TERM LOAN

	FY 2024	FY 2023
	Kshs	Kshs
(a) Syndicated Loan (Long Term Portion)	-	3,367,442,249
(b) Syndicated Loan (Current Portion)	2,456,291,794	3,367,459,000

EXTERNAL BORROWINGS

	FY 2024	FY 2023
	Kshs	Kshs
Balance at beginning of year	6,734,901,249	15,148,246,301
Borrowings during the year	-	-
Loan adjustment	(174,647,140)	1,883,851,182
Repayments during the year	(4,103,962,315)	(10,247,196,232)
Balance at the end of the year	**2,456,291,794**	**6,734,901,249**

The long-term loan represents loan drawdowns on a United States Dollar 350 million Facility Agreement signed on 15th July 2015 between KPC and a consortium of the following six banks:

Bank		Underwritten Amount USD	Drawn-down USD
1	NCBA	58,333,333	57,950,846
2	Citibank N.A.	58,333,333	57,950,846
3	Stanbic Bank	58,333,333	57,950,846
4	Standard Chartered Bank	58,333,333	57,950,846
5	Rand Merchant Bank	58,333,333	57,950,846
6	Co-operative Bank of Ken-ya	58,333,333	57,950,846
	TOTAL	**350,000,000**	**347,705,076**

The loan was for financing the construction of a 20-inch pipeline and related facilities between Mombasa and Nairobi.

The loan facility had an availability period of 2 years and is repayable in 33 quarterly instalments from June 2017 and is secured with receivables from the top 14 Oil Marketing Companies. Interest on the loan is at USD 3-month LIBOR plus a margin of 4.5% p.a.

34. DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The are no balances in this financial year.

35. PROVISIONS

a) Provisions on Employee Benefits

Description	Long service leave	Bonus Provision	Gratuity provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	205,759,462	423,102,080	145,892,984	774,753,598
Additional Provisions	90,378,375	137,294,014	55,360,096	283,032,485
Provision utilised	(49,539,404)	(168,229,216)	(46,275,639)	(264,044,259)
Change due to discount and time value for money	-	-	-	-
Less: Current portion	-	-	-	-
Balance at the end of the year	**246,598,433**	**392,166,878**	**154,976,513**	**793,741,824**

36. NOTES TO THE STATEMENT OF CASH FLOWS

	FY 2024 Kshs	FY 2023 Kshs
a.) Reconciliation of operating profit to cash generated from operations		
Profit before tax	10,008,244,255	7,607,438,155
Adjustments for:		
Depreciation	4,806,823,409	4,982,012,039
Amortisation of leasehold land (Note 18)	742,676,197	752,343,211
Amortisation of intangible assets (Note 19)	71,237,438	9,667,015
Amortisation of right-of-use asset (Note 20)	31,150,649	25,958,873
Impairment loss on work-in-progress	75,704,933	508,428,162
Write back of Bad Provision	(6,242,081,907)	-
Provision for bad debt	223,996,813	752,342,119

	FY 2024 Kshs	FY 2023 Kshs
Provision for stock obsolescence	481,031	56,880,396
Write back of stock provision	(20,687,303)	(18,777,604)
Retirement benefit plan credit	-	(7,537,693)
Loss/(gain) on disposal of PPE (Note 10)	72,415,005	34,340,302
Interest income (Note 8(a))	(888,457,329)	(883,056,483)
Interest expense (Note 8(b))	467,349,786	970,109,062
Interest expense on lease liability	11,847,651	11,353,575
Forex adjustments on reserves	(18,779,353)	5,059,634
Fair value adjustment through revaluation re-serves	-	633,390,246
Fair value adjustment through retained earn-ings	-	42,574,290
Operating profit before working capital changes	**9,341,921,275**	**15,455,525,298**
(Increase)/Decrease in inventories	(186,105,676)	(80,373,851)
(Increase)/Decrease trade and other receivables	7,902,150,689	(3,261,608,545)
(Increase)/(Decrease) in trade and other payables	(2,885,374,230)	7,175,777,583
(Increase)/Decrease in staff receivables - Staff loans	130,185,595	(11,911,981)
Increase/(decrease) in provision for staff leave pay	(40,838,972)	61,105,543
Increase/(decrease) in Loan adjustment	(174,647,140)	1,833,851,182
(Increase) (decrease) in tax receivable	173,822,683	-
Cash generated from operations	**14,261,114,224**	**21,172,365,228**
b) Balance at the beginning of the year	6,734,901,249	15,148,246,300
Repayments during the year	(4,103,962,315)	(10,247,196,232)
Foreign exchange gains/losses	(174,647,140)	1,833,851,182
Balance at end of the year	**2,456,291,794**	**6,734,901,249**
c) Analysis of cash and cash equivalents		
Short-term deposits (Note 24(a)	4,343,019,910	9,338,957,389
Bank and cash balances	2,174,299,629	2,392,813,774
	6,517,319,538	**11,131,771,163**
d) Analysis of interest paid:		
Interest on loans	467,349,786	958,755,487
Interest on lease liability	11,847,651	11,353,575
Interest on bank overdrafts	-	-
Balance at the beginning of the year	-	-
Balance at the end of the year	479,197,436	-
Interest paid	479,197,436	970,109,062

	FY 2024 Kshs	FY 2023 Kshs
e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2022 dividends paid	-	-
2023 interim dividends paid	7,000,000,000	-
Balance at end of the year	-	-
Dividend paid	**7,000,000,000**	-

37. RELATED PARTIES

The Government of Kenya is the principal shareholder of the Kenya Pipeline Company Limited, holding 100 % of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

a) Ministry of Energy
b) Ministry of Petroleum & Mining
c) National Oil Corporation of Kenya
d) Kenya Power & Lighting Company
e) Key management
f) Board of Directors

Transactions with related parties include:

(a) Sales to related party

	FY 2024 Kshs	FY 2023 Kshs
Services provided to National Oil Corporation (K)	14,994,555	20,392,356
(b) Expenses incurred on behalf of related parties		
Services received from Kenya Power & Lighting Co Limited	2,847,401,701	2,275,148,796
Services received from Ministry of Energy	-	-
	2,847,401,701	2,275,148,796
(c) Due to related party		
Deferred Income from Ministry of Petroleum & Mining – LPG Project	80,000,000	80,000,000
(d) Key management compensation		
CEO salaries and benefits	16,381,890	15,338,852
Key Management salaries and benefits	339,653,273	304,051,430
	356,035,163	**319,390,282**
Directors Expenses: (note 11(a))		
- Fees & incentives	3,495,785	6,360,000
- Board Retreats and general expenses	3,720,960	1,705,492
- Sitting /duty allowance	11,740,000	7,336,000
- Training expenses	2,866,996	9,540,563
- Travel expenses and Subsistence al-lowance	16,228,045	5,794,591
	38,051,786	**30,736,645**

38. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

	FY 2024 Kshs	FY 2023 Kshs
The company as a lessor:		
Within one year	110,781,441	110,984,293
In the second to fifth year inclusive	443,125,764	443,937,172
	553,907,206	**554,921,465**

The lease rental income earned during the quarter in respect of the company's property amounted to Kshs 111 million (FY 2023 – Kshs 111 million).

	FY 2024 Kshs	FY 2023 Kshs
The company as a lessee:		
Within one year	1,814,346,428	1,505,293,791
In the second to fifth year inclusive	7,257,385,711	6,021,175,163
	9,071,732,139	**7,526,468,954**

The total rental expense incurred during the year amounted to Kshs 1.8 billion (FY 2023 - Kshs. 1.5 billion).

39. Contingent Liabilities

	FY 2024 Kshs	FY 2023 Kshs
Pending lawsuits	5,748,373,623	16,982,133,886
Guarantees and letters of credit	117,720,852	101,320,852
	5,866,094,475	**17,083,454,738**

Pending lawsuits relate to civil suits lodged against the company by various parties.

40. FUEL STOCKS

Fuel stocks belong to the Oil Marketing Companies (OMCs) as per Transportation and Storage Agreement signed between the Kenya Pipeline Company Limited and the OMCs. Fuel stocks are therefore not included in the financial statements. As at 30 June 2024 the company held **654,132.535m3 (2023 – 727,836.966m3)** third-party fuel stocks with a Hydro-Carbon Value (HCV) of **Kshs. 58,080,379,598 (2023 – Kshs. 68,020,865,292)**.

41. CAPITAL COMMITMENT

	FY 2024 Kshs	FY 2023 Kshs
Amounts Authorised and Contracted for	4,590,638,685	8,795,763,138
Amounts Authorised and not contracted for	4,422,219,636	7,508,780,769
Less: Amounts included in Work-in-Progress	(4,306,348,066)	**(1,966,831,174)**
	4,706,510,255	**14,337,712,733**

42. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risks include:

- Market risk – includes currency and interest rate risk
- Credit risk
- Liquidity risk
- Capital risk

The company's overall risk management program focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available by setting acceptable levels of risks.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company.
Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The company's treasury function, headed by the Chief Accountant - Finance and reporting to the Finance Manager, develops and monitors risks and policies implemented to mitigate risk exposures.

a) Market risk

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the company's exposure to market risks or the way it manages and measures the risk.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

(i) Foreign Currency Risk Management

Exposure to exchange rate fluctuations arising from international trading commitments is minimised by utilising foreign currency reserves to settle maturing obligations. Revenue is spread on a 50-50 basis in local and foreign currencies (USD). As at end of the year, the carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities are as follows:

	GBP	EUR	USD	CAD	ZAR
	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2024					
Financial assets					
Bank and cash balances	-	-	1,383,270,421	-	-
Short term deposits	-	-	3,263,773,602	-	-
Trade receivables	-	-	3,347,791,747	-	-
			7,994,835,770		
Financial liabilities					
Trade payables	(4,335,270)	(42,063,610)	(1,265,116,702)	-	(57,952)
Long Term Loan			(2,456,291,794)	-	-
Net exposure	**(4,335,270)**	**(42,063,610)**	**4,273,427,274**	**-**	**(57,952)**
At 30 June 2023					
Financial assets					
Bank and cash balances	-	-	1,182,620,554	-	-
Short term deposits	-	-	1,411,339,966	-	-
Trade receivables	-	-	7,546,330,267	-	-
	-	-	**10,140,290,787**		
Financial liabilities					
Trade payables	(136,484,578)	-	(933,645,090)	-	57,953
Long Term Loan			(6,734,901,241)	-	-
Net Exposure	**(136,484,578)**	**-**	**2,471,744,456**	**-**	**57,953**

(ii) Foreign Currency Sensitivity Analysis

The main currency exposure that the company is exposed to relates to the fluctuation of the Kenya Shillings exchange rates with the US Dollar and Euro currencies.

The table below details the company's sensitivity to a 10 % increase and decrease in the Kenya shilling against the relevant foreign currencies. The sensitivity analysis includes only the outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 % change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Kenya shilling strengthens 10 % against the relevant currency. For a weakening shilling against the relevant currency, there would be an equal opposite impact on the profit and other equity, and the balances below would be negative.

	FY 2024		FY 2023	
	Kshs		Kshs	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - GB pounds				
+ 10 percentage point move-ment	(433,527)	(303,469)	1,842	1,289
- 10 percentage point move-ment	433,527	303,469	(1,842)	(1,289)
Currency – Euro				
+ 10 percentage point move-ment	(4,206,361)	(2,944,453)	(294,451)	(206,116)
- 10 percentage point move-ment	4,206,361	2,944,453	294,451	206,116
Currency - US dollars				
+ 10 percentage point move-ment	(427,342,727)	(299,139,909)	161,461,132	113,022,793
- 10 percentage point move-ment	427,342,727	299,139,909	(161,461,132)	(113,022,793)
Currency – ZAR				
+ 10 percentage point move-ment	(5,795)	(4,057)	-	-
- 10 percentage point move-ment	5,795	4,057	-	-

The US Dollar impact is mainly attributed to the exposure on outstanding US Dollar receivables at year end while the Euro impact arises from the exposure on outstanding payables at the year end.

The sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Interest Risk Management

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs. 4,791,409 (2023: Kshs. 9,533,902). A rate increase/decrease of 5 % would result in a decrease/increase in profit before tax of Kshs. 23,957,046 (2023 –Kshs. 47,669,510).

b) Credit Risk Management

Credit risk refers to the risk of financial loss to the company arising from a default by counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company also uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by debt control unit.

Trade receivables consist of major players in the petroleum oil industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate; credit guarantee is requested.

The company's maximum exposure to credit risk as at 30 June 2024 is analysed in the table below:

	Fully Performing Kshs	Past Due Kshs	Impaired Kshs	Gross Total Kshs
Trade Receivables	2,857,264,487	95,562,102	1,779,831,394	4,732,657,984
Other Receivables	23,221,749	30,730,222	1,050,882,727	1,104,834,697
Bank Balances	2,174,299,629	-	-	2,174,084,266
Short Term Deposits	4,343,019,910	-	-	4,343,019,910
	9,374,805,775	**126,292,324**	**2,830,714,121**	**12,354,596,857**

The company's maximum exposure to credit risk as at 30 June 2023 is analysed in the table below:

Particulars	Fully Performing	Past Due	Impaired	Gross Total
	Kshs	Kshs	Kshs	Kshs
Trade Receivables	4,042,531,555	577,956,636	5,542,580,301	10,163,068,492
Other Receivables	38,530,153	90,811,829	1,090,759,438	1,220,101,420
Bank Balances	2,391,693,172	-	-	2,391,693,172
Short Term Deposits	9,338,957,389	-	-	9,338,957,389
	15,811,712,269	**668,768,465**	**6,633,339,739**	**23,113,820,473**

The default risk on the customers under the fully performing category is very low as they are active in paying their debts as they continue trading. The past due amounts have not been provided for because management and the board believe the amounts are recoverable.

c) Liquidity Risk Management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Within 12 months	Over 12 months	Total
At 30 June 2024:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	7,815,046,049	-	7,815,046,049
Other payables and accruals	2,068,544,542	-	2,068,544,542
	9,883,590,591	**80,000,000**	**9,963,590,591**
At 30 June 2023:			
Due to related parties	-	80,000,000	80,000,000
Trade payables	5,070,439,917	-	5,070,439,917
Other payables & accruals	5,510,515,998	-	5,510,515,998
	10,580,955,915	**80,000,000**	**10,660,955,915**

a) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	FY 2024	FY 2023
	Kshs	Kshs
Revaluation reserve	11,510,282,545	12,945,945,335
Retained earnings	76,699,077,731	77,965,508,442
Capital reserve	875,754,923	875,754,923
Total funds	**89,085,115,199**	**91,787,208,701**

	FY 2024	FY 2023
	Kshs	Kshs
Total borrowings	2,456,291,794	6,734,901,249
Less: cash and bank balances	(6,517,319,538)	(11,730,650,651)
Net debt/ (excess cash and cash equivalents)	**4,061,027,744**	**4,995,749,402**
Gearing	**5%**	**5%**

43. Incorporation
The company is domiciled and incorporated in Kenya under the Companies Act (Cap 486).

44. Events after the Reporting Period
There were no material adjusting and non- adjusting events after the reporting period.

45. Currency
Financial statements are presented in Kenya Shillings (Kshs).

Storage tank at Nairobi Terminal

Appendices

APPENDIX 1:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1.	Budgetary Control and Performance The approved budget of the Company for the year ended 30 June 2023 was Kshs.25,398,837,998 and Kshs.16,304,543,907 in respect of recurrent and development expenditure respectively. However, review of budget implementation revealed that the Company spent Kshs. 9,491,084,834 on capital expenditure against the approved budget, resulting in under absorption of Kshs. 6,813,459,073 or 42 %. The underspending indicates that some of the planned activities during the year were not undertaken, thus affecting service delivery to the public.	In the FY 2022/23, the company experienced numerous hurdles during the implementation of the approved budget. Delay in implementation of key capital (development) expenditure activities/projects was precipitated by the uncertainty in the Kenya macro-economic environment due to it being an electioneering year. This can be evidenced by the non-responsive tenders floated and those terminated due to various reasons. Most of the projects and activities were therefore awarded and/or contracted towards the end of the financial year. The Company sought and received approval from Line Ministry and National Treasury for a supplementary capital expenditure budget in the Financial Year (FY2023/24) amounting to Kshs.3.4 billion to progress projects that were awarded towards the end of financial year 2022/2023. There was improvement in FY 2023/24 where the absorption rate was 69 %.	GM (F)	Resolved	-
2.	**Leasehold Land** Included in the leasehold land balance of Kshs. 15,775,062,079 as disclosed in the statement of financial position and Note 18 to the financial	Efforts over the years to have KAA surrender the title to the Ministry of Lands to facilitate excision of KPC's title have not been successful. However, vide a letter dated	GM (CS & LS)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	statements, is a parcel of land with a net book value of Kshs.5,113,469,985 which the Company was allocated by the Government in 1976. However, the Company did not have a title deed for the parcel. Further, information provided during the audit indicates the parcel where Embakasi Depot sits, had its title deed issued to the Kenya Airports Authority. Additionally, a parcel of land located in Mombasa County was carried in the books at Nil netbook value since it had been fully amortised. However, during the re-valuation of the Company's assets by an independent valuer in 2019, the land was valued at Kshs.750,000,000. The Company could not carry the new cost to its books due to the expiry of the allotment on 1 July, 2019. However, the Company possesses critical, strategic and high value infrastructure in the two parcels of land which serves the country both at Jomo Kenyatta International Airport and Moi International Airport. Although Management had written severally to the Ministry of Lands and Housing, National Lands Commission and the Kenya Airports Authority to have the parcels transferred and lease renewed on the matter, no responses were received. As a result, the ownership and completeness of the leasehold land balance of Kshs.15,775,062,079 could not be ascertained.	26th July 2024, KAA offered KPC 25-year lease for Embakasi and MIA depots on the following terms: a) Term of the Lease: 25 years, renewable. b) Effective date: 1st August 2024. c) Annual Rent fees: Kshs. 49,694,895.50 made up of Kshs. 36,626,895.50 for the Embakasi Depot (PS9) and Kshs. 13,068,000.00 for the MIA Depot (PS12). d) Rental and concession Rates shall be reviewed upwards after every 5 years. e) The Rent fees shall be payable quarterly in advance. f) KPC shall be required to pay/maintain a security deposit of Kshs. 12,423,723.90. KPC accepted the 25-year lease offer issued by KAA and sought further guidance from the Ministry of Lands on signing the resultant leases the two depots. KPC awaits feedback from the Ministry of Lands.			
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURSES					
1.	**Penalties and Interests on Delayed Payments** The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs. 11,320,442,848. As disclosed in Note 11 to the financial statements, the amount includes Kshs.3,027,732,573 in respect of penalties and interest. Review of documents provided in respect of the matter revealed that Management contracted Zakhem	KPC could not settle the payments as there was a directive from Treasury to clear with the Directorate of Criminal Investigations. Other delays were caused by the court, agency notice by KRA. In addition, it took time to get guidance from the Attorney General. KPC has since fully settled all the payments due and there are no amounts outstanding. All related court cases between KPC and Zakhem have also been settled.	GM(CS & LS)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	International Construction (Kenya) Ltd for construction of a new Nairobi – Mombasa oil pipeline at a cost of USD 484,502,886.40 inclusive of taxes. However, a dispute arose regarding Extension of Time (EoT) with claims Extension of Time (EoT) with claims amounting to USD 204,511,82 leading to appointment of an expert scheduler in 2018, who determined a total payable USD 44,019,025 in respect of the four (4) EoT claims. However, one claim, EOT 5 was not assessed. Despite the assessed amount having been agreed by both parties, Management declined to pay the amount leading to the contractor seeking redress in the High court in a suit filed on 26 September 2019. Subsequently, Management agreed to have the matter settled out of court and a consent was agreed where the Company agreed to pay a sum of USD 59,075,359.32 (Kshs.8,297,134,216) owed to the contractor and an interest of USD 21,546,094.32 (Kshs.3,026,148.947). According to Management, delay in settling of the payments was occasioned by a directive from Treasury to clear with the Directorate of Criminal Investigations and seek guidance from the Attorney General. However, the non-settlement of the amount led to accumulation of penalties and interests which could have been avoided. Further, the legal costs could have been reduced if the Management had settled the uncontested sums. In the circumstances, the justification and rationale for delay in settlement of uncontested contractor claims which were subject to interest and penalties was not ascertained.				

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
2.	**Court Awards Against the Company** The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs.11,320,442,848. As disclosed in Note 11 to the financial statements, the amount includes Kshs.885,575,021 in respect of court awards. Review of the case revealed that a firm engaged by Management to undertake construction of the Company Head Offices in the year 2000 had sub-contracted a local furniture dealer for some of the works at a cost of Kshs.573,022,382. However, a dispute arose between KPC and the main contractor leading to breach of the terms and conditions claims. Legal proceedings were instituted against the Company where the sub-contractor was awarded a sum of Kshs. 883,000,000. According to the arbitrator's determination, Management acted in breach of contract by denying the subcontractor the opportunity to perform the contract and denying access to the site while engaging other parties to undertake the works subject to the subcontract. In the circumstances, the company incurred expenditure for services not rendered, hence value for money was not obtained.	KPC entered an out-of-court settlement for payment of an all-inclusive sum of Kshs. 634,723,978.80. This represents a saving of approximately 50 % of the sum that was likely to be awarded against KPC if the matter was allowed to run its course. The dispute , together with all related court and arbitration cases, have now been settled conclusively.	GM (CS & LS)	Resolved	-
3.	**Impairment of Proposed Conversion of Line 1 for Conveyance of Mzima Water** The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs. 11,320,442,848. As disclosed in Note 11 to the financial statements, the amount includes Kshs.1,175,351,838 incurred on other office and general expenses. Review of the expenses. Review of the expenses revealed an impairment	The Proposed Conversion of Line 1 Pipeline to Water Distribution project was conceived as a result of a Presidential Directive (copy attached) communicated to the Ministry of Petroleum & Mining and Ministry of Sanitation and Irrigation. Kenya Pipeline Company Limited (KPC) was specifically directed to secure the decommissioning of Line 1 on priority basis so as to supply water to the Coast Region. This being a multi-agency project with KPC taking lead, all the agencies	GM(POM)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	provision of Kshs.332.873,006 for the proposed conversion of Line 1 for Conveyance of Mzima Springs Water project. As reported in the previous year, the Company commenced works to convert Mombasa-Nairobi (Line 1) Oil pipeline to supply water from Mzima Springs to Mombasa City and its environs. Review of documents relating to the project revealed that the project was initiated by the Management before requisite approvals from Water Services Regulatory Board (WASREB) and National Environment Management Authority (NEMA) were obtained. In addition, there was no business case or studies conducted to assess the project viability before commencement of the works, and no service level agreements or memorandum of understanding were signed between KPC and Coast Water Works Development Authority (CWWDA) where the Company intended to sell the water to. No justification was provided on why Management embarked on a project of such magnitude before conducting a business case assessment, obtaining the necessary approvals, and having agreement with intended purchaser of the product. In the circumstances, the value for money incurred on the project could not be confirmed.	This being a multi-agency project with KPC taking lead, all the agencies were expected to have the activities run in parallel to deliver the project. This was however not achieved including obtaining the ESIA license which was key to the project. The project has therefore been abandoned upon NEMA's decline to issue an ESIA license. A separate process to decommission Line 1 is being progressed as per the licencing requirements for Line 5 construction.			
4.	**Uncertainty over Liquefied Petroleum Gas Project in Mombasa** Note 11 to the financial statements reflects Kshs. 1,175,351,838 in respect of other office and general expenses. Review of the expenses revealed an impairment provision of Kshs.192,639,904 in respect of Liquefied Petroleum Gas (LPG) project in Mombasa County. The amount was incurred on demand studies,	The discussions are still ongoing between KPC and the Line Ministry and the National Treasury on an implementation framework for the proposed lease. In the meantime, the financial statements already include a provision for impairment for the amount utilised for the LPG Project so far awaiting the final outcome.	GM (Infrastructure)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	Environmental and Social Impact Assessment (ESIA) Front End Engineering Designs (FEED) and cost estimation for recommended storage facilities. While the Company obtained approval from the Ministry of Energy and Petroleum and The National Treasury in June, 2023 to continue with the project, a Ministerial directive was later issued to Management to lease part of the refinery land to a private company which had submitted a proposal to the Ministry for development of an LPG terminal facility in Mombasa. Management has since made an impairment provision in view of the latest developments. Further, the current revenues from LPG to the company, and projected future earnings from the proposed facility may be negatively impacted should the said private company develop the facilities. In addition, it was not confirmed whether the Company will be compensated for the costs amounting to Kshs. 192,639,904 incurred on the feasibility studies and engineering designs for the project. In the circumstances, the value for money incurred on the project could not be confirmed.				
5.	**Lack of Operational Framework for New Kipevu Oil Terminal** The statement of profit or loss and other comprehensive income reflect direct costs of Kshs. 13,329,917,282. As disclosed in Note 7 and Note 12 to the financial statements, the amount includes pipeline maintenance costs of Kshs.3,689,906,596, incurred in respect of the entire pipeline infrastructure comprising of oil terminals, tanks, pipeline, booster pumps loading facilities and a jetty among others. Review of the	KPC signed a service level agreement with Kenya Ports Authority (KPA) for the operationalisation of the KOT2 facility.	GM(POM)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	pipeline infrastructure revealed that the Company operates two oil terminals at Kipevu in Mombasa port comprising of Kipevu Oil Terminal (KOT) which handles jet fuel and New Kipevu Oil Terminal (KOT 2) which handles Premium Motor Spirit (PMS) and Automotive Gas Oil (AGO) at the point of discharge from the vessels. The two terminals were developed and are owned by Kenya Ports Authority (KPA). However, KPC has been operating KOT 2, which was commissioned in January 2022, without a documented framework, and as such, it was not clear who was responsible for its maintenance. In addition, it was not clear who among the two corporations was responsible for mitigation in cases of unforeseen glitches. In the circumstances, the matching of revenue to costs associated with the terminal could not be confirmed.				
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
1.	**Board Meeting and Committees** During the year under review, the Company's Board of Directors comprised nine (9) members. Review of membership and record of minutes of committee meetings revealed the following anomalies: i. Membership of board committees is expected to be a maximum of one third (1/3) of Board membership as guided by the Mwongozo Code of Governance for State Corporations. However, the Audit committee, the Human Resource Committee, the Finance Committee and the Technical Committee have five (5) members each instead of the Maximum three (3) members.	i. The Board Membership comprised of 10 Members including the Attorney General/his representative and the Managing Director. The Attorney General is a substantive Board Member pursuant to Section 6 of the State Corporations Act, Cap 446, Laws of Kenya. Further, unlike some State Corporations that have constitutive legislation specific for their establishment, KPC was incorporated under the Companies Act and is subject to the State Corporations Act, CAP 446 of the Laws of Kenya. Section 6(4) of the State Corporations Act explicitly states that the Boards of State Corporations comprises the Chief Executive.	GM (CS & LS),	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	ii. Review of the reconstituted Board Committee members revealed that one of the Directors was a member of three (3) Board Committees which contravened paragraph 4 of the Office of the President circular referenced OP/CAB.9/1A dated 11 March 2020, on Establishment of Board Committees which provides that members can only sit in a maximum of two board committees. iii. During the year under review, the Board and Board committees held a total of forty-four (44) committee meetings instead of the allowed maximum of twenty (20). The approval for the additional meetings was not provided for audit review. iv. During the year under review, the Board formed an Ad-Hoc committee to look into staff morale and welfare. However, the mandate assigned to the committee mirrored the functions of the Board Human Resource Committee, hence the matter would have been dispensed by the already existing committee. In the circumstances, the Board did not adhere to the Government guidelines.	The composition is stated in mandatory terms, unless a contrary composition is stated in the Articles of Association which is not the case for KPC. Section 8(e) of CAP 446 states that quorum for the meeting is two thirds of total number of members present which includes the MD. Article 1.1 item 4 of the Mwongozo states that the MD shall be a member of the Board with no voting rights. The MD is an ex-officio member of the Board, similar to the directors from Government that are representatives of offices set out in the Act and is only excluded in matters where a vote is required to be taken since all agenda is technically generated and owned by the CEO. The only committee membership that excludes the CEO is Board Audit Committee for purposes of maintaining independence since the CEO is the primary auditee. The composition is well defined in the Public Finance Management Act, 2012 and its regulations. ii. The reconstitution of committees is a reserve of the Board. The same was done by the Board taking into account the need for Parent Ministry and The National Treasury representatives to be in the committees for effective oversight and guidance of the Company. iii. During the FY under review, KPC has Four (4) standing Committees and one (1) Ad-Hoc Committee. The aggregate number of Committee and full board meetings anticipated			

APPENDICES

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
		as per the 11 March 2020 circular at six (6) meetings each was thirty (30) meetings. During the year under review, the Board of Directors had in its approved calendar included a note that special meetings were to be held as business needs requiring such meetings dictated. The additional meetings held during the year were conducted within the budgetary allocation by the National Treasury of Ksh. 30 million and the need for such meetings arose largely due to external factors outside the control of the Company.			
2.	Long Outstanding Trade and Other Receivables The statement financial position reflects trade and other receivables balance of Kshs. 10,073,913,598 which is net of provisions for bad and doubtful debt and as disclosed in Note 23 to the financial statements. As disclosed in Note 23 to the financial statements, the balance includes Kshs. 2,148,095,283 in receivable from Oil Marketing Companies (OMCs) which have been outstanding for more than 180 days. Although a provision was made in the financial statements for long outstanding re-ceivables, Transportation Service Agreements with OMCs provides that after 45 days and upon notice to an OMC, KPC shall be at liberty to sell all such products and apply the proceeds of such sale in or towards the satisfaction of such lien and all proper charges and expenses in relation thereto. Management indicated that measures put in place to collected debtors from the Oil Marketing Companies within	A significant amount of the Kshs. Kshs. 5,544,390,722 is attributable to the OMC Kenol-Kobil(K-K) which had an ongoing case that has since been settled. The Company has put in place measures as stipulated in the TSA to ensure that debts are recovered within time. Customers are sent reminder before due dates and services are suspended if the customers do not pay within 30 days. Suspension is lifted on payment or written payment program for the debt. Most of the outstanding debts are collected within 45 days for active customers and undisputed invoices. For dormant customers, management makes provision for debts over and above line fill. Management has appointed 11 lawyers to sell line fill for 11 No. OMCs with the highest debts.	GM (CS & LS)	Resolved	-

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	the existing framework which included reminders to pay before due dates, suspension of services to OMCs who do not pay within 30 days, the measures appears not to have yielded the intended results. Further, the trade and other receivables amount includes a long outstanding receiva-ble from KAA Hydrant system facility of Kshs. 733,248,779 whose recovery was in doubt, and for which a provision was made during the year under review. However, no evi-dence was provided of actions, if any, taken by management to recover the long out-standing balance. In the circumstances, the effectiveness of internal controls measures put in place to col-lect outstanding debts could not be confirmed.				

JOE SANG, EBS
MANAGING DIRECTOR

DATE: 21 NOVEMBER 2024.

II: PROJECTS IMPLEMENTED BY KPC

Projects implemented by the State Corporation/ SAGA funded by development partners

The Company is not funded by development partners.
Status of Projects completion

S/No	Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget Kshs	Actual Spent Kshs	Sources of Funds
1	N/A						

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	**Kenya Pipeline Company**
	Break down of Transfers	
	FY2023/2024	
a.	Recurrent Grants	N/A
b.	Development Grants	N/A
c.	Direct Payments	N/A
d.	Donor Receipts	N/A

The Company is not a recipient of any grants.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds				Where Recorded/recognised					
	Date received as per bank statement	Nature: Recur-rent/ Development/ Others	Total Amount - KSHS	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Trans-fers dur-ing the Year
N/A		N/A							

The Company is not a recipient of any MDA/Donor funding.

APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Name of the Organization: KENYA PIPELINE COMPANY LIMITED

Telephone Number: Phone +254 20 2606500-4

Email Address: info@kpc.co.ke

Name of MD: Joe K. Sang

Name and contact details of contact person (in case of any clarifications): CAROL KIPLAGAT, SAFETY, HEALTH & ENVIRONMENT MANAGER

+254 20 2606500-4

FY 2023/24 CLIMATE RELATED EXPENDITURES									
Project Name	**Project Description**	**Project Objectives**	**Project Activities**	**Actual Expenditure (KShs)**				**Source of Funds**	**Implementing Part-ners/Contractor**
				1st Quarter	**2nd Quarter**	**3rd/4th Quarter**	**Total Cost (KShs)**		
Energy efficiency management through VFD	Low voltage Switchgear Upgrade at PS28	Energy Man-agement through start-ing and run-ning of load-ing pumps via Variable fre-quency drives, elimi-nating the overheating effect of power cables hence Elimination of fire risks and consequent environmen-tal pollution.	Replacement of old switchgear with old DOL starters Technologies with VFDs to eliminate the risk of fires and environmental emissions.	21,591,121		-	64,008,916	internal funds	KPC (Client) Thames Electrical Limited (Contractor)
Energy efficiency management through VFD	Low voltage Switchgear Upgrade at PS25	Energy Management through starting and running of loading pumps via Variable frequency drives, eliminating the overheating effect of power cables hence elimination of fire risks and consequent environmental pollution.	Replacement of old switchgear with old DOL starters Technologies with VFDs to eliminate the risk of fires and environmental emissions.	26,538,289	-	52,765,319	79,303,608	Internal funds	KPC (Client) Thames Electrical Limited (Contractor)

FY 2023/24 CLIMATE RELATED EXPENDITURES									
Project Name	**Project Description**	**Project Objectives**	**Project Activities**	**Actual Expenditure (KShs)**				**Source of Funds**	**Implementing Part-ners/Contractor**
				1st Quarter	**2nd Quarter**	**3rd/4th Quarter**	**Total Cost (KShs)**		
Air-conditioning System Management	Installation of split unit air conditioners for Nairobi, Coast, Western	Enhance energy efficiency through utilisation of split flow HVAC units.	Change of HVAC unit gases to R410A gases; removal of CFC gas units; removal of central HVAC units & installation of split units.	-	-		USD 60,235 (KShs.7,830,550)	Internal funds	KPC (Client) Contralinks limited (Contractor)
Reforestation of Mangrove Forest at the Coast & Narasha Forest in Baringo as well as Line 1 Interstations	Planting of 467,108 mangrove & terrestrial forest seedlings at Jomvu Kuu Creek in Mombasa County & Narasha Baringo County through use of community forest associations	Reforestation of depleted mangrove forest zones within Mombasa & Baringo County.	Planting and maintenance of 467,108 seedlings.				30,694,310	Internal funds	KFS, 12No community forest associations based in Mombasa County & 10No community nurseries
Spill containment dams	Spill containment dams at PS 1,12, 2&3	Spill containment from KPC infrastructure in event of a major release that overwhelms primary containment systems occasioned by major failures & catastrophe like flooding that overwhelms OWS.	Construction of spill containment dams of between 500m3-1000m3.				37,057,464		

FY 2023/24 CLIMATE RELATED EXPENDITURES									
Project Name	**Project Description**	**Project Objectives**	**Project Activities**	**Actual Expenditure (KShs)**				**Source of Funds**	**Implementing Part-ners/Contractor**
				1st Quarter	**2nd Quarter**	**3rd/4th Quarter**	**Total Cost (KShs)**		
El Nino Emergency Intervention works	**Coastal Region** 1. Emergency Rein-statement works to cover ex-posed oil pipe-lines & FOC 2. Routine Mainte-nance works/Inspections 3. Bush Clearing Works 4. Boundary estab-lishment assignments 5. ROW Committee Assignment	ROW reinstatement damaged by El Nino.	Reinstate-ment works involving gabions con-structions and site restoration.				30,834,040	Internal	
	Central Region 1. Emergency & Reinstatement works to cover exposed oil pipelines & FOC 2. Routine maintenance works/Inspections 3. Bush Clearing & Cutting down of trees on the ROW 4. Construction of Contour bunds) 5. Boundary Establishment 6. Issuance of Encroachment Notices 7. ROW Committee Assignment	ROW reinstatement damaged by El Nino.	Reinstatement works involving gabions constructions and site restoration.				40,215,360	Internal	

FY 2023/24 CLIMATE RELATED EXPENDITURES									
Project Name	**Project Description**	**Project Objectives**	**Project Activities**	**Actual Expenditure (KShs)**				**Source of Funds**	**Implementing Part-ners/Contractor**
				1st Quarter	**2nd Quarter**	**3rd/4th Quarter**	**Total Cost (KShs)**		
	Western Region 1. Emergency Reinstatement works. 2. Routine Mainte-nance works/ inspections 3. Construction of Contour bunds 4. Bush Clearing Works & Cutting of trees on the ROW 5. Boundary estab-lishment assign-ments 8. ROW Committee Assignment 9. Issuance of En-croachment No-tices	ROW reinstatement damaged by El Nino.	Reinstatement works involving gabions constructions and site restoration.				30,149,000	Internal	
TOTAL (KShs)							**320,093,248**		

APPENDIX V: DISASTER EXPENDITURE REPORTING TEMPLATE

Programme	Sub-Programme	Disaster Type	Disaster Category	Expenditure item	Amount (Kshs.)	Comments
			Category of disaster related activity that require ex-penditure reporting (re-sponse/recovery/mitigation/preparedness)			
N/A	N/A	N/A	N/A	N/A		

5-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

KENYA PIPELINE COMPANY LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2024	2023	2022	2021	2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Total Revenue	35,369,329,508	30,857,218,143	26,213,394,371	27,987,266,943	26,082,251,486
Direct Costs	(14,517,860,099)	(13,217,831,223)	(13,545,218,703)	(13,562,976,195)	(12,580,545,657)
Gross Profit	**20,851,469,409**	**17,639,386,919**	**12,668,175,667**	**14,424,290,748**	**13,501,705,830**
Other Income	832,123,996	1,902,787,258	1,199,305,117	470,667,422	409,502,259
Administration Expenses	(9,878,967,382)	(11,847,683,443)	(7,557,765,751)	(6,445,930,795)	**(6,338,223,815)
Operating Profit	**11,804,626,023**	**7,694,490,734**	**6,309,715,034**	**8,449,027,375**	**7,572,984,274**
Net Finance Income	(1,796,381,768)	(87,052,579)	(13,569,921)	(1,538,664,128)	(1,435,104,177)
Profit Before Taxation	**10,008,244,255**	**7,607,438,155**	**6,296,145,113**	**6,910,363,247**	**6,137,880,097**
Taxation Charge	(3,140,994,281)	(3,108,010,211)	(2,394,908,448)	(5,227,628,302)	2,043,570,303
Net Profit After Taxation	**6,867,249,974**	**4,499,427,944**	**3,901,236,665**	**1,682,734,945**	**8,181,450,400**
Earnings Per share	378	248	215	93	450

**Administrative Expenses are inclusive of provision for bad debts of Kshs. 1,060,758,651, Kshs. 59,089,148, Kshs. 141,092,919 and Kshs. 6,119,537,986 for FY 2021/22, FY 2020/21, FY 2019/20

5-YEAR FINANCIAL HIGHLIGHTS
KENYA PIPELINE COMPANY LIMITED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30	2024	2023	2022	2021	2020
			Kshs		
Non- Current Assets					
Property, plant and equipment	83,325,374,835	84,055,476,767	86,129,189,345	97,149,447,050	102,986,250,783
Leasehold land	15,032,385,882	15,775,062,079	16,517,740,255	17,415,890,672	15,702,166,555
Right of use Asset (ROU)	67,493,073	98,643,722	-	-	-
Intangible assets	52,944,523	27,652,017	23,592,295	30,308,870	93,593,013
Investments	36,306,359	36,306,359	36,306,359	36,306,359	36,306,359
Retirement Benefit recoverable	1,327,713,990	1,327,713,990	-	-	1,285,627,233
Trade and other receivables	3,524,045,667	3,316,663,265	3,142,126,450	3,117,018,373	2,910,465,319
	103,366,264,329	**104,637,518,200**	**105,848,954,704**	**117,748,971,324**	**123,014,409,263**
Current Assets					
Inventories	2,646,842,730	2,440,530,782	2,343,922,959	2,608,031,945	2,182,234,022
Trade and other receivables	8,090,589,703	10,073,913,598	8,283,971,264	9,160,335,600	9,008,195,881
Taxation recoverable	101,898,752	-	827,398,507	888,115,224	876,808,106
Short term deposits	4,343,019,910	9,338,957,389	7,786,148,607	7,086,097,763	6,904,213,188
Bank and cash balances	2,174,299,629	2,392,813,774	2,614,218,743	2,462,154,764	1,487,229,820
	17,356,650,723	**24,246,215,543**	**21,855,660,079**	**22,204,735,296**	**20,458,681,017**
Total Assets	**120,722,915,053**	**128,883,733,743**	**127,704,614,784**	**139,953,706,620**	**143,473,090,280**

5-YEAR FINANCIAL HIGHLIGHTS
KENYA PIPELINE COMPANY LIMITED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30	2024	2023	2022	2021	2020
		Kshs			
Shareholders' Funds and Liabilities					
Capital and Reserves					
Share capital	363,466,007	363,466,007	363,466,007	363,466,007	363,466,007
Share premium	512,288,916	512,288,916	512,288,916	512,288,916	512,288,916
Revenue reserve	76,699,077,731	76,831,827,757	70,812,999,502	74,911,762,837	77,613,815,980
Revaluation Reserve	11,510,282,545	11,536,027,639	17,052,060,642	21,282,415,380	23,870,843,524
	89,085,115,199	**89,243,610,319**	**88,740,815,067**	**97,069,933,140**	**102,360,414,427**
Non-Current Liabilities					
Deferred taxation	19,154,105,433	20,188,051,145	20,072,668,334	19,724,588,796	14,597,966,425
Long term loan	-	3,367,442,249	10,098,826,050	13,864,936,579	17,703,118,633
Lease Liability	31,105,968	75,659,687	-	-	
	19,185,211,401	**23,631,153,082**	**30,171,494,384**	**33,589,525,375**	**32,301,085,058**
Current Liabilities					
Trade and other payables	9,883,590,590	10,816,511,667	3,662,885,082	4,592,602,577	4,166,833,354
Due to related parties	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Tax payable	-	1,715,803,852	-	-	-
Current Loan	2,456,291,794	3,367,459,000	5,049,420,250	4,621,645,527	4,564,757,441
Lease Liability	32,706,069	29,195,824	-	-	-
	12,452,588,454	**16,008,970,343**	**8,792,305,332**	**9,294,248,104**	**8,811,590,795**
Total Shareholder's Funds and Liabilities	**120,722,915,053**	**128,883,733,743**	**127,704,614,783**	**139,953,706,620**	**143,473,090,280**

5-YEAR FINANCIAL HIGHLIGHTS
KENYA PIPELINE COMPANY LIMITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,	2024	2023	2022	2021	2020
		Kshs			
Net cash generated from operating activities	10,495,434,123	21,073,959,074	14,417,756,304	13,538,886,066	13,119,135,990
Net cash from/(to) investing activities	(4,564,879,960)	(9,475,611,943)	(694,540,385)	(5,000,856,224)	(1,314,696,619)
Net cash from/(to) financing activities	(11,145,005,789)	(10,266,943,317)	(12,871,101,097)	(7,381,220,323)	(16,282,248,321)
Net increase/(Decrease) in cash and cash equivalents	**(5,214,451,626)**	**1,331,403,814**	**852,114,822**	**1,156,809,519**	**(4,477,808,951)**
Cash and Cash Equivalents at beginning of the period	11,731,771,163	10,400,367,349	9,548,252,527	8,391,443,008	12,869,251,959
Cash and Cash Equivalents at end of the Year	**6,517,319,538**	**11,731,771,163**	**10,400,367,349**	**9,548,252,527**	**8,391,443,008**

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WELDING PROCESSES

- **111 SMAW** – SHIELDED METAL ARC WELDING
- **135 MAG** – METAL ACTIVE GAS WELDING

COURSE CONTENT

Welding Preparation

- Drawing -WPS - Cutting & Tacking - Measurement

Welding Execution

- Setting the Machine - Different Position - Sequence

Welding Examination

- Evaluation of Welding (ISO 5817 -C) - NDT & DT Testing

Health & Safety

FULL TIME DURATION:

(Three) 3 Months - 360hrs

PART TIME:

Evening Classes:
Mon-Fri – 6:00pm - 9:00pm

Saturday Classes:
8.30am - 2.30pm

VENUE:

Morendat Institute of Oil & Gas,
Nairobi Campus, Nanyuki Road

For more details, course dates and registration please visit our website:miog.ac.ke

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