

POSTAL CORPORATION OF KENYA

STAFF PENSION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

mazars

**Postal Corporation of Kenya
Staff Pension Scheme
Annual report and financial statements
For the year ended 30 June 2022**

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**Postal Corporation of Kenya
Staff Pension Scheme
Scheme information
For the year ended 30 June 2022**

Trustees

The Trustees who served during the year and to the date of this report were:

| | | |
|---------------------------|---|------------------------------|
| Mr. John Gikandi Thongori | - | Re-appointed on 3 March 2020 |
| Mr. Erick Kipkemei Bett | - | Appointed on 3 March 2020 |
| Ms. Zuleikha Mohamed | - | Appointed on 3 March 2020 |
| Mr. Moses Mugo Mwai | - | Appointed on 25 March 2021 |
| Mr. Joseph Tele | - | Appointed on 25 March 2021 |
| Mr. Julius Opini | - | Appointed on 14 January 2021 |

Trust secretary

Mr. Elijah K. Koskey

Registered office

Postal Corporation of Kenya Staff Pension Scheme
NHIF building, 9th floor
P. O. Box 46621 – 00100
NAIROBI.

Investment managers

Sanlam Investments East Africa Limited
Africa Re Center, 5th floor
Hospital Road, Upper Hill
P. O. Box 67262 - 00200
NAIROBI.

Old Mutual Investment Group (Kenya) Limited
Old Mutual Centre,
Junction of Mara and Hospital roads, Upper Hill
P. O. Box 30059 - 00100
NAIROBI.

Independent auditor

Mazars LLP
Certified Public Accountants (K)
3rd Floor, Suite 8, The Green House, Adams Arcade
P. O. Box 61120 – 00200
NAIROBI.
Tel: (+254) 20 3861175/6/9; (+254) 20 2517101/3
Cell phone: (+254) 722 440 270 / 734 440 270
Email: contact@mazars.co.ke
Website: www.mazars.co.ke

Custodian

Stanbic Bank Limited
3rd floor, Stanbic Centre, Chiromo road
P. O. Box 30550 – 00100
NAIROBI.

Actuaries

Zamara Actuaries, Administrators & Consultants Limited
Landmark Plaza, 10th Floor, Argwings Kodhek Road
P. O. Box 52439 - 00200
NAIROBI.

Principal bankers

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
NAIROBI.

Kenya Commercial Bank Limited
Milimani - Capital Hill Satellite Branch
NAIROBI.

Postal Corporation of Kenya
Staff Pension Scheme
Corporate governance statement
For the year ended 30 June 2022

1 Trustees in office

During the financial year under review the following Trustees served in the Board of Postal Corporation of Kenya Staff Pension Scheme.

| Name of Trustee | Age | Category (member elected, sponsor nominated or professional) | Number of BOT meetings attended | Certified (Yes / No) | Highest qualification | Membership of other boards |
|------------------------|------------|---|--|-----------------------------|------------------------------|-----------------------------------|
| Mr. Erick Bett | 62 | Sponsor nominated | 6 | Yes | Diploma | None |
| Mr. John Thongori | 59 | Sponsor nominated | 6 | Yes | Bachelor's degree | None |
| Ms. Zuleikha Mohamed | 58 | Sponsor nominated | 6 | Yes | Bachelor's degree | None |
| Mr. Moses Mugo Mwai | 59 | Member elected | 6 | Yes | Diploma | None |
| Mr. Julius Opini | 56 | Sponsor nominated | 6 | Yes | Masters degree | None |
| Mr. Joseph Tele | 56 | Member elected | 6 | Yes | Masters degree | None |

2 Board meetings

The Board of Trustees held six (6) meetings during the year ending 30 June 2022. The meetings were held on the dates set out hereunder:

| <i>Date of meeting</i> | <i>Board members present</i> |
|----------------------------|--|
| Thursday, 19 August 2021 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |
| Wednesday, 3 November 2021 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |
| Tuesday, 16 November 2021 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |

Postal Corporation of Kenya
Staff Pension Scheme
Corporate governance statement (Continued)
For the year ended 30 June 2022

2 Board meetings (Continued)

| <i>Date of meeting</i> | <i>Board members present</i> |
|----------------------------|--|
| Monday, 29 November 2021 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |
| Thursday, 17 February 2022 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |
| Wednesday, 25 May 2022 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |

3 Joint meetings of the Board

The Board of Trustees of Postal Corporation of Kenya Staff Pension Scheme jointly with Postal Corporation of Kenya Staff Retirement Benefits Scheme held Two (2) meetings during the year ending 30 June 2022 to deliberate on joint Administration matters. The meetings were held on the dates set out hereunder:

| <i>Date of meeting</i> | <i>Board members present</i> |
|---------------------------|--|
| Tuesday, 14 December 2021 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |
| Tuesday, 28 June 2022 | Mrs. Zuleikha Mohamed Mr. Eric Bett Mr. John Thongori Mr. Moses Mwai Mr. Julius Opini Mr. Joseph Tele |

Postal Corporation of Kenya
Staff Pension Scheme
Corporate governance statement (Continued)
For the year ended 30 June 2022

4 Composition of the Board of Trustees

| | |
|------------|-----------------------------|
| Gender mix | Female: - 17% |
| | Male: - 83% |
| Skills mix | Financial skills: Nil |
| Age mix | Below 35 years of age: None |
| | Above 35 years of age: All |

5 Committees of the Board of Trustees

The Board of Trustees have three committees to help it deliver its duties effectively. The committees are constituted as follows:

Finance and investments committee

The committee held six (6) meetings during the year ended 30 June 2022. The Board members who constitute this committee are:

| <i>Committee members</i> | <i>Number of meetings attended</i> |
|--------------------------|------------------------------------|
| Mr. Joseph Tele | Six |
| Mr. John Thongori | Six |
| Mr. Julius Opini | Six |

Audit and risk committee

The committee held three (3) meetings during the year ended 30 June 2022. The Board members who constitute this committee are:

| <i>Committee members</i> | <i>Number of meetings attended</i> |
|--------------------------|------------------------------------|
| Mr. Eric Bett | Three |
| Mr. Moses Mwai | Three |

Administration and communication committee

The committee held three (3) meetings during the year ended 30 June 2022. The Board members who constitute this committee are:

| <i>Committee members</i> | <i>Number of meetings attended</i> |
|--------------------------|------------------------------------|
| Mr. Eric Bett | Three |
| Mr. John Thongori | Three |

6 Fiduciary responsibility of the Board of Trustees

The Board of Trustees is the governing body of the Postal Corporation of Kenya Staff Pension Scheme and is responsible for the corporate governance of the Scheme. The Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interest of the Scheme's members and the sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- a) Acting honestly and did not improperly use inside information or abuse their position;
- b) Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- c) Performing their duties with the requisite degree of skills.

The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the Scheme's business operations.

The Trustees have ensured that the fund manager has carried out all Scheme investments and that all Scheme assets and funds are held by the custodian.

7 Responsibility as a corporate citizenship

The Scheme has participated in socially responsible investment and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.

8 Key outcomes

The Board of Trustees seeks to achieve the following:

- a) Building trust with the members and sponsor of the Scheme so that they are satisfied with the administration of the Scheme;
- b) Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- c) Ensuring that the Scheme's administrative processes remain transparent and accessible to members and the sponsor.

The Board of Trustees has also been sending quarterly reports to the sponsor detailing the activities that have taken place in each quarter.

9 Annual General Meeting

The Board of Trustees held the 2021 Annual General Meeting (AGM) on 30th June, 2022 via a hybrid method comprising Live Broadcasting through KBC, Zoom and Social media platforms. The meeting was used as a forum to communicate all Scheme activities in the financial year and also to sensitize members on the various channels available in getting information and also raising their complaints.


9 Trustees remuneration policy

During the year under review, the Trustees were paid a gross sum of Kshs. 2,244,290 as Trustees allowances.

The payment complied with the Trustee Remuneration Policy of the Scheme as consented to by the sponsor on advice of the Scheme Actuary, and was approved by members at the Annual General Meeting held on 30 June

The Board and individual Trustees undertook Board evaluation in the year under review. The Board review process is facilitated externally and the process takes the form of e-board questionnaire.

Approved by the Board of Trustees on 7 October 2022 and signed on its behalf by:-



Ms. Zuleikha Mohamed



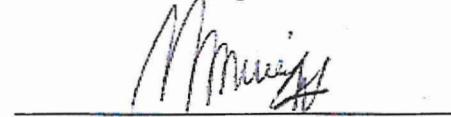
Mr. Erick Kipkemei Bett



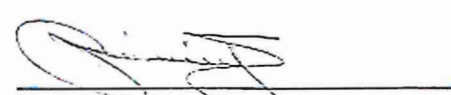
Mr. Joseph Tele



Mr. John Gikandi Thongori



Mr. Moses Mugo Mwai



Mr. Julius Opini

Postal Corporation of Kenya
Staff Pension Scheme
Report of the Trustees
For the year ended 30 June 2022

The Trustees present their report together with the audited financial statements for the year ended 30 June 2022.

1 Establishment, nature and status of the scheme

The scheme was established under an irrevocable trust, and is governed by a Trust Deed dated 20 February 2003 and as subsequently amended with deeds of amendment and closure dated 29 January 2011. The scheme commenced operations on 1 January 2002.

It is a defined benefit scheme and provides, under the rules of the scheme, retirement benefits for the staff of Postal Corporation Kenya or their nominated beneficiaries.

The scheme was closed to new entrants and contributions effective 1 January 2010 and the sponsor set up a new defined contribution scheme for future accrual of benefits effective 1 January 2010 in compliance with the Treasury Circular No. 18 of 2010.

The Accrued (past service) benefits in respect of the scheme's in-service members at the closure date are revalued at the lower of the actual salary increase and a maximum of 3% per annum over the period to retirement or earlier exit from service. In addition, pensions in payment and deferred pensions are entitled to a pension increase of 3% every 3 years.

2 Registration

The scheme is registered under the Retirement Benefits Act (Scheme reference number 01336 and certificate number 155). The Scheme is an exempt approved plan under the Income Tax Act.

3 Membership

| | 2022 | 2021 |
|---|--------------|--------------|
| Contributing members | 1,227 | 1,564 |
| Deferred members | 242 | 246 |
| Pensioners | 1,934 | 1,795 |
| Dormant members | 112 | - |
| | <u>3,515</u> | <u>3,605</u> |
| <i>(a) Active members</i> | | |
| At start of year | 1,564 | 1,712 |
| Less: Leavers | (337) | (148) |
| At end of year | <u>1,227</u> | <u>1,564</u> |
| <i>(b) Deferred members</i> | | |
| At start of year | 246 | 307 |
| Add: Members whose benefits were deferred | 10 | 23 |
| Less: Leavers | (14) | (89) |
| Adjustments | - | 5 |
| At end of year | <u>242</u> | <u>246</u> |
| <i>(c) Pensioners</i> | | |
| At start of year | 1,795 | 1,632 |
| Add: Joiners | 149 | 167 |
| Less: Leavers | (23) | (17) |
| Frozen pensioners | 13 | 13 |
| At end of year | <u>1,934</u> | <u>1,795</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Report of the Trustees (Continued)
For the year ended 30 June 2022

3 Membership (Continued)

| <i>(d) Dormant members</i> | 2022 | 2021 |
|----------------------------|-------------|-------------|
| At start of year | - | - |
| Add: Joiners | 112 | - |
| At end of year | 112 | - |

Deferred members comprise of those members who have left employment service of the founder and have left all or part of their benefit within the scheme.

4 Financial review

The statement of changes in net assets available for benefits on page 13 shows a decrease in the net assets of the Scheme for the year of Kshs. 433,388,895 (2021: an increase of Kshs. 137,333,476) and the statement of net assets available for benefits on page 14 shows the Scheme's net assets as Kshs. 5,377,762,576 (2021: Kshs. 5,811,151,471).

5 Investment of funds

Under the terms of their appointment, Sanlam Investments East Africa Limited and Old Mutual Investments Group (Kenya) Limited are responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustees.

The full investment allocation as at the end of the year was as follows:

| | Amount Kshs | Portfolio percentage | RBA limit percentage |
|------------------------------------|------------------------|---------------------------------|---------------------------------|
| Offshore investments | 22,391,614 | 0.42% | 15.00% |
| Cash balances | 45,596,755 | 0.85% | 5.00% |
| Fixed and call deposits | 77,777,495 | 1.45% | 30.00% |
| Local and regional quoted equities | 385,973,492 | 7.18% | 70.00% |
| Kenya government securities | 1,616,458,479 | 30.06% | 90.00% |
| Investment property | 3,222,000,000 | 59.91% | 30.00% |
| | <u>5,377,824,665</u> | | |

6 Actuarial position

The last actuarial valuation was completed as at 30 June, 2021 by Ruparelia Consultants Limited (RCL), an independent firm of actuaries. The results of the valuation were as follows:

| | Kshs. '000' |
|--|--------------------|
| Actuarial liabilities in respect of current pensioners and beneficiaries | 2,689,237 |
| Actuarial liabilities in respect of active members | 2,039,394 |
| Actuarial liabilities in respect of deferred members | 113,271 |
| Administrative expenses reserve | 348,000 |
| Total actuarial liability | <u>5,189,902</u> |
| Actuarial value of assets | <u>(5,811,151)</u> |
| Actuarial surplus | <u>(621,249)</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Report of the Trustees (Continued)
For the year ended 30 June 2022

6 Actuarial position (Continued)

The valuation results show that the actuarial value of assets was more than the actuarial value of liabilities in respect of past service benefits for in-service members at the closure date as at 30 June 2021 by Kshs. 621,249,000. The funded ratio for the scheme was 111.97% which is more than the statutory minimum funding requirement of 100% prescribed in the Retirement Benefits Act (minimum funding level and winding up of schemes) Regulations 2000. The next statutory actuarial valuation is due by 30 June 2024.

7 Auditor

The Scheme's auditor, Mazars LLP have indicated their willingness to continue in office in accordance with the terms and conditions of the engagement.

By order of the Trustees

ELIJAH K. KOSKEY

Name, Trust secretary

H. Butler

Sign

7 October 2022

**Postal Corporation of Kenya
Staff Pension Scheme
Statement of Trustees' responsibilities
For the year ended 30 June 2022**

The Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 requires the Trustees to prepare financial statements in a prescribed form for each financial year. They also require the Trustees to ensure that the scheme keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the custodian in accordance with the rules of the scheme. They are also responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free of material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making reasonable estimates that are appropriate in the circumstances. The Trustees are also responsible for safeguarding the assets of the scheme.

The Trustees accept responsibility for the audited annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Scheme) Regulations, 2000.

The Trustees are of the opinion that the financial statements give a true and fair view of the financial transactions of the scheme and of the disposition of its assets and liabilities, other than liabilities to pay pensions and benefits falling due after the end of the year. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as for safeguarding the assets of the scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

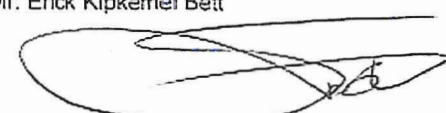
The Trustees certify that to the best of their knowledge and belief the information furnished to the auditors for the purpose of the audit was correct and complete in every respect.

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

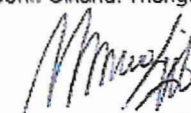
Approved by the Board of Trustees on 7 October 2022 and signed on its behalf by:-



Ms. Zuleikha Mohamed


Mr. Erick Kipkemei Bett


Mr. Joseph Tele


Mr. John Gikandi Thongori


Mr. Moses Mugo Mwai


Mr. Julius Opini

**Report of the Independent Auditor****To the members of Postal Corporation of Kenya Staff Pension Scheme****For the year ended 30 June 2022**

Opinion

We have audited the accompanying financial statements of Postal Corporation of Kenya Staff Pension Scheme set out on pages 13 to 34, which comprise the statement of net assets available for benefit as at 30 June 2022, the statements of changes in net assets available for benefit and the statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the scheme as at 30 June 2022 and of the disposition at that date of its assets and liabilities in accordance with the International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter***Investment property limit***

Without qualifying our opinion, we draw attention to note 13 of the financial statements with respect of allocation of investments of the scheme where investment property is above the limit set out in the Retirement Benefits Act, 1997.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alphonse Karungu - Practising Certificate number 856.



Signed for and on behalf of:

Mazars LLP
Certified Public Accountants (K)
Nairobi.

7th October

2022

Postal Corporation of Kenya
Staff Pension Scheme
Statement of changes in net assets available for benefits
For the year ended 30 June 2022

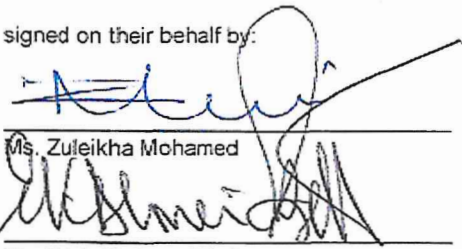
| | Note | 2022 Kshs | 2021 Kshs |
|--|-------------|-----------------------------|-----------------------------|
| Contributions and benefits | | | |
| Transfers in | 4 | - | 24,826,963 |
| Less: Payments to and on account of leavers | 5 | <u>(461,298,435)</u> | <u>(408,758,252)</u> |
| Net withdrawal from dealings with members | | <u>(461,298,435)</u> | <u>(383,931,289)</u> |
| Return on investments | | | |
| Investment income | 6 | 334,362,662 | 337,918,784 |
| Change in fair value of financial assets | 7 | (186,374,088) | 53,788,079 |
| Change in fair value of investment property | 12 (a) | - | 330,000,000 |
| Less: Investment management expenses | 8 | <u>(40,755,081)</u> | <u>(64,259,999)</u> |
| Net return on investments | | <u>107,233,493</u> | <u>657,446,864</u> |
| Less: Administrative expenses | 9 | <u>(79,323,953)</u> | <u>(136,182,099)</u> |
| (Decrease) / increase in net assets for the year | | (433,388,895) | 137,333,476 |
| Net assets available for benefits at start of the year | | <u>5,811,151,471</u> | <u>5,673,817,995</u> |
| Net assets available for benefits at end of the year | | <u><u>5,377,762,576</u></u> | <u><u>5,811,151,471</u></u> |

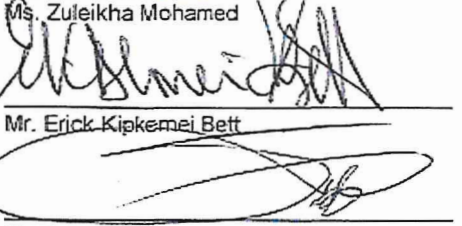
Postal Corporation of Kenya
Staff Pension Scheme
Statement of net assets available for benefits
As at 30 June 2022


| | Note | 2022 Kshs | 2021 Kshs |
|--|--------|----------------------|----------------------|
| Non-current assets | | | |
| Intangible assets | 10 | 854,224 | 1,411,952 |
| Property and equipment | 11 | 3,581,845 | 4,275,782 |
| Investment property | 12 (a) | 3,222,000,000 | 3,222,000,000 |
| Investments at fair value and amortised cost | 12 (b) | 2,110,227,910 | 2,500,059,262 |
| | | <u>5,336,663,979</u> | <u>5,727,746,996</u> |
| Current assets | | | |
| Accounts receivable | 14 | 62,521,473 | 57,590,941 |
| Cash and cash equivalents | 15 | 45,596,755 | 71,534,324 |
| | | <u>108,118,228</u> | <u>129,125,265</u> |
| Current liabilities | | | |
| Unpaid benefits and other payables | 16 | 67,019,631 | 45,720,790 |
| Net current assets | | <u>41,098,597</u> | <u>83,404,475</u> |
| Total net assets available for benefits | | <u>5,377,762,576</u> | <u>5,811,151,471</u> |
| Financed by | | | |
| Members' balances | 17 | <u>5,377,762,576</u> | <u>5,811,151,471</u> |

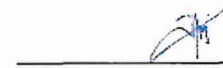
The financial statements on pages 13 to 34 were approved by the Trustees on 7 October 2022 and

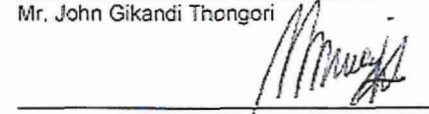
signed on their behalf by:



Ms. Zuleikha Mohamed


Mr. Erick Kipkemei Bett


Mr. Joseph Tele


Mr. John Gikandi Thongori


Mr. Moses Mugo Mwai


Mr. Julius Opini

Postal Corporation of Kenya
Staff Pension Scheme
Statement of cash flows
For the year ended 30 June 2022

| | Note | 2022 Kshs | 2021 Kshs |
|---|-------------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Transfers in from other schemes | 4 | - | 24,826,963 |
| Benefits paid | | (461,456,218) | (427,790,732) |
| Administrative expenses paid | | (24,561,740) | (44,669,785) |
| Net cash used in operating activities | | <u>(486,017,958)</u> | <u>(447,633,554)</u> |
| Cash flows from investing activities | | | |
| Investment income received | | 308,150,613 | 290,010,519 |
| Investment management expenses paid | | (40,371,751) | (93,028,343) |
| Purchase of intangible assets | 10 | (10,784,287) | (2,117,928) |
| Purchase of property and equipment | 11 | (1,184,867) | (1,679,350) |
| Capital expenditure on investment property | 12 (a) | - | - |
| Purchase of quoted equities | 12 (b) | (10,337,704) | (9,612,352) |
| Purchase of treasury bonds | 12 (b) | (440,046,223) | (164,774,205) |
| Purchase of treasury bills | 12 (b) | (140,500,000) | (62,336,820) |
| Treasury bills maturing within 90 days | 15 | - | 18,902,036 |
| Purchase of offshore investments | 12 (b) | (7,000,000) | (21,000,000) |
| Sale of quoted equities | 12 (b) | 103,630,120 | 93,384,965 |
| Sale of treasury bonds | 12 (b) | 532,404,218 | 277,674,164 |
| Sale of treasury bills | 12 (b) | 71,654,159 | 109,566,937 |
| Sale of corporate bonds | 12 (b) | - | 45,600,000 |
| Sale of offshore investments | 12 (b) | - | - |
| Net cash generated from investing activities | | <u>365,614,278</u> | <u>480,589,623</u> |
| Net movement in cash and cash equivalents | | (120,403,680) | 32,956,069 |
| Cash and cash equivalents at start of year | | <u>243,777,930</u> | <u>210,821,861</u> |
| Cash and cash equivalents at the end of year | 15 | <u><u>123,374,250</u></u> | <u><u>243,777,930</u></u> |
| Cash and cash equivalents | | | |
| Bank balances | | 45,596,755 | 71,534,324 |
| Fixed and time deposits maturing within 90 days | | 77,777,495 | 153,341,570 |
| Treasury bills maturing within 90 days | | - | 18,902,036 |
| Cash and cash equivalents at the end of year | 15 | <u><u>123,374,250</u></u> | <u><u>243,777,930</u></u> |

1 Summary of significant accounting policies

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

a) Basis of preparation

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

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the year.

The financial statements are presented in Kenya Shillings (KShs) and are prepared under the historical cost convention as modified by the carrying of certain investments at fair value.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the scheme using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards already effective

One new Standard, one new Interpretation and a number of Amendments to standards became effective for the first time in the financial year beginning 1st January 2019 and have been adopted by the Scheme. Neither the Amendments nor the Interpretation has had an effect on the Scheme's financial statements, but the new Standard has had an impact, as follows:

1 Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) Adoption of new and revised standards already effective (Continued)

IFRS 16: Leases

From 1st January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the Scheme now recognises lease liabilities relating to leases under which the Scheme is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1st January 2019 and leases of low value items). Such liabilities have been measured at 1st January 2019 at the present value of the remaining lease payments discounted using the Scheme's incremental borrowing rate as at 1st January 2019. Corresponding right-of-use assets have been recognised, measured as if the Scheme's new accounting policy had been applied since the commencement of each lease but discounted using the Scheme's incremental borrowing rate as at 1st January 2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 has been recognised as an adjustment to retained earnings at that date. As permitted by the transition provisions in the new Standard, comparative amounts have not been restated.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurements.

The Scheme has adopted IFRS 9 Financial Instruments. There were no transition adjustments highlighted.

IFRS 9 also changes the classification and measurement of financial assets. The category of available-for-sale investments (where fair value changes were deferred in reserves until disposal of the investment) has been replaced with the category of financial assets at Fair Value through Profit and Loss (for most investments) and the category of financial assets at Fair Value through Other Comprehensive Income (for qualifying equity investments).

Classification and measurement of financial assets and liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the scheme's financial assets and financial liabilities.

There were no transition adjustments.

| | Original classification under IAS 39 | New classification | Carrying amount under |
|-------------------------------------|---|-----------------------------|--------------------------|
| Financial assets | | | Kshs |
| Trade and other receivable | Loans and receivables | Amortised cost | 335,708,299 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 2,183,328,076 |
| Financial liabilities | | | |
| Trade payables and accrued expenses | Other financial liabilities | Other financial liabilities | 67,019,631 |

1 Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) *Adoption of new and revised standards already effective (Continued)*

Expected credit loss (ECL) assessment as at 30 June 2022

• **Receivables**

| Properties receivables | Net Outstanding | Impairment Loss | Expected loss rate |
|-----------------------------------|--------------------|--------------------|--------------------|
| Customer Not Due | (7,086,222) | - | 0% |
| Customer 0-30 | 4,403,712 | - | 0% |
| Customer 31-60 | 3,864,332 | - | 0% |
| Customer 61-90 | 3,926,940 | - | 0% |
| Customer 91-180 | 4,332,216 | - | 0% |
| Customer 181-360 | 27,379,532 | 4,563,255 | 17% |
| Over 361 | 236,366,316 | 236,366,316 | 100% |
| | 273,186,826 | 240,929,572 | |
| Trustees Overlay | | | |
| Actual % Percentage recovery 2023 | | - | 0% |
| Final Provision as at 30.06.2022 | | 240,929,572 | |

The Trustees monitor the credit ratings of counterparties regularly guided by cash and carry policy and at the reporting date has authorised a provision of Kshs. 240,929,572 from non-performance by the counterparties which represents the part exposure to credit loss.

| Dividends receivables | Net Outstanding | Impairment Loss | Expected loss rate |
|-----------------------------------|-------------------|-----------------|--------------------|
| Customer Not Due | - | - | 0% |
| Customer 0-30 | 11,674,154 | - | 0% |
| Customer 31-60 | - | - | 0% |
| Customer 61-90 | - | - | 0% |
| Customer 91-180 | - | - | 0% |
| Customer 181-360 | - | - | 0% |
| Over 361 | - | - | 0% |
| | 11,674,154 | - | |
| Trustees Overlay | | | |
| Actual % Percentage recovery 2023 | | - | 0% |
| Final Provision as at 30.06.2022 | | - | |

The Trustees monitor the credit ratings of counterparties regularly guided by cash and carry policy and at the reporting date no provisions were passed.

1 Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) Adoption of new and revised standards already effective (Continued)

Expected credit loss (ECL) assessment as at 30 June 2022

| Other receivables | Net Outstanding | Impairment Loss | Expected loss rate |
|-----------------------------------|--------------------|--------------------|-----------------------|
| Customer Not Due | - | - | 0% |
| Customer 0-30 | 7,818,678 | - | 0% |
| Customer 31-60 | - | - | 0% |
| Customer 61-90 | - | - | 0% |
| Customer 91-180 | - | - | 0% |
| Customer 181-360 | - | - | 0% |
| Over 361 | 39,470,096 | 39,470,096 | 100% |
| | 47,288,774 | 39,470,096 | |
| Trustees Overlay | | | |
| Actual % Percentage recovery 2023 | | (39,470,096) | 100% |
| Final Provision as at 30.06.2022 | | - | |

The Trustees monitor the credit ratings of counterparties regularly guided by cash and carry policy and at the reporting date no provisions were passed.

Movements in the impairment allowance for trade and other receivables are as follows: **2022**
Kshs

| | |
|---|----------------------|
| Opening provision provision for impairment of trade receivables | (235,562,276) |
| Increase in provision during the year | (5,367,296) |
| Receivable written off during the year as uncollectible | (28,698,709) |
| At 30 June | (269,628,281) |

As at 30 June 2022 trade receivables of Kshs. 240,929,572 (2021: Kshs. 235,562,276) were past due and fully impaired. The receivables due at the end of the financial year relate to customers who are yet to apply cash and cash policy and have since shown not intent to clear the balances.

The main factors considered by the Trustees in determining that the amounts due are impaired are that the customers are unlikely to be able to recommence trading for some time, the debts are 3 months or more past due and there is currently uncertainty over on payments.

All non-current receivables are due within 1 year of 30 June 2022. None of those receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, 12 month expected credit losses have been recognised, and there are no non-current receivable balances lifetime expected credit losses.

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

1 Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

i) Adoption of new and revised standards already effective (Continued)

Expected credit loss (ECL) assessment as at 30 June 2022

• **Cash and cash equivalents**

The Scheme held cash and cash equivalents of Kshs 2,183,328,076. The cash and cash equivalents are held and rated on S&P Global Ratings, Fitching and Moody's as below:

| Name of bank | Rating agency | Credit rating | Probability of Default rates |
|---------------------------------|---------------|---------------|------------------------------|
| Equity Quoted-Local | GCR | A1 | 0.00% |
| Equity Quoted-Offshore | GCR | A1 | 0.00% |
| Fixed, Time & Call Deposits | Fitching | B+ | 1.42% |
| Corporate Bonds | Fitching | B+ | 1.42% |
| Government Bonds | Fitching | B+ | 1.42% |
| Treasury Bills | Fitching | B+ | 1.42% |
| Stanbic Bank Account | Fitching | B+ | 0.00% |
| Standard Chartered Bank Account | Fitching | B+ | 3.16% |
| Kenya Commercial Bank Account | Fitching | B+ | 3.16% |
| Cash In Hand - Imprest | N/A | N/A | 0.00% |

| Name of bank | Amount, Kshs | Probability of default rates | Loss given default (Balance x PD x EAD) |
|----------------------------------|----------------------|------------------------------|---|
| Quoted equity - local | 385,973,492 | 0.00% | - |
| Offshore investments | 22,391,614 | 0.00% | - |
| Fixed, time & call deposits | 78,897,844 | 1.42% | 1,120,349 |
| Corporate bonds | 7,736,691 | 1.42% | 109,861 |
| Government bonds | 1,529,708,152 | 1.42% | 21,721,856 |
| Treasury bills | 112,249,204 | 1.42% | 1,593,939 |
| Stanbic Bank accounts | 21,584,953 | 0.00% | - |
| Standard Chartered Bank accounts | 9,862,811 | 3.16% | 311,665 |
| Kenya Commercial Bank accounts | 14,641,114 | 3.16% | 462,659 |
| Cash in hand - imprest | 282,201 | 0.00% | - |
| | 2,183,328,076 | | 25,320,329 |

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Corporation considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Movements in the impairment allowance for Cash and cash equivalents are as follows:

**2022
Kshs**

| | |
|--|-------------------|
| Opening provision provision for impairment of Cash and Cash equivalent | 36,872,571 |
| Decrease during the year | (11,552,242) |
| At 31 June | 25,320,329 |

1 Summary of significant accounting policies (Continued)

b) New and revised standards (Continued)

ii) New and revised standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, various new and revised standards and interpretations became effective. Where applicable to the scheme, the trustees have assessed the potential impact of the new and revised standards and interpretations and expect that they will not have a significant impact on the scheme's financial statements for the year ended 30 June 2022.

iii) Early adoption of standards

The Scheme did not early adopt any new or amended standards in year ended 30 June 2022.

c) Contributions and benefits

Contributions and benefits payable are recognised in the period in which they fall due.

d) Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

e) Dividend income

Dividend income from investments is recognised when the Schemes' rights to receive payment have been established.

f) Taxation

The Scheme is a registered pension scheme and is, therefore, exempt from tax.

g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Kenya Shillings on rates of exchange ruling at the end of reporting period. Transactions during the year which are expressed in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the statement of changes in net assets.

h) Quoted investments

Quoted investments are classified as fair value through profit or loss and are stated at market values as at 30 June 2022.

For financial instruments traded in an organised financial market, fair value is determined by reference to quoted market prices.

i) Government securities

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Government of Kenya.

Treasury bills are classified as held to maturity and are stated at amortised cost while treasury bonds are classified as fair value through profit or loss and are stated at fair value.

1 Summary of significant accounting policies (Continued)

j) Corporate bonds

Corporate bonds are classified as fair value through profit or loss and are stated at fair value.

k) Off-shore investments

Offshore investments are translated into Kenya Shillings at the exchange rate ruling on 30 June 2022. These investments are classified as fair value through profit or loss and are stated at market value.

l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, treasury bills maturing within three months from date of acquisition and demands deposits.

m) Financial instruments

Financial assets and liabilities are recognised when the scheme becomes a party to the contractual provisions of the instrument.

i) Receivables

Receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently re-measured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realised and unrealised gains and losses are included in the statement of changes in net assets. Interest earned whilst holding held for trading investments is reported as interest income.

iii) Held to maturity investment

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Scheme has the intention and ability to hold to maturity.

After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the statement of changes in net assets.

1 Summary of significant accounting policies (Continued)

iv) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of changes in net assets.

n) Impairment

At the end of each reporting period, the Scheme reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the statement of changes in net assets whenever the carrying amount of the asset exceeds its recoverable amount.

2 Financial risk management objectives and policies

The Scheme generates revenues for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government and other securities and offshore investments. These activities expose the Scheme to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk. The Scheme also follows guidelines issued by the Retirements Benefits Authority in respect of maximum investment in different types of investments.

a) Market risk

i) Foreign exchange risk

The Scheme operates mainly within Kenya and its assets and liabilities are reported in the local currency. The Scheme also invests internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD dollar. Foreign exchange risk arises from investment in offshore investments.

The Scheme's evaluation of currency risk is low because the funds are held for a long term period and any currency losses are expected to be recouped through interest income received and which comprises the value of the fund. The investment manager manages foreign exchange risk by limiting offshore investments to strategic range of 15% of total portfolio.

At 30 June 2022, if the Shilling had weakened / strengthened by 5% against the USD dollar with all other variables held constant, the increase or decrease respectively in net returns on investments would amount to approximately Kshs. 329,983 (2021: Kshs. 31,955).

2 Financial risk management objectives and policies (Continued)

a) Market risk (Continued)

i) Foreign exchange risk (Continued)

Since the above do not constitute trading activities, the scheme does not manage foreign exchange risk arising from future commercial activity but only re-values the assets and liabilities at the prevailing exchange rates at the end of the year.

ii) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through profit and loss. The Scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities; the Scheme has invested in bonds of varying maturities. Diversification of the portfolio is done in accordance with resolutions passed on investments during quarterly trustees meetings. All quoted shares held by the Scheme are traded on the Nairobi Securities Exchange (NSE).

At 30 June 2022, if the prices of all equity investments had increased / decreased by 5% with all other variables held constant, the increase or decrease in net assets would amount to Kshs. 7,052,875 (2020: Kshs. 6,477,087). Holding all other factors constant, an impact of a 5% increase or decrease in prices of treasury bonds would have increased or decreased net assets by Kshs. 3,816,041 (2021: Kshs. 673,885).

b) Liquidity risk

The Scheme is required to make periodic payment in respect of pension payments when members retire from the Scheme, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Scheme's liquidity on a regular basis and the trustees review it on a quarterly basis. The undiscounted liabilities payable after year end were:

| | 2022 | 2021 |
|------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Unpaid benefits and other payables | <u>67,019,631</u> | <u>45,720,790</u> |

c) Credit risk

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments and deposits with banks. As part of the credit risk management system, the investment manager and the Trustees monitor and review information on significant investment. The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a low credit risk and no default record. The credit risk for liquid funds and bank balances is limited because the counter parties are banks with high credit ratings assigned by the regulator. For other investments the Trustees ensure that the issuers of the investments have been assessed so as to reduce the risk of non-recoverability of the amounts invested as well as the interest accrued

The amount that best represents the Scheme's maximum exposure to credit risk at 30 June 2022 is made up as follows:

2 Financial risk management objectives and policies (Continued)

c) Credit risk (Continued)

| | 2022 | 2021 |
|-------------------------|----------------------|----------------------|
| | Kshs | Kshs |
| Government securities | 1,616,458,479 | 1,704,555,744 |
| Fixed and time deposits | 77,777,495 | 153,341,570 |
| Bank balances | 45,596,755 | 71,534,324 |
| Corporate bonds | 7,626,830 | - |
| | <u>1,747,459,559</u> | <u>1,929,431,638</u> |

None of the above financial assets are past due or impaired. There are no collateral held against these assets. There are no concentration risks as the investments are diversified.

3 Critical accounting estimates and judgements in applying the accounting policies

In the process of applying the scheme's accounting policies, the Trustees have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with

Held to maturity investments

The Scheme follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Scheme evaluates its intention and ability to hold such investments to maturity. If the Scheme fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Impairment losses on financial assets

At the end of each reporting period, the scheme reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the statement of changes in net assets whenever the carrying amount of the asset exceeds its recoverable amount.

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

| 4 Transfers in | 2022 Kshs | 2021 Kshs |
|--|----------------------|----------------------|
| Receipts from other schemes | - | 24,826,963 |
| This represents amounts received from PCK SPF (in liquidation) in respect of upgraded members. | | |
| 5 Benefits paid and on account of leavers | 2022 Kshs | 2021 Kshs |
| Lumpsum retirement benefits | 184,726,409 | 152,165,734 |
| Monthly pensions | 267,043,409 | 248,409,828 |
| Death benefits | 9,528,617 | 8,182,690 |
| | <u>461,298,435</u> | <u>408,758,252</u> |
| 6 Investment income | | |
| Dividends from quoted equities | 27,988,029 | 21,720,413 |
| Interest on term deposits | 4,534,045 | 6,271,074 |
| Interest on treasury bonds | 220,201,521 | 214,002,323 |
| Interest on corporate bonds | 621,179 | 2,054,119 |
| Discount on treasury bills | 4,034,064 | 3,479,193 |
| Rental income | 88,850,955 | 85,571,990 |
| Rebate commission | - | - |
| Miscellaneous income | 917,357 | 3,506,271 |
| Gain on sale of quoted equities | 152,732 | 3,592,864 |
| Loss on sale / maturity of treasury bonds | (12,937,220) | (2,654,968) |
| Gain on sale of corporate bonds | - | 375,505 |
| | <u>334,362,662</u> | <u>337,918,784</u> |
| 7 Change in fair value of financial assets | | |
| Fair value (loss) / gain on quoted equities | (141,057,490) | 129,541,732 |
| Fair value loss on treasury bonds | (76,320,819) | (13,477,704) |
| Fair value (loss) / gain on offshore investments | (6,599,667) | 639,093 |
| Fair value gain on corporate bonds | 9,175 | - |
| Decrease / (increase) in provision (IFRS 9) | 37,594,713 | (62,915,042) |
| | <u>(186,374,088)</u> | <u>53,788,079</u> |
| 8 Investment management expenses | | |
| Residential investment property expenses | 10,454,600 | 9,904,950 |
| Commercial investment property expenses | 21,222,931 | 45,520,552 |
| Management fees | 6,429,256 | 6,053,791 |
| Custody fees | 2,648,294 | 2,780,706 |
| | <u>40,755,081</u> | <u>64,259,999</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

| 9 Administrative expenses | 2022 Kshs | 2021 Kshs |
|--|----------------------|----------------------|
| Staff costs | 14,196,418 | 14,628,278 |
| Actuarial fees | 2,277,200 | 1,389,000 |
| Audit fees | 556,017 | 480,980 |
| RBA levy | 5,000,000 | 5,000,000 |
| Trustee allowances and expenses | 5,016,320 | 8,380,771 |
| Members annual general meeting expenses | 2,290,614 | 3,119,603 |
| Office rent, service charge and car parking fees | 3,128,623 | 2,342,382 |
| Subscriptions and annual licences | 1,754,974 | 2,349,820 |
| Insurance | 1,026,935 | 1,331,638 |
| Training and development | 243,420 | 626,834 |
| Legal fees | 726,656 | 359,708 |
| Printing and stationery | 286,051 | 398,436 |
| Motor vehicle running costs | 223,100 | 80,223 |
| Travel and subsistence | 2,367,188 | 910,905 |
| Advertising | - | 389,988 |
| Bank and other transaction charges | 2,472,871 | 2,082,097 |
| Journals and periodicals | 40,570 | 43,256 |
| Office equipment repairs and maintenance | 39,221 | 246,583 |
| Depreciation on property and equipment | 805,061 | 553,496 |
| Amortisation of intangible assets | 443,586 | 3,367,760 |
| Other administrative expenses | 895,723 | 821,263 |
| IFRS 9 consultancy fees | 1,467,400 | - |
| Increase in provision for doubtful debts | 34,066,005 | 87,279,078 |
| | <u>79,323,953</u> | <u>136,182,099</u> |
| 10 Intangible assets | | |
| Cost | | |
| At start of the year | 24,815,633 | 22,697,705 |
| Additions | 222,372 | 2,117,928 |
| At end of the year | <u>25,038,005</u> | <u>24,815,633</u> |
| Amortisation | | |
| At start of the year | 23,403,681 | 17,734,051 |
| Charge for the year | 780,100 | 5,669,630 |
| At end of the year | <u>24,183,781</u> | <u>23,403,681</u> |
| Net book value | <u>854,224</u> | <u>1,411,952</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

11 Property and equipment

| | Motor vehicles Kshs | Furniture and fittings Kshs | Office equipment Kshs | Computers Kshs | Total Kshs |
|-------------------------|------------------------------------|--|--------------------------------------|---------------------------|-----------------------|
| Cost / valuation | | | | | |
| At 1 July 2020 | 6,883,445 | 7,939,927 | 1,128,757 | 10,277,673 | 26,229,802 |
| Additions | - | - | 404,990 | 1,274,360 | 1,679,350 |
| Revaluation | 2,640,000 | - | - | - | 2,640,000 |
| At 30 June 2021 | 9,523,445 | 7,939,927 | 1,533,747 | 11,552,033 | 30,549,152 |
| At 1 July 2021 | 9,523,445 | 7,939,927 | 1,533,747 | 11,552,033 | 30,549,152 |
| Additions | 100,000 | 391,987 | - | 692,880 | 1,184,867 |
| Revaluation | - | - | - | - | - |
| At 30 June 2022 | 9,623,445 | 8,331,914 | 1,533,747 | 12,244,913 | 31,734,019 |
| Depreciation | | | | | |
| At 1 July 2020 | 6,883,445 | 7,890,134 | 1,014,207 | 9,553,773 | 25,341,559 |
| Charge for the year | - | 49,793 | 73,534 | 808,484 | 931,811 |
| At 30 June 2021 | 6,883,445 | 7,939,927 | 1,087,741 | 10,362,257 | 26,273,370 |
| At 1 July 2021 | 6,883,445 | 7,939,927 | 1,087,741 | 10,362,257 | 26,273,370 |
| Charge for the year | 760,320 | 48,998 | 73,534 | 995,952 | 1,878,804 |
| At 30 June 2022 | 7,643,765 | 7,988,925 | 1,161,275 | 11,358,209 | 28,152,174 |
| Net book value | | | | | |
| At 30 June 2022 | 1,979,680 | 342,989 | 372,472 | 886,704 | 3,581,845 |
| At 30 June 2021 | 2,640,000 | - | 446,006 | 1,189,776 | 4,275,782 |

12 Investments

(a) Investment property

| Year ended 30 June 2022 | Value as at 1st July Kshs | Capital expenditure Kshs | Market value gain Kshs | Value as at 30 June Kshs |
|---|--|---|---------------------------------------|---|
| IR18339 - L.R. 1870/VI/270 to 305: - Lantana Rd | 1,160,000,000 | - | - | 1,160,000,000 |
| IR18339 - L.R. 1870/VI/268 to 269: - Lantana Rd | 136,000,000 | - | - | 136,000,000 |
| Nrb/Block 23/251/2 to 233: - Likoni Lane | 370,000,000 | - | - | 370,000,000 |
| Voi/Block 1956/197 | 6,000,000 | - | - | 6,000,000 |
| LR No. Msa Block XXIV/113 and XXIV/114 | 1,230,000,000 | - | - | 1,230,000,000 |
| Ronald Ngala PO - 209/2300 | 320,000,000 | - | - | 320,000,000 |
| Total | 3,222,000,000 | - | - | 3,222,000,000 |

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

12 Investments (Continued)

(a) Investment property (Continued)

| Year ended 30 June 2021 | Value as at 1st July Kshs | Capital expenditure Kshs | Market value gain Kshs | Value as at 30 June Kshs |
|---|--------------------------------------|---|---------------------------------------|-------------------------------------|
| IR18339 - L.R. 1870/VI/270 to 305: - Lantana Rd | 577,500,000 | - | 582,500,000 | 1,160,000,000 |
| IR18339 - L.R. 1870/VI/268 to 269: - Lantana Rd | 104,000,000 | - | 32,000,000 | 136,000,000 |
| Nrb/Block 23/251/2 to 233: - Likoni Lane | 355,000,000 | - | 15,000,000 | 370,000,000 |
| Voi/Block 1956/197 | 5,500,000 | - | 500,000 | 6,000,000 |
| LR No. Msa Block XXIV/113 and XXIV/114 | 1,500,000,000 | - | (270,000,000) | 1,230,000,000 |
| Ronald Ngala PO - 209/2300 | 350,000,000 | - | (30,000,000) | 320,000,000 |
| Total | 2,892,000,000 | - | 330,000,000 | 3,222,000,000 |

**Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022**

12 Investments (Continued)

(b) Investments at fair value and amortised cost

| | Value as at 1st July Kshs | Additions at cost Kshs | Disposals proceeds Kshs | Gain / (loss) on disposal Kshs | Accrued interest adjustment Kshs | IFRS 9 provision movement Kshs | Fair value change Kshs | Value as at 30 June Kshs |
|--------------------------------|---------------------------------|------------------------------|-------------------------------|--------------------------------------|---|---|------------------------------|--------------------------------|
| Year ended 30 June 2022 | | | | | | | | |
| Quoted equities | 620,170,666 | 10,337,704 | (103,630,120) | 152,732 | - | - | (141,057,490) | 385,973,492 |
| Treasury bonds | 1,662,907,061 | 440,046,223 | (532,404,218) | (12,937,220) | (7,991,678) | 32,503,865 | (76,320,819) | 1,505,803,214 |
| Treasury bills | 41,648,683 | 140,500,000 | (71,654,159) | - | 395,636 | (234,895) | - | 110,655,265 |
| Corporate bonds | - | 7,570,000 | - | - | 157,516 | (109,861) | 9,175 | 7,626,830 |
| Offshore investments | 21,991,282 | 7,000,000 | - | - | - | - | (6,599,668) | 22,391,614 |
| | <u>2,346,717,692</u> | <u>605,453,927</u> | <u>(707,688,497)</u> | <u>(12,784,488)</u> | <u>(7,438,526)</u> | <u>32,159,109</u> | <u>(223,968,802)</u> | <u>2,032,450,415</u> |
| Fixed and time deposits | 153,341,570 | 1,129,890,000 | (1,209,240,000) | - | (97,437) | 3,883,362 | - | 77,777,495 |
| | <u>2,500,059,262</u> | <u>1,735,343,927</u> | <u>(1,916,928,497)</u> | <u>(12,784,488)</u> | <u>(7,535,963)</u> | <u>36,042,471</u> | <u>(223,968,802)</u> | <u>2,110,227,910</u> |
| Year ended 30 June 2021 | | | | | | | | |
| Quoted equities | 570,808,683 | 9,612,352 | (93,384,965) | 3,592,864 | - | - | 129,541,732 | 620,170,666 |
| Treasury bonds | 1,844,774,350 | 164,774,205 | (277,674,164) | (2,654,968) | 1,391,063 | (54,225,721) | (13,477,704) | 1,662,907,061 |
| Treasury bills | 89,359,807 | 62,336,820 | (109,566,937) | - | 878,037 | (1,359,044) | - | 41,648,683 |
| Corporate bonds | 46,163,526 | - | (45,600,000) | 375,505 | (939,031) | - | - | - |
| Offshore investments | 352,191 | 21,000,000 | - | - | - | - | 639,091 | 21,991,282 |
| | <u>2,551,458,557</u> | <u>257,723,377</u> | <u>(526,226,066)</u> | <u>1,313,401</u> | <u>1,330,069</u> | <u>(55,584,765)</u> | <u>116,703,119</u> | <u>2,346,717,692</u> |
| Fixed and time deposits | 45,149,381 | 1,069,670,000 | (956,970,000) | - | 495,900 | (5,003,711) | - | 153,341,570 |
| | <u>2,596,607,938</u> | <u>1,327,393,377</u> | <u>(1,483,196,066)</u> | <u>1,313,401</u> | <u>1,825,969</u> | <u>(60,588,476)</u> | <u>116,703,119</u> | <u>2,500,059,262</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

12 Investments (Continued)

The following table analyses investments other than shares (which have no fixed maturity) into relevant maturity groupings based on the remaining period at 30 June 2022 to the contractual maturity date:

| | Up to 1 year Kshs | 1 to 2 years Kshs | Over 2 years Kshs | Total Kshs |
|-------------------------|------------------------------|------------------------------|------------------------------|-----------------------|
| Treasury bonds | 259,884,093 | 8,071,550 | 1,237,847,571 | 1,505,803,214 |
| Treasury bills | 110,655,265 | - | - | 110,655,265 |
| Corporate bonds | - | - | 7,626,830 | 7,626,830 |
| Fixed and time deposits | 77,777,495 | - | - | 77,777,495 |

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

| | 2022 % | 2021 % |
|-------------------------|-------------------|-------------------|
| Treasury bonds | 12.34% | 12.44% |
| Corporate bonds | 12.25% | 0.00% |
| Fixed and time deposits | 8.70% | 6.60% |

13 Investments allocation

| | Amount Kshs | Portfolio percentage | RBA limit percentage |
|------------------------------------|------------------------|---------------------------------|---------------------------------|
| Offshore investments | 22,391,614 | 0.42% | 15.00% |
| Cash balances | 45,596,755 | 0.85% | 5.00% |
| Fixed and call deposits | 77,777,495 | 1.45% | 30.00% |
| Local and regional quoted equities | 385,973,492 | 7.18% | 70.00% |
| Kenya government securities | 1,616,458,479 | 30.06% | 90.00% |
| Investment property | 3,222,000,000 | 59.91% | 30.00% |
| | <u>5,377,824,665</u> | | |

Investment property allocation is at 59.91% which is above the prescribed limit of 30.00% set by the Retirement Benefits Authority.

14 Accounts receivable

| | 2022 Kshs | 2021 Kshs |
|---|----------------------|----------------------|
| Rent income receivable | | |
| - Due from Postal Corporation of Kenya (note 18) | 256,769,231 | 221,384,226 |
| - Due from other tenants | 16,417,595 | 15,019,090 |
| Less: Provision for impairment | <u>(269,628,281)</u> | <u>(235,562,276)</u> |
| | 3,558,545 | 841,040 |
| Dividend income receivable | 11,674,154 | 4,536,982 |
| Due from PCK Staff Retirement Benefits Scheme (note 18) | 44,695,805 | 39,470,096 |
| Other receivables | <u>2,592,969</u> | <u>12,742,823</u> |
| | <u>62,521,473</u> | <u>57,590,941</u> |

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

14 Accounts receivable (Continued)

The Trustees have reviewed the collectability of accounts receivable and determined that a credit risk arises from rent receivable. In view of this, the Trustees have made a provision for the portion of receivables whose recovery is in doubt.

Provision for impairment losses is identified by long outstanding balances which the Trustees consider as uncollectable. Long outstanding balances identified from such analyses are considered for inclusion in the allowance for doubtful debts. The Scheme uses the International Financial Reporting Standard (IFRS 9) impairment model for providing for expected credit losses (ECLs).

Concentration of credit risk is significant since most of the rent receivable (about 94%) is from one single tenant (Postal Corporation of Kenya) which is Kshs. 256,769,231 (2021: Kshs. 221,384,226).

| <i>Movement in impairment provisions</i> | 2022 Kshs | 2021 Kshs |
|---|----------------------|----------------------|
| At start of the year | 235,562,276 | 148,283,198 |
| Adjustment | - | - |
| Increase in provisions in the year | 34,066,005 | 87,279,078 |
| At end of the year | <u>269,628,281</u> | <u>235,562,276</u> |

15 Cash and bank balances

| | | |
|-----------------------------|-------------------|-------------------|
| Custodial account | 21,584,953 | 6,694,435 |
| Rent and operating accounts | 24,503,925 | 66,931,095 |
| Cash at hand | 282,201 | 235,360 |
| IFRS 9 provision | (774,324) | (2,326,566) |
| | <u>45,596,755</u> | <u>71,534,324</u> |

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

| | | |
|---|--------------------|--------------------|
| Cash and bank balances | 45,596,755 | 71,534,324 |
| Fixed and time deposits maturing within 90 days | 77,777,495 | 153,341,570 |
| Treasury bills maturing within 90 days | - | 18,902,036 |
| | <u>123,374,250</u> | <u>243,777,930</u> |

16 Unpaid benefits and other payables

| | | |
|---------------------------------|-------------------|-------------------|
| Unpaid benefits | 19,407,702 | 19,565,485 |
| Rent and utility bills deposits | 7,376,484 | 6,795,986 |
| Audit fees payable | 556,018 | 480,981 |
| IFRS 9 consultancy fees payable | 1,467,400 | - |
| Tenants refundable deposits | 17,500,000 | - |
| Actuarial fees payable | 1,348,800 | 556,800 |
| Fund management fees payable | 749,832 | 293,628 |
| Custody fees payable | 394,022 | 466,896 |
| RBA levy payable | 5,000,000 | 5,000,000 |
| Penalties payable | 158,333 | - |
| Sundry creditors | 13,061,040 | 12,561,014 |
| | <u>67,019,631</u> | <u>45,720,790</u> |

Postal Corporation of Kenya
Staff Pension Scheme
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For the year ended 30 June 2022

| 17 Members balances | 2022 Kshs | 2021 Kshs |
|--|----------------------|----------------------|
| At 1st July | 5,811,151,471 | 5,673,817,995 |
| Transfers in | - | 24,826,963 |
| Withdrawals for the year | (461,298,435) | (408,758,252) |
| Investment income | 334,362,662 | 337,918,784 |
| Fair value (loss) / gain on financial assets | (186,374,088) | 53,788,079 |
| Fair value gain on investment property | - | 330,000,000 |
| Investment management expenses | (40,755,081) | (64,259,999) |
| Administrative expenses | (79,323,953) | (136,182,099) |
| At 30th June | <u>5,377,762,576</u> | <u>5,811,151,471</u> |

18 Contingent liabilities

i). Case I - Past service members vs. PCK Staff Pension Scheme Trustees

In the year 2017, some members of the scheme whose benefits were transferred from the previous scheme (Kenya Post and Telecommunication Corporation (KP&TC) Pension Scheme), filed a suit with the Retirement Benefits Authority citing that their benefits needed to be computed on the rules and regulations of the Kenya Post and Telecommunication Corporation (KP&TC) Pension Scheme and not Postal Corporation of Kenya Staff Pension Scheme rules and regulations.

The Retirement Benefits Authority directed that the trustees of the scheme to recalculate the benefits for the concerned members using KPTC Pension Scheme, TelePosta Pension Scheme and PCK Staff Pension Scheme rules and regulations respectively based on the years of service under each employer and make the necessary adjustments.

Upon re-computation of the benefits based on the Retirement Benefits Authority directive, it emerged that the benefits paid to the concerned members were overstated and not understated as was initially thought. This scenario has been communicated to the Retirement Benefits Authority. However, the matter has not been concluded and the financial impact on the Scheme (if any exists) has not been determined.

ii). Case II - Maringo KP&TC Estate owners vs. PCK Staff Pension Scheme Trustees

The Trustees of the Scheme have a law suit in court with owners of Maringo KP&TC Estate in relation to disputed unpaid land rent and rates and the matter is on going. No liability has been recognised in these financial statements since in the opinion of the trustees the scheme has no legal standing to cater for the land rent and rates of the said estate. The lawyers however estimate that if the claimants succeed with the litigation, the likely liability would be Kshs. 5,000,000 in legal costs which may be awarded by the court against the scheme and a further Kshs. 5,000,000 which may be awarded against the scheme for the unpaid land rent and rates.

Postal Corporation of Kenya
Staff Pension Scheme
Notes to the financial statements (Continued)
For the year ended 30 June 2022

19 Related party transactions

Related parties comprise of the Trustees, the administrator, Postal Corporation of Kenya (the sponsor) and other schemes set up by the sponsor (Postal Corporation of Kenya Staff Retirement Benefits Scheme and Postal Corporation of Kenya Staff Provident Fund). Receivables and payables as at year end in relation to related parties were as follows:

| | 2022 Kshs | 2021 Kshs |
|--|----------------------------|----------------------------|
| Rent receivable from Postal Corporation of Kenya (note 13) | <u>256,769,231</u> | <u>221,384,226</u> |
| Due from PCK Staff retirement benefits scheme (note 13) | <u>44,695,805</u> | <u>39,470,096</u> |

20 Capital commitments

The Scheme had no capital commitments as at 30 June 2022.

21 Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

**Postal Corporation of Kenya
Staff Pension Scheme
Annual report and financial statements
For the year ended 30 June 2022**

Appendix I - Regional quoted equities

| | Number of shares 30-Jun-2021 | Number of shares Additions | Number of shares (Disposals) | Number of shares 30-Jun-2022 | Market value at 30-Jun-2021 | Purchases at cost | Disposal proceeds | Realised gain / (loss) on disposal | Unrealised market gain / (loss) | Market value at 30-Jun-2022 |
|---|------------------------------------|----------------------------------|------------------------------------|------------------------------------|-----------------------------------|----------------------|----------------------|--|---------------------------------------|-----------------------------------|
| | Units | Units | Units | Units | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| ABSA Bank Kenya Plc Ord 0.50 | 506,880 | - | - | 506,880 | 5,028,250 | - | - | - | 268,646 | 5,296,896 |
| Diamond Trust Bank Kenya Ltd Ord 4.00 | 127,651 | - | (70,081) | 57,570 | 7,563,322 | - | (4,085,939) | (66,360) | (535,401) | 2,875,622 |
| Equity Group Holdings Plc Ord 0.50 | 1,777,500 | - | (400,000) | 1,377,500 | 79,543,125 | - | (20,455,842) | 2,555,842 | (2,410,625) | 59,232,500 |
| KCB Group Plc Ord 1.00 | 1,842,409 | - | (265,000) | 1,577,409 | 78,578,744 | - | (11,382,324) | 80,074 | (6,309,636) | 60,966,858 |
| Stanbic Holdings Plc ord.5.00 | 152,000 | - | - | 152,000 | 12,312,000 | - | - | - | 2,698,000 | 15,010,000 |
| Standard Chartered Bank Kenya Ltd Ord 5.00 | 50,114 | - | - | 50,114 | 6,502,317 | - | - | - | (250,571) | 6,251,746 |
| The Co-operative Bank of Kenya Ltd Ord 1.00 | 1,391,481 | - | (330,000) | 1,061,481 | 19,202,438 | - | (3,862,224) | (691,776) | (3,078,295) | 11,570,143 |
| TPS Eastern Africa Ltd Ord 1.00 | 212,757 | - | (212,757) | - | 2,978,598 | - | (3,236,078) | 257,480 | - | - |
| Bamburi Cement Ltd Ord 5.00 | 312,970 | - | (312,970) | - | 11,000,896 | - | (10,838,500) | (162,395) | - | - |
| KenGen Co. Plc Ord. 2.50 | 2,915,889 | - | (1,835,700) | 1,080,189 | 11,488,603 | - | (7,256,311) | 23,653 | (604,906) | 3,651,039 |
| Kenya Power & Lighting Co Plc Ord 2.50 | 560,373 | - | (560,373) | - | 784,522 | - | (725,058) | (59,465) | - | - |
| Centum Investment Co Plc Ord 0.50 | 50,000 | - | (50,000) | - | 870,000 | - | (740,775) | (129,225) | - | - |
| East African Breweries Ltd Ord 2.00 | 351,790 | - | (25,000) | 326,790 | 63,586,043 | - | (3,703,875) | (814,875) | (14,215,365) | 44,851,928 |
| Safaricom Plc Ord 0.05 | 7,737,800 | 248,000 | (921,000) | 7,064,800 | 320,731,810 | 10,337,704 | (37,343,195) | (838,956) | (116,620,603) | 176,266,760 |
| Total | | | | | 620,170,666 | 10,337,704 | (103,630,121) | 153,997 | (141,058,755) | 385,973,492 |

**Postal Corporation of Kenya
Staff Pension Scheme
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Appendix II - Treasury bonds

| | Historical cost 30-Jun-2021 Kshs | Nominal value 30-Jun-2021 Kshs | Dirty / full mkt value 30-Jun-2021 Kshs | Purchases cost Kshs | Purchases nominal Kshs | Disposal proceeds Kshs | Disposal nominal Kshs | Realised gain / (loss) on disposal Kshs | Dirty / full price per 100 30-Jun-2021 Kshs | Unrealised mkt gain / (loss) 30-Jun-2021 Kshs | Nominal value 30-Jun-2021 Kshs | Dirty / full mkt value 30-Jun-2021 Kshs |
|----------------------|---|---|--|---------------------------|------------------------------|------------------------------|-----------------------------|--|---|---|---|--|
| FXD1/2019/015 | 24,708,920 | 24,000,000 | 25,688,002 | - | - | - | - | - | 100.5310 | (1,569,042) | 24,000,000 | 24,127,437 |
| FXD1/2018/025 | 49,695,860 | 45,000,000 | 45,443,731 | - | - | - | - | - | 96.7920 | (1,903,918) | 45,000,000 | 43,556,380 |
| FXD1/2011/020 | 23,287,518 | 25,000,000 | 22,105,806 | - | - | - | - | - | 83.7795 | (1,167,809) | 25,000,000 | 20,944,866 |
| FXD1/2018/020 | 75,729,178 | 65,000,000 | 68,609,226 | 51,935,906 | 50,000,000 | - | - | - | 99.2197 | (8,297,352) | 115,000,000 | 114,102,670 |
| FXD2/2013/015 | 128,673,435 | 132,000,000 | 137,048,509 | 62,779,754 | 60,000,000 | - | - | - | 99.7157 | (9,861,652) | 192,000,000 | 191,454,084 |
| FXD1/2009/015 | 10,693,593 | 10,000,000 | 10,863,162 | - | - | (10,580,942) | (10,000,000) | (10,928) | 104.3391 | - | - | - |
| FXD1/2019/002 | 7,041,960 | - | - | - | - | - | - | - | - | - | - | - |
| FXD2/2016/005 | 29,994,550 | 20,000,000 | 21,337,871 | - | - | (20,000,000) | (20,000,000) | (77,845) | - | - | - | - |
| FXD1/2017/005 | 29,999,300 | 30,000,000 | 32,489,680 | - | - | (20,847,251) | (20,000,000) | 64,124 | 105.0768 | (325,633) | 10,000,000 | 10,507,685 |
| FXD2/2017/005 | 45,015,400 | 45,000,000 | 48,098,888 | - | - | (15,622,317) | (15,000,000) | (39,263) | 103.6748 | (973,792) | 30,000,000 | 31,102,449 |
| FXD1/2019/005 | 6,000,000 | 6,000,000 | 6,414,950 | - | - | - | - | - | 103.8830 | (183,835) | 6,000,000 | 6,232,977 |
| FXD2/2019/005 | 20,000,000 | - | - | - | - | - | - | - | 100.5188 | - | - | - |
| FXD2/2018/010 | 5,000,000 | 5,000,000 | 5,159,818 | - | - | - | - | - | 99.2139 | (200,839) | 5,000,000 | 4,960,697 |
| FXD1/2019/010 | 16,029,442 | 16,000,000 | 17,067,507 | - | - | (16,077,555) | (16,000,000) | (290,144) | 102.5757 | - | - | - |
| FXD1/2018/010 | 14,128,220 | 14,000,000 | 15,153,454 | - | - | - | - | - | 104.1298 | (580,166) | 14,000,000 | 14,578,168 |
| FXD1/2017/010 | 14,910,750 | 15,000,000 | 16,806,710 | - | - | (10,629,633) | (10,000,000) | (19,154) | 108.0273 | (202,652) | 5,000,000 | 5,401,366 |
| FXD1/2016/010 | 10,000,000 | 10,000,000 | 12,028,706 | - | - | (11,390,147) | (10,000,000) | (109,715) | 114.4320 | - | - | - |
| FXD2/2010/010 | 27,649,300 | - | - | - | - | - | - | - | - | - | - | - |
| FXD1/2012/010 | 23,636,208 | 15,000,000 | 15,760,367 | - | - | (15,129,139) | (15,000,000) | (547,459) | - | - | - | - |
| FXD1/2013/010 | 112,724,068 | 86,000,000 | 90,726,968 | - | - | - | - | - | 102.5196 | (2,589,372) | 86,000,000 | 88,166,825 |
| FXD1/2007/015 | 3,906,000 | 4,000,000 | 4,363,912 | - | - | (4,000,000) | (4,000,000) | (182,264) | - | - | - | - |
| FXD2/2007/015 | 5,570,107 | 400,000 | 424,607 | - | - | (400,000) | (400,000) | (21,195) | - | - | - | - |
| FXD1/2008/015 | 81,670,470 | 74,000,000 | 80,611,357 | - | - | (14,667,764) | (14,000,000) | (68,610) | 105.5333 | (2,061,157) | 60,000,000 | 63,320,007 |
| FXD1/2018/015 | 55,601,050 | 55,000,000 | 56,090,328 | 10,216,600 | 10,000,000 | - | - | - | 95.5720 | (4,336,304) | 65,000,000 | 62,121,799 |
| FXD2/2018/015 | 60,126,800 | 60,000,000 | 62,270,814 | - | - | - | - | - | 97.0793 | (3,370,189) | 50,000,000 | 48,539,670 |
| FXD2/2010/015 | 10,849,094 | 10,000,000 | 9,424,029 | - | - | (9,859,281) | (10,000,000) | (266,990) | 92.0850 | (218,005) | 10,000,000 | 9,208,496 |
| FXD1/2012/015 | 87,556,313 | 96,500,000 | 97,539,989 | 20,866,600 | 20,000,000 | (79,685,022) | (83,000,000) | (1,525,658) | 98.0497 | (2,322,264) | 33,500,000 | 32,846,653 |
| FXD1/2013/015 | 72,580,817 | 80,000,000 | 82,419,592 | - | - | (37,870,684) | (39,000,000) | (681,635) | 98.8439 | (1,726,696) | 41,000,000 | 40,526,017 |
| FXD2/2019/015 | 42,127,100 | 40,000,000 | 40,832,741 | - | - | - | - | - | 95.9148 | (2,480,812) | 40,000,000 | 38,365,922 |
| FXD3/2019/015 | 62,064,400 | 62,000,000 | 63,868,766 | - | - | - | - | - | 97.0277 | (3,732,589) | 62,000,000 | 60,157,196 |
| FXD1/2008/020 | 56,930,248 | 55,700,000 | 61,005,266 | - | - | (7,269,952) | (7,000,000) | (354,471) | 104.8923 | (2,274,400) | 48,700,000 | 51,082,533 |
| FXD1/2012/020 | 96,689,337 | 103,500,000 | 101,747,685 | - | - | - | - | - | 92.4812 | (6,063,731) | 103,500,000 | 95,718,074 |
| FXD1/2016/020 | 49,965,700 | 52,000,000 | 57,802,681 | - | - | - | - | - | 104.7298 | (3,363,207) | 52,000,000 | 54,459,473 |
| Sub-total c/d | 1,360,555,138 | 1,256,100,000 | 1,309,205,124 | 145,798,860 | 140,000,000 | (274,029,688) | (273,400,000) | (4,131,206) | | (59,805,416) | 1,122,700,000 | 1,111,481,444 |

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Appendix II - Treasury bonds (Continued)

| | Historical cost 30-Jun-2020 Kshs | Nominal value 30-Jun-2020 Kshs | Dirty / full mkt value 30-Jun-2020 Kshs | Purchases cost Kshs | Purchases nominal Kshs | Disposal proceeds Kshs | Disposal nominal Kshs | Realised gain / (loss) on disposal Kshs | Dirty / full price per 100 30-Jun-2021 Kshs | Unrealised mkt gain / (loss) 30-Jun-2021 Kshs | Nominal value 30-Jun-2021 Kshs | Dirty / full mkt value 30-Jun-2021 Kshs |
|--------------------------|---|---|--|---------------------------|------------------------------|------------------------------|-----------------------------|--|---|---|---|--|
| Sub-total b/d | 1,360,555,138 | 1,256,100,000 | 1,309,205,124 | 145,798,860 | 140,000,000 | (274,029,688) | (273,400,000) | (4,131,206) | - | (59,805,416) | 1,122,700,000 | 1,111,481,444 |
| FXD2/2018/020 | 75,273,770 | 69,000,000 | 73,308,821 | - | - | - | - | - | 101.2333 | (3,482,864) | 69,000,000 | 69,850,979 |
| FXD1/2019/020 | 50,145,084 | 44,000,000 | 44,082,959 | 3,008,760 | 3,000,000 | - | - | - | 96.1490 | (2,002,147) | 47,000,000 | 45,190,010 |
| SDB1/2011/030 | 44,134,000 | 49,000,000 | 46,865,334 | - | - | - | - | - | 91.8069 | (1,896,101) | 49,000,000 | 44,985,386 |
| IFB1/2009/012 | 12,487 | - | - | - | - | - | - | - | - | - | - | - |
| IFB1/2016/015 | 5,576,580 | 6,000,000 | 6,422,388 | - | - | (6,237,700) | (6,000,000) | (42,272) | 98.6886 | - | - | - |
| IFB1/2011/012 | 1,476,199 | 1,750,000 | 1,895,327 | - | - | - | - | - | 105.0613 | (57,332) | 1,750,000 | 1,838,573 |
| IFB1/2013/012 | 10,820,949 | - | - | - | - | - | - | - | 101.6695 | - | - | - |
| IFB1/2014/012 | 37,477,943 | 38,050,000 | 40,178,517 | - | - | (39,226,855) | (38,050,000) | (123,770) | 100.7622 | - | - | - |
| IFB1/2017/007 | 25,055,450 | 20,000,000 | 21,383,300 | - | - | - | - | - | 102.8467 | (820,820) | 20,000,000 | 20,569,340 |
| FXD2/2015/005 | 35,046,550 | - | - | - | - | - | - | - | - | - | - | - |
| FXD1/2016/005 | 34,914,050 | - | - | - | - | - | - | - | - | - | - | - |
| FXD1/2014/010 | 49,805,886 | 50,000,000 | 55,195,459 | - | - | (50,676,362) | (50,000,000) | (1,791,982) | 106.6923 | - | - | - |
| FXD3/2007/015 | 67,080,342 | 64,800,000 | 68,889,120 | - | - | - | - | - | 103.0666 | (2,124,246) | 64,800,000 | 66,787,127 |
| IFB1/2016/009 | 14,416,801 | 11,650,000 | 12,681,910 | - | - | - | - | - | 103.5623 | (621,714) | 11,650,000 | 12,085,008 |
| IFB1/2015/012 | 19,402,600 | 12,000,000 | 12,792,732 | - | - | - | - | - | 101.4293 | (624,840) | 12,000,000 | 12,171,516 |
| IFB1/2019/016 | 19,175,000 | 20,000,000 | 20,410,340 | - | - | - | - | - | 94.5478 | (1,507,240) | 20,000,000 | 18,909,560 |
| FXD3/2019/005 | 20,000,000 | - | - | - | - | - | - | - | 100.0550 | - | - | - |
| IFB1/2021/018 | 7,000,000 | - | - | - | - | - | - | - | - | - | - | - |
| IFB1/2021/016 | 4,500,000 | 2,500,000 | 2,692,503 | - | - | (2,538,885) | (2,500,000) | (22,292) | 100.2317 | - | - | - |
| FXD1/2010/025 | - | - | - | - | - | - | - | - | 85.2523 | - | - | - |
| FXD1/2021/025 | - | - | - | 131,191,503 | 124,000,000 | (99,324,209) | (100,000,000) | (7,259,351) | 101.8300 | (646,145) | 24,000,000 | 24,439,192 |
| FXD1/2021/005 | - | - | - | 5,000,000 | 5,000,000 | (4,886,532) | (5,000,000) | (113,468) | 98.2919 | - | - | - |
| FXD1/2021/020 | - | - | - | 50,130,200 | 50,000,000 | - | - | - | 101.8347 | (1,724,366) | 50,000,000 | 50,917,351 |
| IFB1/2022/019 | - | - | - | 29,883,300 | 30,000,000 | (30,117,054) | (30,000,000) | 233,754 | 103.5688 | - | - | - |
| FXD1/2022/015 | - | - | - | 35,593,750 | 35,000,000 | - | - | - | 102.9212 | (456,098) | 35,000,000 | 36,022,433 |
| FXD3/2019/010 | - | - | - | 14,506,500 | 15,000,000 | - | - | - | 97.3365 | (551,490) | 15,000,000 | 14,480,234 |
| IFB1/2021/002 | - | - | - | 24,933,350 | 25,000,000 | (25,366,933) | (25,000,000) | 313,367 | - | - | - | - |
| Pre-acquisition interest | - | - | 1,128,947 | - | - | - | - | - | - | - | - | (2,183,082) |
| Provision for ECL | - | - | (54,225,721) | - | - | - | - | - | - | - | - | (21,721,856) |
| | 1,881,868,826 | 1,644,850,000 | 1,662,907,061 | 440,046,223 | 427,000,000 | (532,404,218) | (529,950,000) | (12,937,220) | | (76,320,819) | 1,541,900,000 | 1,505,803,214 |

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Appendix III - Treasury bills

| Reference | Nominal value | | Cost | | Accrued interest | | Market value | | Purchases nominal value | | Purchases cost | | Disposal cost | | Disposal proceeds | | Nominal value | | Cost | | Accrued interest | | Market value | |
|------------------------------------|-------------------|------|-------------------|------|------------------|------|-------------------|------|-------------------------|------|--------------------|------|---------------------|------|---------------------|------|--------------------|------|--------------------|------|------------------|------|--------------------|------|
| | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs | 30-Jun-2021 | Kshs |
| T Bill 2245 - 364 Days | 16,000,000 | | 13,241,280 | | 1,625,674 | | 14,866,954 | | - | | - | | (13,241,280) | | (16,000,000) | | - | | - | | - | | - | |
| T Bill 2263 - 364 Days | 15,000,000 | | 12,554,400 | | 1,652,796 | | 14,207,196 | | 15,000,000 | | 14,415,480 | | (26,969,880) | | (30,000,000) | | - | | - | | - | | - | |
| T Bill 2266 - 364 Days | 10,000,000 | | 8,305,200 | | 933,537 | | 9,238,737 | | - | | - | | (8,305,200) | | (10,000,000) | | - | | - | | - | | - | |
| T Bill 2272 - 364 Days | 5,000,000 | | 4,158,500 | | 536,341 | | 4,694,841 | | - | | - | | (4,158,500) | | (5,000,000) | | - | | - | | - | | - | |
| T Bill 2389 - 364 Days | - | | - | | - | | - | | 10,000,000 | | 9,112,100 | | - | | - | | 10,000,000 | | 9,112,100 | | 263,443 | | 9,375,543 | |
| T Bill 2391 - 364 Days | - | | - | | - | | - | | 16,500,000 | | 15,381,482 | | - | | - | | 16,500,000 | | 15,381,482 | | 32,188 | | 15,413,669 | |
| T Bill 2394 - 364 Days | - | | - | | - | | - | | 10,000,000 | | 9,114,200 | | - | | - | | 10,000,000 | | 9,114,200 | | 177,647 | | 9,291,847 | |
| T Bill 2396 - 364 Days | - | | - | | - | | - | | 5,000,000 | | 4,555,850 | | - | | - | | 5,000,000 | | 4,555,850 | | 71,991 | | 4,627,841 | |
| T Bill 2401 - 364 Days | - | | - | | - | | - | | 30,000,000 | | 27,297,600 | | - | | - | | 30,000,000 | | 27,297,600 | | 178,180 | | 27,475,780 | |
| T Bill 2402 - 364 Days | - | | - | | - | | - | | 20,000,000 | | 18,194,200 | | - | | - | | 20,000,000 | | 18,194,200 | | 84,337 | | 18,278,537 | |
| T Bill 2404 - 364 Days | - | | - | | - | | - | | 10,000,000 | | 9,095,300 | | - | | - | | 10,000,000 | | 9,095,300 | | 7,456 | | 9,102,756 | |
| T Bill 2391 - 364 Days | - | | - | | - | | - | | 20,000,000 | | 18,224,800 | | - | | - | | 20,000,000 | | 18,224,800 | | 458,431 | | 18,683,231 | |
| T Bill 2342 - 364 Days | - | | - | | - | | - | | 4,000,000 | | 3,854,868 | | (3,854,868) | | (4,000,000) | | - | | - | | - | | (1,593,939) | |
| Provision for expected credit loss | - | | - | | - | | (1,359,044) | | - | | - | | - | | - | | - | | - | | - | | - | |
| | 46,000,000 | | 38,259,380 | | 4,748,347 | | 41,648,683 | | 140,500,000 | | 129,245,880 | | (56,529,728) | | (65,000,000) | | 121,500,000 | | 110,975,532 | | 1,273,673 | | 110,655,265 | |

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Appendix IV - Corporate bonds

| | Nominal value 30-Jun-2021 Kshs | Cost 30-Jun-2021 Kshs | Accrued interest 30-Jun-2021 Kshs | Dirty / mkt value 30-Jun-2021 Kshs | Purchases nominal Kshs | Purchases Cost Kshs | Nominal value 30-Jun-2022 Kshs | Cost 30-Jun-2022 Kshs | Accrued interest 30-Jun-2022 Kshs | Dirty / mkt value 30-Jun-2022 Kshs |
|---|---|-----------------------------|--|---|------------------------------|---------------------------|---|-----------------------------|--|---|
| EABL - Fixed medium term note (12.25%) | - | - | - | - | 7,570,000 | 7,570,000 | 7,570,000 | 7,570,000 | 166,691 | 7,736,691 |
| Chase Bank - In receivership | 7,000,000 | 7,000,000 | - | 7,000,000 | - | - | 7,000,000 | 7,000,000 | - | 7,000,000 |
| Imperial Bank - In receivership | 3,000,000 | 3,000,000 | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 | - | 3,000,000 |
| Impairment - Chase Bank & Imperial Bank | - | - | - | (10,000,000) | - | - | - | - | - | (10,000,000) |
| Provision for expected credit loss | - | - | - | - | - | - | - | - | - | (109,861) |
| | 10,000,000 | 10,000,000 | - | - | 7,570,000 | 7,570,000 | 17,570,000 | 17,570,000 | 166,691 | 7,626,830 |

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Appendix V - Offshore investments

| | Number of shares of shares | | Number of shares of shares | | Mkt value 30-Jun-2021 Kshs | Purchases at cost Kshs | Unrealised market gain / (loss) | | Market price | | Market Value at 30-Jun-2022 Kshs |
|---|----------------------------|----------------------|----------------------------|----------------------|----------------------------------|------------------------------|---------------------------------|---------------------|---------------------|--|--|
| | 30-Jun-2021 units | 30-Jun-2021 units | 30-Jun-2021 units | 30-Jun-2022 units | | | 30-Jun-2022 Kshs | 30-Jun-2022 Kshs | 30-Jun-2022 Kshs | | |
| Franklin U.S Opportunities Fund Class 1 (Acc) | 2,466 | - | - | 2,466 | 21,991,282 | - | (5,463,996) | 6,702 | 16,527,286 | | |
| Satrix World Equity Tracker Fund | - | 45,530 | 45,530 | 45,530 | - | 7,000,000 | (1,135,672) | 129 | 5,864,328 | | |
| | | | | | 21,991,282 | 7,000,000 | (6,599,667) | 6,831 | 22,391,614 | | |