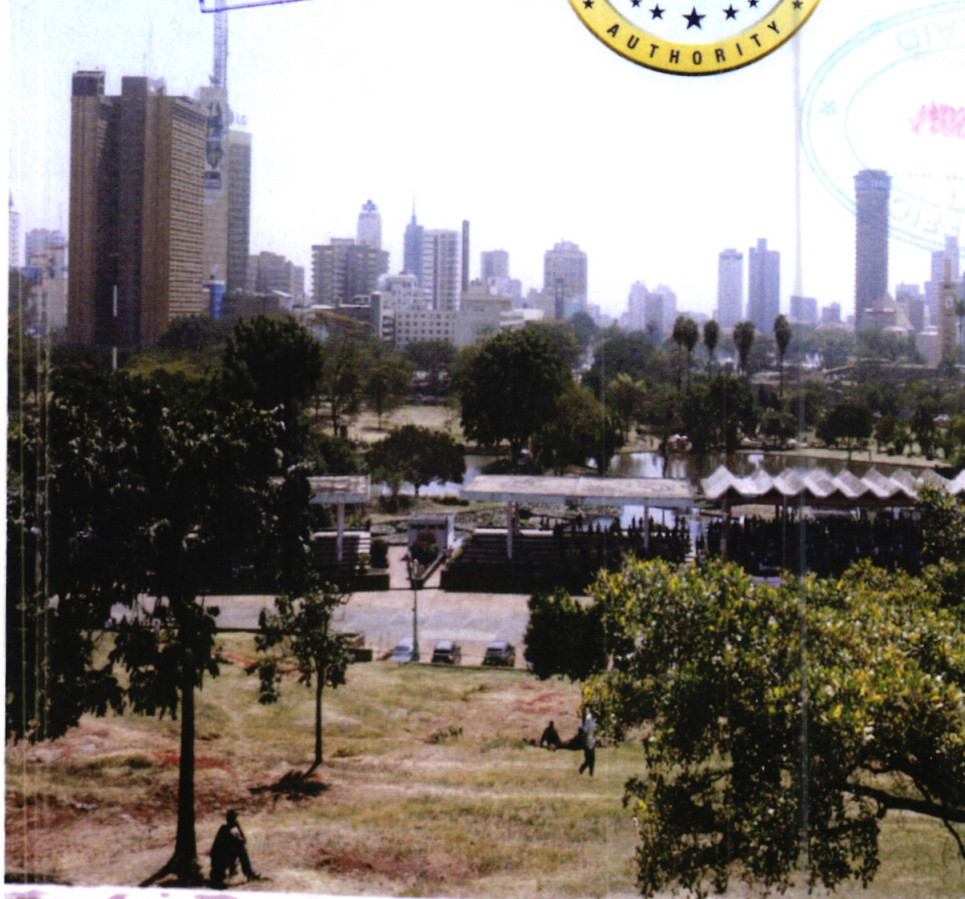


PARLIAMENT
OF KENYA
LIBRARY



Paper 1
By Hon. A. N. Njiru
on 11/11/2014



Annual Report and Financial Statements

UNCLAIMED FINANCIAL ASSETS AUTHORITY
(UFAA)

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Key Corporate information

a Background Information

The Unclaimed Financial Assets Authority (UFAA/ the "Authority") was created under the Unclaimed Financial Assets Act, No. 40 of 2011 (the "Act") to administer unclaimed financial assets.

The Board of Directors was gazetted under Legal Notice No.16272 of 9th November 2012.

b Principal Activities

The objects and functions of the Authority as defined by the Act include:

- i. Enforce and generally administer the provisions of the act.
- ii. Receive all payments required by the act to be made to the unclaimed assets trust fund (the "fund").
- iii. Make payments out of the fund to the rightful owners in accordance with the provision of the act.
- iv. Manage and invest the funds of the authority.
- v. Advise the cabinet secretary on national policy to be followed with regard to unclaimed assets and implement all government policies related to it.
- vi. Perform such other functions as are conferred on it by the act or other written law.

c Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2016 and who had direct fiduciary responsibility were:

NO	Designation	Name
1.	Chief Executive Officer	Kellen Eileen Kariuki, MBS
2.	Corporation secretary	Nelly A. Matheka
3.	Manager, Finance & Accounting	Henry Taabu N. Nang'ayo



d Fiduciary Oversight Arrangements

Board Oversight

The Finance and Human Resource Committee of the Board oversees financial policies, decisions, financial operations and results of the Authority's financial operations.

The Audit, Risk and Governance Committee has the responsibility to review the external and internal audit arrangements, internal controls, risk and risk management, transparency and sustainability initiatives and review financial statements of the Authority for conformity with best practice and acceptable professional requirements.

e Parliamentary Committees

The following Parliamentary Committees also have fiduciary oversight responsibilities over the Authority's operations; the Parliamentary Budget Committee oversees budgeting; the Parliamentary Investment Committee oversees investment decisions and the Parliamentary Accounts Committee oversees financial accountability.

Principal place of business

2nd Floor, Pacis Centre
Slip Road, off Waiyaki Way, Westlands
P O Box 28235 - 00200 Nairobi, Kenya

f Authority's contacts

+254 020 4343440

+254 706 866 984

+254 736 559 152

info@ufaa.go.ke

g Bankers

Kenya Commercial Bank - KICC Branch

KICC Building, Harambee Avenue

PO Box 46950 - 00100

Nairobi, Kenya

h Corporation Secretary

Mrs Nelly A. Matheka

Unclaimed Financial Assets Authority

i Auditor

The Auditor General

Kenya National Audit Office

Anniversary Towers, Loita Street

PO Box 30084 - 00100

Nairobi, Kenya

Delegated/Authorised Auditor:

Pricewater house Coopers

Certified Public Accountants

PwC Tower, Waiyaki Way / Chiromo Road, Westlands

PO Box 43963 – 00100

Nairobi, Kenya

Board of Directors

Mr Joseph Katwa Kigen Chairman, on-Executive Director – Appointed 2nd October 2015

Mr. Henry K. Rotich, EGH CS, National Treasury

Mr. Daniel Mutua Alt. Non-Executive Director

Mrs. Kellen Eileen Kariuki, MBS Chief Executive Officer - Appointed 2nd February 2015

Mr. Parmain Ole Narikae Non-Executive Director – Appointed 2nd October 2015

Mr. Gabriel K. Njenga Non-Executive Director – Appointed 2nd October 2015

Mr. Vincent Kimosop Chairman, Non-Executive Director – Retired 24th October 2015

Mr. Abdikhani Abass Non-Executive Director – Retired 24th October 2015

Ms. Asha Ndisiyon Ngoley Non-Executive Director – Retired 24th October 2015

Mr. Charles M. Nduati Non-Executive Director – Retired 24th October 2015



Mr. Joseph Kipchumba Kigen Katwa

Non-Executive Director

Mr Kigen is a graduate of the University of Nairobi with a Bachelor of Laws LL.B(Hons.) degree and was admitted to the Bar as an Advocate of the High Court of Kenya in 1996. He has been in continuous practice since then. Katwa commenced his legal practice with the firm of Nyairo & Company Advocates before moving on to the firm of Kibet & Company Advocates and later Ochieng, Onyango, Kibet & Ohaga Advocates. He has over the years handled various commercial transactions for leading commercial banks, manufacturing and general business companies & Co-operative Societies. He has handled Conveyancing, Commercial Work, Bank Security Documentation, Debt Recovery, Civil Litigation & Appeals, Arbitration, Corporate governance law issues, Succession, Divorce, Land Law and Criminal Defense.

He is a founding Partner at Kigen & Kemboi Advocates. He is also a Certified Public Secretary and Commissioner for Oaths.

Mr. Henry K. Rotich, EGH - Cabinet Secretary, The National Treasury, Non-Executive Director



Mr. Henry Rotich is the Cabinet Secretary, The National Treasury. He holds a Masters' degree in Economics and Bachelors' degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters' degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University. Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities. In addition, he was involved in the preparation of key budget documents including the Budget statements, as well as providing strategic coordination of structural reforms in the fiscal and financial sector. Prior to joining the Ministry of Finance, Mr. Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office to work as an economist.

Mr. Rotich has also been a Director on several boards of state corporations, including the Insurance Regulatory Authority, Industrial Development Bank, the Communication Commission of Kenya and Kenya National Bureau of Statistics.

Mr. Daniel M. Mutua - Alternate to CS /National Treasury



Mr. Mutua is a Deputy Director, Investment in the National Treasury. He has over 25 yrs Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and Currently in the National Treasury-Directorate of Public Investments and Portfolio management .He has undergone Intensive training in area such as Investment appraisal, Enterprise Risk analysis, corporate Governance, Performance management, Project management, Procurement, Public Finance and Public-Private Partnerships among others.

Mr. Mutua holds a B.Ed. (Eco/Buss)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and several certificates on PPP from IP3 Institute-Washington DC-USA. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.

FCPA(K) Mrs. Kellen Eileen Kariuki, MBS



Kellen served the Citibank N.A for 23 years, where she held several positions of senior leadership in the Bank.

Kellen has held numerous Board positions such as the Chairperson of Citibank Tanzania Limited, Director AMREF International, Director Resolution Insurance Limited, Director in Citibank Uganda Limited, Chair of the Citibank Kenya Provident Fund, Director of Cititrust (Kenya) Limited, and Director Kenya Roads Board (KRB). She is a founding member of the Board of Advisors of the Strathmore Business School; and has served as an elected council member of ICPAK.

Kellen was awarded "The Moran of the Order of the Burning Spear" (MBS) by the President of Kenya in December 2003.

She was recognized by the Kenya Institute of Management as the "Professional Manager of the Year" during the Company of the Year Awards in 2003.

Kellen has a degree in Accounting and MBA in Strategic Management from United States International University and an MSc in International Human Resource Management from Cranfield University in the UK. She is a Fellow of the Institute of Certified Public Accountants of Kenya.

Mr Parmain Ole Narikae – Non- Executive Director



Mr Parmain ole Narikae holds a Masters in Business Administration and is a graduate of the European Institute of Business Administration (IN-SEAD). He has over 24 years of banking experience having previously served in various capacities in the Co-op Bank Group of Companies.

He is currently the Director External and Regulatory Affairs at Chase Bank, with roles that include administrative co-ordination of the various functions towards the realization of Bank's objectives as well as the development of capabilities of personnel in the Bank. In addition, he is the Chairman of the Chase Group Foundation whose aim is to facilitate giving back to the nation by initiating various initiatives to develop various sectors of the Kenyan Society.

Mr Gabriel K. Njenga – Non-Executive Director



Mr. Karanja Njenga holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in law from the Kenya School of Law in 1991 and has been an Advocate of the High Court of Kenya since 1993. He also holds a Specialized Honours Degree Bachelor of Arts (BA) in Political Science from York University, Toronto Canada. He is also a Certified Public Secretary.

He is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993.

Mr Vincent Kimutai Kimosop - Chairman, Non-Executive Director



Mr Vincent Kimosop was the Chairman of the Unclaimed Financial Assets Authority until 24th October 2016. He currently serves as the Chief Executive Officer of the International Institute for Legislative Affairs (ILA). He holds a BA degree in Economics (Moi University) 2005 and MA International Studies (University of Nairobi) 2010. He also serves in boards of different institutions, among them the Governing Council of FOCUS Kenya; the East African Centre of Human Rights and the Kenya Christian Professionals Forum. He previously worked with Transparency International (Kenyan Chapter) and the Institute of Economic Affairs (IEA).



Mr Abdikhani Abass - Non-Executive Director

Mr Abass is currently the Managing Director of Interpel Investments Limited.

He holds a Bachelor of Arts In Economics (Minor in Political Science). Mr. Abass has also served as Managing Director of various companies including Tecaflex Limited–Mombasa and Kifaru Commodities Limited - Nairobi.



Ms. Asha Ndisiyon Ngoley - Non-Executive Director

Ms. Asha Ngoley is currently serving as Senior Finance Operations Manager at Kenya Red Cross Society since April 2006. She holds a Master of Science degree in Finance and a Bachelor of Commerce degree in Finance both from the University of Nairobi. She is a Certified Public Accountant (CPA-K).



Mr Charles M. Nduati - Non-Executive Director

Mr Charles Nduati is an Insurance Professional who holds a Bachelor of Arts Degree in Financial Services and is an Associate of the Chartered Insurance Institute (ACII), London. He has extensive experience in the insurance industry spanning over 25 years. He is currently a General Manager at AON Kenya Insurance Brokers Limited.

Key Management

Name	Designation
Mrs. Kellen Eileen Kariuki, MBS	Chief Executive Officer
Mrs. Nelly Awori Matheka	Corporation Secretary& Head of Legal Affairs
Mr. Pius K Kimutai	Manager Internal Audit, Risk& Assurance
Mr Godfrey A Busolo	Manager, HR& Administration till 31.12.2015
Mr. John Kihara Mwangi	Manager, Unclaimed Assets
Mr. Francis Muchina	Manager, ICT
Mr. Alex Musungu	Manager, Procurement
Mr. Henry Taabu	Manager, Finance& Accounting
Mr. Paul Muya	Senior Communications/PR Officer
Mr. Abdulaziz Omar	Senior Strategy/Planning Officer

Report of the Chairman of the Board of Directors

The year under review was an important period for the Unclaimed Financial Assets Authority (the "Authority") being its second budget year and considering the various structures that needed to have been in place for its operations. It was a good learning experience for all of us.

The Authority was set up to enforce and generally administer the provisions of the Unclaimed Financial Assets Act, 2011 (the "Act"). In particular, to receive all payments required by the Act to be made to the Unclaimed Assets Trust Fund (the "Fund"); make payments out of the Fund to the rightful owners in accordance with the provisions of the Act; manage and invest the funds of the Authority; advise the Cabinet Secretary on national policy to be followed with regard to unclaimed assets; implement all Government policies related to it and perform such other functions as are conferred on it by the Act or other written law. Since the deployment of management staff from the National Treasury, the Authority has made some considerable progress in becoming fully operational. We facilitated development and eventually the gazette-ment of Unclaimed Financial Assets Regulations in February 2016; developed policies and operational guidelines and filled some senior positions in the Authority, among other activities.

The Authority launched its strategic plan for the period 2015 - 2017 to guide its operations, including financial stewardship, service delivery for customer satisfaction, automation of operations, meeting statutory obligations, and ensuring that unclaimed financial assets are reunited with their rightful owners. Going forward, the Authority will undertake a legal audit of the UFAA Act and facilitate the development of an Unclaimed Assets policy.

It should also be pointed out that this Financial Year marked the appointment of the second Board of Directors for the Authority, including myself, and subsequent election, by my fellow Board members, as the Chairman of the Board. On behalf of my fellow Board members, we wish to thank the Cabinet Secretary, National Treasury and the President of the Republic, His Excellency Uhuru Kenyatta, for this honour. This is a great honour to serve the nation and an enormous responsibility that has bestowed on us. We shall discharge our duties in line with the requirements of the Law, to the best of our ability and in the best interests of the nation.

I wish to thank my fellow directors and the management team for their commitment and effort to make the Authority fully operational. I am sure that we will be able to meet public expectations of prompt service delivery, effective enforcement of the Act and regular consultation due to the rising standards of performance expected of us as a public institution.



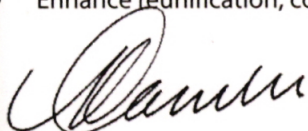
Joseph K. Kigen
Chairman, Unclaimed Financial
Assets Authority

Date.....29/11/2016.....

Report of the Chief Executive Officer

The financial year 2015/16 was critical in setting up the Authority. During this year, the Authority undertook the following activities:

- Facilitated the gazettelement of Unclaimed Financial Assets Regulations
- Held a Public launch of the Authority's Strategic Plan 2015-2018
- Enhanced awareness on the unclaimed financial assets regime for purposes of implementation of the Unclaimed Financial Assets Act
- Undertook business process mapping of the Authority's operations
- Develop and continuously monitor implementation of an Investment Policy Statement
- Signed Memorandum of Understanding (MoUs) with strategic partner institutions
- Started processing of claims in respect of unclaimed financial assets
- Review the organizational structure approved by the Board and the current roles, and propose for amendments, where necessary, including recruiting additional staff based on need
- Install an access control and biometric system at PACIS Centre premises in order to enhance security and safety standards at the premises.
- Issuance of 2 public notices to holders for surrender of unclaimed financial assets and subsequent receipt of these assets from the holders
- Procurement of medical cover for Board members
- Procurement of medical, group life and personal accident cover for management staff
- Development of various policy documents including the Board Charter, the Human Resource Manual, training policy, budget policy, corruption prevention policy, transport policy, asset disposal policy and HIV and AIDS policy.
- Induction of new Board members.
- The Authority intends to, among others, undertake the following activities during the year 2016/2017
- Procure and implement an ERP and collaboration system as a priority in 2016/2017.
- Conduct legal audit of other legislations that impact on the Unclaimed Financial Assets Act.
- Develop a National Policy on Unclaimed Assets;
- Develop a resource mobilization strategy with a view to obtaining additional sources of revenue.
- Holding of consultative meetings with strategic regulatory institutions with a view to ensuring compliance with the provisions of the Unclaimed Financial Assets Act;
- Enhance reunification, compliance and public awareness initiatives



Kellen eileen Kariuki, MBS
Chief Executive Officer

Date.....29/11/2016.....

Statement of Corporate Governance

The Authority recognizes that high standards of Corporate Governance throughout the Authority are essential for the delivery of the Authority's strategic objectives. To this end, the Board is committed to conducting the Authority's business in accordance with high standards of corporate governance with a view to creating and delivering value to its stakeholders. The Authority has adopted a system of internal controls, a risk management framework and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of the Authority. As a public sector organization dedicated to promoting good governance, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, Internal Codes of Conduct and Corporate Governance guidelines, as well as the Board Charter and its committees.

One of the Authority's core values is "Integrity – We will safeguard all unclaimed financial assets entrusted to us with honesty and transparency". Consistent with this, the Authority reiterates its' commitment to good corporate governance as an essential foundation of the Authority's performance and sustainability.

The Board Charter

The Board Charter is a commitment by the members of the Board to discharge the mandate of the Authority. It seeks to ensure the effectiveness of each Director's contribution in the governance of the Authority by facilitating full and free exercise of independent judgment and professional competencies. It outlines the rules that guide the Board and does not in any way replace or supersede any laws and regulations that govern the Authority.

The Board of Directors

The Board consists of six (6) non-executive members and the Chief Executive Officer. The term of the first Board of Directors, including the Chairman ended on 24th October 2015.

Board Responsibilities

The independence of the Board of Directors from the Authority's Management is ensured by the separation of functions of the Chairman and Chief Executive Officer and a clear definition of their responsibilities. This helps in achieving an appropriate balance of power, increased accountability, improved capacity for decision-making and independence of management. The Board has been assigned a clear mandate and retains ultimate responsibility for the Authority's performance.

The Board takes the primary responsibility of determining the Authority's vision, mission and values; deciding the Authority's strategic objectives and key elements of governance processes underpinning operations of the Authority. It retains full and effective control over the Authority by monitoring Management in its implementation of plans and strategies, review of management accounts, and major capital investments and expenditure. The Board strives to act beyond the minimum requirements and benchmarks the Authority's performance against international best practice.

UFAA Board meetings attendance from 1st July 2015 to 30th June 2016

Six (6) meetings held from October 2015

No.	Name	Meetings attended	Meetings absent
1.	Mr.Katwa Kigen -Chairman	6	0
2.	Mr. Daniel Mutua-Alt.CS /NT	6	0
3.	Mr. Permain Ole Narikae-Member	6	0
4.	Mr. Gabriel Njenga -Member	6	0
5.	Mrs. Kellen E. Kariuki -CEO	6	0

Two (2) meetings held before October 2015

No.	Name	Meetings attended	Meetings absent
1.	Mr Vincent Kimosop -Chairman	2	0
2.	Mr. Daniel Mutua - Alt.CS /NT	2	0
3.	Mr. Charles Nduati-Member	2	0
4.	Ms. Asha Ngoley -Member	2	0
5.	Mr. Abdikhani A. Abbas -Member	1	1
6.	Mrs. Kellen E. Kariuki -CEO	2	0

Board Committees

The Board Committees facilitate decision-making to assist the Board in execution of its duties, powers and authority. However, delegation of authority to the committees does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities. Board committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Board. The following three (3) committees have been set up:

Finance and Human Resource Committee

This committee assesses and advises on the integrity of the Authority's financial statements, financial plans and budgets. It reviews periodic financial performance, management accounts and the Authority's general financial health. It also advises the Board on the organizational structure, core functions and staff establishment. It provides guidance on Human Resource policies and makes recommendations that promote operational efficiency and capacity enhancement.

Until 24th October 2015, the Finance and Human Resource Committee members were:

Ms Asha Ndisiyon Ngoley	Chairperson
Mr. Charles M. Nduati	Member
Mr. Daniel Mutua	Member
Mrs Kellen E. Kariuki, MBS	Member

The current members are:

Mr. Parmain Ole Narikae	Chairman
Mr. Gabriel K. Njenga	Member
Mr. Daniel Mutua	Member
Mrs Kellen E. Kariuki, MBS	Member

Finance and Human Resource Committee meeting attendance from 1st July 2015 to June 30th 2016

Four (4) meetings held from October 2015

No.	Name	Meeting attended	Meetings absent
1.	Mr. Permain Ole Narikae -Chairman	4	0
2.	Mr. Gabriel K. Njenga-Member	4	0
3.	Mr. Daniel Mutua -Member	4	0
4.	Mrs. Kellen E. Kariuki -CEO	4	0
5.	Mr. Joseph Katwa Kigen.-By invitation	2	0

One (1) meeting held before October 2015

No.	Name	Meeting attended	Meetings absent
1.	Ms. Asha Ngoley -Chairperson	1	0
2.	Mr. Daniel Mutua-Member	1	0
3.	Mr. Charles Nduati-Member	1	0
4.	Mrs. Kellen E. Kariuki - CEO	1	0

Risk and Audit Committee

This committee reviews the scope and effectiveness of internal controls and management systems which guide and monitor financial and non-financial risks. It monitors the Authority's compliance with the code of conduct and ethics. It was responsible for setting up of the Internal Audit function, and will going forward receive internal audit reports, review independence, objectivity and effectiveness of external auditors.

Until 24th October 2015, the Risk and Audit Committee members were:

Mr. Charles M. Nduati	Chairperson
Mr. Abdikhani A. Abbas	Member
Mr. Daniel Mutua	Member

The current members are:

Mr Gabriel K. Njenga	Chairman
Mr. Parmain Ole Narikae	Member
Mr. Daniel Mutua	Member

Audit & risk committee meeting attendance from 1st july 2015 to june 30th 2016

Two (2) meetings held from October 2015

No.	Name	Meeting attended	Meetings absent
1.	Mr. Gabriel Njenga –Chairman	2	0
2.	Mr. Permain Ole Narikae-Member	2	0
3.	Mr. Daniel Mutua-Alt.CS /NT	2	0
4.	Mrs. Kellen E. Kariuki – By invitation	2	0
5.	Mr. Joseph Katwa Kigen- By invitation	1	0

One (1) meeting held before October 2015

No.	Name	Meeting attended	Meetings absent
1.	Mr. Charles Nduati -Chairman	1	0
2.	Mr. Abdikhani A. Abbas –Member	0	1
3.	Mr. Daniel Mutua-Member	1	0
4.	Mrs. Kellen E. Kariuki –By invitation	1	0

Technical and Investment Committee

The primary responsibility of the Technical and Investment Committee is to advise the Board on pertinent issues regarding the realization of the Authority's core mandate. The Committee advises the Board on the level of compliance with the provisions of the Unclaimed Financial Assets Act, 2011 and also advise the Board on proper management of records relating to unclaimed financial assets, including the establishment and maintenance of a reliable unclaimed financial assets database.

Until 24th October 2015, the Technical and Investment Committee members were:

Mr. Abdikhani A. Abbas	Chairperson
Ms. Asha N. Ngoley	Member
Mr. Daniel Mutua	Member
Mrs Kellen E. Kariuki, MBS	Member

The current members are:

Mr. Parmain Ole Narikae	Member
Mr. Gabriel K. Njenga	Member
Mr. Daniel Mutua	Member
Mrs Kellen E. Kariuki, MBS	Member

Technical and Investment Committee meeting attendance from 1st July 2015 to June 30th 2016

Three (3) meetings from October 2015

No.	Name	Meeting attended	Meetings absent
1.	Mr. Gabriel Njenga -Chairman	3	0
2.	Mr. Daniel Mutua-Member	3	0
3.	Mr. Permain Ole Narikae-Member	3	0
4.	Mrs. Kellen E. Kariuki -CEO	3	0
5.	Mr. Joseph Katwa Kigen-By invitation	2	0

One (1) meeting held before October 2015

No.	Name	Meeting attended	Meetings absent
1.	Mr. Abdikhani A. Abbas -Chairman	0	1
2.	Ms. Asha Ngoley -Member	1	0
3.	Mr. Daniel Mutua-Alt.CS /NT	1	0
4.	Mrs. Kellen E. Kariuki -CEO	1	0

The Authority's mission entails reuniting financial assets with rightful owners to ensure social prosperity and economic development. This is a vital social role that will be enhanced not only through re-uniting financial assets with rightful owners, but also putting in place social responsibility initiatives within the available resource constraints.

To date, the following initiatives have been put in place:

a. Job internship/attachment for fresh University graduates

The Board of Directors in recognizing the vital role that job placement plays in our society approved the provision of an allowance to staff engaged on industrial attachment. This not only enables the students who are engaged cater for their transport but also other basic needs.

During financial year 2015/16, the Authority provided internship opportunities to ten (10) fresh graduates from local universities so as to enable them gain work place environment exposure.

b. Affirmative action for persons with disabilities

The Authority recognizes the need for inclusivity and fair treatment of persons with disabilities. Towards this end, the Authority has continued to encourage maintenance of physical facilities that take care of the special needs of the physically challenged. The Authority also exceeded procurement ratio recommended for special interest groups.

Directors Report

The Directors submit their report together with the audited financial statements for the year ended 30 June 2016 which show the state of affairs of the Unclaimed Financial Assets Authority (UFAA / the "Authority").

Principal activities

The principal activities of the Authority are to receive, safeguard and reunite unclaimed financial assets with rightful owners/beneficiaries.

Results

The surplus for the year of Shs 12.6 Million (2015: Surplus of Shs 29 Million) has been added to net reserves.

Board of Directors

The Directors who served during the year and up to the date of this report are listed on page 3.

Auditor

The Authority is audited by the Auditor General in accordance with the Section 81(4) of the Public Finance Management (PFM) Act, Revised 2015, delegated to PwC.

By order of the board

.....

Corporation Secretary

Date.. 29/11/2016.....

Statement of Directors

Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Unclaimed Financial Assets Authority (the "Authority"), which give a true and fair view of the state of affairs of the Authority at the end of the financial year and of the Authority's surplus or deficit. The Directors are also required to ensure that the Authority keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting and applying appropriate accounting policies; and
- (iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Authority at 30 June 2016 and of the Authority's financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and in a manner required by the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act.

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



Chairman



Chief Executive Officer

Date: 29/11/2016

Report of the independent auditor to the Auditor General on the financial statements of the Unclaimed Financial assets Authority

Report on the financial statements

We have audited the accompanying financial statements of the Unclaimed Financial Assets Authority (the "Authority") set out on pages 19 to 40. These financial statements comprise the statement of financial position at 30 June 2016 and the statements of financial performance, changes in net reserves, cash flows and comparison of budget and actual cash amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and the Unclaimed Financial Assets Act, No. 40 of 2011, and for such internal control as the Directors determine necessary, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. The standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Authority's financial statements give a true and fair view of the state of the Authority's financial affairs at 30 June 2016 and of its surplus and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Stephen Ochieng' Norbert's – P/1819**.

Certified Public Accountants Nairobi. 29th Nov. 2016

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Unclaimed Financial Assets Authority, set out on pages 19 to 40, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net reserves, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by PriceWaterhouseCoopers auditors appointed under Section 23 of the Public Audit Act, 2015 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

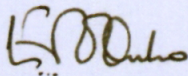
Report of the Auditor-General on Unclaimed Financial Assets Authority for the year ended 30 June 2016

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Unclaimed Assets Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Unclaimed Financial Assets Act, 2011.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 December 2016

Statement of Financial Performance

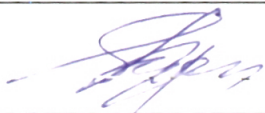
	Notes	Year ended 30 June	
		2016	2015
		Shs '000	Shs '000
Revenue from non-exchange transactions			
Government grants - recurrent		170,000	120,000
Government grants – capital funding		50,000	-
Revenue from exchange transactions			
Finance income	4	2,117	3,249
Other income	5	168	32
Total revenue		222,285	123,281
Operating expenses			
Staff costs	6	111,385	38,318
Board expenses	7	5,767	5,324
Administrative expenses	8	72,271	32,151
Depreciation	12	20,302	18,489
Total operating expenses		209,725	94,282
Surplus for the year		12,560	28,999

The notes on pages 27 to 40 are an integral part of these financial statements.

Statement of Financial Position

	Notes	2016 Shs '000	As at 30 June 2015 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	9	73,350	62,198
Receivables and prepayments	10	10,004	5,710
Inventories	11	1,188	889
		84,542	68,797
Non-current assets			
Motor vehicles and equipment	12	63,034	71,873
Total assets		147,576	140,670
Current liabilities			
Payables, accruals and provisions	13	27,173	32,827
Total liabilities		27,173	32,827
Net reserves		120,403	107,843
Total net reserves and liabilities		147,576	140,670

The financial statements on pages 22 to 26 were approved for issue by the Board of Directors on 29/11/2016 and signed on its behalf by:



Chairman



Chief Executive Officer

Statement of Changes in Net Reserves

	Year ended 30 June 2016 Shs '000	Year ended 30 June 2015 Shs '000
Accumulated surplus		
At start of the year	107,843	78,844
Surplus for the year	12,560	28,999
At end of the year	120,403	107,843

Statement of Cash Flows

	Notes	Year ended 30 June 2016 Shs'000	Period ended 30 June 2015 Shs'000
Cash flows from operating activities			
Surplus		12,560	28,999
Adjustment for:			
Depreciation	12	20,302	18,489
Operating surplus before changes in working capital		32,862	47,488
Increase in receivables and prepayments		(4,294)	(2,910)
Increase in inventories		(299)	(889)
(Decrease)/ increase in payables, accruals and provisions		(5,654)	32,627
Net cash from operating activities		22,615	76,316
Purchase of property, plant and equipment	12	(11,463)	(82,664)
Net cash used in investing activities		(11,463)	(82,664)
Increase/ (Decrease) in cash and cash equivalents		11,152	(6,348)
Cash and cash equivalents at start of year / period		62,198	68,546
Cash and cash equivalents at end of year / period		73,350	62,198

Statement of Comparison of Budget and Actual Cash Amounts

Item	Approved budget 2015-16	Adjust- ments	Final budget FY 2015-16	Actual FY 2015-16	Performance difference FY 2015-16
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue					
Government grants	220,000	(-)	220,000	220,000	-
Internal revenue	-	1,500	1,500	2,285	(785)
Balance b/f	29,261	(1,500)	27,761	27,761	-
Total income	249,261	-	249,261	250,046	(785)
Expenses					
Compensation for employees	114,840	(3,340)	111,500	111,385	115
Goods and services	66,258	3,340	69,598	63,720	5,878
Finance cost	-	-	-	-	-
Rent paid	18,163	-	18,163	18,163	-
Capital expenditure	50,000	(-)	50,000	48,615	1,385
Total expenditure	249,261	(-)	249,261	241,883	7,378

A reconciliation of the budget analysis and the financial statements is presented under note 16.

Notes to the Financial Statements

1 Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Shs'000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Authority

Amendment to IPSAS 15, 'Financial Instruments: Disclosure and Presentation' which was superseded by IPSAS 28 and IPSAS 30. The standard establishes principles for presenting financial instruments as liabilities or as net assets/equity and for offsetting financial assets and financial liabilities. IPSAS 29 deals with the measurement of financial instruments and IPSAS 30 deals with the disclosures relating to financial instruments. It also deals with offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Authority's financial statements.

(ii) New standards and interpretations not yet adopted (continued)

IPSAS 34 'Separate Financial Statements': The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements for separate financial statements in IPSAS 6.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 35, 'consolidated financial statements': The standard supersedes the requirements in IPSAS 6 regarding consolidated financial statements. IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity. This new definition of control may impact previous assessments of control, and therefore whether certain entities should be consolidated. IPSAS 35 also introduces the concept of "investment entities," which may be applicable to some sovereign wealth funds. Generally, an investment entity measures its investments in controlled entities at fair value through surplus or deficit. After thorough consultation, the IPSASB decided, for public sector specific reasons, that an entity which controls an investment entity should retain this method of accounting for an investment entity's investments in its consolidated financial statements, regardless of whether it is itself an investment entity. In contrast with IPSAS 6, IPSAS 35 no longer permits an exemption from consolidation for temporarily controlled entities. Consistent with the IPSASB's policy of reducing unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014 (pre-publication draft) where feasible.

2 Summary of significant Accounting Policies

(a) Revenue Recognition

i) Revenue from Non-Exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income in each period.

(b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(c) Taxes

The Authority being a non-trading Authority is not subject to taxation. However, other taxes accruing from employees/ Directors are recovered through the payroll and remittances filled as appropriate.

As at year-end, the Authority had applied for tax exemption status.

(d) Motor Vehicles and Equipment

All motor vehicles and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of motor vehicles and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the motor vehicles and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on motor vehicles and equipment is recognized in the statement of financial performance on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Motor vehicles, including motor cycles	4 Years
Computers and related equipment	3 Years
Office equipment and furniture	8 Years
Partitioning	Lease term (6 years)

(e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

(f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

For finished goods and work in progress, costs incurred in bringing each product to its present location and condition comprise cost of direct materials and labour but exclude borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

(g) Financial Instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as loans and receivables or held-to-maturity investments as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(h) Provisions

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

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority has a Revenue Reserve which consists of income earned from investment of cash balances in call deposits in the current year.

(j) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

(k) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate fund, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

(l) Cash and cash equivalents

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

(m) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13.

(n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2016.

3. Financial risk management objectives and policies

The Authority's activities expose it to a variety of financial risks, mainly, credit risk, liquidity risk and the effects of changes in interest rates. The Authority's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the various departments of the Authority under policies approved by the Board of Directors.

Risks facing the Authority

The following are the main types of risks that the Authority is exposed to in the course of executing its operations:

- | | |
|----------------------------|--------------------------------|
| • Financial risks include: | • Non-financial risks include: |
| -Credit risk | -Operational risk |
| -Market risk | -Human resource risk |
| -Interest risk | -Legal risk |
| -Liquidity risk | -Reputation risk |

The Authority was not exposed to foreign exchange risk at the statement of financial position date as its transactions are in Kenya Shillings.

i. Credit risk

Credit risk is the risk of financial loss to the Authority if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from bank balances and other receivable balances.

Management of the credit risk is through the choice of depository banks. The Authority's choice of depository banks is confined to top local and international banks that meet the set eligibility criteria of financial soundness.

Therefore, the Authority does not consider there to be any significant exposure to credit risk.

The maximum exposure to credit risk as at 30 June was:

(a) Risks facing the Authority (continued)

	2016 Shs'000	2015 Shs'000
Cash and cash equivalents (Note 9)		
Short term deposit	25,000	44,000
Cash in bank	47,434	18,073
Receivables (Note 10)		
Rent deposit	4,697	2,800
Prepaid Rent	4,604	-
Accrued interest income on call deposit	243	254
Bank guarantee	100	-
UAP Insurance Co. Ltd	360	-
	82,438	65,127

There were no past due or impaired balances at 30 June 2016 (2015: nil).

ii. Market risk

Market risk is the risk of changes in market prices, in particular interest rates, affecting the Authority's income.

Interest rate risk

The Authority's interest rate risk arises from interest bearing call deposits held with commercial banks.

As at 30 June 2016, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs. 21,000 (2015: Shs. 32,000).

iii. Liquidity risk

Liquidity risk is the risk of the Authority not being able to meet its obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts and maintenance of deposits that are available on call.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand	1-3 months	3-12 months	1-5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 30 June 2016					
Payables, accruals and provisions	29,403	-	-	-	29,403
At 30 June 2015					
Payables, accruals and provisions	32,827	-	-	-	32,827

Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits and receivable balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Authority did not measure any financial instruments at fair value at 30 June 2016 (2015: Nil).

	2016	2015
	Shs '000	Shs '000
4 Finance income		
Interest income on call deposit	2,117	3,249
5 Other income		
Sale of tender documents	10	32
Surcharge of fine tops enterprises ltd	158	-
	168	32
6 Staff costs		
Salaries and allowances	97,878	31,988
Staff gratuity	13,507	6,330
	111,385	38,318
7 Board expenses		
Honoraria and sitting allowances	5,703	4,260
Administrative expenses	-	540
Insurance	64	246
Training	-	278
	5,767	5,324
	2016	2015
	Shs '000	Shs '000
8 Administrative expenses		
Rent	14,318	10,588
Consultancy expenses	7,088	5,626
Contracted technical services	535	-
Advertising	6,988	2,992
Conferences and stakeholders engagement	2,012	1,999
Workshops and training expenses	2,881	1,768

Tuition fees	1,199	-
Other capacity building costs	13,081	-
Domestic travel expenses	1,978	1,629
Foreign travel	2,638	-
Audit fee	2,350	1,532
Catering services	1,246	1,255
General office supplies (stationery)	466	944
Supply of computer accessories	691	869
Sanitary & cleaning materials	183	-
Telephone expenses	2,029	782
Internet connectivity	209	577
Motor vehicle insurance	753	497
Staff medical insurance	7,024	-
Electricity	634	283
Publishing and printing	1,168	206
General expenses	120	156
Contracted cleaning and security services	676	147
Newspapers subscriptions	409	140
Fuel and lubricants	301	68
Repairs and maintenance	370	46
Employee welfare	238	-
Membership to professional bodies	190	-
Bank charges	140	30
Postal services	194	9
Water and sewerage	77	8
Legal expenses	-	-
Education and library supplies	85	-
	72,271	32,151

2016
Shs'000

2015
Shs'000

9 Cash and cash equivalents

Short term deposit	25,000	44,000
Cash in bank	47,434	18,073
Standing/Temporary imprest	531	80
Cash on hand	385	45
	73,350	62,198

10 Receivables and prepayments

Rent deposit	4,697	2,800
Prepaid rent	4,604	2,656
Accrued interest income on call deposit	243	254
Bank guarantee	100	-
UAP Insurance	290	-
	9,934	5,710

11 Inventories

Office stationery	890	577
ICT Consumables	298	312
	1,188	889

12 Motor vehicles and equipment

Year ended 30 June 2015	Motor vehicles	Computers and printers	Fixtures and fittings	Furniture	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost					
At start of year	7,104	810	-	-	7,914
Additions	9,196	10,448	52,809	10,211	82,664
At end of year	16,300	11,258	52,809	10,211	90,577

Accumulated depreciation

At start of year	148	68	-	-	216
Charge for the year	4,075	3,715	9,882	817	18,489
At end of year	4,223	3,783	9,882	817	18,705
Net Book Value at end of year	12,076	7,475	42,927	9,394	71,872

Year ended 30 June 2016	Motor vehicles	Computers and printers	Fixtures and fittings	Furniture	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost					
At start of year	16,300	11,258	52,809	10,211	90,578
Additions	-	1,974	7,944	1,545	11,463
At end of year	16,300	13,232	60,753	11,756	102,041

Accumulated depreciation

At start of year	4,223	3,783	9,882	817	18,705
Charge for the year	4,075	4,367	10,390	1,470	20,302
At end of year	8,298	8,150	20,272	2,287	39,007
Net Book Value at end of year	8,002	5,082	40,481	9,469	63,034

	2016	2015
	Shs '000	Shs '000
13 Payables, accruals and provisions		
Other payables	12,505	26,497
Staff gratuity	14,668	6,330
	27,173	32,827

14 Related party transactions

In the course of its operations, the Authority enters into transactions with related parties, which include the Government of Kenya through the National Treasury (the parent ministry of the Authority). The grant provided by the Government of Kenya to fund the operations of the Authority is disclosed in the Statement of financial performance.

The National Treasury seconded renewed secondment terms for seven (7) staff. The terms of the seconded staff will end on 31 October 2016.

Key management personnel

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the members of Authority, who together constitute the governing body of the Authority.

Unclaimed Assets Trust Fund (UATF)

The Authority and its Chief Executive Officer act as Trustee and Managing Trustee, respectively, of the Unclaimed Assets Trust Fund (the "Fund") which was effectively created with the gazettelement of the Unclaimed Financial Assets Act, No. 40 of 2011. Expenses of the Fund are borne by the Authority. Separate financial statements have been prepared for the Fund.

15 Commitments

Operating lease commitments

The Authority leases its premise under an operating lease. The lease term is for 6 years. The future lease payments due to the rental premise is as follows:

	2016	2015
	Shs '000	Shs '000

Falling due within one year	12,956	9,809
Falling due between one and five years	37,074	50,030
	50,030	59,839

16. Reconciliation:

Income As per Statement of Budget Statement

Less

Carry forward from FY 2014/15 (27,761)

Income as per Income Statement

Expenditure as per Budget Statement

Less:

Capital Expenditure (48,615)

Rent Deposit (1,897)

Prepaid Rent (4,604)

Add:

Depreciation charge 20,302

Rent Expenses paid in FY 2014/15 2,656

Expenditure as per Income Statement

Shs. 000

250,046

(27,761)

222,285

241,883

(55,116)

22,958

209,725

17. Taxation

The directors have submitted a request to the line ministry, the National Treasury, to facilitate tax exemption by the Kenya Revenue Authority. This is in line with Income Tax requirements for exemption and in view of the nature of the Authority's activities. Consequently, no provision for taxes has been made in these financial statements.

18. Employees

The number of employees at the end of the year was 30 (2015: 16)

19. Incorporation

The Authority is registered in Kenya under the Unclaimed Financial Assets Act No. 40 of 2011 (the 'Act').



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