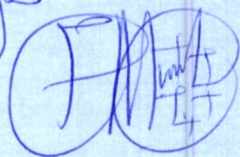




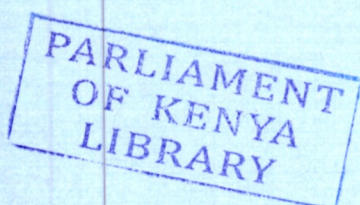
OFFICE OF THE AUDITOR-GENERAL



Paper Laid on the
Table of the House by
the Leader of the
Majority Party Deputy
Leader on Tuesday
28th August 2018


REPORT

OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
UNCLAIMED ASSETS TRUST FUND

FOR THE YEAR ENDED
30 JUNE 2017



UNCLAIMED ASSETS TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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a Background information

The Unclaimed Assets Trust Fund (the "Fund") is established under Section 44 of the Unclaimed Financial Assets Act, 2011 ("the Act") which provides that, section 44 (1) "There shall be a Fund known as the Unclaimed Assets Trust Fund which shall vest in, and be operated and managed by, the Authority". The Authority is established as a body corporate in Section 39 of the Act, and as per the Public Finance Management Act, it is categorized as a State Corporation.

The commencement date of the Act is 16 December 2011. Section 46 of the Act requires the Board to prepare financial statements for the Fund. These financial statements cover the period ended 30 June 2017.

The Mandate of the Fund is provided under Section 44 of the Act to:

- 1) receive into the Fund, all moneys that become or are deemed to be unclaimed assets and other payments required by the Act or by any other written law to be paid into the Fund; and
- 2) be paid out of the fund:
 - a) payment due and payable to owners out of the Fund under the Act;
 - b) Such amounts as may be approved by the Cabinet Secretary of the National Treasury to defray costs associated with the administration of the Authority and performance of its functions under the Act.

b Key Management

Section 41 and 42 of the Act provide the following as key organs of management of the Fund:

- i. Board of Directors of Unclaimed Financial Assets Authority
- ii. Chief Executive Officer of the Authority as the Managing Trustee of the Fund

c Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer & Managing Trustee	FCPA Kellen Eileen Kariuki, MBS
2.	Manager Unclaimed Financial Assets Line	John K. Mwangi
3.	Manager Information and Communication Technology	Francis M. Muchina
4.	Manager Human Resource & Administration	Caroline Chirchir
5.	Manager Finance & Accounting	CPA Henry T. Nyegenye
6.	Manager Internal Audit & Risk	Pius K. Kimutai
7.	Ag Manager Procurement	Beatrice Taigong
8.	Ag Head of Legal Services	Christine Mangwana

d Principal place of business of the Authority

2nd Floor, Pacis Centre
Slip Road, off Waiyaki Way, Westlands
PO Box 28235 – 00200
Nairobi, Kenya

e Fiduciary Oversight Arrangements

Board oversight

The Board of Directors of the Authority has the overall oversight responsibility of the Fund.

Parliamentary Committees

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

f Trustee's contacts

+254 020 434 3440
+254 706 866 984
+254 736 559 152
info@ufaa.go.ke

g Banker

Central Bank of Kenya
PO Box 60000 - 00200
Nairobi, Kenya

h Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Ag Head of Legal Services

Ms Christine Mangwana
Acting Head of Legal Services
Unclaimed Financial Assets Authority

i Independent Auditor

The Auditor General
Kenya National Audit Office
Anniversary Towers, Loita Street
PO Box 30084 - 00100
Nairobi, Kenya

Delegated/Authorised Auditor:

PricewaterhouseCoopers
Certified Public Accountants
PwC Tower, Waiyaki Way / Chiromo Road, Westlands
PO Box 43963 – 00100
Nairobi, Kenya

j Board of Directors of the Authority

The Unclaimed Financial Assets Authority (the "Authority") and the Chief Executive Officer of the Authority act as Trustee and Managing Trustee of the Fund, respectively.

The Directors of the Authority are:

Mr Joseph K. Kigen	Non-Executive Director
Mr. Henry K. Rotich, EGH	CS, The National Treasury - Non-Executive Director
Mr. Daniel Mutua	Alt. CS/Non-Executive Director
Dr. Parmain ole Narikae	Non-Executive Director
Mr. Gabriel K. Njenga	Non-Executive Director
Ms Jacqueline L. Oyuyo	Non-Executive Director
FCCA Kellen E. Kariuki, MBS	CEO of the Authority & Managing Trustee of the Fund

Separate financial statements have been prepared for the Authority. Detailed Directors' profiles are included under Key Corporate Information accompanying the financial statements of the Authority.

k Management of the Authority

FCCA Kellen E. Kariuki, MBS	CEO of the Authority & Managing Trustee of the Trust Fund
Mrs Caroline Chirchir	Manager Human Resource & Administration
Mrs Nelly A. Matheka	Corporation Secretary (resigned December 2016)
Ms Christine Mangwana	Ag Head of Legal Services
Mr John K. Mwangi	Manager, Unclaimed Financial Assets Line
Mr Francis M. Muchina	Manager, Information and Communication Technology
Mr Pius K. Kimutai	Manager Audit Risk & Assurance
Mr Alex L. Musungu	Manager Procurement (resigned April 2017)
Ms Beatrice Taigong	Ag Manager Procurement
CPA Henry T. Nyegenye	Manager Finance & Accounting

Unclaimed Assets Trust Fund
Statement of the Chairman of the Trustee
For the period ended 30 June 2017

The year ended 30 June 2017 was an important period for the Unclaimed Financial Assets Authority (UFAA/the "Authority") being the first year in which payments for claims for unclaimed assets were done.

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 provision of the Act; manage and invest the funds of the Authority; advise the Cabinet Secretary, National Treasury on the national policy to be followed with regard to unclaimed assets; implement all Government policies related to unclaimed assets and perform such other functions as are conferred on it by the Act or other written law.

The Trust Fund saw significant growth during the year, including a growth in invested funds, investments that were done in line with provisions of the Act. During the year under review also, the Board of Directors approved utilization of Trust Fund income to supplement Exchequer grants in facilitating operations of the Authority, which is the Trustee of the Unclaimed Assets Trust Fund.

The Board during the year also conducted and finalized legal audit review of the Unclaimed Financial Assets Act, 2011 and made significant proposals. Based on this, the Board will facilitate putting in place necessary legislative measures to enhance the role that Unclaimed Assets play in the economic development of the country.

While a lot needs to be done, it is acknowledged that significant steps have been made. 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.

I wish to thank the President, His Excellency Uhuru Kenyatta, EGH and the government at large, for the support, and my Board members and fellow Directors of the Authority, for the tremendous effort that that have been put in ensuring that the Unclaimed Assets Trust Fund is safeguarded as per requirements of the law. My appreciation also goes to the CEO of the Authority for the commitment and efforts in ensuring that the Unclaimed Assets Trust Fund not only grows but is also safeguarded, while ensuring re-unification is done to the unclaimed assets 'rightful owners.



Joseph Katwa Kigen

Chairman
Board of Directors of the Unclaimed Financial Assets Authority

Date... 2 November 2017

The Unclaimed Assets Trust Fund has continued to grow since the Year 2014, when the first receipt of unclaimed assets was received from the Kenya National Assurance Company.

The year under review was also significant since the first claimants of unclaimed assets were successfully paid through the claims payment Account held at the Central Bank of Kenya. To date, over 400 claims have been successfully processed and paid and it is expected that going forward, more claims will be received, processed and released to the rightful owners. It is also expected that more payment methods will be used in the coming periods, following the ongoing process to acquire a commercial bank that can facilitate other payment modes, in addition to the Central Bank of Kenya that only has bank transfer as the payment mode.

The Authority, as the Trustee of the trust fund acknowledges awareness amongst potential claimants and the general population at large as a great hindrance to not only compliance but also reunification efforts. A number of initiatives were undertaken during the year, that include having a public stand at the Nairobi International Trade fair in October 2016 and meeting of various interest groups. It is expected that going forward, education and awareness initiatives on the Unclaimed Assets regime will be enhanced.

The Trustee has also continued to undertake investments in Treasury Bills as provided for in the Unclaimed Financial Assets Act and the National Treasury circulars. Going forward, more liaison will be done with the National Treasury, so as to ensure that investments done under the Authority for the Trust Fund are aligned to National Treasury guidelines and the Unclaimed Financial Assets Regulations.

Legally, development of a comprehensive national policy was initiated under the guidance of National Treasury that is responsible for policy formulation in public financial management. In addition, the Authority undertook a legal audit which together with the comprehensive policy being developed will guide legal and policy changes that may be proposed to enhance entrenching of the unclaimed financial assets regime in the socio-economic development of the nation.

During the year also, the Authority finalized putting in place the necessary infrastructural requirements to ensure that shares and stocks that are reported, are received and recognized in its books. This is expected to see a significant growth of the Trust Fund in the next financial year once ownership title is transferred.

While a number of challenges still abound, great efforts have been done to facilitate the Authority's role in managing the Unclaimed Assets Trust Fund.

I wish to thank the Cabinet Secretary of the National Treasury, Mr Henry Rotich, EGH, together with the Principal Secretary, the Chairman of the Board of Directors of the Authority and the Board of Directors as a whole, for the support that my office has been accorded in discharging my role as the Managing Trustee of the Authority. This appreciation goes to my management team and all staff of the Authority for the support accorded and efforts that they have put in place in ensuring the Unclaimed Assets Trust Fund is well managed.



FCPA Kellen Eileen Kariuki, MBS
Managing Trustee & CEO

Date...2 November 2017

The Directors of the Unclaimed Financial Assets Authority (the "Authority") submit the Trustee's report together with the audited financial statements for the period ended 30 June 2017 which show the state of the Unclaimed Assets Trust Fund (the "Fund").

Principal Activities

The principal activities of the Authority are to receive, safeguard and reunite unclaimed financial assets with rightful owners/beneficiaries. The Fund was created under Section 44 of the Unclaimed Financial Assets Act, No. 40 of 2011 (the "Act").

As per Section 44 of the Act, the Fund receives unclaimed assets and other payments required by the Act. Payments to claimants are made out of the Fund.

The Cabinet Secretary (of the National Treasury) may approve payments out of the revenue reserve of the Fund to defray costs associated with the administration of the Authority and performance of its functions under the Act.

Results

The surplus for the year of Shs 734,517,000 (2016: Shs 444,899,000) has been added to revenue reserve.

Trustee

The Authority and the Chief Executive Officer of the Authority act as Trustee and Managing Trustee of the Fund, respectively.

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

Auditor

The Fund is audited by the Office of the Auditor General in accordance with the Section 81(4) of the Public Finance Management (PFM) Act, Revised 2015, as delegated to PricewaterhouseCoopers, CPA.

On behalf of the Fund



Christine Mangwana

Ag Head of Legal Services
Unclaimed Financial Assets Authority

Date: 2 November 2017

Section 46 of the Unclaimed Financial Assets Act requires the Authority to prepare financial statements for each financial year in respect of the Unclaimed Financial Assets Trust Fund (the "Fund"), which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Public Finance Management Act, State Corporations Act and Unclaimed Financial Assets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee accepts responsibility for the presentation and preparation of financial statements of the Fund in accordance with International Public Sector Accounting Standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act. They also accept responsibility for:

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

In preparing the financial statements, the Trustee have assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility

Approved by the Board of the Trustee on 2 November 2017 and signed on its behalf by:



Joseph Katwa Kigen
Chairman, Board of Directors
Unclaimed Financial Assets Authority



FCPA Kellen Eileen Kariuki, MBS
Managing Trustee
Unclaimed Financial Assets Authority

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED ASSETS TRUST FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Assets Trust Fund set out on pages 10 to 26, which comprise the statement of financial position as at 30 June 2017, and the statement of income and expenditure, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by PricewaterHouse Coopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their audit, I am satisfied that all information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Unclaimed Assets Trust Fund as at 30 June, 2017, 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, No 40 of 2011.

Further, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Unclaimed Assets Trust Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Unclaimed Assets Trust Fund for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund'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 management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

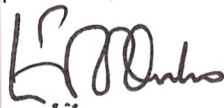
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 my 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, and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

16 February 2017

Statement of income and expenditure

	Notes	Year ended 30 June	
		2017 Shs '000	2016 Shs '000
Income			
Revenue from exchange transactions			
Investment income	6	734,517	444,899
Expenditure			
Expenses*		-	-
Surplus for the period		734,517	444,899

The notes on pages 15 to 26 are an integral part of these financial statements.

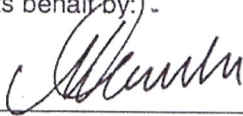
* Expenses of the fund have been absorbed by the Authority in line with Section 44 of the Unclaimed Assets Act that gives it the responsibility to manage and operate the Unclaimed Assets Trust Fund. The Authority has separate financial statements.

Statement of financial position

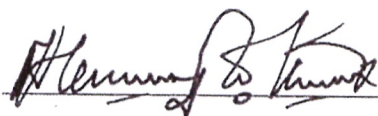
		As at 30 June	
	Notes	2017 Shs '000	2016 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	4	258,212	27,711
Receivables	5	315,280	161,883
Investments	6	9,118,756	5,868,232
Total assets		9,692,248	6,057,826
Payables			
Transfers to UFAA	8	152,000	-
Claims payable		1,581	-
		153,581	-
Reserves			
Unclaimed Assets Trust Fund	7	8,538,209	5,525,814
Revenue reserve		1,000,458	532,012
		9,538,667	6,057,826
Total liabilities		9,692,248	6,057,826

The notes on pages 15 to 26 are an integral part of these financial statements.

The financial statements on pages 10 to 26 were approved for issue by the Board of Directors and signed on its behalf by:



Managing Trustee
FCPA Kellen E. Kariuki, MBS



Manager Finance & Accounting
Henry T. Nyegenye
ICPAK Member Number: 5413



Chairman of the Board
Joseph K. Kigen

Date... 2 November 2017

Date... 2 November 2017

Date... 2 November 2017

Statement of changes in reserves

	Unclaimed Assets Trust Fund Shs'000	Revenue reserve Shs'000	Total Shs'000
Balance at 1 July 2015	3,179,602	87,113	3,266,715
Surplus for the year	-	444,899	444,899
Receipts of unclaimed assets	2,346,212	-	2,346,212
Balance at 30 June 2016	5,525,814	532,012	6,057,826
As at 1 July 2016	5,525,814	532,012	6,057,826
Receipts of unclaimed assets	3,012,391	-	3,012,391
Claims paid	(34,490)	-	(34,490)
Transfer to UFAA	-	(78,000)	(78,000)
Payables	(1,581)	(152,000)	(153,581)
Surplus for the year	-	734,517	734,517
Balance at 30 June 2017	8,502,134	1,036,529	9,538,663

The notes on pages 15 to 26 are an integral part of these financial statements.

Statement of cash flows

	Notes	For the year ended 30 June	
		2017 Shs '000	2016 Shs '000
Cash flows from operating activities			
Surplus for the year		734,517	444,899
Increase in receivables		(153,397)	(109,288)
Claims paid		(34,490)	-
Transfer from trust fund income		(78,000)	-
Net cash from operating activities		468,630	335,611
Cash flows from investing activities			
Increase in investment in treasury bills		(3,250,524)	(2,664,414)
Net cash used in investing activities		(3,250,524)	(2,664,414)
Cash flows from financing activities			
Increase in the Unclaimed Assets Trust Fund		3,012,395	2,346,212
Net cash from financing activities		3,012,395	2,346,212
Increase in cash and cash equivalents		230,501	17,409
Cash and cash equivalents at start of period		27,711	10,302
Cash and cash equivalents at end of period		258,212	27,711

The notes on pages 15 to 26 are an integral part of these financial statements.

Statement of comparison of budget and actual cash amounts

In line with section 44 of the Unclaimed Financial Assets Act 2011, the Unclaimed Assets Trust Fund is managed and operated by the Unclaimed Financial Assets Authority. Therefore, the financing of the Funds operations and activities is wholly budgeted for and implemented by the Authority.

Notes

1 Statement of compliance and basis of preparation

The Fund'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 entity 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 Fund

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 Fund's financial statements.

(ii) New standards and interpretations not yet adopted

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.

Notes (continued)

1 Statement of compliance and basis of preparation (continued)

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

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

IPSAS 36 'Investments in Associates and Joint Ventures' IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The requirements are very similar to the current guidance in IPSAS 7. Because equity accounting must now be used when accounting for joint ventures, the title of the standard now also refers to joint ventures. In contrast with IPSAS 7, IPSAS 36 does not permit a different accounting treatment for temporary investments.

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

IPSAS 37 'Joint Arrangements'. The standard establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement. These classifications differ from IPSAS 8, which referred to three types of arrangements (jointly controlled entities, jointly controlled operations, and jointly controlled assets). IPSAS 37 requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement. It also requires that joint ventures be accounted for using the equity method. Previously, IPSAS 8 permitted jointly controlled entities to be accounted for using either the equity method or proportionate consolidation.

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

IPSAS 38 'Disclosure of Interests in other Entities'. The standard brings together the disclosures previously included in IPSASs 6–8. It also introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal.

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

IPSAS 39 'Employee benefits'. This will replace IPSAS 25, Employee Benefits, on January 1, 2018, with earlier adoption encouraged.

This limited-scope project was part of the IPSASB's strategy to maintain its existing standards. IPSAS 39 reflects amendments made by the International Accounting Standards Board to its equivalent standard, International Accounting Standard (IAS) 19, Employee Benefits, up to December 2015. The main differences between IPSAS 39 and IPSAS 25 are:

- Removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the "corridor approach");
- Introduction of the net interest approach for defined benefit plans;
- Amendment of certain disclosure requirements for defined benefit plans and multi-employer plans;
- Simplification of the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service; and
- Removal of the requirements for Composite Social Security Programs.

Notes (continued)

1 Statement of compliance and basis of preparation (continued)

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

IPSAS 40 'Public Sector Combinations'. The standard establishes the requirements for classifying, recognizing and measuring public sector combinations. Applies to any transaction or other event that meets the definition of a public sector combination.

It is effective for annual periods beginning on or after 1 January 2019, with earlier application encouraged. IPSAS 40 is applied prospectively and public sector combinations occurring prior to the application of IPSAS 40 are not restated.

There are no other IPSASs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

2 Summary of significant accounting policies

a) Revenue from exchange transactions

Investment income

Investment 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 investment income each period.

(b) Claims and administration costs

Payments due and payable to the beneficiaries are settled out of the Trust Fund. Administration costs approved by the Cabinet Secretary are also settled out of the fund.

(c) 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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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.

(d) Taxes

The Fund is not subject to taxation as it is non-trading. The Fund is not subject to taxation as it is non-trading. Investments are made in the name of the Authority that is as a Trustee to the Unclaimed Assets Trust Fund. Investment Income is charged withholding Tax that is considered final Tax in line with the Income Tax Act.

(e) 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 Fund determines the classification of its financial assets at initial recognition.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

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 Fund 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.

Currently, Treasury Bills are held to maturity hence no impairment has been realized or provided for

Impairment of financial assets

The Fund 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 Fund 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial liabilities (continued)

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.

(f) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The Fund has the following reserves:

- The *Unclaimed Assets Trust Fund* which consists of unclaimed assets and other payments paid into the Fund. Payments to claimants are made out of this reserve.
- The *Revenue Reserve* which consists of income earned from investment of the *Unclaimed Assets Trust Fund*. The Cabinet Secretary (of the National Treasury) may approve payments out of this reserve to defray costs associated with the administration of the Fund and performance of its functions under the Act.

(g) Changes in accounting policies and estimates

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

(h) 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 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.

(i) Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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.

There were no significant judgements or assumptions made concerning the future in the preparation of these financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended 30 June 2017.

3 Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, mainly, credit risk, liquidity risk and the effects of changes in interest rates. The Fund'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 Fund under policies approved by the Trustees of the Fund.

(a) Risks facing the Fund

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

Financial risks include:

- Credit risk
- Market risk
- Interest risk
- Liquidity risk

Non-financial risks include:

- Operational risk
- Human resource risk
- Legal risk
- Reputation risk

The Fund 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 Fund if counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from bank and investment balances.

Management of the credit risk is through the choice of depository bank and investments. The Fund's choice of depository bank is confined to the Central Bank of Kenya and at 30 June 2017, the investments held were government securities. Therefore, the Fund does not consider there to be any significant exposure to credit risk.

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

Notes (continued)

3 Financial risk management objectives and policies (continued)

i. Credit risk (continued)

	2017 Shs '000	2016 Shs '000
Cash and cash equivalents (Note 4)		
Fund account with Central Bank of Kenya	258,212	27,711
Receivables (Note 5)		
Accrued interest income (from treasury bills)	315,280	161,883
Investments (Note 6)	9,118,756	5,868,232
Total	9,692,248	6,057,826

ii. Market risk

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

Interest rate risk

The Fund's interest rate risk arises from interest bearing treasury bill investments.

As at 30 June 2017, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 7,345,170 (2016: Shs 4,448,990).

iii. Liquidity risk

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

The Fund ensures that it has sufficient cash on demand to meet claims through the maintenance of deposits in investments that can be liquidated readily. At the date of these financial statements, the Unclaimed Financial Assets Regulations which provide for the settlement of claims were yet to be gazetted.

(b) 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 investment balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Fund 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.

Notes (continued)

3 Financial risk management objectives and policies (continued)

(b) Fair value of financial instruments (continued)

- 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).

4 Cash and cash equivalents

	2017 Shs '000	2016 Shs '000
Trust fund KES account	14,536	27,691
Trust fund payment account	2,509	20
Virtual account No.1000222417	1	-
Trust fund USD account	241,166	-
Total	258,212	27,711

5 Receivables

Accrued interest income (from treasury bills)	315,280	161,883
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Notes (continued)

6 Investments Schedule

As at 30 June 2016

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
91 days	-	-	9,960	9,960
182 days	-	-	38,969	38,969
364 days	-	-	234,087	234,087
364 days	6,449,350	5,868,232	581,118	161,883
Total	6,449,350	5,868,232	864,134	444,899

As at 30 June 2017

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
364 days	-	-	419,235	419,235
364 days	9,940,950	9,118,756	822,194	315,282
Total	9,940,950	9,118,756	1,241,429	734,517

7 Unclaimed Assets Trust Fund

a. Receipts of Unclaimed Financial Assets

	2017 Shs'000	2016 Shs'000
Institution type		
Commercial banks	5,746,656	3,611,642
Listed companies	1,578,263	603,347
Insurance companies	711,366	952,755
Telecommunication companies	456,375	314,876
SACCOs	14,738	14,124
Pension Funds	22,442	22,441
Others	8,369	6,629
Total	8,538,209	5,525,814

Notes (continued)

7 Unclaimed Assets Trust Fund (continued)

b. Unclaimed Financial Assets held by the holders

As at 30 June 2017, the following other Unclaimed Assets had been reported by various Holders. They have however not been recognized in the Trust Fund since processes for transfer of title are ongoing:

i. Foreign Currency:

Currency	FX Amount '000	Exchange rate	Estimated amount Shs '000
Australian Dollar - AUD	26	79.5	2,067
British Pound - GBP	227	134.60	30,554
Canadian Dollar - CAD	230	79.65	18,320
Danish Krone - DKK	7	15.91	111
Euro - EUR	418	118.31	49,454
Indian Rupee - INR	2,181	1.60	3,490
Japanese Yen - JYP	874	91.98	80,391
Pakistan Rupee - PKR	45	0.99	45
Swedish Krona - SEK	16	11.9	190
Swiss Franc - CHF	39	12.19	475
TZS	86,682	21.57	4,019
UGX	4,531	34.57	131
ZAR	662	7.97	5,276
Total			194,523

Notes (continued)

7 Unclaimed Assets Trust Fund (continued)

b. Unclaimed Financial Assets held by the holders (continued)

ii. Shares

Holder	Number of shares '000	Market Value Shs	Total Amount Shs'000
Bamburi	996	186	185,256
Barclays	64,457	10	644,570
BAT Kenya Ltd	1,019	847	863,093
BOC Kenya Ltd	57	93	5,301
Centum	36,322	42	1,525,524
Crown paints	424	73	30,952
Diamond Trust Bank	3,237	160	517,920
EABL	11,418	259	2,957,262
East African Cables	3,560	6	21,360
Express	1,011	4	4,044
Jubilee	1,249	440	549,560
Kakuzi	782	310	242,420
KQ	56,332	5	281,660
NIC	10,834	34	368,356
NMG	1,392	108	150,336
Olympia holdings ltd	285	3	855
REA Vipingo	976	28	27,328
Sameer Africa Ltd	2,995	3	8,985
SCB	37,799	208	7,862,192
Unga Group Ltd	6,215	30	186,450
Total	241,360		16,433,424

iii. Unit trusts

The reported unit trusts amounted to Kes 12,976,565.

iv. Safe deposits

The contents of the safe deposits are not known since these have not been opened.

Holder	Reported period	Number of units
Eco Bank	2016/2017	2
Barclays Bank	2016/2017	854
Guardian Bank	2016/2017	15
Standard Chartered Bank of Kenya	2016/2017	80
Habib AG Zurich	2016/2017	8
Guaranty Trust Bank	2016/2017	3
Total		962

Notes (continued)

7. Unclaimed Assets Trust Fund (continued)

c. Unclaimed Financial Assets Claims

	2017		2016	
	No. of claims	Shs '000	No. of claims	Shs. '000
Paid	412	34,490	-	-
Payable	1	1,581	-	-
Under approval	2,627	103,484	1,800	64,000
Total received	3,039	139,555	1,800	64,000

The Authority receives claims from claimants that are approved in line with the Unclaimed Financial Assets Act, 2011 and Regulations.

8. Transfers payable

	2017	2016
	Shs '000	Shs '000
Transferred to UFAA	78,000	-
Payable to UFAA	152,000	-
Approved by the National Treasury	230,000	-

Income Transfers are recognized as payable once approval has been granted by National Treasury in line with Section 44 of the Unclaimed Financial Assets Act. While Kshs 257.4 Million had been approved by the Board, only Kshs 230 Million had been approved by National Treasury out of which Kshs 78 Million had been transferred as at 30th June 2017.

9. Related party transactions

In the course of its operations, the Fund enters into transactions with related parties.

Unclaimed Financial Assets Authority (UFAA)

The Unclaimed Financial Assets Authority (the "Authority") and its Chief Executive Officer act as Trustee and Managing Trustee of the Fund, respectively. Financing for the activities and operations of the Fund are wholly and exclusively budgeted for and implemented by the Authority.

Separate financial statements have been prepared for the Authority.

Central Bank of Kenya (CBK)

The Fund is related to the Central Bank of Kenya (the "CBK") through the parent ministry of the Authority; that is, the National Treasury of the Government of Kenya.

The Fund's cash balance with the CBK and the Fund's investment in Government of Kenya treasury bills through the CBK are disclosed in Notes 4 to 6.

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