

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE LOCAL AUTHORITIES PROVIDENT FUND**

**FOR THE YEAR ENDED
30 JUNE 2013**

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Local Authorities Provident Fund set out on pages 8 to 24 which comprise the statement of net assets as at 30 June 2013, statement of changes in assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance that 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

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 Fund'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 the audit evidence obtained is sufficient and appropriate to provide a reasonable basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Property Investment

1.1 Makasembo Estate Kisumu

This property is situated in Kisumu Municipal and was transferred on 31 March 2010 to LAPFUND by the Municipal Council through a debt swap in lieu of outstanding contributions amounting to Kshs.161,800,269.10. The property is valued at Kshs.550,000,000.00 and has five parcels of land of different sizes and rental houses constructed on them that attract rental income of about Kshs.121,000.00 per month and totalling Kshs.1,452,000.00 for the year ended 30 June 2013. The Council in its debt repayment plan opted for a debt property swap and the Ministry of Local Government approved the debt swap for all the debts Kisumu Municipal Council owed various organizations.

However, it was noted that although the property was transferred from Kisumu Municipal Council to LAPFUND, the rent from the houses during the year under review was collected by National Housing Corporation (NHC) following a default by the Council to service undetermined debt arising from the construction of the estate. Therefore, no income was received by the Fund in the course of the year ended 30 June, 2013. It was therefore not clear how and when the Fund will start earning the benefits of the debt swap.

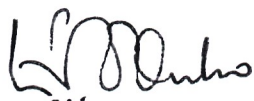
1.2 Mariakani Estate Nairobi

This property was transferred on 3 April 2013 to LAPFUND by the Nairobi City Council under the debt swap towards settlement of an outstanding debt of Kshs.3,063,092,263.00. The ownership of the property rests with LAPFUND. However, during the year under review LAPFUND did not collect rent from the 30 blocks of eight flats amounting to Kshs.2,400,000 per month and totalling Kshs.7,200,000 for the three (3) months ended 30 June 2013. The money was collected by Nairobi City County because the estate has not been handed over officially to LAPFUND. This was occasioned by the changing administration

from Nairobi City Council to Nairobi City County. However, LAPFUND has accrued the same income in addition to the outstanding debt of Kshs.3,063,092,263.00. Under the circumstances, the validity of the actual income reflected in the financial statements could not be ascertained.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position for the Fund as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Local Authorities Provident Fund Act (Cap 272) and the Retirement Benefits Authority Act, 1997.



EDWARD R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

26 March 2014

Financial Statements
of
Local Authorities Provident Fund
For the Year Ended 30 June 2013

Local Authorities Provident Fund

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Local Authorities Provident Fund

Corporate Information

Board Members	Mr. Robert Njenga Mwaura	Board Chairman
	Mr. Mohamed Adan Khalif	Board V-Chairman
	Mr. Adan Halake Wario	
	Mr. Frank Kimiya Sabwa	
	Ms. Rita C Ngeno	
	Mr. Patrick Wangamati	Resigned on 20 March 2013
	Mr. Boniface M. Munyao	
	Ms. Rihana Ismael	
	Mrs. Ruth Kiiru	Representative of the Principal Secretary, Ministry of Devolution, replaced on 08 April 2013
	Mrs. Joyce Gichomo	Representative of the Principal Secretary, Ministry of Devolution, appointed on 08 April 2013
Fund Managers	Mr. David Koross	Chief Executive Officer and Board Secretary Appointed on 11 January 2013
	Pine Bridge Investments	Africa Re Centre P.O Box 67262 – 00200 NAIROBI
	Stanbic Investment Management Services	CFC Centre P.O Box 44074 – 00100 NAIROBI
Custodians	Co operative Bank of Kenya Limited	Co operative Bank House P.O Box 5772 – 00200 NAIROBI
Bankers	National Bank of Kenya Limited	Harambee Avenue Branch P.O Box 41862 NAIROBI
	Co operative Bank of Kenya	Cannon House Branch P.O Box 5772 – 00200 NAIROBI
	Kenya commercial Bank Limited	Gateway Park Mombasa Road P.O Box 27618 – 00506 NAIROBI
Auditor	Kenya National Audit Office	Anniversary Towers P.O Box 30084 – 00100 NAIROBI
LAPFund Office	ICEA Building, 8 th Floor Kenyatta Avenue	P.O Box 79592 – 00200 NAIROBI info@lapfund.or.ke , www.lapfund.or.ke

Local Authorities Provident Fund

Report of the Board

The board presents their report together with the financial statements for the year ended 30 June 2013

Establishment, nature, and status of the Fund

Local Authorities Provident Fund (LAPFUND) was established and is governed, by an Act of Parliament, Cap.272 of the Laws of Kenya in 1960. The principle mandate is to provide for the establishment of a provident fund for the employees of Local Authorities. LAPFUND is a defined contribution plan, it's an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority (RBA).

Benefits payable to a member are based on accumulated contributions received, plus income accrued from the fund investment activities allocated to individual member account. Benefits are paid as a one-off lump sum payment.

Board

LAPFUND is administered by the Local Authorities Provident Fund Board whose members are appointed by the Minister of Local Government in accordance with the Local Authorities Provident Fund Act. Details of the Board Members who served during the financial year are shown on page 3 of the report.

Membership

LAPFUND is comprised of 200 sponsors, who are local authorities and the associated organizations with a total membership of 24,653 :(2011/2012:25,722).

Contributions

Contributions to LAPFUND by both the employers and employees are at the rate of 15% and 12% respectively of the individual members' basic salary and house allowance.

Custodial services

Custodial services are performed by the Co-operative Bank of Kenya. Co-operative Bank of Kenya is registered with the Retirement Benefits Authority (RBA) as a provider of custodial services

Financial review

The year under review saw the financial markets performing better compared to the previous financial year. Declining interest rates resulted to positive movement on the valuation of Government bonds. The Board in consultation with the appointed fund managers will continue to invest prudently across the diverse spread of assets classes approved by RBA in order to minimise risks and maximise on returns. In view of the operating environment explained above, the assets available for benefits shown on page 8 increased by Kshs 3,224,971,400 (2011/12: Kshs 2,703,425,008). The statement of net assets available for benefits on page 9 shows the fund's net assets stood at Kshs 15,927,866,418 (2011/2012: Kshs 12,702,595,018)

Local Authorities Provident Fund

Report of the Board

Investment of funds

Under the terms of their appointment Pinebridge Investments Limited and Stanbic Investment Management Services limited are responsible for the day-to-day investment of available funds; however the overall responsibility for investment and performance lies with the Board

LAPFUND assets position as at 30th June 2013 was as shown below

Asset category	Value Kshs'000	
Property	4,283,605	27%
Government Bonds	4,191,541	26%
Treasury Bills	226,272	1%
Quoted shares	2,190,522	14%
Fixed and time deposits	1,706,871	11%
Commercial paper and corporate bonds	630,400	4%
Unquoted shares	11,720	0%
Net Assets	2,900,216	18%
Total investments	<u>16,141,147</u>	<u>100%</u>

Expenses

As per the provisions of Local Authorities Provident Fund Act, Section 4(4), the expenses of the management and administration of LAPFUND are paid in the first instance from the Fund and as soon as practicable after 31st December in each year the local authorities reimburse those payments to LAPFUND, each contributing proportionately to the number of contributors in its employment.

Professional advisors

Details of the professional advisers are shown on page 3 of the report

Auditors

As per the State Corporation Act, the Kenya National Audit Office will continue to be in the office

Further Information

Individual members of the Fund are welcomed to obtain further information about LAPFUND or can contact us on the address given on page 3


Robert Njenga Mwaura

Board Chairman


David Koross

Chief Executive Officer

Local Authorities Provident Fund

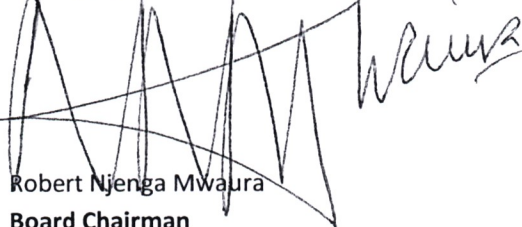
Statement of Directors' Responsibilities

The Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 require the trustees to prepare financial statements in a prescribed form for each financial year. They also require the trustees to ensure that the LAPFUND keeps proper accounting records of its income, expenditure, liabilities and assets, and that the contributions are remitted to the custodian in accordance with the rules of LAPFUND.

The trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000. The trustees are of the opinion that the financial statements give a true and fair view of the financial transactions of LAPFUND and of the disposition of its assets and liabilities. The trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as for safeguarding the assets of the scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

For the Board



Robert Njenga Mwaura
Board Chairman

Auditors' Report

Local Authorities Provident Fund

Statement of changes in net assets available for benefits for the year 30 June 2013

	Notes	2012/2013 Kshs' 000	2011/2012 Kshs' 000
Contribution receivable	2	1,918,921	1,763,381
Benefits payable to seceding members	3	1,701,259	151,372
Net additions from dealing with members		217,662	1,612,009
Returns on investments			
Investment income	4	1,049,659	826,553
Other income	5	1,317,043	921,485
Change in fair value of investments	7	1,632,988	(196,672)
Investment management fees	12	(35,699)	(34,207)
Net return on investments		3,963,991	1,517,160
Administrative expenses	13	743,402	425,744
Increase in net assets for the year		3,438,252	2,703,425
Net assets available for benefits at start of year		12,702,895	9,999,470
Net assets available for benefits at end of year	19	16,141,147	12,702,895

Local Authorities Provident Fund

Statement of net assets available for benefits at 30 June 2013

	Notes	2012/2013 Kshs' 000	2011/2012 Kshs' 000
Non-current assets			
Plant and Equipment	6	72,641	82,454
Investments			
Property	9	4,283,605	1,396,004
Government Bonds	8	4,191,541	4,834,138
Treasury Bills	8	226,272	525,612
Quoted shares	11	2,190,522	1,406,332
Fixed and time deposits	8	1,706,871	934,821
Commercial paper and corporate bonds	8	630,400	534,989
Unquoted shares	10	11,720	11,720
Total investments		13,240,931	9,643,616
Current assets			
Contributions due	14	2,388,418	2,624,224
Other receivables and prepayments	15	463,932	398,880
Bank and cash balances	17	29,989	1,729
		2,882,339	3,024,833
Current liabilities			
Creditors & Accruals	18	54,764	48,008
		54,764	48,008
Net current assets		2,827,575	2,976,825
Net assets available for benefits	19	16,141,147	12,702,895

The financial statements on pages 8 to 24 were approved by the Board on **30 September 2013** and signed on their behalf by:

 } Chairman of the Board

 } Chief Executive Officer

Local Authorities Provident Fund

Statement of changes in assets for the year ended 30 June 2013

	Notes	2012/2013 <u>Kshs' 000</u>	2011/2012 <u>Kshs' 000</u>
Net assets at 1 July 2012		12,702,895	9,999,470
Net surplus		(561,439)	1,152,058
Change in Investment			
Other income		1,317,043	921,485
Investment income		1,049,659	826,553
Change of fair value	7	1,632,988	(196,672)
Net assets at 30 June 2013	17	<u>16,141,147</u>	<u>12,702,895</u>

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

	2012/2013	2011/2012
Notes	<u>Kshs' 000</u>	<u>Kshs' 000</u>
Cash flows from operating activities		
Contributions received	1,918,921	1,763,381
Benefits paid to seceding members	(1,701,259)	(151,372)
Administrative expenses	(744,115)	(425,744)
Investment income received	3,999,690	1,551,367
Investment management expenses paid	(35,699)	(34,207)
Provision of depreciation	61,336	20,522
Other Receivables	(64,338)	(76,293)
Payables	6,756	8,529
Contribution due	(289,604)	(1,006,783)
Provision for doubtful debts	525,410	277,337
Net cash from operations of the fund	<u>3,677,098</u>	<u>1,926,736</u>
Investing activities		
Purchase of investments	(709,713)	(1,244,471)
Purchase of plant & Equipment	(51,522)	(89,997)
Investment in Property	(2,887,601)	(625,998)
Net cash used in investment activities	<u>(3,648,836)</u>	<u>(1,960,466)</u>
Increase in cash and cash equivalents	<u>28,260</u>	<u>(33,730)</u>
Movement in cash and cash equivalents		
At start of year	1,729	35,459
Increase in cash and cash equivalents	28,260	(33,730)
At end of year	17 <u>29,989</u>	<u>1,729</u>

Local Authorities Provident Fund

Statement of changes in assets for the year ended 30 June 2013

Accounting policies

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

Adoption of new and revised International Financial Reporting Standards (IFRS)

(i) Relevant standards and interpretations have affecting amounts reported in the current period and or prior periods.

The following new and revised standards and interpretations have been adopted in the current period:

IFRS 7 Financial Instruments-Disclosure

The IFRS requires entities to provide disclosures in their financial statements that enable users to evaluate:

- a) The significance of financial instruments for the entities financial position and performance , and
- b) The nature and extent of risks arising from financial instruments to which the entity is expose, during the period and at the end of the reporting period and how the entity manages those risks.

(ii) Relevant standards and interpretation issued but not yet effective

At the date of authorization of these financial statements various revised standards and interpretations were in issue but not yet effective. The adoption of these standards and interpretations when effective will not result in the changes of LAFUND's accounting policies or result in material impact on the financial statements of LAPFUND.

a) Basis of preparation

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

The financial statements summaries the transactions of LAPFUND and it deals with net assets at disposal of the Board. They do not take account of obligations to pay benefits due after the end of the year.

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

b) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of changes in net assets in the year in which they arise.

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

c) Contribution receivable

Contributions from the members and employer are accounted for in the period in which they fall due

d) Transfers

Transfers are recognized in the period in which members join LAPFUND from the other scheme or leave for the other schemes

e) Benefits payable

Benefits payable to seceding members are taken into account in the period in which they fall due

f) Income from investments

(a) Interest income is recognized for all interest bearing instruments on an accrual basis using the interest rate applicable. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments

(b) Dividends are recognized as income in the period in which the right to receive payment is established

g) Cash & cash equivalent

For the purpose of the cash flow statement, cash and cash equivalent includes bank and cash balances

h) Accounts receivables

Accounts receivable are carried at their original invoiced amount less estimate for bad debt and doubtful receivable based on the review of all outstanding amounts at year end. Bad debts are written off when all reasonable steps to recover them have failed.

i) Accounts payable

The liabilities for accounts payable are carried at cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers whether billed or not to LAPFUND.

j) Investment property

Investment property which is property held to earn rentals and/or capital appreciation, is measured initially at cost including transactions costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property is dealt with in statement of changes in net assets available for benefits

k) Held to maturity

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the scheme has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less any allowances for impairment.

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

l) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognized at cost.

Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models. Unrealized gains and losses arising from changes in the fair value of securities classified as available for sale are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

m) Investments

All purchases and sales of investments are recognized on the trade date, which is the date LAPFUND commits to purchase or sell the asset. The cost of purchase includes transaction costs. The Board subsequently determines the appropriate classification of LAPFUND'S investments and re-evaluates such designation on a regular basis as follows:

Investments are classified and carried at values as follows:

- a) Interest income is recognized for all interest bearing instruments on an accrual basis using the interest rate applicable. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments
- b) Dividends are recognized as income in the period in which the right to receive payment is established

n) Depreciation

Depreciation is provided for at a straight line method at the following rates:

Motor Vehicles	50%
Computers	50%
Office Equipment and Furniture	50%
Fixture and Fittings	50%

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

All asset purchased before the end of first half of financial year are charged full year depreciation while asset purchased on second half of financial year are not depreciated.

o) Provision of doubtful debt

A general provision is made in respect of administrative expenses receivable at 20% on straight line Method.

p) Financial Risk Management

LAPFUND generates revenues for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government securities. These activities expose LAPFUND to a variety of financial risks, including credit risk and the effects of changes in equity market prices, and interest rates.

LAPFUND's overall risk management programme focuses on the unpredictability of financial markets, seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Investment managers and the Trustees under policies approved by the Trustees. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against the market risks.

Credit risk

Credit risk arises from cash and cash equivalents, short term deposits, interest bearing investments and receivables. As part of the credit risk management, the investment Managers and the Trustees monitor and review information on significant investments.

Liquidity risk

LAPFUND is required to make payments in respect of pension payments when member withdrawal or retire from the scheme and is therefore exposed to the risk of difficulty of raising funds to make such payments as they arise.

LAPFUND invests a portion of its assets that are readily convertible to cash. The Investment Managers and Trustees therefore monitor and review it on a regular basis.

Interest rate risk

LAPFUND's interest bearing assets are investments in Treasury bonds, commercial paper and short term deposits. All of these instruments are at fixed interest rates. The nature of financial instruments mitigates interest risk exposure of LAPFUND. Therefore fluctuations in interest rates will have an insignificant effect on LAPFUND

Price risk

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

LAPFUND is exposed to equity securities price risk because of investments in quoted shares which are held for trading. Effectively to manage the price risk arising from investments in equity and debt securities, LAPFUND diversifies its portfolio. For example in equity LAPFUND has invested in companies in different sectors of economy.

q) Taxation

LAPFUND is a registered provident fund and is exempt from income tax

r) Currency

The financial statements are presented in Kenya Shillings (Kshs)

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

	2012/2013 Kshs' 000	2011/2012 Kshs' 000
2 Contribution receivable		
Employer	1,066,067	964,311
Employee	852,854	771,646
	<u>1,918,921</u>	<u>1,735,958</u>
Adjustment for prior period contribution receivables	-	27,423
	<u>1,918,921</u>	<u>1,763,381</u>
3 Benefits payable to seceding members		
Benefits paid to seceding members	1,698,101	150,085
Benefits payable to seceding members	3,158	1,287
	<u>1,701,259</u>	<u>151,372</u>
4 Investment income		
Government securities	592,600	525,850
Corporate bond and commercial paper income	101,182	25,113
Fixed and call deposit income	118,541	116,534
Dividend income	67,408	71,358
Gain on sale of treasury bonds	46,348	94,476
Gain on sale of quoted equities	123,582	(6,777)
	<u>1,049,659</u>	<u>826,553</u>
5 Other Income		
Interest on outstanding receivables	1,314,856	920,983
Miscellaneous income	2,187	502
	<u>1,317,043</u>	<u>921,485</u>

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

6 Plant and Equipment

	Motor Vehicle Kshs' 000	Computers Kshs' 000	Equipment Kshs' 000	Furniture, Fixtures and Fittings Kshs' 000	Total Kshs' 000
Cost					
at 01.07.12	16,989	49,024	53,789	42,050	161,852
Additions	-	9,402	1,042	41,079	51,522
Disposals	(2,969)	-	-	-	(2,968)
at 30.06.13	14,020	58,426	54,831	83,129	210,406
Depreciation					
at 01.07.12	12,256	37,174	12,249	17,720	79,398
Charge for the year	2,366	10,047	18,512	30,409	61,336
Disposals	(2,968)	-	-	-	(2,968)
at 30.06.13	11,654	47,221	30,761	48,129	137,765
Net Book Value					
at 30.06.13	2,366	11,205	24,069	35,000	72,641
at 01.07.12	4,733	11,850	41,540	24,331	82,454

7 Investments

	Value at 01.07.12 Kshs' 000	Purchases Kshs' 000	Sales proceeds Kshs' 000	Gain on sale Kshs' 000	Change in fair value Kshs' 000	Value at 30.06.13 Kshs' 000
Government securities	4,834,138	1,840,366	2,695,623	46,348	178,758	4,191,541
Quoted shares	1,406,332	490,099	434,851	123,582	605,361	2,190,522
Property	1,396,004	2,038,732	-	-	848,869	4,283,605
	7,636,473	4,369,196	3,130,474	169,929	1,632,988	10,665,667

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

The following table shows an analysis of investments other than shares into relevant maturity groupings based on the remaining period at 30 June 2013

8 Investments

	Up to 3mths Kshs' 000	3 - 12mths Kshs' 000	1 – 5Yrs Kshs' 000	Over 5Yrs Kshs' 000	Total Kshs' 000
Government securities	115,640	269,655	1,046,671	2,759,575	4,191,541
Treasury Bills	49,393	176,879	-	-	226,272
Commercial paper and corporate bonds	-	201,087	369,444	59,868	630,400
Cash, Fixed and Call deposits	1,114,378	592,493	-	-	1,706,871
	1,279,411	1,240,115	1,416,115	2,819,443	6,755,084

9 Property Investment

Details	Cost/Value at 01.07.12 Kshs' 000	Addition WIP/Transfer value Kshs' 000	Change in value Kshs' 000	Cost/Value at 30.06.13 Kshs' 000
Muca Drive Apartments	900,000	44,519		944,519
Makasembo Estate - Kisumu	156,131		398,869	555,000
Mavoko Residential units	339,873	544,212		884,085
Mariakani Estate - Nairobi	-	1,450,000	450,000	1,900,000
	1,396,004	2,038,732	848,869	4,283,605

Work in progress relates to the total costs incurred as at 30 June 2013 towards the development of Off-Plan purchase of residential Maisonettes in Mavoko Municipality and additional capital costs incurred on supply of equipment's to Mucai drive Apartments.

Makasembo Estate and Mariakani Estate Mucai were valued during the current financial year by an independent professional valuers, on the basis of open market value and hence the resultant change in value

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

10 Unquoted investments

at 01.07.12 <u>Units'000</u>	at 30.06.13 <u>Units'000</u>		Cost at 01.07.12 <u>Kshs' 000</u>	Cost at 30.06.13 <u>Kshs' 000</u>
127	127	Consolidated bank ordinary shares	2,540	2,540
459	459	4% Non-cumulative preference shares- Consolidated Bank	9,180	9,180
			<u>11,720</u>	<u>11,720</u>

The investments in unquoted shares are reported at cost of acquisition

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

11 Quoted investments

at		at		at		at		at		at		at		at					
01.07.12		30.06.13		Details		01.07.12		Additions		Disposals		Sales		Gain/(loss)		Market value		Cost	
Units'000	Units'000	Units'000	Units'000			Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
7,319	1,854	(1,100)	8,074	Barclays Bank Ltd Ord 2.00	95,519	30,644	(14,367)	17,955	3,588	14,959	126,755	111,796							
100	349	-	449	CFC Stanbic Holdings Ltd ord.5.00	4,350	10,753	-	-	-	10,575	25,678	15,103							
3,317	2,200	(500)	5,017	Co-operative Bank	37,147	26,049	(5,728)	7,851	2,124	19,538	77,006	57,468							
345	176	(120)	401	Diamond Trust Bank Kenya Ltd Ord 4.00	35,892	22,341	(11,789)	15,538	3,748	24,739	71,183	46,444							
3,845	2,800	(870)	5,775	Equity Bank Ltd Ord 0.50	81,704	62,301	(18,920)	25,702	6,782	55,394	180,479	125,085							
8,762	2,022	(2,788)	7,996	Kenya Commercial Bank Ltd Ord 1.00	201,532	79,203	(64,133)	103,257	39,124	79,245	295,847	216,602							
1,452	638	(120)	1,970	NIC Bank Ltd Ord 5.00	52,639	9,403	(3,532)	6,706	3,174	45,891	104,401	58,511							
206	46	-	252	Standard Chartered Bank Ltd Ord 5.00	41,481	11,184	-	-	-	19,703	72,368	52,665							
23,995	-	-	23,995	Stanbic Bank Uganda	20,415	-	-	-	-	(538)	19,877	20,415							
3,380	-	-	3,380	Kenya Airways Ltd Ord 5.00	44,278	-	-	-	-	(10,647)	33,631	44,278							
382	134	-	516	Nation Media Group Ord. 2.50	67,176	20,036	-	-	-	71,781	158,993	87,212							
869	315	(400)	784	Scangroup Ltd Ord 1.00	47,370	20,117	(22,217)	27,208	4,992	3,867	49,137	45,270							
316	-	-	316	TPS Eastern Africa (Serena) Ltd Ord 1.00	13,890	-	-	-	-	631	14,521	13,890							
268	1,183	(220)	1,231	Athi River Mining Ord 5.00	53,660	7,575	(8,800)	14,610	5,810	26,349	78,784	52,435							
379	322	(120)	581	Bamburi Cement Ltd Ord 5.00	62,502	61,207	(20,109)	24,888	4,779	29,872	133,472	103,600							
833	-	(281)	551	EACables Ltd Ord 0.50	8,783	-	(2,967)	3,057	90	2,177	7,993	5,816							
10	-	(5)	5	E.A.Portland Cement Ltd Ord 5.00	605	-	(302)	175	(127)	(23)	280	302							
1,479	-	-	1,479	KenGen Ltd Ord. 2.50	12,719	-	-	-	-	9,687	22,406	12,719							
850	-	(850)	-	KenolKobil Ltd Ord 0.05	12,155	-	(12,155)	8,395	(3,760)	-	-	-							
3,847	2,100	(1,230)	4,717	Kenya Power Lighting Co Ltd Ord 20.00	58,088	38,933	(20,745)	22,643	1,897	(7,881)	68,394	76,276							
-	2,905	-	2,905	Umeme Limited	-	33,128	-	-	-	383	33,511	33,128							
29	-	(29)	-	CFC Insurance Holdings	233	-	(233)	212	(21)	-	-	-							
2,815	-	-	2,815	Kenya Re-Insurance Corporation Ltd Ord	29,976	-	-	-	-	15,621	45,598	29,976							
-	1,400	-	1,400	Britak Insurance	-	8,430	-	-	-	2,770	11,200	8,430							
-	70	-	70	UAP Holdings	-	4,194	-	-	-	-	4,194	4,194							
542	-	-	542	Centum Investment Co Ltd Ord 0.50	6,917	-	-	-	-	4,882	11,799	6,917							
210	-	(60)	150	BAT Kenya	78,120	-	(22,320)	25,480	3,160	25,650	81,450	55,800							
125	-	-	125	Carbacid Investments	15,000	-	-	-	-	2,500	17,500	15,000							
925	52	(150)	827	East African Breweries Ltd Ord 2.00	209,975	14,599	(34,050)	45,232	11,182	84,701	275,225	190,524							
660	-	(330)	330	Mumias Sugar Co. Ltd Ord 2.00	4,026	-	(2,013)	2,033	20	(627)	1,386	2,013							
1,946	-	-	1,946	AccessKenya Group Ltd Ord. 1.00	9,243	-	-	-	-	9,341	18,584	9,243							
29,258	5,971	(12,500)	22,728	Safaricom Ltd Ord 0.05	100,938	30,002	(46,889)	83,909	37,020	64,820	148,871	84,051							
				Total Holding	1,406,332	490,099	(311,270)	434,851	123,582	605,361	2,190,522	1,585,161							

Market values for quoted equity investments are determined by reference to the appropriate stock exchange prices prevailing on the balance sheet date

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

		2012/2013 Kshs' 000	2011/2012 Kshs' 000
12 Investment management fees			
Investment management		25,768	24,807
Custodial services		9,931	9,400
		<u>35,699</u>	<u>34,207</u>
13 Administrative expenses			
Board member costs	13b	26,638	26,689
Employee costs		68,568	60,221
Audit fees		456	350
RBA levy		5,000	5,000
Legal fees		3,791	7,124
AGM and members expenses		25,722	25,261
Depreciation expense		61,336	20,522
Administration costs amortized	16	192,354	162,092
Other administrative costs		83,033	79,430
Provision for doubtful debts		525,410	277,337
		<u>992,307</u>	<u>664,026</u>
Administrative expense recoverable		<u>(248,906)</u>	<u>(238,282)</u>
Net administrative expenses		<u>743,402</u>	<u>425,744</u>
<p>Section 4(4) of Local Authorities Fund Act, provides for recharges of administrative expenses. Due to the doubtful nature of recoverability of the same, the Board has approved a 20% provision on a straight line basis</p>			
13b Board member costs			
Chairman Honorarium		960	960
Other Board costs		25,678	25,729
		<u>26,638</u>	<u>26,689</u>
14 Contributions due			
Outstanding for less than 30 days		159,447	146,623
Outstanding for more than 30 days		3,516,706	3,239,925
		<u>3,676,153</u>	<u>3,386,548</u>
Less: Acc. Provision for doubtful debts		<u>(1,287,735)</u>	<u>(762,324)</u>
Net contributions due		<u>2,388,418</u>	<u>2,624,224</u>
15 Other Receivables & Prepayments			
Staff debtors		4,237	2,758
Prepayments & Deposits		9,038	2,016
Administrative expense receivable	16	450,657	394,106
		<u>463,932</u>	<u>398,880</u>

Staff debtors relates to the staff loan scheme set up by the Board for the benefits of the employees.

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

	2012/2013	2011/2012
	<u>Kshs' 000</u>	<u>Kshs' 000</u>
16 Administrative expense receivable		
Administrative expense receivable		
as at 01.07.2012	1,065,339	827,056
Recharges for the year	248,906	238,282
	<u>1,314,245</u>	<u>1,065,339</u>
Amortization		
as at 01.07.2012	671,233	509,141
Provision for doubtful debts @ 20% (Straight Line)	192,354	162,092
	<u>863,587</u>	<u>671,233</u>
Net Administrative expense receivable as at		
as at 30.06.2013	<u>450,657</u>	<u>394,106</u>
as at 01.07.2012	<u>394,106</u>	<u>317,915,188</u>

Administrative expense receivable relates to outstanding recharges of administrative expenses to be recovered from Local Authorities in line with Section 4(4) of Local Authorities Fund Act, however, due to the doubtful nature of recoverability of the same, the Board has approved a 20% provision on a straight line basis

17 Cash & Bank balance

Cash at Hand	48	75
Cash in bank	29,941	1,654
	<u>29,989</u>	<u>1,729</u>

18 Payables and accruals

Benefits payable to members	3,158	5,894
RBA levy payable	5,000	5,000
Other payables and accruals	46,606	37,114
	<u>54,764</u>	<u>48,008</u>

Benefits payable to members relates to claims received on or before balance sheet date whose payment was pending at the same date

Local Authorities Provident Fund

Notes to the financial statements for the year ended 30 June 2013

	2012/2013 <u>Kshs' 000</u>	2011/2012 <u>Kshs' 000</u>
19 Net assets available for benefits at end of year		
At 01.07.12	12,613,885	9,910,460
Increase in net assets for the period	<u>3,438,252</u>	<u>2,703,425</u>
At 30.06.13	16,052,136	12,613,885
Reserve fund	<u>89,011</u>	<u>89,011</u>
Net assets available for benefits	<u>16,141,147</u>	<u>12,702,895</u>

The reserve fund is established to take into account any potential future diminution in value of assets. It is also used for the transfer of interest to members, where the amount credited to members' balances exceeds the surplus for the year.