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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF UNCLAIMED ASSETS TRUST FUND

FOR THE YEAR ENDED 30 JUNE 2016

UNCLAIMED ASSETS TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

OFFICE OF THE AUDITOR GENERAL
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a Background information

The Unclaimed Assets Trust Fund (the "Fund") is created under Section 44 of the Unclaimed Financial Assets Act for custody of Unclaimed Assets.

The Fund was effectively created with the gazettement of the Act. 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 from creation of the Fund to 30 June 2016.

b Trustee

The Unclaimed Financial Assets Authority and its Chief Executive Officer act as Trustee and Managing Trustee of the Fund, respectively. Separate financial statements are prepared for the Authority.

c Principal place of business of the Authority

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Slip Road, off Waiyaki Way, Westlands
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Nairobi, Kenya

d Funds' contacts

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e Banker

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

f Corporation Secretary

Mrs Nelly A. Matheka
Unclaimed Financial Assets Authority

g 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

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	Chairman- Non-Executive Director – Appointed 2nd October 2015
Mr. Henry K. Rotich	Non-Executive Director
Mr. Daniel Mutua	Alt. Non-Executive Director
Mrs. Kellen Eileen Kariuki	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. George Omino	Ag. Chief Executive Officer - Up to 2nd February 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

The year ended 30 June 2016 was an important period for the Unclaimed Financial Assets Authority (UFAA/the "Authority") being its third 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 provision of the Act; manage and invest the funds of the Authority; advice the Cabinet Secretary, National Treasury on the 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.

The Authority launched its strategic plan for the period 2015-2018 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.

The Unclaimed Financial Assets Regulations were gazetted during the financial year, thus fully operationalizing the Authority in managing the Trust Fund. In addition, the Authority saw introduction of new Board members, including my appointment as the new Chairman for the Board of Directors.

Going forward, the Board will facilitate putting in place Legislative measures to enhance the role that Unclaimed Assets play in the economic development of the country.

I wish to thank my fellow Directors and the management of the Authority 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
Director
Board of Directors of the Trustee

Date 29.11.2016

The Authority undertook the following activities that are directly relevant for the Fund, during the year 2015/2016.

- Issuance of two (2) public notices to holders for surrender of unclaimed financial assets and subsequent receipt of these assets from the holders
- Holding of consultative meetings with strategic regulatory institutions with a view to ensuring compliance with the provisions of the Unclaimed Financial Assets Act.
- Signed Memorandum of Understanding (MoUs) with strategic partner institutions.
- Facilitated gazettement of Unclaimed Financial Assets Regulations, thus seeing the Authority as fully operationalized.
- Enhanced Internal Controls mechanisms by recruitment of an Internal Auditor;

The Authority intends to, among others, undertake the following activities during the year 2016/2017

- Enhance awareness on the Unclaimed Assets regime for purposes of implementation of the Unclaimed Financial Assets Act
- Undertake Legal review of the Unclaimed Financial Assets Act with a view to enhancing its effectiveness
- Develop an National Policy on Unclaimed Assets to facilitate the Board in advising the CS National Treasury on National Policies relating to Unclaimed Assets;
- Develop and continuously monitor implementation of an Investment Policy Statement
- Start payment of claims in respect of unclaimed financial assets
- Review the organizational structure and the current roles, and propose for amendments, where necessary, including recruiting additional staff to support management of the Fund.

In conclusion, it should be acknowledged that from June 2014 when the first Shs 348 Million was received from Kenya National Assurance as Unclaimed Financial Assets, great strides have been made in seeing the Trust Fund grow to the current over Shs 6 Billion Fund. This amount excludes Foreign Currency and Shares which have been reported but processes for transfer of title have not been concluded.

I wish to thank members of the Board of Directors for their support and guidance, and the management team and all staff for this tremendous effort.

.....

Kellen Eileen Kariuki, MBS
Managing Trustee

Date 29·11·2016

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 2016 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 period of Shs 444,899,000 (2015: Shs 87,113,000) 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 2.

Auditor

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

On behalf of the Fund

.....

Corporation Secretary, Unclaimed Financial Assets Authority

Nairobi

Date: 29·11·2016

Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act, requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Unclaimed Financial Assets Trust Fund (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 company that comply with prescribed financial reporting standards and the requirements of Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations 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 Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Public Sector Accounting Standards and in the manner required by the 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 Trustees 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 Trustees on 29th NOV. 2016 and signed on its behalf by:

Director
Unclaimed Financial Assets Authority

Managing Trustee

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED ASSETS TRUST FUND FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Unclaimed Assets Trust Fund, set out on pages 9 to 25, which comprise the statement of financial position as at 30 June 2016, and the statement of income and expenditure, statement of changes in 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.

Trustee's Responsibility for the Financial Statements

Trustee 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 the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Trustee 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 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 Trustee, 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 Unclaimed Financial Assets Trust Fund 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 Unclaimed Financial Assets Act, 2011.

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

Nairobi

22 December 2016

Statement of income and expenditure

		Year ended 30 June	
		2016	2015
	Notes	Shs'000	Shs'000
Income			
Revenue from exchange transactions			
Investment income	6	444,899	87,113
Total income		444,899	**87,113**
Expenditure			
		-	
Expenses*			-
Total expenses		-	-
Surplus for the period		**444,899**	**87,113**

The notes on pages 14 to 25 are an integral part of these financial statements.

NB. * During the financial year 2015/2016, no approval was granted for the use of the Trust fund income. The expenses of the fund have therefore been absorbed by the Authority that has separate financial statements.

Statement of financial position

	Notes	2016	As at 30 June 2015
ASSETS		**Shs'000**	**Shs'000**
Current assets			
Cash and cash equivalents	4	27,711	10,302
Receivables	5	161,883	52,595
Investments	6	5,868,232	3,203,818
		6,057,826	**3,266,715**
RESERVES			
Unclaimed Assets Trust Fund	7	5,525,814	3,179,602
Revenue reserve		532,012	87,113
		6,057,826	**3,266,715**

The financial statements on pages 9 to 25 were approved for issue by the Trustee on 29th NOV. 2016 and signed on its behalf by:

Director
Unclaimed Financial Assets Authority

Managing Trustee

Statement of changes in reserves

	Unclaimed Assets Trust Fund Shs'000	Revenue reserve Shs'000	Total Shs'000
Balance at 1 July 2014	-	-	-
Surplus for the year	-	87,113	87,113
Receipts of unclaimed assets	3,179,602	-	3,179,602
Balance at 30 June 2015	3,179,602	87,113	3,266,715
As 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

The notes on pages 14 to 25 are an integral part of these financial statements.

Statement of cash flows

	Notes	For the year ended 30 June	
		2016	2015
		Shs'000	Shs'000
Cash flows from operating activities			
Surplus for the year		444,899	87,113
Increase in receivables		(109,288)	(52,595)
Net cash from operating activities		335,611	34,518
Cash flows from investing activities			
Increase in investment in treasury bills		(2,664,414)	(3,203,818)
Net cash used in investing activities		(2,664,414)	(3,203,818)
Cash flows from financing activities			
Increase in the Unclaimed Assets Trust Fund		2,346,212	3,179,602
Net cash from financing activities		2,346,212	3,179,602
Increase in cash and cash equivalents		17,409	10,302
Cash and cash equivalents at start of period		10,302	-
Cash and cash equivalents at end of period	4	27,711	10,302

The notes on pages 14 to 25 are an integral part of these financial statements.

Statement of comparison of budget and actual cash amounts

The Unclaimed Assets Trust Fund is managed by the Unclaimed Financial Assets Authority, with financing for its activities and operations being wholly and exclusively 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 (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.

Notes (continued)

1 Statement of compliance and basis of preparation (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.

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.

Noted (continued)

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 entity and can be measured reliably.

ii) 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) Budget information

The Unclaimed Assets Trust Fund is managed by the Unclaimed Financial Assets Authority, with financing for its activities and operations being wholly and exclusively budgeted for and implemented by the Authority.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Taxes

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

As at year-end, the Unclaimed Financial Assets Authority (UFAA) which is the custodian of the Fund had applied for tax exemption status. The Trustee considers that the tax exemption would extend to the Fund.

(d) 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.

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)

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(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.

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.

(e) 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.

(f) 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.

(g) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) 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.

(i) 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 2016.

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 2016, 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)

	2016 Shs '000	2015 Shs '000
Cash and cash equivalents (Note 4)		
Fund account with Central Bank of Kenya	27,711	10,302
Receivables (Note 5)		
Accrued interest income (from treasury bills)	161,883	52,595
Investments (Note 6)	5,868,232	3,203,818
	6,057,826	3,266,715

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 2016, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 4,448,990 (2015: Shs 871,130).

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).

Notes (continued)

4 Cash and cash equivalents

	2016 Shs'000	2015 Shs'000
Fund account with Central Bank of Kenya	27,691	10,302
Virtual Account No.1000222417	20	-
	27,711	10,302

5 Receivables

Accrued interest income (from treasury bills)	161,883	52,595

6 Investments Schedule

As at 30 June 2015

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
91 days	-	-	34,518	34,518
364 days	3,490,500	3,203,818	286,682	52,595
	3,490,500	3,203,818	321,200	87,113

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
	6,449,350	5,868,232	864,134	444,899

Notes (continued)

7 Unclaimed Assets Trust Fund

a. Receipts of Unclaimed Financial Assets

Institution type	2016 Shs'000	2015 Shs'000
Commercial banks	3,611,642	1,897,937
Listed companies	603,347	645,102
Insurance companies	952,755	449,257
Telecommunication companies	314,876	187,306
SACCOs	14,124	-
Pension Funds	22,441	-
Others	6,629	-
Total	5,525,814	3,179,602

b. Unclaimed Financial Assets held by the holders

As at 30 June 2016, 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	Exchange rate	Estimated amount Shs'000
Australian Dollar – AUD	26,424	75.26	1,989
British Pound – GBP	194,830	136.6	26,614
Canadian Dollar – CAD	230,134	77.73	17,888
Danish Krone – DKK	7,452	15.01	112
Euro – EUR	303,821	112.3	34,119
Indian Rupee – INR	1,880,631	1.5	2,821
Japanese Yen – JYP	874,284	98.4	86,030
Pakistan Rupee – PKR	45,214	0.98	44
Swedish Krona – SEK	16,290	11.9	194
Swiss Franc – CHF	38,959	103.28	4,024
Tanzania Shilling – TZS	86,682,641	21.66	4,002
Ugandan Shilling – UGX	4,531,126	33.68	135
United Stated Dollar– USD	1,921,672	101.1	194,281
South African Rand – ZAR	711,129	6.77	4,814
Total			377,067

Notes (continued)

7 Unclaimed Assets Trust Fund (continued)

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

ii. Shares:

Holder	Number of shares	Market Value Shs	Total Amount Shs'000
BAT Kenya Ltd	1,018,535	835	850,477
SCB	6,175,797	195	1,204,280
Jubilee	1,327,220	455	603,885
Kakuzi	762,339	301	229,464
Unga Group Ltd	6,035,428	34	205,205
NMG	607,946	150	91,192
REA Vipingo	1,667,858	27.5	45,866
Crown paints	352,496	43	15,157
BOC Kenya Ltd	59,225	85	5,034
EABL	9,594,159	278	2,667,176
Centum	51,104,757	44	2,248,609
Olympia holdings ltd	245,520	3.1	761
Sameer Africa Ltd	2,639,291	2.75	7,258
East African Cables	3,554,423	6.3	22,393
Diamond Trust Bank	3,186,709	165	525,807
Baclays Bank of Kenya	34,371,486	9.6	329,966
Express Kenya	1,002,289	3.05	3,057
NIC Bank	8,482,926	36.5	309,627
Total	132,188,404		9,365,214

c. Unclaimed Financial Assets Claims

No claims had been paid out from the Unclaimed Financial Assets Fund at the date of these financial statement due to the delay in operationalizing by CBK of the payment Account.

However, claims for a total of Shs. 64 million had been received at 30 June 2016 (2015: Shs. 32 million).

Notes (continued)

8 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 3 to 5.

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