

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
RETIREMENT BENEFITS AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2016

*Paper laid by
LHW on 14/5/2017 (Pms)*





Retirement Benefits Authority

Annual Report & Financial Statements 2016

www.rba.go.ke





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Corporate Information

The Authority is a State Corporation established under Section 3 (1) of Retirement Benefits Act 1997.

Board of directors

| | |
|--|--------------|
| Mr Victor R. Pratt Principal Secretary, The National Treasury | Chairman |
| Mr Sammy Makove | Member |
| Mr Paul Muthaura | Member |
| Ms Agnes Nyaguthie | Member |
| Mr Cleopas Agingu | Member |
| Mr Steve Gichohi Gichuhi | Member |
| Dr Hillary Barchok | Member |
| Mr Vuncent Rotich | Member |
| Dr. Edward Odundo | Member & CEO |

Registered Office

Rahimtulla Tower, 13th Floor, Upper Hill Road
P. O. Box 57733 – 00200 Nairobi
Tel: +254-20-2809000
Fax: +254-20-2710330
Mobile: +254 -0722-509939
Mobile: +254-0735-339132
E-mail: info@rba.go.ke
Website: www.rba.go.ke

Bankers

Kenya Commercial Bank Ltd
Milimani Branch,
NSSF Building, Bishops Road
P. O. Box 48400 – 00100 Nairobi

NIC Bank
Head Office
NIC House, Ground Floor,
P.O. Box 44599 – 00100 Nairobi
Tel 254-020-288-8208
Fax 254-020-288-8513

Legal Adviser

Attorney General
Sheria House, Harambee Avenue
P.O. Box 40112– 00100 GPO
Nairobi

Auditors

Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100 GPO
Nairobi

Principal Activities

- (a) Regulate and supervise the establishment and management of retirement benefits schemes
- (b) Protect the interests of members and sponsors of retirement benefits sector
- (c) Promote the development of the retirement benefits sector
- (d) Advise the Cabinet Secretary, The National Treasury, on the national policy to be followed with regard to the retirement benefits industry
- (e) Implement all government policies relating to retirement benefits industry

Board of Directors



Dr Kamau Thugge, CBS
Principal Secretary
The National Treasury
Year of Birth – 1956
Education – BA (Econ), MA (Econ), and Ph.D in Economics.



Mr Victor R. Pratt
Chairman
Year of Birth –
Education – Business
Administration, Post Graduate
Studies in Industrial Development
Banking.



Dr Edward Odundo, MBS
Chief Executive Officer
Retirement Benefits Authority
Year of Birth – 1958
Education – BSc, MSc (Business Administration), Ph.D (Strategic Management), FCPA, FCPS, FKIM.



Mr Cleopas Agingu
Year of birth – 1969
Education – Bachelor of Education



Mr Steve Gichohi Gichuhi, MBS
Year of Birth – 1965
Education -BBM, Dip. Banking, Dip. Sales & Marketing



Mr Sammy Makove, MBS
Chief Executive Officer
Insurance Regulatory Authority
Year of Birth – 1959
Education – Bachelor of Commerce, Masters in Psychology



Dr Hillary Barchok
Education – Doctor of Philosophy in Curriculum Development
Year of Birth – 1973



Ms Agnes Nyaguthie
Year of Birth – 1968
Education – MBA



Mr Paul Muthaura
Chief Executive Officer
Capital Markets Authority
Year of Birth – 1978
Education – Bachelor of Laws, Masters in Banking and Finance Law.



Mr Vincent Rotich
Year of Birth – 1979
Education – MA Project Management



Mr Joseph Ngugi
Alternate Director to PS National Treasury
Year of Birth – 1966
Education – MA Economics

Management Team



Mr Nzomo Mutuku
On Secondment to National Treasury
as Financial Sector Adviser
BA, MA - Economics.



Dr Edward Odundo, MBS
Chief Executive Officer
BSc, MSc (Business Administration),
Ph.D (Strategic Management), FCPA,
FCPS, FKIM..



Mr Gordon Bulinda
Chief Manager
Human Capital & Administration
BEd., Higher Dipl. HRM, MBA - HRM



Ms Elizabeth Waruingi
Manager
Internal Audit & Risk Management
BA, MBA, CPA, CIA, CISA, CRMA.



Ms Rose Kwena
Chief Manager
Corporate Communications
BA, PGD, MSc.



Dr. Alfred Ouma Shem
Chief Manager
Research & Strategy
BA (Econ.), MA (Econ.), PhD (Econ.)



Mr Jesse K. Kiptim
Chief Manager
Finance
BBA, MBA, CPA-K.



Ms Anne Mugo, MBS
Chief Manager
Market Conduct
BCom, MBA, ACII.



Mr Charles Machira
Chief Manager
Supervision
BSc, MSc.



Mr Dennis Abuya
Manager
ICT
BSc, MSc, MBA, CISA

Corporate Governance Statement

Board size and Composition

- Mr. Kanyi Gachoka, Chairman (Term ended 1st July 2015)
- Mr. Victor R. Pratt, Chairman (Appointed 30th May, 2016)
- Principal Secretary, The National Treasury
- Mr. Sammy Makove, Member, Commissioner of Insurance and Chief Executive Officer, Insurance Regulatory Authority
- Mr. Paul Muthaura, Member, Chief Executive Officer, Capital Markets Authority
- Ms. Agnes Nyaguthie, Member
- Mr. Cleopas Agingu, Member (Term ended 1st July 2015)
- Mr. Steve Gichohi Gichuhi, MBS, Member (Appointed 17th April, 2015)
- Dr. Hillary Barchok, Member (Appointed 17th April, 2015)
- Mr. Vincent Rotich, Member (Appointed 2nd October, 2015)
- Dr. Edward Odundo, Member and Chief Executive Officer

The Inspector General (Corporations) under section 18(2) of the State Corporations Act, Cap 446 may attend the meetings of any State Corporation or of any board or committee as he deems necessary for the effective performance of his duties under the Act.

Conduct of Board Affairs

The management of the Retirement Benefits Authority vests in the Board of Directors constituted under Section 6 of the Retirement Benefits Act. The Board comprises nine directors, five of whom are independent non-executive members who bring a wealth of experience on matters relating to the administration of pension funds, banking, insurance, law and actuarial studies. A chairman is appointed from among these independent members. The remaining four (4) members are: the Chief Executive Officer who under section 11 is responsible for the day to day management of the affairs of the Authority, the Principal Secretary in the National Treasury, the Commissioner of Insurance and the Chief Executive of the Capital Markets Authority. Save for the CEO, all other members are non-executive.

The activities of the Board during the financial year were guided by the Constitution of Kenya, 2010, Mwongozo, the Code of Governance for State Corporations, the Retirement Benefits Act, Cap 197, the State Corporations Act and other relevant Laws of Kenya and existing Board and Committee Charters. These documents collectively outline the manner in which board powers and responsibilities were exercised and discharged. Through the strategic plan of the organisation, the Board defines the corporate strategies vital to the achievement of the Authority's objects and functions as set out under section 5 of the Retirement Benefits Act, Cap 197. The Board is conferred upon the necessary powers for the performance of its function in section 7 of the Retirement Benefits Act.

During the year, the Authority conducted a comprehensive orientation program for its new directors. The program is carried out by the Chief Executive Officer and the Heads of Departments to familiarize the new directors with the business of the Authority. This program allows new members to assimilate more easily into their new roles. Further, the program allows directors to become acquainted with senior management thus facilitating board interaction and access to senior management.

Committees of the Board

To align itself with Chapter One of the Mwongozo, the Board reconstituted its committees and now has four (4) Committees each with its own charter. The individual charters set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, the procedure for appointment and removal of a member and the procedure for reporting to the Board. The committees facilitate efficient decision making of the Board in the discharge of its statutory duties and responsibilities.

All directors exercise the requisite duty of care in the best interest of the Authority. The current members of the Board and their membership on the Board committees of the Authority are as follows:

Technical Committee

The membership of this Committee is as follows:

- Sammy Makove - Chairman
- Paul Muthaura
- Cleopas Agingu (Term ended 1st July, 2015)
- Steve Gichohi Gichuhi, MBS
- Barrack Amollo (Term ended 30th September, 2015)
- Joseph Ngugi (Appointed 14th October, 2015)

The committee held four regular meetings and three special meetings in the year under review.

Staff Welfare and Remuneration Committee

The membership of this Committee is as follows:

- Vincent Rotich - Chairman
- Agnes Nyaguthie
- Cleopas Agingu (Term ended 1st July, 2015)
- Dr. Hillary Barchok
- Barrack Amollo (Term ended 30th September, 2015)
- Joseph Ngugi (Appointed 14th October, 2015)

The committee held four (4) regular meetings in the year under review.

Finance and Administration Committee

The membership of this Committee is as follows:

- Agnes Nyaguthie - Chairperson
- Sammy Makove
- Steve Gichohi Gichuhi, MBS
- Barrack Amollo (Term ended 30th September, 2015)
- Joseph Ngugi (Appointed 14th October, 2015)

The committee held four (4) regular meetings in the year under review.

Audit and Risk Management Committee

The membership of this Committee is as follows:

- Dr. Hillary Barchok - Chairman
- Cleopas Agingu (Term ended 1st July 2015)
- Vincent Rotich
- Paul Muthaura
- Barrack Amollo (Term ended 30th September, 2015)
- Joseph Ngugi (Appointed 14th October, 2015)

The Committee held four (4) regular meetings in the year under review.

The Chairman's Statement



Mr Victor R. Pratt

Retirement Benefits Industry Report

In the half year period, from June to December 2015 the assets under management have grown by 6.8 Billion a 0.8 percent rise of assets under management from Kshs.807.3 Billion reported in June 2015. However, over the one year period the total Industry assets have grown by 3.3 percent from 788.15 billion reported in December 31st 2014 to Kshs.814.11 billion as at December 31st 2015. This is a 25.9 billion increase for a turbulent 2015 characterized by significant currency instability and an aggressive bout of monetary tightening. Specifically the bourse market has been fluctuating in value with most of the counters recording poor returns and some of the corporate bonds not performing as expected.

Out of the Kshs.814.11 billion, fund managers and insurance issuers held majority of the assets at Kshs.709.4 billion, Kshs.38.2 billion internally administered by the National Social Security Fund (NSSF) and an additional Ksh.66.47 billion of property investments that are directly managed by trustees¹. The assets under fund management include Ksh.118.1 billion of NSSF funds managed by 5 contracted fund managers. The internal assets that are managed by NSSF are in immovable property, that is either commercial or residential, unquoted securities and other assets. Schemes

continue investing heavily in traditional assets such as government and quoted securities with the two assets contributing to 52.7 percent of the total assets under management. Other assets that schemes have continued to invest heavily on are property and guaranteed funds representing 18.5 percent and 12.2 percent respectively. The year also saw the introduction of a new asset class category, Private Equity and venture capital, which fund managers invested into at Ksh.170 million of the total assets under management.

The table below provides more details on how investments were made in the different asset classes. In the one year period, there was a slight growth in some of the asset classes especially in the fixed deposits and immovable property asset class categories each registering 34 percent and 16 percent increase in total assets under management. However, there was a sharp decline in investments in offshore investments unquoted and quoted securities at -51 percent -39 percent, and -8 percent respectively.

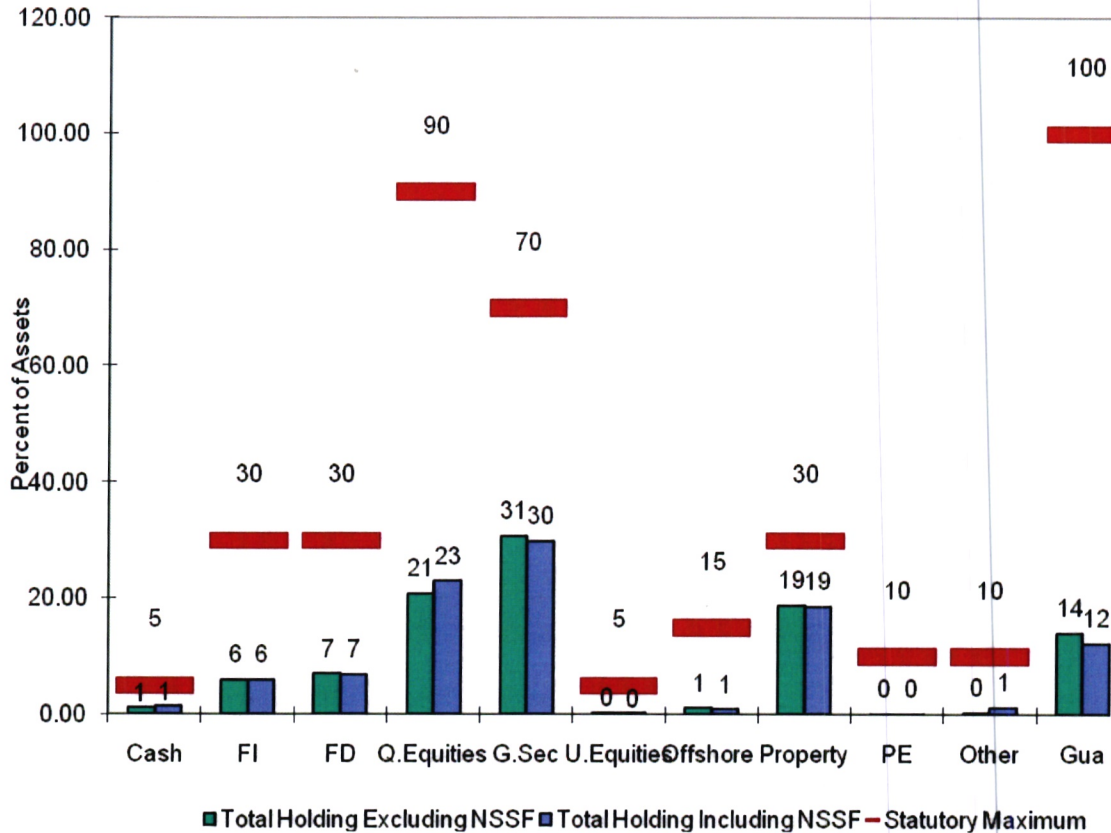
Overall Industry Investment Portfolio (Billions)

| | | June 2014 | | December 2014 | | June 2015 | | December 2015 | | Change Dec 2014- Dec. 2015 |
|----|-----------------------|---------------------|-----|---------------|-----|-----------|----|---------------|----|----------------------------|
| | | Kshs | % | Kshs | % | Kshs | % | Kshs | % | % Change |
| 1 | Government Securities | 239.04 | 32 | 241.97 | 31 | 221.64 | 27 | 242.43 | 30 | 0.19 |
| 2 | Quoted Equities | 198.73 | 26 | 203.73 | 26 | 206.65 | 26 | 186.81 | 23 | -8.30 |
| 3 | Immovable Property | 127.52 | 17 | 130.39 | 17 | 148.25 | 18 | 150.78 | 19 | 15.64 |
| 4 | Guaranteed Funds | 84.65 | 11 | 94.09 | 12 | 97.03 | 12 | 99.40 | 12 | 5.65 |
| 5 | Fixed Income | 33.23 | 4 | 46.52 | 6 | 51.45 | 6 | 48.09 | 6 | 3.37 |
| 6 | Fixed Deposits | 38.05 | 5 | 41.47 | 5 | 41.24 | 5 | 55.61 | 7 | 34.09 |
| 7 | Offshore | 14.57 | 2 | 14.68 | 2 | 14.80 | 2 | 7.16 | 1 | -51.23 |
| 8 | Cash | 10.35 | 2 | 10.74 | 1 | 12.73 | 2 | 11.26 | 1 | 4.87 |
| 9 | Unquoted Equities | 3.90 | 1 | 4.55 | 1 | 2.63 | 1 | 2.77 | | -39.07 |
| 10 | Private Equity | | | | | 0.007 | | 0.17 | | 100 |
| 11 | U Classified/Others | 0 | 0 | 0.01 | 0 | 10.93 | 1 | 9.62 | 1 | 100 |
| | TOTAL | 750.04 ¹ | 100 | 788.15 | 100 | 807.35 | | 814.11 | | |

¹ The amount was consolidated from schemes Financial Accounts for the year 2014

On average, all categories of investment were within the statutory investment limits provided in the Retirement Benefits Regulations. In the year there was a note of introduction of the Private Equity Asset class which saw the total investment in June increase from 7 Million to 17 Million by the end of December 2015. A large percentage of unclassified/other asset class represents investments Collective Investment vehicles either in money market funds, equities funds or in managed funds.

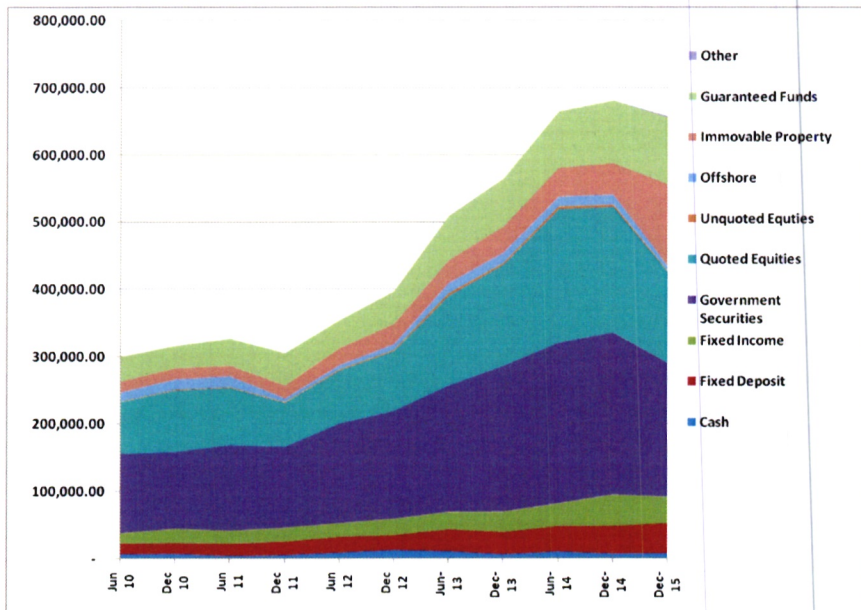
Overall Industry Investment Vs Statutory Maximum



Assets Held by Fund Managers And Insurance Issuers

For the period ending December 2015, 17 fund managers and 5 insurance issuers, submitted 1218 scheme reports with a total fund value of Ksh.657.78 billion. Over the one year period this is a decrease of kshs.23.5 Billion a 3.5 percent decrease of the total fund value from the Ksh.681.29 billion registered in December 2014. The decline in the growth of the industry assets can be attributed to the poor performance of the bourse and the changing interest rates in the market that have affected the debt instruments. The decrease in the value can also be attributed to the reduction of schemes in the report. From the reported 1297 schemes in December 2014, the year has seen these schemes reducing by 79 schemes to stand at 1218 schemes as at December 2015.

Assets Under Fund Management (Jun. 2010-Dec.2015 In Kshs. Millions)¹

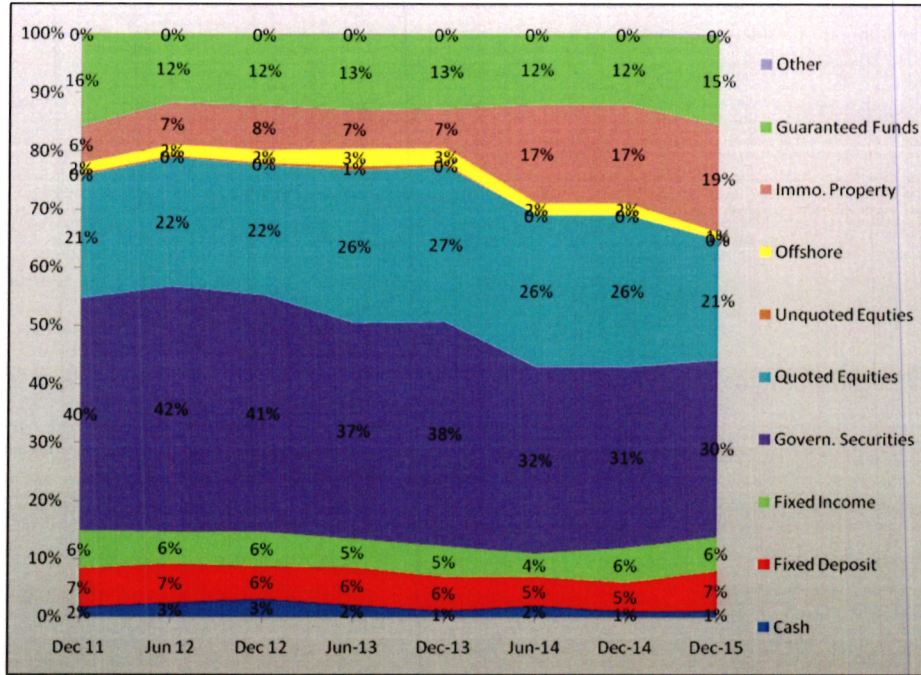


Asset portfolio diversification remained similar to previous periods with most of the asset classes recording a decline except a marginal increase in the guaranteed funds segment which saw an increase of Kshs.5.3 billion from the recorded Kshs.94.09 billion in December 2014. The bear run in the equities market continues to affect most schemes with the asset class contributing more than 21 percent of the Industry portfolio. There was a 27.6 percent reduction in the overall total value of assets held in quoted equities from Kshs.186.69 billion held as at December 2014 to Kshs.135.22 billion held as at December 2015.

Due to the rising interest rates offered by banks in the first half of the year, there was a notable decline of investments in treasury bills that ultimately have reduced the percentage investments in government securities from 31 percent in December 2014 to 30 percent in December 2015. The trend of portfolio diversification remained the same in all other investment asset classes as depicted in the table below.

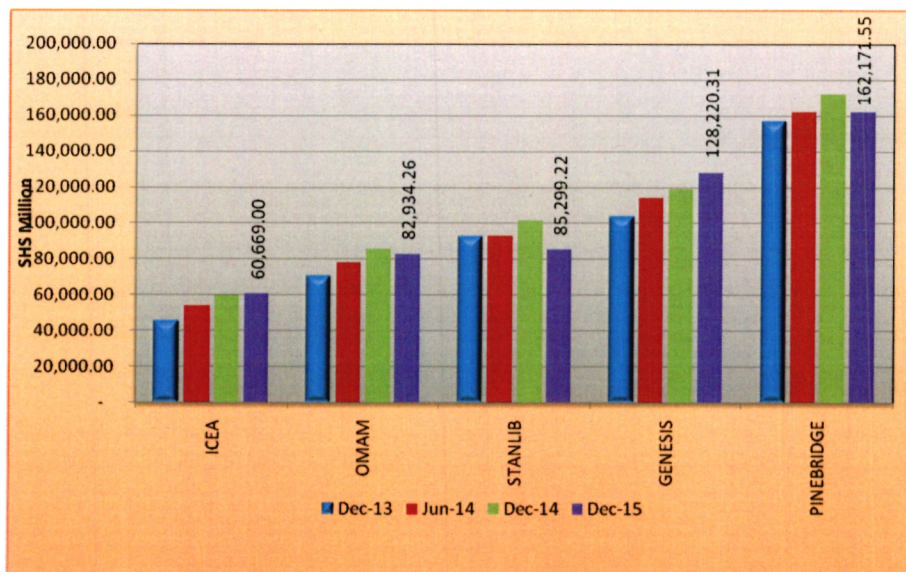
¹ Figures exclude funds internally managed by NSSF

Portfolio Diversification (Dec. 2010- Dec.2015) In Percentage



The number of schemes under management reduced by 79 schemes to 1218 registered schemes as at December 2015. There were 442 segregated schemes and 776 guaranteed funds¹ managed by fund managers and insurance issuers respectively. Pinebridge Investments is the manager with the largest assets under management with total assets under management at Kshs.162.2 Billion, 23 percent of the total assets under fund management. Top tier fund managers (Pinebridge Investments, Genesis Kenya, Stanlib Investment Kenya, OMAM Asset Managers and ICEA Lion) continue to manage the bulk of the investments with the total assets under management at Ksh.519.3 billion accounting for 75² percent of the entire assets under management. A pictorial presentation is shown below indicating each fund managers' holdings over a 2 year period from December 2013- December 2015.

Retirement Assets- by Managers (Dec. 2013- Dec.2015)



¹ The number of schemes may be exaggerated as there are schemes with more than 1 Manager
² Percentage representation increased by 2% from December 2014 though there was a decline of holdings by Kshs. 16.98 billion over the same period

Assets held by National Social Security Fund (NSSF)

Total assets of NSSF has risen by Kshs.14.9 billion from **Kshs.141.44 billion** in December 2014 to **Kshs.156.33 billion** in December 2015 representing a 10.5 percent growth in the total fund. Of this amount, **Kshs.53.9 billion**¹ was managed in-house and **Kshs.102.5 billion** managed by registered fund managers². The externally managed funds continue to increase over the periods with a noted increase of Ksh.22.8 billion from 79.6 billion reported in December 2014 to 102.5 billion in December 2015. The table below shows the distribution of the funds to the various fund managers. In the year there was a noted increase in assets under management in GenAfrica with more than Kshs.16.97 billion increase over the year. The year also saw British American Asset Management as part of the fund managers managing a percentage of the NSSF funds for the year.

NSSF Portfolio Of The External Managers (Dec.2013-2014)

| FIGURES IN MILLIONS | | | | | | |
|---------------------|------------|--------|--------|--------|-------------|----------|
| Fund Manager | Dec-15 | Dec-14 | Jun-14 | Dec-13 | Year Change | % Change |
| PINEBRIDGE | | 14,962 | 12,917 | 8,001 | -14,962 | |
| OMAM | 17,944.51 | 13,352 | 11,788 | 7,231 | 4,593 | 34.4 |
| ICEA | 18,057.74 | 13,269 | 11,439 | 6,888 | 4,789 | 36.1 |
| GENAFRICA | 30,095.96 | 13,125 | 11,403 | 6,816 | 16,971 | 129.3 |
| COOP | | 12,652 | 11,467 | 7,188 | -12,652 | |
| STANLIB | 18,494.95 | 12,246 | 11,821 | 7,249 | 6,249 | 51.0 |
| BAAM | 17,859.53 | 0 | | | 17,860 | |
| TOTAL ASSETS | 102,452.69 | 79,606 | 70,835 | 43,373 | 22,847 | 28.7 |

The overall portfolio was well diversified though with heavy investments in Quoted securities, immovable property and government securities at 40 percent, 28 percent and 23 percent, respectively. The portfolio allocation is in compliance with the investment guidelines.

Retirement Benefits Industry Investment In Government Securities

Similar to other periods, government securities accounted for the largest portion of overall investments at 30 percent of the total assets under management as at December 2015. However, there has been a gradual decline of total investments in government securities, from 33 percent reported in December 2013. The industry total holdings in government securities increased by Kshs.3.4 billion from Kshs.239.04 reported in December 2014 to Ksh.242.43 billion reported in December 2015. The slow growth in the asset class can be attributed to managers preferring to divest the assets in other shorter term investments such as corporate bonds and fixed deposits.

In the asset class the year has seen some new offerings especially in the long term assets from 2-5 years bonds as well as infrastructure bonds with a maturity rate of more than 5 years. Schemes have invested in these new offerings albeit preferring the longer term bonds to the shorter term bonds. Schemes invested in longer term government securities with most fund managers investing in bonds with maturity rates of more than 10 years and between 8 to 10 years.

Retirement Benefits Industry Investment in Quoted Equities

Investments in quoted securities are the second largest with the total investments accounting for 23 percent of the total assets under management. In the half year period investments in this asset class rose by 1.43 percent from 203.73 billion in December 2014 to 206.65 billion in June 2015. However, in the 1 year period there was a noted reduction of 9.6 percent which saw the total investments in equities stand at kshs.186.81 billion as at December 2015. The decline in value can be attributed to the bearish market that has seen most of the counters in the Nairobi Stock exchange loose in value especially in the last half of the year 2015. For instance KCB share price has dropped by 20 percent from a high of kshs.48 recorded in February 2015 to a low of Kshs.38 that was recorded in December 2015. With an exposure of more than 4 percent or kshs.26 billion³ of total assets under management the share price drop significantly affect

1 53.9 Billion represents investments in Unquoted Securities as well as investments in other securities not transferred to the External fund Managers
 2 Old Mutual Asset Managers, ICEA, GenAfrica, Stanlib & British American Asset Managers
 3 Retirement Benefits Industry Performance Report December 2015

the decline in investments in the quoted equities.

The year saw the introduction of the first ever Real Estate Investment Trust (REIT) in the market that is the Stanlib I-REIT that was open to the public as well as institutional investors. The REIT is seen as an avenue of allowing smaller schemes divest their portfolios in property. The schemes can now be able to own a proportion of property albeit with the minimum funds they hold. Larger schemes can also divest in this asset class by ensuring that their investments are not in a particular property but a mix as identified by the REIT provider. Expectations are that the current trend shall continue with most schemes investing heavily in the Banking and Investments, Manufacturing and allied, and telecommunications and technology sectors.

Retirement Benefits Industry Investment In Corporate Bonds

In the period under review investments in this asset class marked a marginal increase of 3.37 percent for the 1 year period from the kshs.46.52 billion reported in December 2014 to kshs.48.09 billion reported in December 2015. This marks a total representation of 6 percent of the total assets under management. Similar to the year 2014 where the asset class saw the issuance of various debt instruments such as EABL, C.I.C, Britam, UAP, and Centum Investments that attracted more than kshs.20 billion of pension funds the year 2015 saw the issuance other corporate bonds. Worth noting was the issuance of Imperial Bank and Chase Bank corporate bonds that had many fund managers investing in the offering due to the attractive returns the bonds offered. Due to some irregularities identified by CMA the two bonds were suspended from trading in the market.

Individual Retirement Benefits Schemes Sector

The membership and assets of individual retirement benefits schemes continued to grow considerably. The membership grew from 127,475 members in December 2013 to 144,680 and 162,882 members in December 2014 and December 2015, respectively. In the one year period the assets have grown from Kshs.22.9 billion to Kshs.28.8 billion representing a 26 percent asset growth. The growth in the sector has emanated from the various sensitization forums RBA holds encouraging individual membership in pension arrangements. The Blue MSME's Jua Kali Retirement Benefits Scheme, commonly known as the "Mbao Pension scheme" continues to be the largest scheme in membership with a representation of 46 percent, with a total membership of 75,415. However, in terms of assets, the largest individual pension plan is Jubilee Individual pension plan with a membership of 17,785 members and a total value of Kshs.7.34 billion as at December 2015.

Individual Retirement Benefits Schemes Data In Kshs.bn (June 2010- December 2015)

| | Total Membership | Total Assets | Contributions (6 Months) | Benefits Paid out (6th Months) | Transfers In (6 Months) | Transfers Out/ Withdrawals (6th Months) |
|---------------|------------------|--------------|--------------------------|--------------------------------|-------------------------|---|
| Jun-10 | 25,289.00 | 7.00 | 1.70 | 0.60 | 0.60 | 0.08 |
| Dec-10 | 38,608.00 | 9.10 | 2.20 | 0.40 | 1.10 | 0.50 |
| Jun-11 | 43,737.00 | 8.60 | 2.10 | 1.40 | 0.60 | 0.07 |
| Dec-11 | 61,240.00 | 11.00 | 2.60 | 0.80 | 0.90 | 0.70 |
| Jun-12 | 75,402.00 | 12.10 | 3.20 | 1.90 | 0.50 | 0.30 |
| Dec-12 | 88,509.00 | 13.60 | 3.20 | 1.00 | 0.90 | 0.90 |
| Jun-13 | 103,978.00 | 16.58 | 2.65 | 1.37 | 0.82 | 0.29 |
| December 2013 | 113,316.00 | 17.40 | 2.79 | 1.25 | 0.86 | 0.34 |
| June 2014 | 127,475.00 | 20.56 | 3.37 | 1.52 | 0.71 | 0.59 |
| December 2014 | 144,640.00 | 22.93 | 5.20 | 1.43 | 1.04 | 1.87 |
| December 2015 | 162,882.00 | 28.83 | 5.76 | 2.08 | 1.73 | 2.07 |

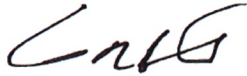
Industry Exposure to Offshore Securities

The offshore asset class saw the largest drop over the one year period with total investments in this asset class amounting to Kshs.7.1 billion in December 2015 marking a 51 percent drop from the kshs.14.8 billion reported in December 2014. This represents a total exposure of 1 percent to other markets other than the East African community. Investments in this asset class are mainly in collective investments vehicles such as money market funds and equity funds in countries such as the United States, the United Kingdom and Emerging markets. Some examples of investments in this category are Franklin Templeton Investments, Pinebridge Equity Funds, Old Mutual Bonds and Barloworld Limited. Collective investments represent 75 percent of all investments in offshore

securities with the other investments being in cash or near cash instruments.

Appreciation

The achievement of these milestones would not have been possible without the commitment of the Authority's management and staff to the success of RBA through the achievement of its objectives. I wish to thank my board colleagues and all members of staff for their continued commitment towards the Authority's cause.



Mr Victor R. Pratt
Chairman

The Chief Executive Officer's Statement

In 2015/2016, the Authority achieved its targets. I am pleased to present highlights of our achievements over this period. During the Financial Year we continued to perfect our Risk-Based Supervision.

Supervision

The supervisory functions of the Authority are set out under Section 5 of the Retirement Benefits Act, 1997.

Supervision deals with:

- Registration of retirement benefits schemes
- Licensing of service providers, namely administrators, fund managers and custodians
- Ensuring compliance and enforcement of the Retirement Benefits Act and Regulations

We have ensured that within the year the regulated entities remain compliant with the law. The overall scheme compliance with statutory returns submission stood at 85.1%. Further the adoption of the risk-based supervisory approach has enabled the Authority to adopt a proactive approach to supervision thus enabling early interventions to retirement benefits schemes under any distress. Overall schemes risk level during the year was maintained within reasonable level due to expeditious interventions applied on schemes with high risk levels.



Dr Edward Odundo

The industry has also experienced an upward trend in membership. In particular, we registered 17 new retirement schemes while 57 employers enrolled as participating sponsors in existing umbrella funds resulting to 1,318 retirement schemes at the end of the financial year. In addition, the scheme funds also increased to **Kshs.814.11 billion** as at end of December 2015. The growth can be attributed to among other things due registration of new schemes, good governance, availability of an array of investment instruments, and timely supervisory intervention by the Authority.

To support growth of the industry and good governance practice in the management of pension assets, the Authority licensed professional service providers to support trustees of retirement benefits schemes on scheme administration, fund management and custody of scheme assets. In the financial year the Authority licensed 29 administrators, 20 fund managers and 11 custodians. The department remains vigilant and steadfast in dealing with supervisory roles as outlined in the RB Act and subsidiary regulations.

Risk Based Supervision System (RBSS) Portal

We launched RBSS Portal on June 24, 2016. This confirms our commitment to get ICT system that enables us to properly monitor the sector by increasing the ease and speed of communication with all stakeholders. RBA Portal enables us to continue enjoying the benefits of risk-based supervision in an integrated information system that eases communication with our stakeholders. What the portal is doing is blend the benefits of risk-based supervision with the convenience of technology. To members, the benefit of RBSS Portal is the surety that the benefits are safe because of the transparency promoted by the portal. They can also file complaints online or on phone if they have Internet. Plans are under way to enable members file complaints online through Huduma centres as well.

On the other hand, Trustees will get periodic updates on the compliance status of their schemes. They can also monitor the compliance levels of their schemes. RBSS Portal allows principal officers to communicate with the Authority online to enable them assess and know the risk levels of their schemes. The portal gives administrators and fund managers an ICT platform that allows them to submit their statutory returns online. This reduces operational costs and improves turnaround time for dealing with any non-compliance. It also eases record keeping since they receive the acknowledgment of returns online once filed. To the Authority, the portal gives us quick turnaround time in dealing with compliance issues and industry statistics. We also get snapshot status of schemes under management, thus assisting us in proactively supervising the pension sector. We assess the risks of schemes at the click of a button. Our communication is paperless and our stakeholders will no longer have to write letters unless it is extremely necessary.

Research Papers

During the year we presented to scheme trustees and members five research studies.

- Pensioners Survey
- Viability of Property Investments by Pension Funds in Kenya
- Information Technology use by pension trustees in member education in Kenya
- Risks and Opportunities Associated With Paying Lumpsum Benefits to Retirees in Kenya
- Challenges of Extending Pension Coverage in Kenya

We carry out these studies to guide us in advising The National Treasury's Cabinet Secretary as required in our mandate. The objective is to enable us come up with key policy recommendations aimed at improving the livelihoods of Kenyans after retirement. We provide the full research papers in our website. We also present the papers to retirement benefits schemes' members and trustees. During the year, we discussed findings of the studies with members and trustees in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru and Meru. These towns were chosen because of their central location so that members from neighbouring towns could attend. During these research dissemination meetings we also receive members' views and respond to their questions.

Market Conduct Department

The National Treasury is spearheading the rolling out of a merged financial services regulator as recommended in the *Report of the Presidential Taskforce on Parastatal Reforms (October 2013)*, to be referred to as the Financial Services Authority (FSA). The FSA is proposed to be a merger of the four regulators in the sector namely the Retirement Benefits Authority (RBA), the Insurance Regulatory Authority (IRA), the Capital Markets Authority (CMA) and the Sacco Societies Regulatory Authority (SASRA). RBA has been actively involved in the reforms brought under the Financial Services Authority Bill and the Market Conduct Framework developed with the guidance of the National Treasury and the consultant, Promontory Financial Group.

In order to further enhance the Authority's role in supervising the retirement benefits industry, the Authority has established a Market Conduct Department, thus setting the pace for other industry regulators. The Market Conduct Department will roll out guidelines and activities on the following:

- **Fair Treatment of Customers.** Particularly on matters related to timely payment of their benefits and adequate disclosure of the determination of these benefits;
- **Conducting business with integrity, skill, due care and diligence.** Related to trustees and administrators of schemes (Fund Managers and Custodians have the CMA and the CBK as their primary regulator respectively, which will share information with the RBA);
- **Managing conflicts of interest.** To monitor the conduct of trustees and administrators as well as service providers; the Authority will focus on any conflicts arising in the hiring of service providers by Trustees, the choice of investments for the schemes and other areas of potential conflict;
- **Consumer Education.** The Authority will continue its initiatives for member education, retirement planning seminars, regular holding of annual general meetings and other ways to reach members with adequate information on their schemes and ensure disclosure of relevant and appropriate information to customers;
- **Consumer Protection.** Complaints management procedures in place will be enhanced; Protection of customers against fraud and misuse of their funds will be ensured through whistle blowing, inspections and investigations as well as prosecutions where required; this includes the charging of excessive fees and unnecessary expenditures by trustees and administrators.

Risk Management and Internal Control

The Authority has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation.

The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Authority. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Authority to achieve its objectives both in the short and long term.

Pension Education Campaign

In order to promote and develop the pension sector, the Authority has undertaken various initiatives geared towards enhancing the scope of the covered population in the country. Specifically, the Authority has undertaken the following initiatives: "kulegalega" pension education campaign.

In May 2016, the Authority activated a Thought-provoking "Call-to-Action" Pension Education campaign on TV, Radio, and Social Media platform that demonstrates the consequences of not planning and saving for retirement, thus shocking Kenyans into action that will lead to increased pension uptake. The campaign targets viewers and listeners from both the formal/informal sectors and all segments between the ages of 25 - 44 years.

Retirement Planning Seminar

The Authority hosts open monthly Retirement Planning seminars whose objective is to equip scheme members with skills to enable them cope with life after retirement. In an effort to deliver value to the customer, the Authority endeavours to continuously respond to the needs of scheme members. Feedback received through seminar

RBSS PORTAL LAUNCH

RBA Portal gives the Authority quick turnaround time in dealing with compliance issues and industry statistics. We also get snapshot status of schemes under management, thus assisting us in proactively supervising the pension sector. We assess the risks of schemes at the click of a button.



CEO Dr Edward Odundo cuts tape to unveil RBA Portal on June 24, at Crowne Plaza, Nairobi.



ICT Deputy Manager Peter Ngunyi explains how RBA Portal enhances the Authority supervises retirement benefits schemes.

evaluation forms is critically analyzed and adopted to improve service delivery. In 2015/2016, the Authority trained 7, 154 members of retirement pension schemes.

County Government Engagements / Open Day Clinics

The Authority has continued to host open day clinics in collaboration with County Governments across the country to sensitize Kenyans on the importance of saving for retirement. In 2015/2016, the Authority partnered with Vihiga, Kisii and Meru Counties to sensitize the informal sector workers on the importance of saving for retirement.

ASK Shows

ASK shows provide a platform for the Authority to engage with the general public on the importance of saving for retirement and respond to their questions. In 2015/2016, the Authority participated in Nairobi, Mombasa, Kisumu and Eldoret ASK shows. Going forward, the Authority is working on the possibility of having its foot print in all the counties.

Employer Sensitisation

The Authority hosted a work shop for all County Government Public Service Boards chairs in November 2015 to introduce them to RBA's mandate, assess the progress in the quest to establish a pension arrangement for county staff and address concerns of key stakeholders in regard to the establishment of a pension arrangement for County staff. The Authority also partnered with The Kenya National Chamber of Commerce & Industry to sensitize business owners on the importance of establishing a pension arrangement for their workers.

Talent acquisition and management

The Authority's employees are a vital resource in the pursuit of operational excellence and the provision of quality products and services. The skills and expertise of employees drive innovation, which enables it to provide added value to its stakeholders, while enhancing supply chain logistics and reducing adverse environmental impact of its operations. The Authority regularly reviews its organisational structure to ensure that the business has the necessary optimal personnel engagement to deliver its strategic priorities. In addition, our commitment to growing our people and creating the best working environment for our staff is of critical importance.

Building our Talent

We continue to grow our offering of exciting talent development programmes to accelerate the growth and exposure of our next crop of leaders. Our training and development programmes focus on equipping the staff with the right functional and leadership capabilities needed for the business and personal exposure for future success. The Authority also facilitates external secondments and attachments of staff to other jurisdictions for the team to gain from the best practices and also benchmarking on pension's management.

Building our culture

Each year, we conduct a Values Survey to measure how well we are engaging our stakeholders and demonstrating our core business values on a daily basis across our businesses. From these surveys, we are able to prioritise our employee's activities and programmes to ensure that the staffs are fully engaged. Employee Satisfaction and Work Environment Survey index is the measure of the extent to which employees are committed to our goals, believe in our values and want to give their best effort to our business.

Staff Welfare

The Authority continues to ensure that our workforce stays healthy through our primary health care and employee wellness programme. These initiatives ensure that we have healthy staffs that are ready at all time to respond to the industry needs.

Process Improvement and Automation

The Authority attaches great importance to the effectiveness of its business processes and minimisation of operational costs. We continue to rationalise and improve our Quality Management System operating procedures by undertaking regular reviews and internal and external audits. This has enabled our continued certification to the ISO 9001:2008 Standard. To assure operational efficiency, the Authority completed the automation of its back-office operations on an integrated platform and this is now fully in use. We have integrated this platform with the Integrated Financial Management Information System.

Performance Contracting in the Civil Service

Since the launch of Performance Contracting in the civil service by the Government in 2004, service delivery from various government institutions and agencies have greatly improved. The overarching objective of Performance Contracting is to measure performance using the best international practices and that performance targets are grown to the extent of placing the country on the edge in global competitiveness. The Authority implemented the first Performance Contract in the 2005/2006 financial year. From the onset, the Authority has consistently achieved "Very Good" performance over the years.

The Very Good achievement of Performance Contracting targets has been manifested in the pensions industry through rapid growth and development, strengthened governance and management, enhanced transparency and accountability and effectiveness of the pension system. During the just concluded 2015/2016 contract period the Authority achieved excellent performance in the following indicators.

- Service Delivery Innovation
- Youth Internship/Industrial Attachment
- Number of Stakeholders Sensitized (iv) Number of Prospective Retirees Sensitized
- Dissemination of Research Findings to Stakeholders
- Average Number of Days Taken to Register New Schemes

Appreciation

I wish to extend special thanks to the entire Board, Management and Staff of the Retirement Benefits Authority for dedicating time and tireless effort to see the Authority achieve continued success. Specifically, I wish to thank the Board of Directors for their outstanding leadership, vision and direction. Finally, I wish to thank all our stakeholders for their confidence in the Authority.


Dr Edward Odundo
Chief Executive Officer

Financial Performance of the Authority

The Financial Performance of the Authority for the twelve months ended 30th June 2016 is presented herewith in accordance with the requirement of the Retirement Benefits Act, the Public Audit Act and the International Public Sector Accounting Standards. The Annual Accounts comprise the statements listed below on the financial performance and position of the assets and liabilities of the Authority at 30th June, 2016.

Statement of Financial Performance

1. Statement of Financial Position
2. Statement of Changes in Net Assets
3. Statement of Cash flows
4. Notes to the financial statement including any disclosures which are necessary for understanding by the users of financial statements

The Annual Accounts shall be submitted to the controller and Auditor General after approval by the Board in accordance with the requirements of Section 21 and the Retirement Benefits Act

Financial Statements

Statement of Financial Performance

This is the 18th financial year since inception of the Authority and the levy payable by retirement benefits schemes has been the main source of revenue.

Income

Levy collected during the financial year was kshs. 720m compared to kshs. 635m in the prior year. This was above target by kshs. 3m and was payable by schemes whose accounting periods fall between the months of July and December of the Financial Year. The investment Income was kshs. 52m compared to kshs. 25m in the prior year.

Expenditure Statements

The operating expenditure was kshs. 611m compared to kshs. 582m and kshs11m in the previous year. Statement of financial position.

Assets

The total assets were kshs. 1106m compared to kshs. 1040m in the prior year and the net assets were Kshs. 1049m compared to Kshs. 1040m in the prior year

Treasury Management

The position of the investment portfolio as at 30th June 2016 was kshs. 667m in the Treasury Bills compared to kshs. 274m, with bank balances of approximately kshs. 50 m compared to kshs. 366m in both current and deposit account balances. The Authority, like in the previous periods, continued to invest most of its funds in 91days Treasury Bills with some funds placed in fixed deposit accounts at the Authority's banks to meet the requirements of bank guarantees for goods and services and also facilitate the staff house and car loan schemes.

Cash Flow Statement

Cash flows from the operations of the Authority are detailed in the cash flow statement for the twelve months ended June 30, 2016. the cash and cash equivalent was kshs. 717m compared to kshs. 641m in the prior year.

Overall Financial Performance

The performance of the Authority of the financial year is an excess of income over recurrent expenditure of kshs.190m compared to Kshs.114m in the previous year.

Risk Management and Internal Control

The Authority has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the board takes into account the results of works carried out to audit and review the activities of the Authority. The board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Authority. To achieve this goal, a risk management and governance framework has been put in place to assist the board in understanding business risk issues and key performance indicators affecting the ability of the Authority to achieve its objectives both in the short and long term.

BY ORDER OF THE BOARD

Chairman:



Chief Executive Officer:



Date: 28.09.2016

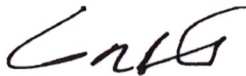
Statement of Directors' Responsibility

The Retirement Benefits Authority Act and Public Audit Act, no. 12 of 2003 requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Authority, a statement of income and expenditure, and such other statements that the Directors may deem necessary. It also requires the Directors to ensure the Authority keeps proper books of account and other books and records in relation to the Authority and to all the undertakings, Funds, investments, activities and property of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors 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 generally accepted accounting practice and in the manner required by the Retirement Benefits Authority Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Chairman:



Chief Executive Officer



Date 28.09.2016

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 RETIREMENT BENEFITS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Retirement Benefits Authority set out on pages 23 to 38, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of approved budget and actual income and expenditure 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 35 of the Public Audit Act, 2015. 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 Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these 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(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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.

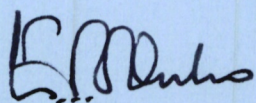
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Retirement Benefits Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Retirement Benefits Authority Act, No.3 of 1997.



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

Nairobi

16 March 2017

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2016

| | Note | 2016 Kshs | Restated 2015 Kshs |
|---|------|--------------------|--------------------------|
| Revenue From Non Exchange Transaction: | | | |
| Levy income | 2 | 719,965,494 | 635,253,354 |
| | | <u>719,965,494</u> | <u>635,253,354</u> |
| Finance Income | | | |
| Investment income on Treasury Bills | 3 | 50,612,471 | 25,340,380 |
| Other income | 4 | 30,258,229 | 35,581,560 |
| | | <u>80,870,699</u> | <u>60,921,940</u> |
| Total Revenue | | <u>800,836,193</u> | <u>696,175,294</u> |
| Expenses | | | |
| Employee Costs | 5 | 299,550,545 | 288,176,477 |
| Depreciation & Amortisation Expense | 6 | 20,947,340 | 22,173,294 |
| Repairs & Maintenance Expenses | 7 | 5,324,807 | 7,299,150 |
| Professional Charges | 8 | 22,664,938 | 30,538,309 |
| General Expenses | 9 | 244,641,992 | 218,080,132 |
| Finance Costs | 10 | 371,429 | 335,889 |
| Directors Expenses | 11 | 17,255,236 | 15,582,887 |
| Total Expenses | | <u>610,756,286</u> | <u>582,186,137</u> |
| Surplus before tax | | <u>190,079,907</u> | <u>113,989,157</u> |
| Surplus/Tax paid to KRA | | 120,597,035 | 42,329,064 |
| Surplus transferred to General Fund | | <u>69,482,872</u> | <u>71,660,093</u> |

The notes set out on pages 28 to 38 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30,JUNE 2016

| | Note | Kshs 2016 | Restated Kshs 2015 |
|---|------|----------------------|--------------------------|
| Assets:- | | | |
| Current Assets | | | |
| Cash and bank balances | 12 | 50,360,089 | 366,357,043 |
| Investments Treasury Bills | 12 | 666,506,600 | 274,390,000 |
| Long Term Deposits | 12 | 305,219,248 | 298,783,647 |
| Reimbursement (staff on secondment) | 13 | 12,237,000 | 21,094,800 |
| Prepayment | 14 | 2,035,022 | 821,480 |
| Interest receivable on T- Bills | 15 | 9,503,776 | 1,115,205 |
| | | <u>1,045,861,735</u> | <u>962,562,175</u> |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 60,275,546 | 77,863,581 |
| Total assets | | <u>1,106,137,280</u> | <u>1,040,425,756</u> |
| Liabilities:- | | | |
| Current Liabilities | | | |
| RBATrust Fund | 17 | 7,421,834 | 8,304,274 |
| Employee benefits obligation | 18 | 38,459,062 | 23,447,101 |
| Creditors | 19 | 11,706,831 | 29,607,701 |
| Total current liabilities | | <u>57,587,727</u> | <u>61,359,076</u> |
| Net assets | | <u>1,048,549,553</u> | <u>979,066,680</u> |
| Capital fund | 20 | 109,357,000 | 109,357,000 |
| Accumulated surplus/ Reserves | 21 | 939,192,553 | 869,709,682 |
| Total Equities | | <u>1,048,549,553</u> | <u>979,066,681</u> |
| Total net assets and liabilities | | <u>1,106,137,280</u> | <u>1,040,425,756</u> |

The Financial Statements set out from page 23 to 38 were approved on 28.09.2016 on behalf of the Board of Directors by:



VICTOR R. PRATT
CHAIRMAN



DR. EDWARD O. ODUNDO
CHIEF EXECUTIVE

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30-Jun-16

| | Capital Fund | General Fund | Total Fund |
|--------------------------------|--------------|---------------|---------------|
| | (KShs) | (KShs) | (KShs) |
| At 1 July 2015 | 109,357,000 | 869,709,682 | 979,066,682 |
| Surplus/deficit For the period | | 190,079,907 | 190,079,907 |
| Tax/surplus paid | | (120,597,035) | (120,597,035) |
| At 31 March 2016 | 109,357,000 | 939,192,554 | 1,048,549,554 |

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2016

| | | 2016 | 2015 |
|---|-------------|----------------------|---------------------|
| | | (Kshs) | (Kshs) |
| Cash flows from Operations:- | NOTE | | |
| Net Surplus of the year | | 190,079,907 | 113,989,158 |
| Depreciation written back | 16 | 20,947,340 | 22,173,294 |
| Net cash inflow from operating activities | | 211,027,246 | 136,162,452 |
| Increase / Decrease in receivable | 13,14&15 | (744,313) | 14,426,390 |
| Increase / Decrease in payable | 18&19 | (2,888,909) | 4,219,814 |
| Net working capital changes | | (3,633,222) | 18,646,204 |
| Net cash flows from operating activities | | 207,394,024 | 154,808,656 |
| Cash flows from investing activities :- | | | |
| Purchase of Property & Equipment | 16 | (3,359,304) | (6,752,905) |
| Net cash used in investing activities | | (3,359,304) | (6,752,905) |
| Cash flows from financing activities :- | | | |
| Increase on deposits | | (6,435,601) | (22,614,769) |
| Surplus / Tax paid to KRA | | (120,597,035) | (42,329,064) |
| RBA trust fund | 17 | (882,440) | 459,021 |
| Staff Benevolent Fund | 17 | - | (1,126,350) |
| Net cash from Financing activities | | (127,915,076) | (65,611,162) |
| Net increase in Cash and Cash Equivalent in the year | | 76,119,644 | 82,444,589 |
| Cash & Cash Equivalent as at the beginning of the year | | 640,747,042 | 558,302,453 |
| Cash & Cash Equivalent as at the end of the year | 12 | 716,866,689 | 640,747,042 |

STATEMENT OF COMPARISON OF APPROVED BUDGET AND ACTUAL INCOME & EXPENDITURE AS AT 30.6.2016

| Account | Original Budget | Revised Budget | Actual Expenditure | Variance | |
|--|--------------------|--------------------|--------------------|--------------------|-----|
| Income | | | | | |
| Retirement Benefits Levy | 700,000,000 | 700,000,000 | 719,965,494 | 19,965,494 | 1) |
| Finance Income | 31,000,000 | 31,000,000 | 50,582,471 | 19,582,471 | 2) |
| Licensing fees | 3,100,000 | 3,100,000 | 3,100,000 | - | |
| Other Income | 22,060,000 | 22,060,000 | 27,158,228 | 5,098,228 | 3) |
| Total Income | 756,160,000 | 756,160,000 | 800,806,192 | 44,646,192 | |
| Expense | | | | | |
| Financial Literacy (Scheme Visit) | 14,500,000 | 14,500,000 | 14,583,761 | 83,761 | |
| Member Education (Seminars) | 28,000,000 | 28,000,000 | 20,792,223 | -7,207,777 | 4) |
| Development of Pension Education & Consumer Protection | 31,000,000 | 31,000,000 | 29,452,703 | 1,547,297 | |
| Depreciation | - | - | 20,947,340 | 20,947,340 | |
| Financial Charges | 500,000.00 | 500,000.00 | 371,429 | 128,571 | |
| Cleaning Expenses | 2,623,800 | 2,623,800 | 1,349,245 | 1,274,555 | 5) |
| Professional Charges | 36,910,000 | 36,910,000 | 22,664,938 | 14,245,063 | 6) |
| Power & Lighting | 6,600,000 | 6,600,000 | 3,254,627 | 3,345,373 | 7) |
| Official Entertainment | 3,000,000 | 3,000,000 | 2,853,506 | 146,494 | |
| Office Running Expenses | 8,471,160 | 8,471,160 | 9,683,123 | 1,211,963 | |
| Library Expenses | 2,900,000 | 2,900,000 | 2,552,979 | 347,021 | |
| Medical Expenses | 19,450,000 | 19,450,000 | 18,137,043 | 1,312,957 | 8) |
| Motor Vehicle Maintenance & Security | 9,960,000 | 9,960,000 | 3,491,031 | 6,468,969 | 9) |
| Maintained Insure & Security of Equipment | 3,113,824 | 3,113,824 | 1,833,776 | 1,280,048 | |
| Rent & Ground Rates | 38,788,175 | 38,788,175 | 37,676,117 | 1,112,058 | 10) |
| Personnel Emoluments | 309,961,600 | 309,961,600 | 250,654,101 | 59,307,499 | 11) |
| Pension Contribution | 43,684,800 | 43,684,800 | 30,759,400 | 12,925,400 | 12) |
| Training & Development | 20,500,000 | 20,500,000 | 22,031,268 | 1,531,268 | 13) |
| Staff welfare Expenses | 9,400,000 | 9,400,000 | 7,853,511 | 1,546,489 | |
| Post & Telephone | 8,786,000 | 8,786,000 | 6,229,038 | 2,556,962 | |
| Travel & Accommodation | 28,500,000 | 28,500,000 | 29,744,103 | 1,244,103 | 14) |
| Directors Expenses | 15,927,000 | 15,927,000 | 17,255,236 | 1,328,236 | |
| Tribunal Expenses | 8,130,000 | 8,130,000 | 3,510,428 | 4,619,572 | 15) |
| Hire of Equipment | 1,360,000 | 1,360,000 | 621,326 | 738,674 | |
| Research & Development | 29,800,000 | 29,800,000 | 29,560,173 | 239,827 | |
| Information Technology Systems | 29,130,510 | 29,130,510 | 18,859,379 | 10,271,131 | 16) |
| Printing & Stationery | 3,904,180 | 3,904,180 | 4,034,480 | 130,300 | 17) |
| Total Budget/Expenses | 714,901,049 | 714,901,049 | 610,756,286 | 104,144,763 | |
| Budget for non current assets | 38,188,000 | 38,188,000 | 3,359,305.00 | 34,828,695 | 18) |

STATEMENT OF COMPARITION OF BUDGET AND ACTUAL AMOUNT (CONTINUED)

Notes on significant variances

- 1) The amount collected exceeded the target because pension schemes paid levy earlier than projected because of change in Legislation.
- 2) The income earned exceeded target because more revenue were available for investment
- 3) The Income from this category was below targets because projected reimbursement in respect of staff under secondment came down because staff were recalled.
- 4) Some activities are affected by austerity measures on procurement of promotional materials
- 5) The budget provision was for the full occupancy of the entire 4th Floor but half of it was unoccupied.
- 6) The under expenditure was because of the projected court cases before appeals tribunal but did not take place in the year.
- 7) The savings was contributed by the downwards adjustment of power tariffs
- 8) Freezing of recruitment because of parastatal reform hence the saving
- 9) The savings was contributed by the downwards adjustment of Fuel prices.
- 10) The budget provision was for the full occupancy of the entire 4th Floor but half of it was unoccupied.
- 11) Freezing of recruitment because of parastatal reform caused the huge savings
- 12) Restriction on recruitment, parastatal reform caused the saving
- 13) Over expenditure because of foreign exchange fluctuations.
- 14) Over expenditure because of foreign exchange loss between shilling and dollars.
- 15) Tribunal cases are now held in tribunal offices as opposed to hired venues.
- 16) Due to restrictions imposed because of the ongoing financial sector regulators merger process
- 17) The savings resulted from reduction of printing papers (paperless initiative)
- 18) Due to restrictions imposed because of the ongoing financial sector regulators merger process

Notes to Financial Statements as at 30th June 2016

1. Statement of compliance and basis of preparation - IPSAS 1

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency. The accounting policies have been consistently applied to all the years presented. The Authority adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB), which was established by Public Finance Management Act (PFM) No.18 of 24th July 2012. PSASB issued financial reporting standard and guidelines to be adopted by State organs and public sector entities, which the Authority complies with. The financial statements have been prepared in accordance with PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared on the basis of historical cost and on accrual basis. The cash flow statement is prepared using the Indirect Method.

Summary of significant accounting policies

a) Fees, interest and other income

Licensing fees paid by service providers and interest income from investments and deposits are accounted for on accrual basis.

b) Budget information - IPSAS 24

The approved budget and actual expenditure are included in the Financial Statements.

c) Taxes - IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Public Finance Management Act (PFMA) - National Government Regulations, 2015 exempt the Authority from corporate tax and instead the Authority is required to remit into Consolidated Fund (90%) of surplus reported in the Audited annual financial Statement.

d) Property, plant and equipment - IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The assets are depreciated on reducing balance method as follows:

| | |
|------------------------|-------|
| Furniture and fittings | 12.5% |
| Equipment | 25% |
| Motor Vehicles | 25% |

Gain and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining surplus for the year.

e) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

f) Research and development costs

The Authority expenses research costs as incurred.

g) Financial instruments - IPSAS 29**Financial assets****Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Financial liabilities**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate.

The Authority determines the classification of its financial liabilities at initial recognition.

h) Inventories - IPSAS 12

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

i) Provisions - IPSAS 19

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

The Overprovision accrued in the prior years is credited to income while under provisions are charged to income of subsequent year.

j) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

k) Changes in accounting policies and estimates - IPSAS 3

The Authority recognizes the effects resulting from changes in accounting policy retrospectively. The effects of changes in accounting policy are applied if retrospective application is impractical. Because of IPSAS reporting requirement Training & Development and Sports & Staff Welfare form part of General Expenditure. Kshs. 25,787,448 was debited to General Expenditure and the same credited to employee cost, being Training & Development kshs. 18,159,811 and Sports & Staff Welfare kshs. 7,627,637 respectively and is the cost of restated figure.

l) Employee benefits - IPSAS 25**Retirement benefit plans**

The Authority operated a defined contribution scheme and the Authority thus had no obligation to scheme as at 30.6.2016. The assets of the scheme are managed and held by registered fund manager and custodian as per the requirement of Retirement Benefits Act, 1997.

m) Foreign currency transactions - IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Exchange differences, are recognized as income or expenses in the period in which they arise.

n) 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 various commercial banks at the end of the financial year.

o) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

p) Subsequent events - IPSAS 14

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

q) Contingent liability - IPSAS 19

There was no contingent liability as at June 30th, 2016.

r) **IPSAS 17.89 (c) Commitments and contingencies**
Capital commitments

| Authorised but not yet contracted: | | | 2016 |
|------------------------------------|---|----------------|-------------------|
| | | | Kshs. |
| No. | Vehicle type | Make | |
| 1 | Heavy Duty, Utility passenger Vehicle, 4x4, LWB 2400-3000 cc, Diesel. | Toyota Prado | 12,705,828 |
| 1 | Heavy Duty, Utility passenger Vehicle, 4x4, LWB 2001-2500 cc, Petrol. | Subaru Outback | 6,150,000 |
| | Air Condition Installation | | 8,000,000 |
| | Total Value | | 28,855,828 |

The tender was procedurally initiated. The items therein were in in procurement plan 2015-16.

s) **Related parties**

The Authority has disclosed all related party transactions during this reporting period under staff and Board costs. A summary of top Management and Board emoluments are as follows:

i) **Management**

| Name | Designation | Annual Salary |
|----------------------|---|----------------------|
| Dr. Edward Odundo | Chief Executive Officer | 7,440,000.00 |
| Jesse K Kiptm | Chie, Manager, Finance | 6,120,000.00 |
| Nzomo Mutuku | Financial Sector Adviser (National Treasury) | 6,120,000.00 |
| Charles M Machira | Chief Manager, Supervision | 5,640,000.00 |
| Anne Kagure Mugo | Chief Manager, Market Conduct | 6,120,000.00 |
| Rose Musonye | Chief Manager, Corporate Communication | 6,120,000.00 |
| Gordon Bulinda | Chief Manager, Human Capital & Development | 6,120,000.00 |
| Dr. Alfred Shem Ouma | Chief Manager, Research & Strategy | 5,400,000.00 |
| | Total | 49,080,000.00 |

ii) **Board**

| Name | Designation | Annual Salary |
|-----------------------|-------------------------|---------------------|
| Victor Pratt | Board Chairman | 120,000.00 |
| Sammy Makove | Board Member | 200,000.00 |
| Amollo Barrack | Board Member (Treasury) | 240,000.00 |
| Paul Muthaura | Board Member | 240,000.00 |
| Agnes Nyaguthie | Board Member | 340,000.00 |
| Barchok Hillary | Board Member | 700,000.00 |
| Steve Gichuhi Gichohi | Board Member | 680,000.00 |
| Rotich Vincent | Board Member | 340,000.00 |
| Joseph Z Ngugi | Board Member | 260,000.00 |
| | Total | 3,120,000.00 |

| | | | |
|---------------|--|--------------------|----------------------------|
| NOTE 2 | Revenue From non Exchange Transaction: | 2016 | 2015 |
| | | (KShs) | (KShs) |
| | Retirement Benefits Levy | <u>719,965,494</u> | <u>635,253,354</u> |
| | | 719,965,494 | 635,253,354 |
| | | | |
| NOTE 3 | Financial Income : | 2016 | 2015 |
| | | (KShs) | (KShs) |
| | Investment income from Treasury Bills | <u>50,612,471</u> | <u>25,340,380</u> |
| | | 50,612,471 | 25,340,380 |
| | | | |
| NOTE 4 | Other Income: | 2016 | 2015 |
| | | (KShs) | (KShs) |
| | Service providers licensing fees | 3,100,000 | 3,150,000 |
| | Tribunal (case registration) fees | 88,700 | 46,060 |
| | Interest income on Bank Deposit | 5,719,255 | 4,721,610 |
| | Miscellaneous | <u>21,350,274</u> | <u>27,663,890</u> |
| | | 30,258,229 | 35,581,560 |
| | | | |
| NOTE 5 | Employee Costs | 2016 | 2015 |
| | | (KShs) | Restated (KShs) |
| | Medical Expenses | 18,137,044 | 14,445,902 |
| | Personnel Emoluments | 250,654,101 | 239,136,834 |
| | Pension Contribution | <u>30,759,400</u> | <u>34,593,741</u> |
| | | 299,550,545 | 288,176,477 |
| | | | |
| NOTE 6 | Depreciation & Amortization Expense | 2016 | 2015 |
| | | (KShs) | (KShs) |
| | Depreciation | <u>20,947,340</u> | <u>22,173,293</u> |
| | | 20,947,340 | 22,173,293 |

NOTE 7 Repairs & Maintenance of equipment and furniture

| | 2016 | 2015 |
|---|------------------|------------------|
| | (KShs) | (KShs) |
| Motor Vehicle Maintenance & Security | 3,491,031 | 4,270,435 |
| Maintenance Insur & Security of Equipment | 1,833,775 | 3,028,715 |
| | <u>5,324,807</u> | <u>7,299,150</u> |

NOTE 8 Professional Charges

| | 2016 | 2015 |
|----------------------|-------------------|-------------------|
| | (KShs) | (KShs) |
| Professional Charges | 22,664,938 | 30,538,309 |
| | <u>22,664,938</u> | <u>30,538,309</u> |

NOTE 9 General Expenses

| | 2016 | 2015 |
|--------------------------------|---------------------------|---------------------------|
| | (KShs) | Restated (KShs) |
| Pension Industry Development | 64,828,688 | 63,527,536 |
| Cleaning Expenses | 1,349,245 | 1,070,056 |
| Power & Lighting) | 3,254,627 | 3,676,150 |
| Official Entertainment | 2,853,506 | 2,817,831 |
| Office Running Expenses | 9,683,123 | 6,997,950 |
| Library Expenses | 2,552,979 | 2,635,809 |
| Rent & Service Charge | 37,676,117 | 31,397,081 |
| Training & Development | 22,031,268 | 18,159,811 |
| Staff welfare | 7,853,511 | 7,627,637 |
| Post & Telephone | 6,229,038 | 5,627,659 |
| Travel & Accommodation | 29,744,103 | 25,190,154 |
| Tribunal Expenses | 3,510,428 | 4,695,812 |
| Hire of Equipment | 621,326 | 654,614 |
| Research & Development | 29,560,173 | 16,401,661 |
| Information Technology Systems | 18,859,379 | 25,170,154 |
| Printing & Stationery expenses | 4,034,480 | 2,430,218 |
| Total General Expenses | <u>244,641,992</u> | <u>218,080,132</u> |

NOTE 10 Finance Costs

| | 2016 | 2015 |
|---------------|----------------|----------------|
| | (KShs) | (KShs) |
| Bank Charges) | 371,429 | 335,889 |
| | <u>371,429</u> | <u>335,889</u> |

NOTE 11 Directors Expenses

| | 2016 | 2015 |
|----------------------------|-------------------|-------------------|
| | (KShs) | (KShs) |
| Sitting Allowance | 4,288,766 | 3,820,000 |
| Travelling & accommodation | 2,450,873 | 5,377,380 |
| Board Training | 4,190,600 | 3,703,840 |
| Other Board Expenses | 6,186,997 | 1,961,667 |
| Chairman Honorarium | 138,000 | 720,000 |
| | <u>17,255,236</u> | <u>15,582,887</u> |

NOTE 12 Cash & Cash Equivalents and Investments in treasury bills**Cash & Current account balances :**

| | 2016 | 2015 |
|---------------------------------|-------------------|--------------------|
| | (KShs) | (KShs) |
| KCB - Milimani (Main Account) | 25,929,299 | 33,358,888 |
| KCB - Milimani (Revenue A/C) | 20,298,941 | 321,149,538 |
| Barclays Bank (Office Account) | 4,131,849 | 11,848,617 |
| Total Cash and cash Equivalents | <u>50,360,089</u> | <u>366,357,043</u> |

Investment in 91 Treasury Bills:

| | | |
|---------------------------------|--------------------|--------------------|
| Investment in 91 Treasury Bills | 666,506,600 | 274,390,000 |
| | <u>666,506,600</u> | <u>274,390,000</u> |

Bank Deposits :

| | | |
|-------------------------------|--------------------|--------------------|
| RBA Rent Guarantee Deposit | 4,896,534 | 4,896,534 |
| KCB Car Loan Security Account | 36,005,248 | 34,456,748 |
| S & L Mortgage Deposits | 225,448,117 | 222,325,986 |
| NIC Car Loan Deposit | 9,722,529 | 9,488,434 |
| HFCK Mortgage Deposits | 29,146,821 | 27,615,945 |
| | <u>305,219,248</u> | <u>298,783,648</u> |

NOTE 13 Reimbursement receivable for staff on Secondment

| | 2016 | 2015 |
|-------------------------------|-------------------|-------------------|
| | (KShs) | (KShs) |
| Staff on seconded at Treasury | 12,237,000 | 21,094,800 |
| | <u>12,237,000</u> | <u>21,094,800</u> |

NOTE 14 Prepayment

| | 2016 | 2015 |
|------------------------------|------------------|------------------|
| | (KShs) | (KShs) |
| Prepayment | 2,954,699 | 1,741,127 |
| Provision for doubtful debts | <u>(919,647)</u> | <u>(919,647)</u> |
| | <u>2,035,022</u> | <u>821,480</u> |

NOTE 15 Interest Receivable on Tbs and Bank Deposits

| | 2016 | 2015 |
|--------------------------------------|------------------|------------------|
| | (KShs) | (KShs) |
| Interest receivable on T/Bills | 9,503,776 | 1,115,205 |
| Interest receivable on Bank Deposits | - | - |
| | <u>9,503,776</u> | <u>1,115,205</u> |

NOTE 16 PROPERTY PLANT AND EQUIPMENT AT THE YEAR ENDED 30 JUNE 2016

| | MOTOR VEHICLE (KShs) | OFFICE EQUIPMENT (KShs) | FURNITURE FITTING (KShs) | TOTAL (KShs) |
|---------------------------------|----------------------------|-------------------------------|--------------------------------|-----------------|
| COST/VALUATIONS:- | | | | |
| 1-Jul-15 | 28,488,207 | 104,954,103 | 34,193,534 | 167,635,844 |
| Additions in the quarter | - | 2,595,783 | 763,521 | 3,359,304 |
| Disposal in the year | - | - | - | - |
| 30-Jun-16 | 28,488,207 | 107,549,886 | 34,957,055 | 170,995,148 |
| DEPRECIATION: | | | | |
| 1-Jul-15 | 20,623,497 | 54,806,709 | 14,342,057 | 89,772,263 |
| Charge for the period | 2,621,571 | 15,483,421 | 2,842,348 | 20,947,339 |
| Depriciation w/back on disposal | | | | |
| At June 30, 2016 | 23,245,068 | 70,290,130 | 17,184,404 | 110,719,602 |
| NET BOOK VALUES:- | | | | |
| 30-Jun-16 | 5,243,139 | 37,259,757 | 17,772,651 | 60,275,547 |
| 30-Jun-15 | 7,864,709 | 50,147,393 | 19,851,478 | 77,863,581 |

PROPERTY PLANT AND EQUIPMENT AT THE YEAR ENDED 30 JUNE 2015

| | MOTOR VEHICLE (KShs) | OFFICE EQUIPMENT (KShs) | FURNITURE FITTING (KShs) | TOTAL (KShs) |
|---------------------------------|----------------------------|-------------------------------|--------------------------------|-----------------|
| COST/VALUATIONS:- | | | | |
| 1-Jul-14 | 28,488,207 | 99,994,398 | 32,400,334 | 160,882,939 |
| Additions in the year | - | 4,959,705 | 1,793,200 | 6,752,905 |
| Disposal in the year | - | - | - | - |
| 30-Jun-15 | 28,488,207 | 104,954,103 | 34,193,534 | 167,635,844 |
| DEPRECIATION: | | | | |
| 1-Jul-14 | 18,001,927 | 38,090,912 | 11,506,131 | 67,598,970 |
| Charge for the year / period | 2,621,571 | 16,715,798 | 2,835,925 | 22,173,294 |
| Depriciation w/back on disposal | - | - | - | - |
| At JUNE 30, 2015 | 20,623,498 | 54,806,710 | 14,342,056 | 89,772,264 |
| NET BOOK VALUES:- | | | | |
| 30-Jun-15 | 7,864,709 | 50,147,394 | 19,851,478 | 77,863,581 |
| 30-Jun-14 | 8,000,349 | 14,102,596 | 23,480,090 | 45,583,035 |

NOTE 17 RBA Trust Fund

| | 2016 | 2015 |
|--|------------------|------------------|
| | (KShs) | (KShs) |
| RBA Trust Fund b/f | 8,304,274 | 7,845,253 |
| Trust Fund paid | (882,440) | (137,210) |
| Additional Trust Fund Received in year | | 596,231 |
| Total RBA Trust Fund | <u>7,421,834</u> | <u>8,304,274</u> |

RBA Benevolent fund

| | 2016 | 2015 |
|---|--------------------|------------------|
| | (KShs) | (KShs) |
| RBA Trust Fund b/f | 1,771,650 | 1,171,650 |
| Transferred (Fund managed independently) | <u>(1,771,650)</u> | |
| RBA Benevolent fund | <u>-</u> | <u>1,171,650</u> |

NOTE 18 Employee benefits obligation

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | (KShs) | (KShs) |
| Staff Bonus | 26,110,462 | 13,087,911 |
| Gratuity - Contract staff | 9,148,600 | 6,410,950 |
| Actuarial Staff - Reimbursement to (IRA) | - | 3,948,240 |
| Board Bonus | <u>3,200,000</u> | - |
| | <u>38,459,062</u> | <u>23,447,101</u> |

NOTE 19 Creditors and accrued provisions for goods and services

| | 2016 (KShs) | 2015 (KShs) |
|---|-------------------|-------------------|
| Rent and Service Charge | - | 1,093,312 |
| Insurance and maintenance of motor vehicle Expenses | 33,750 | 427,308 |
| Non current assets | - | 2,061,183 |
| Tribunal Expenses | - | 81,200 |
| Power & lighting | 402,161 | - |
| Board Expenses | 130,800 | - |
| Maintance of Office Equipments | 194,880 | - |
| Pension industry development | 318,288 | 16,432,113 |
| Medical Expenses | - | 2,329,600 |
| Library Expenses | 23,533 | - |
| Research & Development | 8,171,309 | - |
| Professional Services Expenses | 242,000 | 2,254,014 |
| Audit Fees | 750,000 | 750,000 |
| Official Travelling on duty Expenses | - | 50,800 |
| Office Running Expenses | - | 2,620 |
| Telephone and other Communication Expenses | 102,957 | 108,127 |
| Information technology Expenses | 1,337,153 | 4,017,424 |
| Total | 11,706,831 | 29,607,701 |

These are accruals for goods and services not paid as at 30.6.2016

NOTE 20 Capital Fund

| | 2016 (KShs) | 2015 (KShs) |
|-----------------------------------|--------------------|--------------------|
| As at start of the financial year | 109,357,000 | 109,357,000 |
| | <u>109,357,000</u> | <u>109,357,000</u> |

NOTE 21 Accumulated surplus/Reserves

| | 2016 (KShs) | 2015 (KShs) |
|-----------------------------------|--------------------|--------------------|
| As at start of the financial year | 869,709,682 | 798,049,589 |
| Net surplus of the period | 190,079,907 | 113,989,158 |
| surplus paid | (120,597,035) | (42,329,064) |
| | <u>939,192,553</u> | <u>869,709,682</u> |

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