

REPUBLIC OF KENYA



REPORT

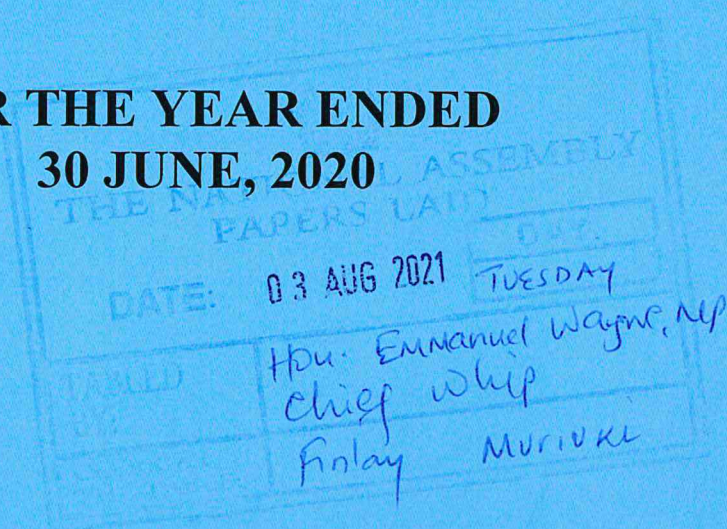
OF

THE AUDITOR-GENERAL

ON

UNCLAIMED ASSETS TRUST FUND

FOR THE YEAR ENDED
30 JUNE, 2020





UNCLAIMED ASSETS TRUST FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30th JUNE 2020

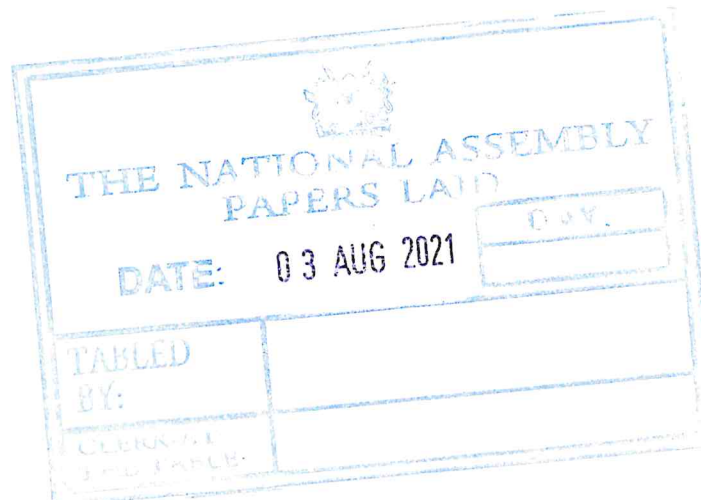


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a Background information

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.

b Key Management

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

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

c Principal place of business of the Authority

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

d Trustee's Contacts

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

e Main banker

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

f Corporation Secretary

Mr Godfrey Wambugu
Ag. Head of Legal Services & Corporation Secretary
Unclaimed Financial Assets Authority

g Auditor

The Auditor General
Office of the Auditor General (OAG)
Anniversary Towers, Loita Street
PO Box 30084 - 00100
Nairobi, Kenya

Delegated/Authorised Auditor:

PricewaterhouseCoopers LLP
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:

Profile of Directors

Board of Directors of the Authority



Mr Richard Kiplagat – Chairman of the Board of Directors

Richard is the Chief Operating Officer at Africa Practice, a Pan African Strategic Communications Advisory Group. He leads Africa Practice operations across the group offices in London, Dar es Salaam, Perth, Casablanca, Johannesburg, Lagos, and Nairobi. In addition, he is the Senior Stakeholder Advisor to business and government leaders particularly in the infrastructure, energy, oil and gas sectors.

Richard was the Head of Global Strategic Alliances at Microsoft Africa for five years and was responsible for managing Microsoft's strategic engagements with development partners and inter-governmental organisations across 47 countries in sub-Saharan Africa and the Indian Ocean islands. He was instrumental in establishing Microsoft's partnerships with The African Union (AU), African Development Bank (AfDB), United Nations Economic Commission for Africa (UNECA), Economic Community of West African States (ECOWAS), World Bank and the East African Community (EAC) among others to increase access to technology across the continent.

Before joining Microsoft, Richard was the East African Regional Manager for SAP. While at SAP he spearheaded several initiatives with governments and businesses to utilise technology to improve the competitiveness of African companies as well as increase efficiency, transparency and service delivery in the public sector.

Richard is a frequent contributor to both print and electronic media on Pan African issues and has spoken at conferences and facilitated panel discussions on a wide range of subjects. He is particularly passionate about unleashing the potential of a more integrated and collaborative continent and the need for Africa to think about its human capital in a more holistic way and increasing investment in shaping a progressive mind-set, ethics and values in addition to our existing investments in health and education. A concept he calls the "soft infrastructure" of development.

Richard has sat on the boards of several organisations including, Kenya ICT Federation where he was Vice Chair, Kenya ICT Village, Kenya ICT Board, Kenya Youth Business Trust (Chairman), Allavida and Kenya National Chamber of Commerce. He is currently the Chairman of The Warren.

Born in 1969, Richard was appointed to the Board of Directors on 25th April 2019 and subsequently elected Board Chair by the Directors on 17th May 2019.



Hon. Amb. Ukur Yatani Kanacho - Cabinet Secretary, The National Treasury, Non-Executive Director

Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992.

In January 2018, he was appointed the Cabinet Secretary for Labour and Social Protection, until January 2020 when he was appointed as Cabinet Secretary, The National Treasury. Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He has also held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

Hon Yatani is a Non-Executive member of the Board as per the Unclaimed Financial Assets Act as read in line with the Cabinet secretary (incorporation) to the Treasury Act.





Mr. Daniel M. Mutua

Mr. Mutua is a Deputy Director, Investment in the National Treasury. He holds a Bachelor of Education (Economics/Business)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and is a Registered Certified Investment and Financial Analyst (CIFA). Mr. Mutua has undergone Intensive training in many areas such as Investment appraisal, Enterprise Risk Analysis, Corporate Governance, Performance Management, Project management, Procurement, Public Finance. He holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA. He has over 25 years Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and currently in the National Treasury-Directorate of Public Investments and Portfolio management. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.

Born in 1967, Mr Mutua was appointed in November 2012 as an Alternate Director to the CS, National Treasury.

	<p>Mr. Gabriel K. Njenga – Non-Executive Director</p> <p>Mr Karanja is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993. He holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in law from the Kenya School of Law in 1991 and has been an Advocate of the High Court of Kenya since 1993. He also holds a Specialized Honours Degree Bachelor of Arts (BA) in Political Science from York University, Toronto Canada. He is also a Certified Public Secretary.</p> <p>Born in 1957, Mr Njenga was re-appointed in December 2018 as a member of the Board.</p>
	<p>Ms Jacqueline Oyuyo - Non-Executive Director</p> <p>Jacqueline is the Managing Partner of Umsizi LLP, where she practices as an Advocate, Corporate Secretary, Arbitrator and Mediator to a host of clientele.</p> <p>She holds an MBA in Global Technology Management from the American Intercontinental University and is a Fellow of the Chartered Institute of Arbitrators, a Certified and Judiciary-Accredited Mediator and an accredited Governance Auditor.</p> <p>She is committed to demystifying corporate governance in a way that makes sense for each Authority that she deals with and is adept at tackling regulatory compliance. She served on the Governing Council of the Institute of Certified Public Secretaries of Kenya (ICPSK), as well as on various Boards ranging from non-profit entities and has served in various State Corporations in the capacity of non-executive Director.</p> <p>Born in 1975, Jacqueline was re-appointed in May 2019 as a member of the Board.</p>
	<p>Hon FCPA Thomas Ludindi Mwangi - Non-Executive Director</p> <p>Hon. Thomas Ludindi Mwangi is the immediate former Member of Parliament for Wundanyi Constituency having served for two consecutive terms. As Member of Parliament, Hon. Mwangi served as a Minority Chief Whip, Member of House Business Committee, Member of Public Investment Committee and Lands Committee of the National Assembly.</p> <p>Previously, Hon. Mwangi served at different capacities at the Central Bank of Kenya, Industrial Development Bank Limited, the Housing Finance Company, the Kenya Wildlife Services and Ocean Freight East Africa Ltd. He was a managing partner at Keah & Co. Ltd and Shulunge Auditing firms before he ventured into politics and successfully run for a parliamentary seat for Wundanyi Constituency since year 2008.</p> <p>Hon. Mwangi is a graduate of Commerce (Accounting) from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 1981.</p> <p>Born in 1953, Hon FCPA Mwangi was appointed as a member of the Board in September 2018.</p>

	<p>Mr. Peter Ng'ang'a Kanyua - Non-Executive Director</p> <p>Peter is an accomplished business leader in Kenya and USA markets running into insurance, security exchange, real estate, IT, security and betting. He began his career as an Investment Consultant in the commodities and derivatives market at the New York stock Exchange (NYSE), National Association of Stock Dealers Association (NASDAQ) and the Chicago Board of Exchange (CBOE).</p> <p>With 18 years-experience, Peter has held several senior positions at John Power Ltd, EBET (K) Limited, Energy Tech Africa Limited, SENACA Security Limited among others.</p> <p>Peter received his undergraduate degree from the Baruch College, City University of New York in Finance and Economics.</p> <p>Born in 1966, Peter was appointed as a member of the Board in September 2018.</p>
	<p>FA John K. Mwangi- CEO& Managing Trustee</p> <p>Mr. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p>Prior to his appointment as CEO and Managing Trustee, Mr. Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA, a position he held for four years.</p> <p>Mr. Mwangi has had a successful career in several financial institutions within investment and a commercial banking. He has over 16 years' experience having worked with leading Fund Managers, Investments and Commercial banking Industry in Kenya as a Relationship Manager. He joined the Authority in April 2015 from Bank of Africa (BOA) where he was a Relationship Manager in institutional banking. Prior to joining BOA, Mr. Mwangi also worked at African Alliance Investment Bank, Old Mutual Asset Managers and ICEA Asset Managers.</p> <p>Mr. Mwangi is a Certified Investment and Financial Analyst and Member of the Institute of Certified Investment and Financial Analysts (ICIFA). He is also a member of Kenya Institute of Management (KIM). He holds an Executive MBA from Strathmore Business School, and underwent a Modular course on Corporate Entrepreneurship and Global Strategy at IESE Business School, University of Navarra in Barcelona. Mr. Mwangi is a Certified Trustee by RBA in conjunction with College of Insurance and His undergraduate is in Economics and Business Studies from the University of Nairobi.</p> <p>Born in 1977, Mr Mwangi was appointed as the CEO & Managing Trustee on 1 March 2019.</p>

Management team

Name	Designation
<p data-bbox="180 342 411 376">FA John K. Mwangi</p> 	<p data-bbox="603 320 1150 353">Chief Executive Officer& Managing Trustee</p> <p data-bbox="603 365 1316 544">Mr John K. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p data-bbox="603 443 1316 544">Prior to his appointment as CEO and Managing Trustee, Mr. John Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA since April 2015.</p> <p data-bbox="603 589 1332 656">Mr Mwangi was appointed as the CEO& Managing Trustee in March 2019.</p>
<p data-bbox="180 824 470 857">Mrs Caroline C. Chirchir</p> 	<p data-bbox="603 813 1158 846">Manager Human Resource& Administration</p> <p data-bbox="603 857 1348 992">Caroline is responsible for the facilitation, co-ordination and implementation of human resource and administration policies, strategies and systems and provision of a conducive working environment for the Authority.</p> <p data-bbox="603 1003 1364 1070">Caroline has also acted as CEO of UFAA following appointment on 1st November 2018 until 28th February 2019.</p> <p data-bbox="603 1081 1356 1216">She joined the Authority in October 2016 following a successful career in Human resource management and consultancy at many institutions in the manufacturing and financial services sector.</p>
<p data-bbox="180 1272 451 1305">Mr Godfrey Wambugu</p> 	<p data-bbox="603 1261 1321 1294">Acting Corporation Secretary & Manager Legal Services</p> <p data-bbox="603 1317 1367 1485">Godfrey is responsible for Board affairs and ensuring compliance with statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk. He also advises on contractual obligations as well as corporate governance requirements.</p> <p data-bbox="603 1507 1340 1641">Godfrey joined the Authority as a Senior Legal Officer in 2017 following distinguished service in private sector institutions including Stima Sacco Standard Group Limited. He was appointed in an Acting capacity in April 2020.</p>
<p data-bbox="180 1697 467 1731">Mr Francis M. Muchina</p> 	<p data-bbox="603 1686 786 1720">Manager, ICT</p> <p data-bbox="603 1742 1367 1843">Francis is responsible for Planning, developing, coordinating and ensuring delivery of the Authority's ICT strategy and needs. He also oversees management of the Trust Fund database.</p> <p data-bbox="603 1865 1348 1977">Francis joined the Authority in April 2015 following service in many public sector institutions including the National Treasury and Kenya Forestry Research Institute (KEFRI).</p>

Report of the Chief Executive Officer/Managing Trustee

I am pleased to report that in the year under review, we continued to implement the growth oriented Strategic Plan 2018 – 2023. Our focus has been harnessing the partnerships we have created over time to deepen compliance and enhance reunification of unclaimed financial assets.

During the year under review, we collaborated with the Ministry of Interior and Coordination of National Government to facilitate reunification of unclaimed financial assets through a Rapid Results Initiative (RRI) program. Through this program, members of the public are now able to receive reunification services at the grassroots. Besides, we have enhanced our compliance audits across holders in various sectors through various commissioned audits to ascertain completeness and correctness of the reports we receive for unclaimed assets.

We have reviewed our service delivery model to enable members of the public to search and claim their unclaimed assets through our website. This development has been in response to the feedback we have received from our customers to lessen pain-points along the reunification customer journey.

The year under review has been truly exciting times for the Authority. I am convinced that UFAA shall continue to be an increasingly strong force in the unclaimed assets sector and will bring innovative ideas and create value for all stakeholders. This is especially given the challenges posed by the COVID-19 pandemic, which affected the operating environment in the last quarter of the Financial Year.

We remain committed to ensuring adherence to the Public Financial Management Act and Regulation and all other legislations. Our collective efforts have been to guarantee the indefinite right of reunification for owners and unlocking unclaimed financial assets for investments in the long-term shared socio-economic development of the country.

My sincere gratitude goes to the National Treasury for the support that the Authority has got in entrenching this regime to the country's economic environment. I also appreciate the collective efforts of the Board of Directors in steering UFAA as an Authority and Trustee to the Unclaimed Financial Assets Trust Fund.



FA John K. Mwangi
CEO/Managing Trustee

Date...30/10/2020

Unclaimed Assets Trust Fund
Review of Performance for the year
For the year ended 30 June 2020

Review of Performance for FY 2019/2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Receive	Obj. 1: Enhance holder compliance to ensure receipt of Kshs 75 billion of unclaimed financial assets by 2023	<ul style="list-style-type: none"> Holders compliance audits Holders declaration & surrender of unclaimed financial assets 	<ul style="list-style-type: none"> Conduct 50 holders' compliance audits Collect Kshs 4.8 billion unclaimed financial assets from holders 	<ul style="list-style-type: none"> 43 holders' compliance audits were at various completion stages as at year end. Kshs 3.2 billion of unclaimed financial assets were collected. This translates to 67% of the target.
Pillar 2: Safeguard	Obj. 2: Strengthen accountability and sustainability in safeguarding unclaimed financial assets	<ul style="list-style-type: none"> Investment rate of return Budget funding and absorption 	<ul style="list-style-type: none"> Attain investment income of Kshs 1.5 billion Budget funding amounting Kshs 746.3 million 100 % budget absorption 	<ul style="list-style-type: none"> The amount held in investments stood at Kshs 19.1 billion, which realized Kshs 1.4 billion as investment income. This translates to 93% of target. UFAA had 100% budget funding with a budget absorption of 86%
Pillar 3: Reunite	Obj. 3: Realize 100% reunification of valid claims to the rightful owners	Claim/Reunification rate in respect to amount and number of claims processed and paid	Reunification of Kshs 300 Million to 2,000 claimants	<ul style="list-style-type: none"> UFAA realised 76% of the set target – amounting to Kshs 228.7 million to 2,244 claimants

Statement of corporate governance

Unclaimed Financial Assets Authority is the Trustee of the Trust Fund in accordance to the UFA Act.

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

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

Operational and financial performance

The Trust Fund vested in the Authority, and is managed and operated by the Authority, in line with the Unclaimed Financial Assets Act. For this reason, the Authority incurs its costs and expenses in its annual budget and operations. In line with the Act, The Cabinet Secretary approves any transfers from the Trust Fund to support operations of the Authority. During the year under review, Kshs 458.3 Million was approved for transfer to the Authority.

With a total investment portfolio of Kshs 19.1 billion as at 30th June 2020, Kshs 1.4 billion was generated as investment income in FY 19/20 by the Trust Fund (FY 18/19: Kshs 1.19 billion, portfolio of Kshs 15.3 billion). This is against a target of Kshs 1.5 billion (FY 18/19: Kshs 0.95 billion) giving a 6.4% under-performance. This, however, is a 17.7% growth, compared to FY 2018/19 where Kshs 1.19 billion was realized.

With regard to receipts of unclaimed assets, Kshs 3.2 billion (FY 18/19: Kshs 2.8 billion) was the additional cash to the unclaimed assets denominated in cash, against a target of Kshs 4.8 billion. In overall however, the total Fund value stands at Kshs 38.8 billion, consisting of Kshs 16.5 billion in cash assets, Kshs 18.7 billion in shares (conversion price being NSE prices as at 30th June) and Kshs 3.6 billion being retained reserves from income.

Kshs 6.2 billion in cash assets and 58 million units of shares that has been identified by concluded holders' audits as at 30th June 2020. Expected penalties from concluded audits have also not been realized as part of revenues.

With regard to claims, a total of 2,244 claimants with claims worth Kshs 228.7 million were reunified during the financial year. This is against Kshs 91.6 million that was paid in FY 2018/19. Total claims paid represent 1.41% of the cash assets value and 0.5% of the total fund value.

Key projects and investment decisions the Authority is planning/implementing

The Authority engaged Auditors to undertake 43 compliance Audits for the year. The audits were at various stages of completion as at 30th June 2020. It is expected that these audits will not only enhance receipts to the Fund from identified amounts, but also enhance compliance measures by other holders, from the message that will be signalled to the market from the collection measures of identified assets.

In addition, the Authority implemented online processing of cash claims during the year. This is a significant milestone in view of the delay in implementation of the Unclaimed Financial Assets System (UFAMS). All shares reported were added to the Trust Fund database during the financial year.

With regard to stakeholder engagement and reunification initiatives, the Authority engaged the Ministry of Interior and Coordination of National Government, through a 60-day Rapid Results Initiative (RRI). It was agreed during deliberations and from lessons learnt during this engagement, that this collaboration is adopted as a continuous collaborative engagement, given the National Government administrations wide network that covers the whole country. An MoU to this effect is awaiting relevant approvals and signing. The collaboration has seen significant increase in identification of owners of assets and enhanced awareness about the Authority and its mandate.

The Authority during the year concluded comprehensive review of the policy on unclaimed financial assets. In its advisory role to the CS National Treasury, the Authority gave not only financial and logistical support to the committee that was engaged in carrying out the task, but also gave its proposed amendments to the UFA Act and Regulations. In addition, the Authority engaged in discussions with the National Treasury on how assets in the Fund could be helpful in supporting government efforts in mitigating risks associated with the COVID-19 pandemic, without exposing funds for rightful owners.

The Directors of the Unclaimed Financial Assets Authority (the "Authority") submit the Trustee's report together with the audited financial statements for the year ended 30 June 2020 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 Kshs 1,403,516,000 (2019: Kshs 1,191,799,000) 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 - 5.

Dividends/Surplus remission

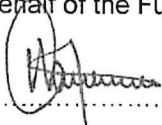
In line with the Unclaimed Financial Assets Act, the revenue realized will be held in the Unclaimed Financial Assets Trust Fund. Payments out of the Fund can be made on account of:

- i) payment due and payable to owners out of the Fund under the Act;
- ii) such amounts as may be approved by the Cabinet Secretary to defray costs associated with the administration of the Authority and performance of its functions under this Act.

Auditor

The Auditor General is responsible for the statutory audit of Unclaimed Assets Trust Fund. In accordance with Sections 23 of the Public Audit Act, 2015 which empowers the Auditor General to outsource other auditors to carry out the audit on his behalf, PricewaterhouseCoopers LLP were appointed as the auditors of Unclaimed Assets Trust Fund to conduct the statutory audit for the year ended 30 June 2020.

On behalf of the Fund



Mr Godfrey Wambugu
Ag. Corporation Secretary & Manager, Legal Services
Unclaimed Financial Assets Authority

Date: 30/10/2020

Statement of Responsibilities of the Board of Directors of the Trustee

Section 46 of the Unclaimed Financial Assets Act requires the Unclaimed Financial Assets Authority (the "Authority or Trustee") to prepare financial statements in respect of the Unclaimed Financial Assets Trust Fund (the "Fund"), which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Directors of the Trustee are responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act. They 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.

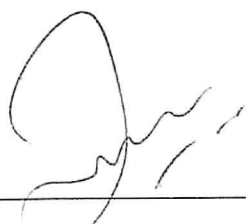
The Directors of the Trustee accept responsibility for the presentation and preparation of financial statements of the Fund in accordance with International Public Sector Accounting Standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance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

Having made an assessment of the Fund's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

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

Approved by the Directors of the Trustee on 30/10/2020 2020 and signed on its behalf by:



Richard Kiplagat
Chairman of the Board



John Mwangi
Managing Trustee & CEO

REPORT OF THE INDEPENDENT AUDITOR TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UNCLAIMED ASSETS TRUST FUND

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Unclaimed Assets Trust Fund (the "Fund") set out on pages 17 to 31 which comprise the statement of financial position at 30 June 2020 and the statements of income and expenditure, changes in revenue reserve, cash flows and comparison of budget and actual cash amounts for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the requirements of Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustee for the financial statements

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards and the requirements of Section 46 of the Unclaimed Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act, and for such internal control as the Trustee determine is

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
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REPORT OF THE INDEPENDENT AUDITOR TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UNCLAIMED ASSETS TRUST FUND (CONTINUED)

Responsibilities of the Trustees for the financial statements (Continued)

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

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Certified Public Accountants
Nairobi**

16 November 2020

**CPA Stephen Ochieng' Norbert's – Practising Number P/1819
Signing partner responsible for the independent audit**

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED ASSETS TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Assets Trust Fund set out on pages 17 to 31, which comprise the statement of financial position as at 30 June, 2020, and the statement of income and expenditure, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Unclaimed Assets Trust Fund as at 30 June, 2020, and 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 Public Finance Management Act, 2012 and the Unclaimed Financial Assets Act, 2011.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Unclaimed Assets Trust Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on Unclaimed Assets Trust Fund for the year ended 30 June, 2020

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Low Volume of Claims Reunification

The Authority started operations and receipt of unclaimed financial assets from holders in 2014. Reunification of the Assets with beneficiaries started in 2016. It was noted that the level of receipts from holders has been growing at an average of 24% per annum. However, there has been no corresponding increase in reunification. As at 30 June, 2020 the re-unification rate stood at 2.7% of total assets remitted by holders.

The key mandate of the Authority is to collect unclaimed financial assets from holders and reunify these assets with the beneficiaries. This indicates that the delivery of organizational mandate was not achieved effectively.

2. Lack of a Defined Criteria for Companies Selected for the Holders' Audits

During the year under review, there were forty-three (43) commissioned holders' audits. There were no defined criteria for selection of firms to be audited. This may result in conducting holders' audits in companies with little or no unclaimed assets or omitting

companies with significant unclaimed assets thereby compromising the value and effectiveness of these audits. Management has indicated that UATF has developed a comprehensive compliance Holder's Audit Policy with detailed requirements on identification of holders for audit including measures that have been taken to ensure compliance by the holders.

3. Variances Between Unclaimed Assets Trust Fund Records and Holders' Records.

During the review of the fund's records, it was noted that the asset holder's records of non-cash assets such as shares, safe deposit boxes and unit trusts differed with Unclaimed Assets Trust Fund records. The differences as shown below has not been reconciled.

i. Shares

Holder	Units as per UATF Records	Units as per Holders Records	Variance
Standard Chartered Bank	55,187,080	14,735,046	40,452,034
Co-op Bank	131,857,423	120,911,347	10,946,076
BAT Kenya Limited	3,213,917	315,425	2,898,492
Co-op Holdings	83,193,322	70,039,602	13,153,720
Diamond Trust Bank	3,720,339	2,626,080	1,093,259
Britam Holdings	13,017,823	34,035,607	(21,017,784)
East African Cables Limited	11,504,862	9,212,994	2,291,868

ii. Safe Deposit Boxes

Holder	Units as Per UATF Records	Units as Per Received Confirmations	Variance
Standard Chartered Bank	80	476	(396)
Co-op Bank	474	93	381
ABSA Bank	901	937	(36)
Guaranty Bank	6	38	(32)

iii. Unit Trusts

Holder	Value as per UATF Records Kshs.	Value as per Received Confirmation Kshs.	Variance Kshs.
African Alliance	21,046,840	13,463,561	7,583,279

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall

governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue sustaining services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management either is aware of any intention to terminate the Fund, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to

the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 July, 2021

Statement of Income and Expenditure

	Notes	Year ended 30 June	
		2020 Kshs '000	2019 Kshs '000
Income			
Revenue from exchange transactions			
Investment income	6	1,403,516	1,191,799
Expenditure			
Expenses*		-	-
Surplus for the year		<u>1,403,516</u>	<u>1,191,799</u>

The notes on pages 22 to 31 are an integral part of these financial statements.

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

Statement of Financial Position

	Notes	As at 30 June 2020 Kshs '000	2019 Kshs '000
ASSETS			
Current assets			
Cash and cash equivalents	4	290,524	428,036
Receivables	5	759,472	562,728
Investments	6	19,138,394	15,258,177
		20,188,390	16,248,941
Payables			
Transfers to UFAA		339,074	267,601
Claims payable		31,738	19,431
	8	370,812	287,032
RESERVES			
Unclaimed Assets Trust Fund		16,236,904	13,326,451
Revenue reserve		3,580,674	2,635,458
		19,817,578	15,961,909
Total liabilities and reserves		20,188,390	16,248,941

The notes on pages 22 to 31 are an integral part of these financial statements.

The financial statements on pages 17 to 31 were approved for issue by the Board of Directors and signed on its behalf by:



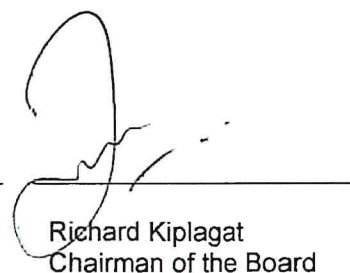
FA John Mwangi
Managing Trustee & CEO

Date...30/10/2020



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

Date...30/10/2020



Richard Kiplagat
Chairman of the Board

Date...30/10/2020

Statement of Changes in Reserves

	Unclaimed Assets Trust Fund Shs'000	Revenue reserve Shs'000	Total Shs'000
As at 1 July 2018	10,624,197	1,798,335	12,422,532
Payables from prior period	-	312,000	312,000
Receipts of unclaimed assets	2,816,200	-	2,816,200
Claims paid	(91,590)	-	(91,590)
Transfer to UFAA	-	(402,000)	(402,000)
Claims payable (note 8)	(19,431)	-	(19,431)
Other payables	(2,925)	(264,676)	(267,601)
Surplus for the year		1,191,799	1,191,799
Balance at 30 June 2019	13,326,451	2,635,458	15,961,909
As at 1 July 2019	13,326,451	2,635,458	15,961,909
Payables from prior period	22,356	264,676	287,032
Receipts of unclaimed assets	3,164,613	-	3,164,613
Claims paid	(228,680)	-	(228,680)
Transfer to UFAA	-	(400,000)	(400,000)
Claims payable (note 8)	(31,738)	-	(31,738)
Other payables	(16,098)	(322,976)	(339,074)
Surplus for the year	-	1,403,516	1,403,516
Balance at 30 June 2020	16,236,904	3,580,674	19,817,578

The notes on pages 22 to 31 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	For the year ended 30 June 2020 Kshs '000	2019 Kshs '000
Cash flows from operating activities			
Surplus for the year	6	1,403,516	1,191,799
Increase in receivables	5	(196,744)	(97,835)
Claims paid		(228,680)	(91,590)
Transfer from Trust Fund income	8	(400,000)	(402,000)
Net cash from operating activities		578,092	600,374
Cash flows from investing activities			
Increase in investment in treasury bills	6	(3,880,217)	(3,360,291)
Net cash used in investing activities		(3,880,217)	(3,360,291)
Cash flows from financing activities			
Increase in the Unclaimed Assets Trust Fund		3,164,613	2,816,200
Net cash from financing activities		3,164,613	2,816,200
Increase in cash and cash equivalents		(137,512)	56,283
Cash and cash equivalents at start of year		428,036	371,753
Cash and cash equivalents at end of year	4	290,524	428,036

The notes on pages 22 to 31 are an integral part of these financial statements.

Statement of Comparison of Budget and Actual Cash Amounts

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

Notes to the financial statements

1 Statement of compliance and basis of preparation

The Trust 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 Trust Fund 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

There were no new or amended standards adopted by the fund.

(ii) New standards and interpretations not yet adopted

IPSAS 41, Financial Instruments, establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The effective date of IPSAS 41 is January 1, 2022, with early adoption encouraged.

IPSAS 42 *Social Benefits* provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. The standard requires an entity to recognize an expense and a liability for the next social benefit payment.

IPSAS 42 establishes principles and requirements for:

- Recognising expenses and liabilities for social benefits;
- Measuring expenses and liabilities for social benefits;
- Presenting information about social benefits in the financial statements; and
- Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

The effective date for IPSAS 42 is for periods beginning on or after January 1, 2022.

These new standards that are not yet effective for the Trust are not expected to have any material impact on the financial statements of the Trust.

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

Noted (continued)

2 Summary of significant accounting policies

a) Revenue from exchange transactions

Investment income

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

(b) Claims and administration costs

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

(c) Budget information

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

(d) Taxes

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

(e) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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.

Noted (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial assets (continued)

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)

(iii) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Nature and purpose of reserves

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

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

(g) Changes in accounting policies and estimates

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

(h) Cash and cash equivalents

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

(i) Significant judgments and sources of estimation uncertainty

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

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

(j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended 30 June 2020.

Notes (continued)

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 2020, 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:

	2020 Kshs '000	2019 Kshs '000
Cash and cash equivalents (Note 4)		
Fund account with CBK & KCB	290,524	428,036
Receivables (Note 5)		
Accrued interest income (from treasury bills)	759,472	562,728
Investments (Note 6)	19,138,394	15,258,177
Total	<u>20,188,390</u>	<u>16,248,941</u>

Notes (continued)

3 Financial risk management objectives and policies (continued)

(b) Risks facing the Fund (continued)

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 2020, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Kshs 191,383,940 (2019: Kshs 152,581,770)

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.

(c) 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.
- 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

	2020 Kshs '000	2019 Kshs '000
Trust fund KES account	3,109	37,175
Trust fund payment account	1,429	149
Investment account	94,047	16,603
Trust fund USD account	188,882	374,021
KCB	3,057	88
Total	290,524	428,036

5 Receivables

Accrued interest income (from treasury bills)	759,472	562,728
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6 Investments Schedule

As at 30 June 2019

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
364 days - Received	-	-	629,071	629,071
364 days - Receivable	16,464,950	15,258,177	1,206,773	562,728
Total	16,464,950	15,258,177	1,835,844	1,191,799

As at 30 June 2020

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
364 days - Received	-	-	644,044	644,044
364 days - Receivable	20,661,800	19,138,394	1,523,406	759,472
Total	20,661,800	19,138,394	2,167,450	1,403,516

Notes (continued)

7 Unclaimed Assets Trust Fund

a. Receipts of Unclaimed Financial Assets

	2020	2019
Institution type	Kshs'000	Kshs'000
Commercial banks	10,999,309	9,249,635
Listed companies	2,475,560	2,048,361
Insurance companies	1,127,550	978,275
Telecommunication companies	1,507,482	1,186,599
SACCOs	24,961	24,003
Pension Funds	29,140	28,919
Others	32,550	31,569
Total	16,196,552	13,547,361

b. Unclaimed Financial Assets held by the holders

As at 30 June 2020, 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. Shares: Conversion is by NSE prices as at 30th June 2020

Holder	Number of shares '000'	Market Value Shs	Total Amount Shs'000'
ABSA Bank	95,251	10	952,510
Almasi	579	0.25	145
Athi River Mining Holdings	59	5.55	327
Bamburi	1,006	28	28,168
BAT Kenya Ltd	315	317.75	100,091
Britam Holdings	34,036	7.62	259,354
The BOC Group	145	57.50	8,338
Centum Ltd.	37,084	25.55	947,496
Co-op Bank	120,911	12.95	1,565,797
Co-op Holdings	70,040	1	70,040
CIC Group	8,426	2.29	19,296
CIS	9,773	1	9,773
Crown Ltd.	853	48.95	41,754
Diamond Trust Bank	2,627	70.75	185,860
East African Breweries	13,887	162.50	2,256,638
East Africa Cables Ltd	9,213	2.08	19,163
Eveready Ltd.	56	1.09	61
Express Kenya Ltd.	1,024	6.0	6,144
Housing Finance	20	4.41	88
I&M Holdings	707	50	35,350
Jubilee Insurance Ltd.	2,202	242	532,884
Kakuzi Ltd.	826	325	268,450
Kenya Commercial bank	112,621	36.35	4,093,773
Kengen	54	5.32	287
Kenol Kobil	1	32	32
Kenya Power	26,664	1.92	51,195
Kenya Re-Insurance Corporation	47,004	2.14	100,589

Notes (continued)

Unclaimed Financial Assets held by the holders (continued)

i. Shares (continued)

Holder	Number of shares '000	Market Value Shs	Total Amount Shs'000
Kenya Airways	14,301	3.28	46,907
Kenya Wines Agencies Limited	42	1	42
Mumias Sugar Company	69	0.27	19
National Bank Of Kenya	10	4.12	41
NCBA Bank	18,391	26.55	488,281
Nation Media Group	4,529	15.40	69,747
Nairobi Stock Exchange	4,245	7.74	32,856
Olympia Ltd.	3,094	2.30	7,116
Rea Vipingo	1,022	85	86,870
Safaricom	133,561	28.65	3,826,523
Sameer Africa	7,328	3.50	25,648
Standard Chartered Bank Kenya	14,735	169.75	2,501,266
Total Kenya	7	24.40	171
UAP Holdings	4	1	4
Uchumi Plc.	160	0.31	50
Unga Plc	6,799	29.80	202,610
WPP Scan Group Ltd	13	16.50	215
Total	803,694		18,841,969

ii. Unit trusts

The reported unit trusts amounted to Kshs. 16,718,633.

iii. Safe deposits

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

Holder	Units
Barclays Bank of Kenya	937
Standard Chartered Bank Kenya	476
Co-operative Bank of Kenya	93
Guardian Bank	15
Habib AG Zurich Bank Kenya	8
Guaranty Trust Bank	38
NCBA Bank Kenya Plc	1
Jamii Bora	61
Stanbic Bank	45
EcoBank	17
Total	1691

Notes (continued)

7 Unclaimed Assets Trust Fund (Continued)

c. Unclaimed Financial Assets Claims

	2020		2019	
	No. of claims	Shs '000	No. of claims	Shs '000
Approved and paid	2,244	228,680	1,281	91,590

The Authority receives claims from claimants that are approved in line with the Unclaimed Financial Assets Act, 2011 and Regulations. Only claims that have been reviewed and approved are recognized as payables.

8. Payables

	2020	2019
	Shs '000	Shs '000
Balance b/f	264,676	312,000
Approved by National Treasury	458,300	354,676
Less: amount transferred	(400,000)	(402,000)
Transfers to UFAA	322,976	264,676
Holder's audit fee refunds received	16,098	2,925
Claims payable	31,738	19,431
Other payables	47,836	22,356
Total	370,812	287,032

Transfers are recognized as payable once approval has been granted by National Treasury in line with Section 44 of the Unclaimed Financial Assets Act

9. Related party transactions

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

Unclaimed Financial Assets Authority (UFAA)

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

Separate financial statements have been prepared for the Authority.

Central Bank of Kenya (CBK)

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

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

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