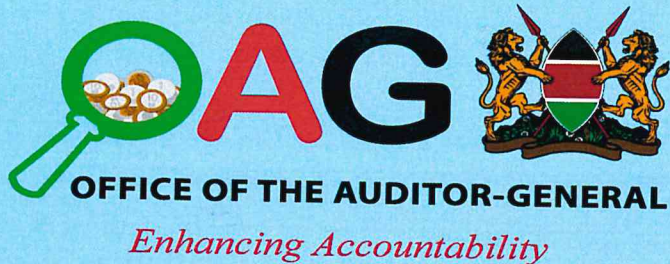


REPUBLIC OF KENYA



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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| REPORT 11 SEP 2020 | DAY. Thursday |
| TABLED BY: | Hon. (Dr.) Amos Kimani |
| CLERK-AT THE TABLE: | Lomf Lemne Njiru |

THE AUDITOR-GENERAL

ON

**UNCLAIMED FINANCIAL ASSETS TRUST
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**



UNCLAIMED ASSETS TRUST FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30th JUNE 2019

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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| Table of contents | <u>Page No</u> |
|-----------------------------------------------------------|-----------------------|
| Annual Report: | |
| Key corporate information | 1-9 |
| Chairman's statement | 10 |
| Report of the managing trustee | 11 |
| Statement of corporate governance | 12 |
| Management discussions and analysis | 13 |
| Trustees' report | 14 |
| Statement of trustee's responsibilities | 15 |
| Report of the independent auditor | 16-17 |
| Financial statements: | |
| Statement of income and expenditure | 18 |
| Statement of financial position | 19 |
| Statement of changes in reserves | 20 |
| Statement of cash flows | 21 |
| Statement of comparison of budget and actual cash Amounts | 22 |
| Notes to the financial statements | 23 – 33 |

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 gazettment of the Act. The commencement date of the Act is 16 December 2011. Section 46 of the Act requires the Board to prepare financial statements for the Fund. These financial statements cover the period from creation of the Fund to 30 June 2019.

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 James Nduna
Head of Legal Services
Unclaimed Financial Assets Authority

g Auditor

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

Delegated/Authorised Auditor:

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

h

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 advises a portfolio of companies who have collectively invested in excess of US \$ 5 billion dollars in Africa and was instrumental in the initial strategy workshops that led to the formulation of the African Unions Agenda 2063.

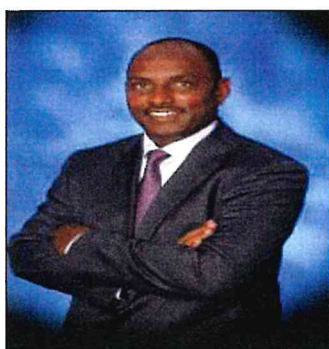
Richard was the Head of Global Strategic Alliances at Microsoft Africa for five years and was responsible for managing Microsoft's strategic engagements with development partners and inter-governmental organisations across 47 countries in sub-Saharan Africa and the Indian Ocean islands. He was instrumental 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, a position he's serving to date. 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.

He was appointed acting Cabinet Secretary on 24 July 2019






Mr. Henry K. Rotich - Cabinet Secretary, The National Treasury, Non-Executive Director until 23rd July 2019



Mr Henry Rotich was the Cabinet Secretary, The National Treasury.



He holds a Masters' degree in Economics and Bachelors' degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters' degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University.

Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office to work as an economist. Mr. Rotich has also been a Director on several boards of state corporations, including the Insurance Regulatory Authority, Industrial





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| | <p>Development Bank, the Communication Commission of Kenya and Kenya National Bureau of Statistics.</p> <p>Mr Rotich was 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.</p> |
|  | <p>Mr. Daniel M. Mutua</p> <p>Mr. Mutua is a Deputy Director, Investment in the National Treasury.</p> <p>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 and holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA.</p> <p>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.</p> <p>Mr Mutua was appointed in November 2012 as an Alternate Director to the CS, National Treasury.</p> |
|  | <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>Mr Njenga was re-appointed in December 2018 as a member of the Board for a second term.</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</p> |

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| | <p>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>Jacqueline was re-appointed in May 2019 as a member of the Board for a second term.</p> |
|  | <p>Hon FCPA Thomas Ludindi Mwadeghu - Non-Executive Director</p> <p>Hon. Thomas Ludindi Mwadeghu is the immediate former Member of Parliament for Wundanyi Constituency having served for two consecutive terms. As Member of Parliament, Hon. Mwadeghu 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. Mwadeghu 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. Mwadeghu 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>He 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>He was appointed as a member of the Board in September 2018.</p> |
|  | <p>Mr. Joseph Kigen Katwa – Chairman until October 2018</p> <p>Katwa is a founding Partner at Kigen & Kemboy Advocates. He is also a Certified Public Secretary and Commissioner for Oaths.</p> <p>He is a graduate of the University of Nairobi with a Bachelor of Laws LL.B (Hons.) and Masters (LLM) degree. He was admitted to the Bar as an Advocate of the High Court of Kenya in 1996 and has been in continuous practice since then.</p> <p>Katwa commenced his legal practice with the firm of Nyairo & Company Advocates before moving on to the firm of Kibet & Company Advocates and later Ochieng, Onyango, Kibet & Ohaga Advocates. He has over the years handled various commercial transactions for</p> |

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| | <p>leading commercial banks, manufacturing and general business companies & Co-operative Societies. He has handled Conveyancing, Commercial Work, Bank Security Documentation, Debt Recovery, Civil Litigation & Appeals, Arbitration, Corporate Governance, Succession, Divorce, Land Law and Criminal Defense.</p> <p>Katwa was appointed as a Board member in October 2015, and thereafter, in accordance with the Unclaimed Financial Assets Act, elected by the Directors as the Chairman of the Board.</p> |
|  | <p>Dr Parmain ole Narikae – Non-Executive Director until Oct 2018</p> <p>Dr Parmain ole Narikae is currently the Chief Executive Officer of the Kenya Industrial Estates.</p> <p>He has a career spanning over 20 years in the Banking Sector having previously served in various capacities in the Co-op Bank Group of Companies and Chase Bank where he served as the Director External and Regulatory Affairs, with roles that included administrative co-ordination of the various functions towards the realization of Bank's objectives as well as the development of capabilities of personnel in the Bank. In addition, he was the Chairman of the Chase Group Foundation.</p> <p>He holds a PhD in Strategic Management from United States International University, a Masters' in Business Administration and is a graduate of the European Institute of Business Administration (INSEAD).</p> <p>Dr Narikae was appointed to the Board in October 2015.</p> |
|  | <p>Ngeny Biwott - Non-Executive Director until April 2019</p> <p>Born in 1952, Mr Ngeny Biwott is a licenced pilot with over 39 years' experience spanning the aviation, manufacturing, construction and banking sectors. He has previously served in senior positions as a System Safety, Quality and International compliance practitioner in airline industry. He has served as a Commissioner at a State Corporation, a Board Director of KCB Group Plc, Board Director of KCB Bank Tanzania Ltd and Group Chairman KCB Group Plc.</p> <p>He holds MSc Degree in Civil Emergency and Crisis Management from University of Hertfordshire. In addition, he holds specialised certification in aerospace Risk and Strategy from Cranfield University, the University of Southern California and Langley NASA Research Centre College. He is a Lead Auditor ISO 900-2008 and a lead Quality and Environmental Auditor. He is alumni of IMD business school.</p> <p>Born in 1952, Mr Ngeny was appointed to the Board on December 19, 2018.</p> |

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|  | <p>FCPA Kellen Eileen Kariuki, MBS – CEO Until October 2018</p> <p>Kellen was appointed as CEO of the Unclaimed Financial Assets Authority in February 2015. She has a degree in Accounting and MBA in Strategic Management from United States International University and an MSc in International Human Resource Management from Cranfield University in the UK.</p> <p>Kellen served the Citibank N.A for 23 years, where she held several positions of senior leadership in the Bank. She has held numerous Board positions such as the Chairperson of Citibank Tanzania Limited, Director AMREF International, Director Resolution Insurance Limited, Director in Citibank Uganda Limited, Chair of the Citibank Kenya Provident Fund, Director of Cititrust (Kenya) Limited, and Director Kenya Roads Board (KRB). She is a founding member of the Board of Advisors of the Strathmore Business School; and has served as an elected council member of ICPAK.</p> <p>She is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPAK) and was recognized by the Kenya Institute of Management as the "Professional Manager of the Year" during the Company of the Year Awards in 2003.</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="284 456 496 490">FA John K. Mwangi</p>  | <p data-bbox="655 443 1139 477">Chief Executive Officer& Managing Trustee</p> <p data-bbox="655 488 1283 645">Mr John K. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund. Prior to his appointment as CEO and Managing Trustee, Mr. John Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA since April 2015. Mr Mwangi was appointed as the CEO& Managing Trustee in with effect from 1st March 2019.</p> |
| <p data-bbox="284 882 539 916">Mrs Caroline C. Chirchir</p>  | <p data-bbox="655 882 1145 916">Manager Human Resource& Administration</p> <p data-bbox="655 927 1315 1039">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. Caroline has also acted as CEO of UFAA following appointment on 1st November 2018 until 28th February 2019. 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="284 1267 501 1301">Mr James M. Nduna</p>  | <p data-bbox="655 1267 1193 1301">Corporation Secretary & Head of Legal Services</p> <p data-bbox="655 1330 1315 1464">James is responsible for Board affairs and ensuring compliance with the constitution, statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk and fulfilment of contractual obligations as well as advice on all corporate governance requirements. James joined the Authority in November 2017 following a long career in public service in various capacities, in the national government, judiciary, and county government and as a Chief State Counsel at the AG's office.</p> |
| <p data-bbox="284 1637 523 1671">Mr Francis M. Muchina</p>  | <p data-bbox="655 1637 804 1671">Manager, ICT</p> <p data-bbox="655 1688 1283 1778">Francis is responsible for management of the Unclaimed Assets database and planning, developing, coordinating and ensuring delivery of the Authority's ICT needs. 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> |

Unclaimed Assets Trust Fund
Key corporate information
For the period ended 30 June 2019

| Name | Designation |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>CPA Pius K. Kimutai</p>  | <p>Manager Audit, Risk& Assurance</p> <p>Pius is responsible for ensuring the effective operation of the internal audit function. The role is also responsible for ensuring that UFAA has a Risk Management Strategy in place with appropriate systems to identify and mitigate identified risks.</p> <p>Pius joined the Authority in August 2015, following long service in academia in various schools and in different capacities in Accounting and Audit at Postbank.</p> |
| <p>Jack O. Gumboh, PhD</p>  | <p>Manager Procurement</p> <p>Jack is responsible for procurement and supply function and overseeing aspects of purchasing, negotiations and management of the procurement of goods, works and services in line with the law.</p> <p>Jack joined the Authority in January 2018 after long service in various capacities in Supply Chain management in many public and private sector institutions.</p> |
| <p>Beatrice Chelangat</p>  | <p>Acting Manager Unclaimed Financial Assets Line</p> <p>Beatrice is responsible for overall management of the Unclaimed Financial Assets Trust Fund, including overseeing compliance by holders, investment of received funds and re-unification to the rightful owners.</p> <p>Beatrice joined the Authority in September 2015 after long service in financial management at various institutions including EACC. She was appointed as Ag Manager UFAL in March 2019.</p> |
| <p>CPA Henry T. Nyegenye</p>  | <p>Manager Finance& Accounting</p> <p>Henry is responsible for managing the Authority's financial operations and ensuring that there is efficient utilization of financial resources within established policies of the Authority. He is also responsible for financial accounting and reporting, cash and bank operations and tax management.</p> <p>Henry joined the Authority in July 2015 following long service in risk management& audit, investment management, financial analysis, treasury management and budget management in public sector institutions in the energy, health and infrastructure sector.</p> |

Chairman's statement

I joined the Authority as Chairman of the Board on May 3, 2019 at a time the Authority had made commendable progress within the year under review.

In the few months that have passed, I have witnessed first-hand, the growth of UFAA into an established actor in the financial service sector landscape. This transformation is anchored on a number of milestones.

Firstly, the Authority is operating under a very robust Strategic Plan 2018-2023 which is customer centric. Our priority areas namely enhancing holders' compliance to ensure receipt of Ksh.75 billion of unclaimed financial assets by year 2023; reunification of all valid claims to the rightful owners; and safeguard surrendered assets in the Trust Fund, manifest this commitment. The Authority's five-year blue print will demonstrate our contribution in helping realize envisaged Vision 2030 Third Medium Term goals and the country's Big Four Agenda.

Secondly, the importance of education and awareness on the unclaimed financial assets as an ingredient in the delivery of our mandate cannot be gainsaid. Stakeholders awareness, both holders and owners/ beneficiaries that have been rolled out to-date have given us necessary impetus.

Thirdly, I am pleased to report that our parent ministry The National Treasury is steering the development of a national policy on unclaimed financial assets to institutionalize the regime and provide a framework of ownership by all stakeholders and beneficiaries. One of the emerging issue is the need to recalibrate existing legislation to be in tandem with the proposed Policy. Consequently, proposed legislative amendments to the Unclaimed Financial Assets Act, 2011 has been mooted.

The Authority has made great strides in strengthening and modernizing institutional capacity and service delivery through stakeholder partnerships. We are elated that our partner institutions are contributing to the delivery of our mandate. Some of the institutions include Insurance Regulatory Authority (IRA), Retirements Benefits Authority (RBA), Institute of Certified Public Accountants (ICPAK), and Association of Retirements Benefits Scheme (ARBS) among others.

During the year, the immediate former Chairman Mr. Katwa Kigen, Non-Executive Director Mr. Parmain Ole Narikae and pioneer Chief Executive Officer left service of the Authority. I commend them for their exemplary service to the country in setting up the growth momentum of the unclaimed financial assets regime. I also register my congratulations to the new Chief Executive Officer, Mr John Mwangi who assumed office from 1st March 2019.

I close by acknowledging the tremendous task that lies before us as members of the Board. Further, I appreciate the significant trust that has bestowed on me by the Country's leadership, as Chairman of the Board and to us all, as members of the Board of the Authority.



Richard Njiragat

Chairman,
Unclaimed Financial Assets Authority

Date: 30/09/2019

Report of the managing trustee

The year under review has seen significant milestones in the delivery of our mission: *'To Receive, Safeguard and Reunite Unclaimed Assets for Sustainable and Shared Social and Economic Prosperity'*. At the onset, we began the second phase of growth cycle by launching a new Strategic Plan 2018-2023. The first strategy plan cycle 2015-2018 was successfully retired. The new Plan provides a comprehensive road map for the efficient and effective management of unclaimed financial assets in the country.

Our twin efforts on compliance and reunification have yielded significant progress. During the year under review, the Authority scaled efforts - on one hand - to ensure compliance by the holders of unclaimed financial assets through issuance of surrender notices to all holders, began inspection of holder's books on reporting and instituting the necessary structures, systems and procedures to guide the process. These efforts yielded a growth of the fund to the current value of Kshs 13.32 billion in cash, 539.77 million of share units from various counters and 1,489 safe deposit boxes reported to the Fund. On the other hand, our reunification efforts have seen more and more people coming through the door seeking their 'lost' money back.

These twin responsibilities have been equally matched by leveraging stakeholders' engagements throughout the value chain. Notably, we undertook a major public awareness campaign dubbed 'reunification drive' in the counties of Taita Taveta, Kwale and Mombasa at the Coastal region. Additionally, the Authority has engaged different stakeholders ranging from the banking, pension, insurance and accounting sectors on a number of existing and emerging issues within the unclaimed financial assets regime. Going forward, it is expected that education and awareness initiatives will be enhanced to deepen compliance by holders and reunification with rightful owners.

We have been encouraged by the level of stakeholders' engagement during the process of reviewing the comprehensive national policy that is in progress. During this process, which is guided by The National Treasury, stakeholders have given useful insights whilst identifying the gaps and opportunities available. This process will ultimately yield a robust framework to deepen the regime in the country.

Over the same period, the Authority conducted a Baseline Survey on Unclaimed Financial Assets to establish an accurate and complete information on the size and holding of unclaimed financial assets in the country. Arising from the survey, we have now established the nature of unclaimed assets, number of holding institutions and the estimated value in the market. This report will play a major role in our reunification and compliance efforts.

I am happy to note all these, and more, milestones being made has been precipitated by able leadership of the Board who have continued to show commitment in making sure the Authority is a major player in the financial service sector.

In May 2019, Mr. Richard Kiplagat became the new Chairman of the Board, replacing Mr. Katwa Kigen who, hitherto, served as a Chairman and Non-Executive Director. I am pleased to report that the transition was smooth and that the new chairman and the Board, have embarked on implementing the Strategic Plan 2018-23.

I wish to thank the entire board for the confidence that they have shown in appointing me as CEO of the Authority and Managing Trustee of the Fund. To the management and staff, my acknowledgement goes to the continued effort and commitment in making sure our core mandate is fulfilled.



FA John K. Mwangi
CEO/Managing Trustee

Date: 30/09/2019

Statement of corporate governance

The Unclaimed Financial Assets Fund is vested in, managed and operated by UFAA.

Under the Unclaimed Financial Asset Act, 2011, The Board of the Authority, thus UFAA is a Corporate Trustee to the Fund with the CEO of the Authority as the Managing Trustee of the Fund.

Operational and financial performance

The Trust Fund is managed and operated by the Authority, in line with the Unclaimed Financial Assets Act. For this reason, its costs and expenses are absorbed by the Authority's budget that was Kshs 722.974 million in Financial Year 2018/19. Out of this, 88% was utilized or committed as at 30th June 2019. This is a growth in absorption from 86% that was achieved in FY 2017/18.

Total investments in Treasury Bills as at the end of the period stood at Kshs 15.26 Billion compared to Kshs 11.90 Billion for the FY 2017/18. Investment income generated was Kshs 1.19 Billion, against a target of Kshs 900 Million. In addition, Kshs 2.81 Billion was received in cash as unclaimed financial assets from various holders; while Kshs 110.90 Million was approved for payment as claims during the same period.

The Fund had also assets that had been reported by various holders, but which had not been transferred to custody of the Fund as at closure of the Financial Year. These include 539.77 Million units of shares, 1,489 safety deposit boxes and Kshs 18.45 Million in unit Trusts. These have been recognized as a disclosure in the notes to the Financial Statements.

Key projects and investment decisions the Authority is planning/implementing

The Authority engaged 11 compliance Auditors for the year and it's expected that this will not only enhance compliance measures but also increase receipts to the Fund.

Major risks facing the organization

The major risk facing the Authority, which is mandated to manage and operate the Fund, is lean staffing even in key operational areas. This seriously hampers operational effectiveness. Efforts to address this have been through outsourcing of services like Compliance Audit, Internal Audit, and Information Security Management among others. While this helps in managing capacity issues, it also introduces third party risks to the Authority.

To manage this risk therefore, the Authority undertook a comprehensive review of its organizational structure and is awaiting approval by relevant government agencies.

Compliance with statutory requirements

The Authority manages compliance and reunification matters in compliance to the unclaimed financial assets Act. Communication to claimants is done within 90 days of submission of a claim, and compliance notices are issued to holders in line with the Act.

Through the National Treasury, the Authority engaged in the process of developing a comprehensive National Policy on unclaimed assets so as to address the gaps that have been noted in implementing its mandate. Once finalized and adopted, the Comprehensive National Policy on Unclaimed Financial Assets, and proposed amendments to the Unclaimed Financial Assets Act 2011 will enhance efficiency in management of the Unclaimed Financial Assets regime in the Country.

Material arrears in statutory/financial obligations

There were no material arrears in financial obligations by the Trust Fund.

Unclaimed Assets Trust Fund
Trustee's report
For the period ended 30 June 2019

The Directors of the Unclaimed Financial Assets Authority (the "Authority") submit the Trustee's report together with the audited financial statements for the period ended 30 June 2019 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 1,191,799,000 (2017: Kshs 971,806,000) has been added to revenue reserve. This is in line with the UFA Act and fund accounting requirements that recognize income and earning of the Fund as part of the Fund.

Trustee

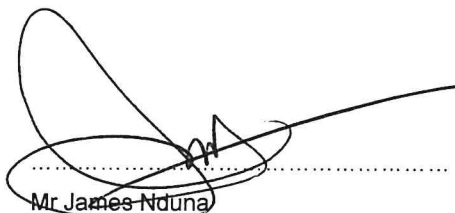
The Authority and the Chief Executive Officer of the Authority act as Trustee and Managing Trustee of the Fund, respectively.

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 2-7.

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 CPA (PwC) were appointed as the auditors of Unclaimed Assets Trust Fund to conduct the statutory audit for the year ended 30 June 2019.

On behalf of the Board of the Authority



Mr. James Nduna
Corporation Secretary & Manager, Legal Services
Unclaimed Financial Assets Authority

Date: 30/09/2019

Statement of Trustee Responsibilities

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

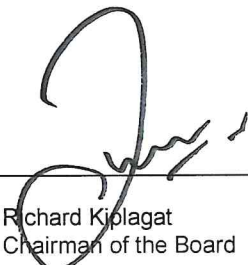
Having made an assessment of the Fund's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

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 30/09/ 2019 and signed on its behalf by:



John Mwangi
Managing Trustee



Richard Kiplagat
Chairman of the Board



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 18 to 33 which comprise the statement of financial position at 30 June 2019 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 2019, and of its financial performance and cash flows for the year then ended 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.

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 Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and 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 Trustees for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and in the manner required by 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 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.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

C



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

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 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

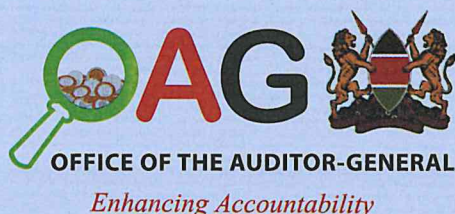
1 October 2019

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

C

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Financial Assets Trust Fund set out on pages 18 to 33 which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net assets 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 result 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 have been obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Unclaimed Financial Assets Trust Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Unclaimed Financial Assets Act No.40 of 2011.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Unclaimed Financial 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 ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 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 the Board of Directors

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 Trust Fund's ability to continue to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Trust Fund or to cease operations.

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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Trust Fund 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 overall 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 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 Trust 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 Trust 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 evidence regarding the financial information and business activities of the Trust 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

31 August, 2020

Statement of Income and Expenditure

| | Notes | Year ended 30 June | |
|------------------------------------|-------|--------------------|------------------|
| | | 2019 Shs '000 | 2018 Shs '000 |
| Income | | | |
| Revenue from exchange transactions | | | |
| Investment income | 6 | 1,191,799 | 971,806 |
| Expenditure | | | |
| Expenses* | | - | - |
| Surplus for the year | | <u>1,191,799</u> | <u>971,806</u> |

The notes on pages 23 to 33 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.

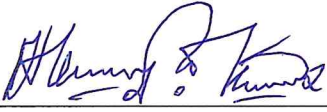
Statement of Financial Position

| | Notes | As at 30 June 2019 Shs '000 | 2018 Shs '000 |
|-----------------------------|-------|-----------------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 428,036 | 371,753 |
| Receivables | 5 | 562,728 | 464,893 |
| Investments | 6 | 15,258,177 | 11,897,886 |
| | | 16,248,941 | 12,734,532 |
| Payables | | | |
| Transfers to UFAA | | 267,601 | 312,000 |
| Claims payable | | 19,431 | - |
| | 8 | 287,032 | 312,000 |
| RESERVES | | | |
| Unclaimed Assets Trust Fund | | 13,326,451 | 10,624,197 |
| Revenue reserve | | 2,635,458 | 1,798,335 |
| | | 15,961,909 | 12,422,532 |
| | | 16,248,941 | 12,734,532 |

The notes on pages 23 to 33 are an integral part of these financial statements.

The financial statements on pages 18 to 33 were approved for issue by the Board of Directors and signed on its behalf by:


FA John Mwangi
Chief Executive Officer
Date... 30/09/2019


CPA Henry T. Nyegenye
ICPAK Member Number: 5413
Manager Finance & Accounting
Date... 30/09/2019


Richard Kiplagat
Chairman of the Board
Date... 30/09/2019

Statement of Changes in Reserves

| | Unclaimed Assets Trust Fund Shs'000 | Revenue reserve Shs'000 | Total Shs'000 |
|-----------------------------------|-------------------------------------------|----------------------------|-------------------|
| As at 1 July 2017 | 8,502,138 | 1,036,529 | 9,538,667 |
| Payables/claims from prior period | 1,581 | 152,000 | 153,581 |
| Receipts of unclaimed assets | 2,193,593 | - | 2,193,593 |
| Claims paid | (73,115) | - | (73,115) |
| Transfer to UFAA | - | (50,000) | (50,000) |
| Payables (note 8) | - | (312,000) | (312,000) |
| Surplus for the year | - | 971,806 | 971,806 |
| Balance at 30 June 2018 | 10,624,197 | 1,798,335 | 12,422,532 |
| 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) |
| Payables (note 8) | (22,356) | (264,676) | (287,032) |
| Surplus for the year | - | 1,191,799 | 1,191,799 |
| Balance at 30 June 2019 | 13,326,451 | 2,635,458 | 15,961,909 |

The notes on pages 23 to 33 are an integral part of these financial statements.

Statement of Cash Flows

| | Notes | For the year ended 30 June | |
|---------------------------------------------------|----------|----------------------------|--------------------|
| | | 2019 Shs '000 | 2018 Shs '000 |
| Cash flows from operating activities | | | |
| Surplus for the year | 6 | 1,191,799 | 971,806 |
| Increase in receivables | 5 | (97,835) | (149,613) |
| Claims paid | | (91,590) | (73,115) |
| Transfer from Trust Fund income | | (402,000) | (50,000) |
| Net cash from operating activities | | 600,374 | 699,078 |
| Cash flows from investing activities | | | |
| Increase in investment in treasury bills | 6 | (3,360,291) | (2,779,130) |
| Net cash used in investing activities | | (3,360,291) | (2,779,130) |
| Cash flows from financing activities | | | |
| Increase in the Unclaimed Assets Trust Fund | | 2,816,200 | 2,193,593 |
| Net cash from financing activities | | 2,816,200 | 2,193,593 |
| Increase in cash and cash equivalents | | 56,283 | 113,541 |
| Cash and cash equivalents at start of period | | 371,753 | 258,212 |
| Cash and cash equivalents at end of period | 4 | 428,036 | 371,753 |

The notes on pages 23 to 33 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.

51

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

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

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

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

The change listed above is not applicable to the Trust.

(ii) New standards and interpretations not yet adopted

IPSAS 40 'Public Sector Combinations'. This recognizes two types of public sector combinations: amalgamations and acquisitions. By contrast, International Financial Reporting Standards, used by private sector entities, treat all combinations as acquisitions, which requires obtaining fair value information. Amalgamations, which are much more common in the public sector, do not require this information.

The accounting requirements for amalgamations in IPSAS 40 are based on existing information, which enables public sector entities to avoid unnecessary valuation costs, while still meeting users' needs. IPSAS 40 applies from January 1, 2019, with earlier adoption encouraged.

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.

Notes (continued)

1 Statement of compliance and basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

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

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial liabilities (continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(f) Nature and purpose of reserves

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

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

(g) Changes in accounting policies and estimates

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

(h) Cash and cash equivalents

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

(i) Significant judgments and sources of estimation uncertainty

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended 30 June 2019.

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 2019, the investments held were government securities. Therefore, the Fund does not consider there to be any significant exposure to credit risk.

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

Notes (continued)

3 Financial risk management objectives and policies (continued)

i. Credit risk (continued)

| | 2019 Shs '000 | 2018 Shs '000 |
|-----------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents (Note 4) | | |
| Fund account with CBK & KCB | 428,036 | 371,753 |
| Receivables (Note 5) | | |
| Accrued interest income (from treasury bills) | 562,728 | 464,893 |
| Investments (Note 6) | 15,258,177 | 11,897,886 |
| Total | 16,248,941 | 12,734,532 |

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 2019, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 11,917,990(2018: Shs 9,718,060)

iii. Liquidity risk

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

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

(b) Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and investment balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Notes (continued)

3 Financial risk management objectives and policies (continued)

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4 Cash and cash equivalents

| | 2019 Shs '000 | 2018 Shs '000 |
|----------------------------|------------------|------------------|
| Trust fund KES account | 37,175 | 5,422 |
| Trust fund payment account | 149 | 17 |
| Investment account | 16,603 | 67,775 |
| Trust fund USD account | 374,021 | 298,491 |
| KCB | 88 | 48 |
| Total | 428,036 | 371,753 |

5 Receivables

| | | |
|-----------------------------------------------|---------|---------|
| Accrued interest income (from treasury bills) | 562,728 | 464,893 |
|-----------------------------------------------|---------|---------|

6 Investments Schedule

As at 30 June 2018

| Tenure | Face value Shs'000 | Amount paid Shs'000 | Discount due Shs'000 | Income Shs'000 |
|-----------------------|-----------------------|------------------------|-------------------------|-------------------|
| 364 days - Received | - | - | 506,913 | 506,913 |
| 364 days - Receivable | 12,991,850 | 11,897,886 | 1,600,886 | 464,893 |
| Total | 12,991,850 | 11,897,886 | 2,107,799 | 971,806 |

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 |

7 Unclaimed Assets Trust Fund

a. Receipts of Unclaimed Financial Assets

| | 2019 | 2018 |
|-----------------------------|-------------------|-------------------|
| Institution type | Shs'000 | Shs'000 |
| Commercial banks | 9,249,635 | 6,939,888 |
| Listed companies | 2,048,361 | 1,924,229 |
| Insurance companies | 978,275 | 857,989 |
| Telecommunication companies | 1,186,599 | 845,992 |
| SACCOs | 24,003 | 16,593 |
| Pension Funds | 28,919 | 22,441 |
| Others | 31,569 | 124,670 |
| Total | 13,547,361 | 10,731,802 |

b. Unclaimed Financial Assets held by the holders

As at 30 June 2019, 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.

| Holder | Number of shares '000 | Market Value Shs | Total Amount Shs'000 |
|------------------------------------|-----------------------|------------------|----------------------|
| Almasi | 579 | 0.25 | 145 |
| Athi River Mining Holdings | 59 | 5.55 | 327 |
| Bamburi | 987 | 113.25 | 111,778 |
| Barclays | 87,299 | 10.45 | 912,275 |
| Bat Kenya Ltd | 1,148 | 500 | 574,000 |
| Britam Holdings | 6,815 | 8.2 | 55,883 |
| The BOC Group | 137 | 65 | 8,905 |
| Centum Ltd. | 36,686 | 31.4 | 1,151,940 |
| Co-op Bank | 100,235 | 12 | 1,202,820 |
| Co-op Holdings Cooperative Society | 64,108 | 7.2 | 461,578 |
| Crown Ltd. | 1,036 | 87 | 90,132 |
| Diamond Trust Bank | 2,405 | 117.75 | 283,189 |
| East African Breweries | 13,181 | 199.75 | 2,632,905 |
| East Africa Cables Ltd | 8,190 | 2.44 | 19,984 |
| Eveready Ltd. | 56 | 1.03 | 58 |
| Express Kenya Ltd. | 1,019 | 6.2 | 6,318 |
| Housing Finance | 20 | 4.01 | 80 |
| I&M Holdings | 708 | 55 | 38,940 |
| Jubilee Insurance Ltd. | 1,366 | 399.75 | 546,059 |
| Kakuzi Ltd. | 803 | 341 | 273,823 |
| Kenya Commercial bank | 77,027 | 38.25 | 2,946,283 |
| Kengen | 54 | 5.94 | 321 |
| Kenol Kobil | 1 | 22 | 22 |
| Kenya Power | 26,652 | 3.89 | 103,676 |
| Kenya Re-Insurance Corporation | 39 | 3.76 | 147 |
| Kenya Airways | 14,264 | 3.97 | 56,628 |
| Kenya Wines Agencies Ltd (KWAL) | 42 | 34.46 | 1,448 |
| Mumias Sugar Co | 69 | 0.34 | 23 |
| National Bank Of Kenya | 10 | 4.14 | 41 |

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 |
|-------------------------------|--------------------------|---------------------|-------------------------|
| NIC Bank | 17,645 | 30.6 | 539,937 |
| Nation Media Group | 4,046 | 49 | 198,254 |
| Nairobi Stock Exchange | 3,090 | 12.25 | 37,853 |
| Olympia Ltd. | 2,179 | 2.54 | 5,535 |
| Rea Vipingo | 1,013 | 27 | 27,351 |
| Safaricom | 12 | 28.1 | 337 |
| Sameer Africa | 6,558 | 3.07 | 20,133 |
| Standard Chartered Bank Kenya | 53,458 | 194.5 | 10,397,581 |
| Total Kenya | 7 | 28.2 | 197 |
| Uchumi Plc. | 160 | 0.51 | 82 |
| Unga Plc | 6,591 | 33 | 217,503 |
| Wpp Scan Group Ltd | 13 | 11.05 | 144 |
| Total | 539,767 | | 22,924,635 |

ii. Unit trusts

The reported unit trusts are as tabulated below:

| Holder | Amount |
|------------------|-------------------|
| African Alliance | 14,923,320 |
| Old Mutual | 3,521,866 |
| Total | 18,445,186 |

iii. Safe deposits

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

| Holder | Units |
|-------------------------------|--------------|
| Barclays Bank of Kenya | 919 |
| Standard Chartered Bank Kenya | 385 |
| Co-operative Bank of Kenya | 80 |
| Guardian Bank | 15 |
| Habib AG Zurich Bank Kenya | 9 |
| Guaranty Trust Bank | 17 |
| Eco Bank | 2 |
| Commercial Bank of Africa | 1 |
| Jamii Bora | 61 |
| Total | 1,489 |

Notes (continued)

7. Unclaimed Assets Trust Fund (continued)

c. Unclaimed Financial Assets Claims

| | 2019 | | 2018 | |
|-------------------|---------------|----------|---------------|----------|
| | No. of claims | Shs '000 | No. of claims | Shs '000 |
| Approved and paid | 1,281 | 91,590 | 1,027 | 73,115 |

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

8. Payables

| | 2019 Shs '000 | 2018 Shs '000 |
|---------------------------------------------------------------------|------------------|------------------|
| Transfers Payables b/f | 312,000 | 152,000 |
| Transferred to UFAA during the period | (402,000) | (50,000) |
| Approved by the National Treasury | 354,676 | 210,000 |
| Transfers to UFAA | 264,676 | 312,000 |
| UFAA income deposited in UATF bank – Del monte Kenya Ltd audit fees | 2,925 | - |
| Claims payable | 19,431 | - |
| Other payables | 22,356 | - |
| Total | 287,032 | 312,000 |

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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| THE NATIONAL ASSEMBLY | |
| PAPERS LAID | |
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