



CORPORATE
ADMINISTRATOR

WE GET YOU THERE

ANNUAL REPORT 2015

LAPTRUST (UMBRELLA)
RETIREMENT FUND
(COUNTY PENSION FUND)



Defined Contributions The Cash Mountain

THE PLAN

A convenient and flexible saving plan for organizations and their employees. Monthly contributions are made by both the employer and employee towards securing your comfortable retirement. Individual organisations have the freedom to choose their preferred rates as per RBA guidelines.

With this plan, an individual is equipped for a stress-free life at retirement and can keep track of their savings and benefits through bi-annual statements of accounts issued to them. At retirement, benefits depend on your employers' contribution, your contribution, and the investment income earned per annum.

What benefits can one expect to get from the DC Plan?

1. At Normal Retirement Age: "Nimekomaa Benefit"
 - Employer Contributions + Employee Contributions + Investment Income
 - Benefit may be a Pension, Provident Lump sum or Annuity
2. Early Retirement: "Tosheka Benefit"
 - Employer Contributions + Employee Contributions + Investment Income
3. Withdrawal of Membership: "Chota Chapa Benefit"
 - Lump sum equal to Member's Portion of the fund and 50% of Employer's Contributions
 - The member may opt to have part or all of it transferred to another registered scheme
4. Retirement on Medical Grounds: "Tosheleza Benefit"
 - Employer Contributions + Employee Contributions + Investment Income Additional Benefits



Additional Insurance Risk Benefits

1. Our Life Policy Death in Service: "Lala Salama Benefit"
 - Lump sum of Insured Death Benefits, paid at 3 times Annual Pensionable Salary + Fund Credit at time of death

Permanent Disability: "Kujikwaa Sio Kuanguka Benefit"

- Lump sum of Insured Disability Benefits paid at 3 times Annual Pensionable Salary + Fund Credit at time of permanent disability
2. Last Respect Benefit: "No Harambee Benefit"
 - Up to Kshs 100, 000 paid to assist the family of a bereaved member
 3. Unemployment Benefit: "Daraja Benefit"
 - 50% of six-month salary, paid to cushion a member who has been laid off provided it is not on disciplinary grounds
- * These benefits are subject to insurance underwriters payment terms and policy

What are the Contribution Rates?

Individual organizations have the freedom to choose their preferred rates, under the following guidelines:

- Minimum employer Contribution: 5%

When can You Access your Benefits?

- You can access your benefits at normal retirement at age 60 and early retirement from age 50
- You can withdraw membership or choose to have your benefits transferred to another scheme

Who is Eligible to Join the Plan?

- Employees of participating organizations

What do You Require to Join the DC Plan?

Fill out an admission form attaching:

- Copy of your National ID card
- 2 Passport size photos
- Copy of Appointment Letter
- Copy of Pin Certificate
- Copy of your next of kin's National ID card

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OUR VISION

To improve the
quality of lives
of members

OUR MISSION

To offer innovative retirement
benefits that enhance the
socio-economic welfare of all the
contributors and beneficiaries

OUR CORE VALUES

Team Spirit
Innovativeness
Professionalism
Integrity
Customer focus

CONTACTS

CPF Financial Services Limited
CPF House, 6th floor
Haile Selassie Avenue
P O Box 28938, 00200 Nairobi

Notice of the Annual General Meeting

To members of LAPTRUST (UMBRELLA) Retirement Fund [County Pension Fund]

Notice is hereby given that the 3rd **Annual General Meeting** (A.G.M) of **LAPTRUST (UMBRELLA) RETIREMENT FUND [COUNTY PENSION FUND]** will take place on **Friday 12th August 2016** at the **Kenya Methodist University (KEMU)** in Meru County starting from **8.00 A.M to 1:30 P.M.**

Agenda

1. Introductions & opening remarks
2. Address by Chief Guest
3. Reading of the Notice of the Annual General Meeting
4. Reading and approval of the Minutes of the 2nd Annual General Meeting held on 7th August 2015
5. Presentation of the Corporate Trustee's Report
6. Presentation of the Administrator's Report
7. Presentation of the Investment Manager's Report
8. Presentation of the Scheme Custodian's Report
9. Presentation of the Financial Statements and Audited Accounts for Year ended 31st December 2015
10. Award ceremony
11. Question & answer
12. Presentation by select stakeholders
13. Vote of thanks

By order of the Board



HOSEA KILI, OGW
GROUP MANAGING DIRECTOR/CEO
CPF FINANCIAL SERVICES LTD;
THE SCHEME CORPORATE ADMINISTRATOR
FOR & ON BEHALF OF THE TRUSTEES OF THE
LAPTRUST (UMBRELLA) RETIREMENT FUND

LAPTRUST (UMBRELLA) Retirement Fund

Trustees and Professional Advisors

Registered Office	CPF House, 6th floor Haille Sellasie Avenue P O Box 28938, 00200 Nairobi
Corporate Trustee	Natbank Trustee and Investment Services Limited Harambee Avenue, P.O Box 72866, 00200 Nairobi
Administrator	CPF Financial Services Limited CPF House, 6th floor Haile Selassie Avenue P O Box 28938, 00200 Nairobi
Auditors	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092, 00100 Nairobi
Investment Managers	Co-op Trust Investment Services Limited Co-operative Bank House P O Box 43231, 00100 Nairobi
Custodians	Equity Bank Limited Custody Services Equity Centre, Hospital Road P O Box 75104, 00200 Nairobi
Bankers	Kenya Commercial Bank Limited Moi Avenue Branch P O Box 30081, 00200 Nairobi

Corporate Administrator’s Report

I am pleased to present to you a review of the performance and operations of the Laptrust (Umbrella) Retirement Fund (County Pension Fund) for the year ended 31 December 2015. The Scheme had a momentous year in 2015 overcoming various challenges in the economic and business environment to record commendable growth in Fund value.

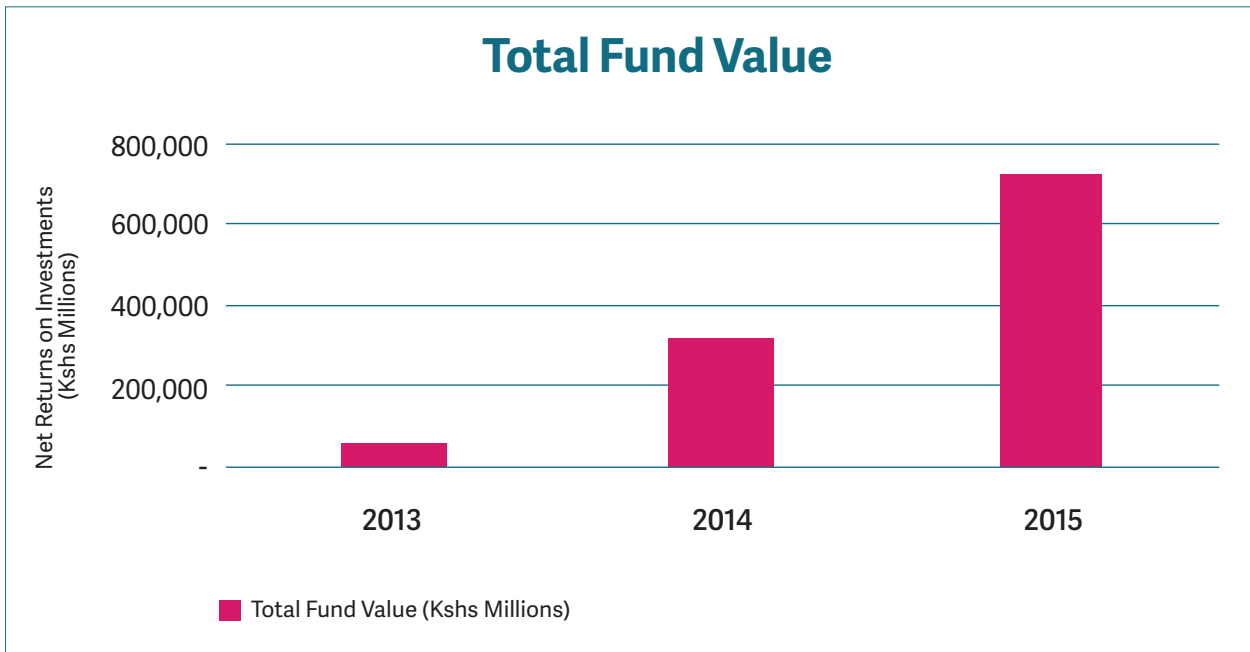
The Fund’s key highlights in the year under review are:-

- The Fund value of the Scheme stood at Kshs. 726 Million up from Kshs. 324.4 million in the previous year.
- Active membership trend of the Fund has increased from 500 members in 2013 to 7,883 as at 31 December 2015. The Scheme has 62 sponsors which comprise 7883 employees. Employee contributes to the Fund at

the rate of 12% of their pensionable salaries while the employers contribute at the rate of 15% of the employee’s pensionable salaries.

Financial Performance

Over the three years of operation, the Fund has recorded impressive growth in Fund value and net returns on investments. This can be attributed to prudent investments which have continued to reap great results. The Fund’s objective when managing members’ Funds is to safeguard the Fund’s ability to continue as a going concern in order to fulfill its obligations of paying retirement benefits when they fall due. In the year 2015, the Fund reported an increase in net assets of Kshs. 401.5 Million. Below is a summary of the Fund’s performance over the past 3 years.



Corporate Administrator's Report

(Continued)

Strategy Implementation

The Fund has this year began the implementation of the 2015-2019 strategic plan that highlights four strategic issues that will guide the operations of The Laptrust (Umbrella) Retirement Fund over the 5-year period, namely:

- 1) Enhance investment returns
- 2) Debt Reduction
- 3) Membership Growth and Maintenance
- 4) Brand Configuration

These strategic issues are linked to a performance monitoring metric (KPI) for continuous evaluation. The performance scorecard has been utilized in the year under review for performance evaluation. COSO's Enterprise Risk Management Integrated Framework has also been embedded in the corporate strategic plan implementation process to ensure that the corporate goals and objectives are realized.

Systems And Process Improvements

Pension coverage in Kenya remains low at about 15%, with only 3 million covered and this is largely from the formal work force. It is instructive to note that the informal sector, which accounts for over 80% of the work force, is fast growing and should be brought into the loop urgently. In order to harness this market, the Fund continues to enhance and integrate its business processes to the latest technology systems in the market in order to improve service delivery and access to our pension services.

Customer Experience

The Customer Service Charter in place is a bold statement of the Fund's commitment to excellence in service delivery. The Charter spells out the range of services and standards which the Fund commits to uphold. Team work among members of staff is critical in the delivery of a seamless customer experience. The Fund recognizes that Customer experience is the next frontier in creating long lasting customer relationships while keeping pace with the evolution of customer behaviors and expectations.

The Fund has in the year under review, endeavored to offer real-time customer engagements through the Fund's branch networks, County offices customer care desk, presence in the social and digital worlds and a dedicated care centre. We recognize that part of this process requires an in-depth look into the Members' perception and their

experience with the brand. The Fund has therefore, in the year under review, channeled resources towards gathering insight from all customer touch points and channels across the entire organization to thereby manage the customer experience effectively.

Future Prospects And Strategy

The provision of pension services to the counties is an opportunity that the Fund looks forward to finalizing on in the year to come in order to ensure that all county employees have access to retirement benefits. Working with the county governments for a resolution on the matter remains top priority. The prospects are positive and, as always, the aim of the Fund is to establish successful partnerships that safeguard the interests and goals of all stakeholders.

Financial risk management is an ongoing process that seeks to minimize potential adverse effect on the Fund's financial performance. Risk management is carried out by the investment managers and the corporate trustee under policies approved by the Trustees. The market's performance in the year under review have dampened in turn impacted on the performance of pension Schemes' assets and therefore going forward, the Fund seeks to put in place further mitigating strategies to minimize market and economic risks.

Appreciation

I wish to thank the Fund's sponsors and members for their loyalty and support. We wish to reiterate our commitment to excellent service. I wish also to appreciate the County Public Service Boards, County Assembly Service Boards, Council of Governors, County Administrators and all County employees for the wonderful partnerships we have enjoyed this year.



HOSEA KILI, OGW.
GROUP MANAGING DIRECTOR / CEO
CPF FINANCIAL SERVICES LTD.
THE SCHEME CORPORATE ADMINISTRATOR
FOR & ON BEHALF OF THE BOARD OF TRUSTEES OF
LAPTRUST (UMBRELLA) RETIREMENT FUND
31 MARCH 2016

Corporate Governance Statement

Laptrust (Umbrella) Retirement Fund is a Defined Contributions Pensions Scheme and was registered by the Retirement Benefits Authority on 27 May, 2011 to provide retirement benefits for the staff of the County Governments, Associated Organizations, and Approved Reciprocating Bodies as provided under the Fund's rules.

Laptrust (Umbrella) Retirement Fund was established pursuant to the directive to the public sector retirement schemes under Treasury Circular No. 18/2010 of November, 2010 which required all public sector retirement schemes to convert their Defined Benefits (DB) Schemes to Defined Contributions (DC) Schemes with the option of retaining persons with less than 5 years to attain retirement age in the Defined Benefits (DB) Schemes.

The Corporate Trustee

Natbank Trustees & Investment Services Ltd, a subsidiary of National Bank National Bank duly registered by the Retirement benefits Authority is the appointed Corporate Trustee of Laptrust (Umbrella) Retirement Fund.

The Corporate Trustee is guided by the Trust Deed and Rules for the Scheme as amended from time to time and the Retirement Benefits Act and the regulations made thereunder.

Corporate Trustee's Responsibilities

The primary role of the Corporate Trustee is to ensure that the Fund grows exponentially and continues to prosper for the benefit of members, customers, employees, sponsors and other stakeholders.

The Corporate trustee is responsible for policy formulation, investment of Scheme funds, Scheme administration, payment of benefits to persons entitled to such benefits under the scheme rules, protection of the property and assets of the Scheme and performance of such other duties as may be necessary for the due and faithful performance of the Scheme's obligations.

The Corporate Trustee generally meets on a quarterly basis and on such other times as may be rendered necessary, to consider all matters relating to the overall control, business

performance and strategy of the Trust and for succession planning.

Corporate Trustee's Independence

The Corporate Trustee has established structures and standards to enable it discharge its duties independently and free from any unlawful directions, undue influence or any other form of compulsion. These standards are fundamentally premised on the requirement that the Corporate Trustee should be independent of the Administrator and free from any business or other relationship that could adversely interfere with their objectivity and the exercise of their independent judgment.

The Corporate Trustee and the Scheme Corporate Administrator are mutually interdependent but their roles and responsibilities are distinct. On the one hand, the Scheme Corporate Administrator takes responsibility for the effective and efficient Management of the Scheme, ensures that Corporate Trustee's meetings are convened as per the approved Annual Trustee Calendar, that the resolutions of the Corporate Trustee are implemented as guided and /or approved by the Corporate Trustee and accounts to the Corporate Trustee. On the other hand, the Corporate Trustee evaluates the performance of the Scheme Corporate Administrator to ensure this is in tandem with the principal objectives of the Scheme.

Information and Professional Development

The Corporate Trustee is devoted to progressively monitor and acquaint itself with key business developments in order to maintain and enhance its effectiveness. From time to time the Corporate Trustee receives presentations from the Fund Managers, Custodians, Actuary and Legal Advisors on matters of significance. The corporate strategy, financial plans, including budgets and forecasts are regularly discussed at Corporate Trustee meetings.

The Corporate Trustee is confident that it has the necessary skill, knowledge, and experience to perform the functions required of a Trustee.



**For and on Behalf of Corporate Trustee
Natbank Trustees and Investments Services Ltd**

Administrator Management Team




Hosea Kili, OGW
*Group Managing Director/CEO
CPF Financial Services Ltd
(Scheme Corporate Administrator)*



Rosemary Maina
*Chief Manager, Corporate
Strategy & Risk Management*

Peter Mwaniki
Ag. Chief Manager Operations



Anne Tuitoek
*Human Resource &
Administration Manager*




Joseph Rono
*Chief Manager Finance
& Investments*




Mary Muthangia
Consultancy & Training Manager

Obadiah Keitany
Internal Audit Manager



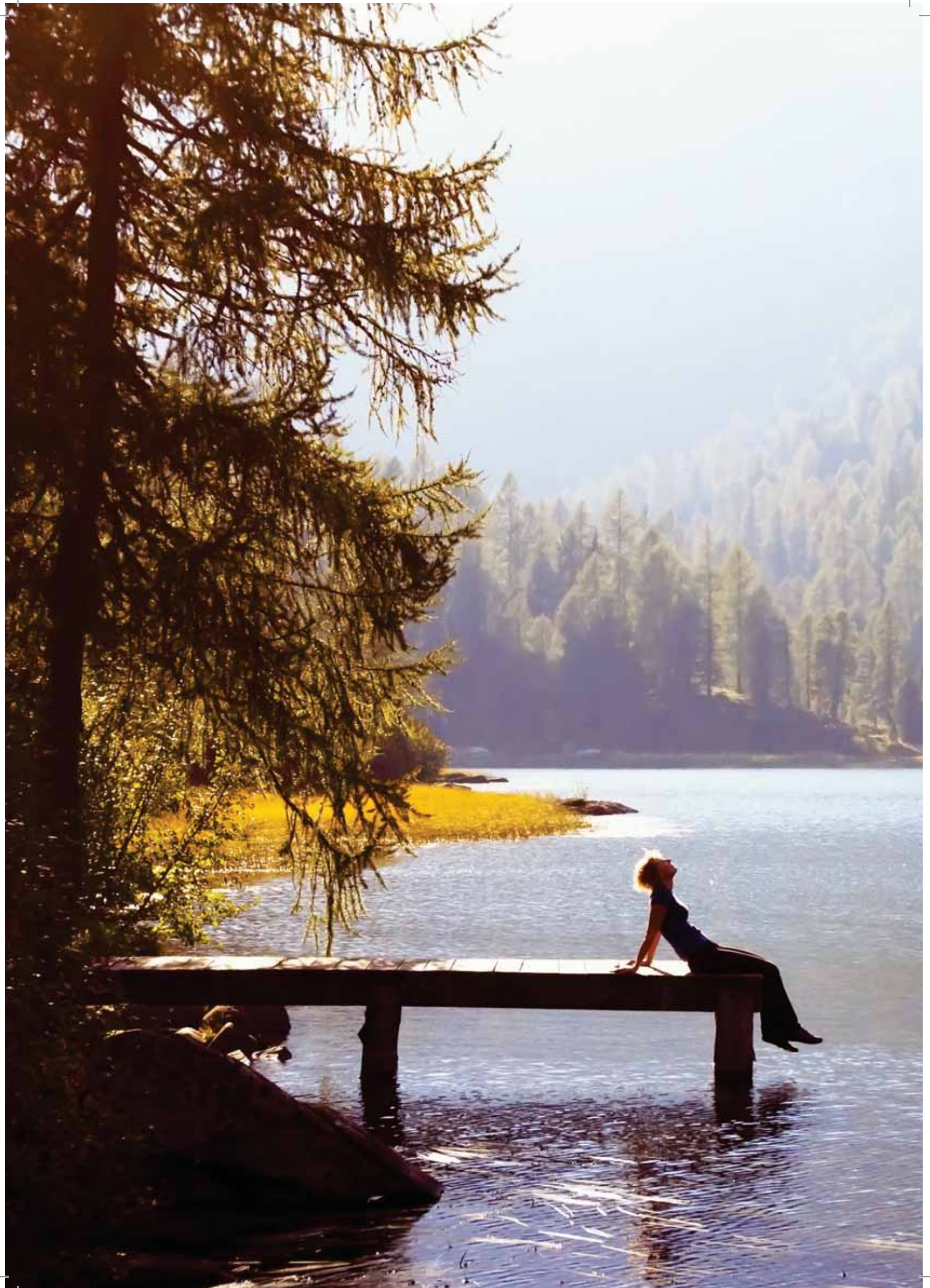
Evelyne Muchigi
*Corporate Communications
Manager*



Lydia Sitienei
*Legal Services Manager /
Ag. Company Secretary*



Tony Olang
Ag. ICT Manager





THE BIGGEST ADVENTURE YOU CAN TAKE IS TO LIVE THE LIFE OF YOUR DREAMS

OPRAH WINFREY

FINANCIAL HIGHLIGHTS

LAPTRUST (UMBRELLA) Retirement Fund

Report of the Corporate Trustee

The Trustees present their report together with the audited financial statements for the year ended 31 December 2015.

Establishment, nature and purpose of the Fund

The Laptrust (Umbrella) Retirement Fund was established under the Retirement Benefits Authority (RBA) Act and was registered with the Retirement Benefits Authority.

The Fund is a Defined Contributions Scheme and provides, under the rules of the Fund, retirement benefits for the staff of local authorities, associated organizations, and approved reciprocating bodies as provided in the Fund's rules.

It is a tax exempt approved Fund under the Income Tax Act. The principal objective of the Fund is to provide pension and other retirement benefits to employees of the sponsors and other individual and associated members of the Fund upon their retirement from service and relief for the dependents of the deceased employees.

Results

The results for the Fund for the year ended 31 December 2015 is analyzed as follows:

	2015 Shs'000	2014 Shs'000
Increase in net assets during the year	401,578	260,337

Membership

The Fund has 62 sponsors which comprise 7883 employees. Employees contribute to the Fund at the rate of 12% of their pensionable salaries while the employers contribute at a rate of 15% of the employees' pensionable salaries.

The Fund's membership was as follows:

	2015 No	2014 No
Contributing or active members		
At beginning of the year	3,320	867
New members	4,609	2,472
Leavers	(46)	(19)
At 31 December	7,883	3,320

Incorporation

LAPTRUST (Umbrella) Retirement Fund (LRF) was formed in response to Treasury Circular No. 18/2010 of November, 2010 which requires all public sector retirement schemes to close Defined Benefits (DB) schemes to persons aged 45 and below and establish Defined Contribution (DC) schemes.

The scheme was registered by the RBA, Certificate No. 01305 of 27 May 2011 and started operations on 1st July, 2013.

LAPTRUST (UMBRELLA) Retirement Fund

Report of the Corporate Trustee (Continued)

Contributions

The contribution rates are expressed as a percentage of the employees' basic salary and housing allowance. Rates in use for the year 31 December 2015 and 31 December 2014 were:

Employer	15%
Employee	12%
	27%

Assets management

The investment managers are responsible for the day to day management of investment funds. However, the overall responsibility for investment and performance lies with the Trustees.

The Fund's net assets position as at 31 December 2015 was as follows:

Categories of assets	2015 Value Shs'000	2014 Value Shs'000
Cash & cash equivalents	36,150	60,419
Treasury bonds	334,384	143,694
Quoted investments	190,653	68,663
Corporate bonds	47,372	29,005
Treasury bills	14,449	-
Prepayments	20,000	-
Receivables	23,420	42,495
Due from related parties	90,455	-
Payables	(11,327)	(19,858)
Total assets	725,996	324,418

We confirm that there is no self-investment, nor have any Fund assets been used as security or collateral on behalf of the employer or any connected business or individual.

Trustees

The corporate Trustee is appointed by the Fund promoter in accordance with RBA Act and Fund rules and regulations. The names of the current Trustees are shown on page 5.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors.

SIGNED ON BEHALF OF THE TRUSTEES



Corporate Trustee
31st march 2016

LAPTRUST (UMBRELLA) Retirement Fund

Statement of the Corporate Trustee's Responsibilities

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which show a true and fair view of the financial transactions of the Fund for the year and of disposition at year end of its assets and liabilities. It also requires the Trustees to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The Trustees are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Retirement Benefits Act and, for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Fund's rules. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Nothing has come to the attention of the Trustees to indicate that the Fund will not be able to meet its obligations for at least the next twelve months from the date of this statement.



Corporate Trustee
31st March 2016

Independent Auditors' Report

To the members OF LAPTRUST (UMBRELLA) Retirement Fund



Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way Muthangari
P.O Box 40092, 00100
Nairobi, Kenya
Tel: +254 (20) 423 0000
Cell: +254 (0) 719 039 000
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.co.ke

We have audited the accompanying financial statements of LAPTRUST (Umbrella) Retirement Fund set out on pages 16 to 30 which comprise the statement of net assets available for benefits as at 31 December 2015, and the statement of changes in net assets available for benefits and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act and, for such internal controls as Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial transactions of the Fund during the period ended 31 December 2015 and of the disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Fred Aloo - P/No: 1537.

A handwritten signature in blue ink that reads "Deloitte & Touche".

Certified Public Accountants (Kenya)

Nairobi, Kenya
31st March 2016

Statement of changes in Net Assets

Available for benefits for the year ended 31 December 2015

	Note	2015 Shs'000	2014 Shs'000
CONTRIBUTIONS AND WITHDRAWALS			
Contributions	3	538,036	265,867
Transfers in		34,788	
Transfers out		(27)	
Withdrawals and risk based benefits.		(34,768)	(11,970)
Net surplus from dealings with members		538,028	253,897
RETURN ON INVESTMENTS			
Investment income	4	47,660	10,765
Investment management expenses	5	(1,466)	(421)
Fair value gain on revaluation of investments	6	(30,656)	799
Gain on realization of investments		262	937
INCOME		14,757	12,080
FUND EXPENSES	7	(19,243)	(5,640)
PROVISION FOR DOUBTFUL DEPOSITS	8	(72,000)	-
PROVISION FOR DOUBTFUL DEBTS	9	(59,965)	-
INCREASE IN NET ASSETS FOR THE YEAR		401,578	260,337
NET ASSETS AT 1 JANUARY		324,418	64,081
NET ASSETS AT 31 DECEMBER		725,996	324,418

Statement of Net Assets available

For benefits as at 31 December 2015

	Note	2015 Shs'000	2014 Shs'000
Cash and bank balances	15	20,837	6,897
Government securities – available for sale	10	334,824	143,694
Fixed deposits	11(a)	-	42,930
Call deposits	11(b)	15,313	10,592
Corporate bonds	12	47,372	29,005
Treasury bills		14,449	-
Contributions receivable	13	2,785	42,495
Quoted investments	17	190,653	68,663
Due from related parties	20	90,455	-
Other receivables	14	20,635	-
		737,323	344,276
LIABILITIES			
Payables and accruals		(8,715)	(2,702)
Due to related parties	20	(2,612)	(17,156)
		725,996	(19,858)
NET ASSETS			
REPRESENTED BY			
		725,996	324,418
FUND BALANCE		725,996	324,418

The financial statements on pages 16 to 30 were approved and authorised for issue by the Board of Trustees on 31st March 2016 and were signed on their behalf by:

Corporate Trustee
31st March 2016

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 Shs'000	2014 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions		541,866	290,179
Withdrawals paid		(34,796)	(6,453)
Administrative expenses paid		(14,694)	(3,237)
Decrease/(increase) in receivables and related parties		(75,911)	21,696
Net cash generated from operating activities		416,465	233,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		39,324	9,869
Purchase of government securities	10	(240,128)	(149,525)
Purchase of short term deposits		(134,900)	(480,500)
Purchase of corporate bonds		(22,784)	(28,300)
Purchase of quoted investments	17	(150,067)	(69,161)
Purchase of Treasury Bills			-
Purchase of call deposits		(737,500)	-
Prepayments		(20,000)	-
Proceeds from sale/maturity of government securities	10	30,914	21,046
Proceeds from sale/maturity of short term deposits		846,155	441,539
Proceeds from sale of corporate bonds		5,000	-
Proceeds from sale of quoted equities		15,252	-
Net cash used in investing activities		(368,734)	(185,871)
NET INCREASE IN CASH AND CASH EQUIVALENTS		47,731	47,152
CASH AND CASH EQUIVALENTS AT 1 JANUARY		60,419	13,267
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	108,150	60,419

Notes to the Financial Statements

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRS), the Retirement Benefit Act, 1997 as amended, and with the Retirement Benefits (occupational Retirement Benefit Fund) Regulations, 2000.

Application of new and revised International Financial Reporting Standards (IFRSs)

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2015*

Several new and revised standards and interpretations were effective during the year. The Trustees have evaluated the impact of the new standards and interpretations and none of them had an impact on the fund's financial statements.

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015*

Only IFRS 9 on financial instruments issued in November 2009 will be relevant to the fund. The standard introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. The Trustees of the fund anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the fund's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the fund.

(iii) *Early adoption of standards*

The Fund did not early adopt any new or amended standards in 2015.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified to include revaluation of investments at fair value.

Functional and presentation currency

The financial statements are presented in Kenya Shillings (Shs '000'), which is also the Fund's functional currency.

Contributions receivable and benefits payable

Contributions receivable and benefits payable to leavers are recognised in the period in which they fall due. Members who leave the sponsors employment at the end of the year (31 December) are deemed to have withdrawn from the Fund in the subsequent year, upon advising the trustees of their intention to withdraw. The employer's contribution for members who leave the Fund before retirement age are transferred to the deferred benefits until such time as they attain retirement age or join another Fund at which point their benefits are transferred to that new Fund.

Transfers

Transfers are recognised in the period in which members join from other Funds or leave for other Funds. The values are based on methods and assumptions determined by actuaries.

Notes to the Financial Statements

(Continued)

1 ACCOUNTING POLICIES (Continued)

Investment income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

Withdrawals

Withdrawals are charged to the statement of changes in net assets when they fall due which is determined by reference to the date when the administrator is notified of the withdrawal by the board of Trustees.

Benefits payable

Pensions and other benefits payable are taken into account in the period in which they fall due.

Taxation

The Fund is a registered defined benefit Fund and is exempt from income taxation.

Financial instruments

Recognition

Financial assets and liabilities are initially recognised on the Fund's statement of net assets available for benefits at cost using settlement date accounting, when the Fund has become a party to the contractual provisions of the instrument.

Classification

The Fund classifies its financial assets into the following categories:

i) Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Fund has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the statement of changes in net assets available for benefits.

ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realised and unrealised gains and losses are included in the statement of changes in net assets available for benefits. Interest earned whilst holding held for trading investments is reported as interest income.

Notes to the Financial Statements

(Continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Classification (continued)

iii) Receivables

Receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

iv) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Quoted investments

Quoted investments are classified on fair value through profit or loss and are stated at the fair value as at the end of each reporting date.

Short term deposits

Term deposits are classified as held to maturity and stated at amortised cost.

Government securities

Government securities comprise treasury bills and treasury bonds, which are debt securities issued by the Government of Kenya. Treasury bonds are classified as fair value through profit or loss and stated at fair value.

Corporate bonds

Corporate bonds are classified as held to maturity and stated at mortised cost.

Financial liabilities

Financial liabilities are recognized initially at cost, and subsequently at amortised cost.

Impairment and un-collectability of financial assets

At the end of the reporting period, all financial assets are subject to review for impairment. If it is probable that the Fund will not be able to collect all amounts due (principal and interest) according to the contractual terms of receivables, or held-to-maturity investments carried at amortised cost, an impairment loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount through use of the provision for impairment account. The amount of the loss incurred is included in statement of changes in net assets for the year.

Notes to the Financial Statements

(Continued)

1 ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at year end. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the statement of changes in net assets available for benefits.

Members' funds

Members' funds comprise the accumulated net surpluses or deficits realized from dealings with members or deficits from the Fund's investing activities to the extent that they are not captured in the reserves.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES

In the process of applying the Fund's accounting policies, Trustees have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Held-to-maturity investments

The Fund follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Fund evaluates its intention and ability to hold such investments to maturity. If the Fund fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Impairment losses on financial assets

At the end of each reporting period, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the statement of changes in net assets available for benefits whenever the carrying amount of the asset exceeds its recoverable amount.

Contributions income

Some sponsors statements of members contributions are not received regularly i.e. on a monthly basis as stipulated. The Fund management makes an estimate of the contributions income based on the latest statement ever received from the sponsor.

Notes to the Financial Statements

(Continued)

	2015 Shs'000	2014 Shs'000
3 CONTRIBUTIONS		
Employer	287,923	142,476
Employee	237,038	115,157
Penalties	13,075	8,234
	538,036	265,867
4 INVESTMENT INCOME		
Interest on government securities - available for sale	30,515	6,285
- Interest on fixed deposits	1,895	1,245
- Interest on call deposits	6,163	2,530
- Interest on corporate bonds	5,604	705
-Dividend income	2,439	-
	46,616	10,765
5 INVESTMENT MANAGEMENT EXPENSES		
Fund management expenses	980	164
Custodian fees	486	257
	1,466	421
6 FAIR VALUE GAIN ON REVALUATION OF INVESTMENTS		
Fair value gain on government securities – available for sale (note 9)	(18,342)	1,298
Fair value loss on quoted investments	(12,314)	(499)
	(30,397)	799
7 FUND EXPENSES		
Bank charges	39	23
Professional fees	2,401	2,460
RBA levy	1,339	714
Investment transaction expenses	-	(23)
Administrative fees	4,948	1,716
Audit fees	787	750
Branch operational costs	9,353	-
Promotional materials	123	-
Advertising & publicity	129	-
AGM & member conference	124	-
	19,243	5,640

Notes to the Financial Statements (Continued)

	2015 Shs'000	2014 Shs'000
8 PROVISION FOR DOUBTFUL DEPOSITS		
Provision for doubtful call deposits held at Imperial Bank	72,000	-
9 PROVISION FOR DOUBTFUL DEBTS		
Provision for doubtful contributions	59,965	-

10 GOVERNMENT SECURITIES – AVAILABLE FOR SALE

Cost at beginning of the year	143,694	12,980
Additions	240,128	149,525
Proceeds from disposal	(30,914)	(21,046)
Gain on disposal	258	937
Add: fair value gains	(18,342)	1,298
Government securities – at market value	334,824	143,694
The maturity dates for government securities are:		
- After one year but within two years	14,430	25,650
- After two years but within five years	91,974	39,980
- After five years	228,420	78,064
	334,824	143,694

The effective weighted interest rate on the treasury bonds available for sale was 11.71 % (2014 – 6.75%).

11 SHORT TERM DEPOSIT

a) SHORT TERM DEPOSITS HELD TO MATURITY

	Average interest rate	Maturity	2015 Shs'000	2014 Shs'000
Cooperative Bank of Kenya Limited	13.00%	21-Jan-15	-	10,028
Imperial Bank Limited	13.25%	2-Feb-15	-	28,000
Imperial Bank Limited	13.25%	28-Jan-15	-	4,902
Cooperative Bank of Kenya Limited	13.00%	21-Jan-15	-	10,028
Kenya Commercial Bank Limited	12.00%	29-Jan-14	-	-
			-	42,930

Notes to the Financial Statements

(Continued)

11 SHORT TERM DEPOSIT (Continued)

b) CALL DEPOSITS

	Average interest rate	Maturity	2015 Shs'000'	2014 Shs'000
Housing Finance Company Limited	9.75%	On Call	-	4,901
Equity Bank Limited	10 %	On Call	-	121
Family Bank Limited	9.75%	On Call	-	29
Family Bank Limited	17%	On Call	8,407	-
Diamond Trust Bank Limited	14%	On Call	6,906	-
Imperial Bank of Kenya Limited	24%	On Call	72,000	-
Less: Provision for doubtful deposits			(72,000)	-
			15,313	10,592

The weighted average interest rate as at 31 December 2015 was 15.65% (2014: 9.88%).

12 CORPORATE BONDS – HELD TO MATURITY

	Maturity date	Average Interest rate	2015 Shs'000	2014 Shs'000
NIC Bank Limited	09-Sep-19	12.50%	6,756	6,754
Corporate Insurance Company Limited	03-Sep-19	13.00%	12,157	12,153
ARM Cement Limited	14-Dec-20	25.00%	11,443	5,082
Commercial Bank of Africa Limited	21-Oct-15	12.75%	5,017	5,016
Centum Investments Limited	06-Jun-22	12.50%	9,000	-
Housing Finance Company	02-Oct-17	12.50%	1,030	-
Kengen Limited	21-Oct-19	12.50%	1,969	-
			47,372	29,005

13 CONTRIBUTIONS RECEIVABLE

Contribution receivable from sponsors	70,693	50,230
Interest on outstanding contributions	11,808	12,016
Provision for bad and doubtful receivables:		
- Outstanding contributions	(67,908)	(7,735)
- Interest and penalties	(11,808)	(12,016)
	2,785	42,495

14 OTHER RECEIVABLES

Dividend receivable	635	-
Prepayments	20,000	-
	20,635	-

Notes to the Financial Statements

(Continued)

	2015 Shs'000	2014 Shs'000
15 CASH AND CASH EQUIVALENTS		
Cash and bank balances	20,837	6,897
Fixed deposits	-	42,930
Call deposits	87,313	10,592
	108,150	60,419
Less: Provision for doubtful deposits	(72,000)	-
	36,150	60,419
16 FUND BALANCE		
At beginning of the year	324,418	64,081
Increase in net assets for the year	401,578	260,337
At 31 December	725,996	324,418

Notes to the Financial Statements

(Continued)

17 QUOTED INVESTMENTS AT FAIR VALUE

Number of shares	Additions	Disposals	Number of shares	Description	Market value at 31-Dec-2014 Shs'000	Additions Shs'000	Disposals Shs'000	Market gain/(loss) Shs'000	Market value at 31-Dec-2015 Shs'000
20,000	-		20,000	Bamburi Cement Limited	2,780	-	-	720	3,500
150,000	300,000		450,000	The Kenya Power & Lighting Co Ltd	2,167	3,943	-	(170)	5,940
150,000	300,000		450,000	The Kenya Power & Lighting Co Ltd	2,167	3,943	-	(170)	5,940
200,000	35,467		235,467	The Co-operative Bank of Kenya Ltd	4,000	638	-	(400)	4,238
150,000	81,037		231,037	Diamond Trust Bank Kenya Limited	35,250	12,649	-	(4,695)	43,204
300,000	600,000	(300,000)	600,000	Equity Bank Limited	15,000	27,242	(13,472)	(4,269)	24,000
100,000	-	(100,000)	-	Kenya Re Insurance Corporation Ltd	1,706	-	(1,780)	(1,705)	-
200,000	1,000,031		1,200,031	Kengen Co. Limited	2,060	8,012	-	239	8,520
-	100,000		100,000	East Africa Breweries Limited	-	28,052	-	(752)	27,300
-	1,303,000		1,303,000	Kenol/Kobil	-	10,722	-	1,787	12,509
-	30,000		30,000	Standard Chartered Bank Limited	-	8,492	-	(2,642)	5,850
-	20,000		20,000	Nation Media Group Limited	-	3,763	-	57	3,820
-	1,069,200		1,069,200	Safaricom Limited	-	15,584	-	1,844	17,428
1,220,000	5,223,735	(400,000)	6,043,735		68,663	150,067	(15,252)	(12,314)	190,653

Notes:

Market values for quoted equity investments are determined by reference to Nairobi Securities Exchange prices prevailing at the end of each reporting date.

Notes to the Financial Statements

(Continued)

18 MANAGEMENT OF MEMBERS' FUNDS

The Fund maintains an efficient structure of members' funds consistent with the Fund's risk profile and the regulatory and market requirements of its operating environment.

The Fund's objectives when managing members' funds are to safeguard the Fund's ability to continue as a going concern in order to fulfill its obligations of paying retirement benefits when they fall due.

19 FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities. These activities expose the Fund to a variety of financial risks, including credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

Market risk

Interest rate risk

The Fund's interest bearing assets include treasury bonds and term deposits which are at variable and fixed interest rates.

At 31 December 2015, an increase/(decrease) of 1% on the interest bearing financial assets' interest rate would have resulted in increase/(decrease) respectively in net increase in net assets of approximately Shs 4,846,000 (2014 - 238,000).

Credit risk

Credit risk arises from cash and cash equivalents and receivables. As part of the credit risk management system, the investment managers and the Trustees monitor and review information on significant investments.

The amount that best represents the Fund's exposure to credit risk as at 31 December 2015 is made up as follows:

2015	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
Government securities	334,824	-	-	334,824
Bank balances	20,837	-	-	20,837
Call deposits	87,313	-	(72,000)	15,313
Treasury bills	14,449	-	-	14,449
Contributions receivable	82,501	-	(79,716)	2,785
Corporate bonds	47,372	-	-	47,372
Other receivables	20,635	-	-	20,635
Amount due from related parties	90,455	-	-	90,455
	698,386	-	(151,716)	546,670

Notes to the Financial Statements

(Continued)

19 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

2014	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
Government securities	143,694	-	-	143,694
Bank balances	6,897	-	-	6,897
Fixed deposits	42,930	-	-	42,930
Call deposits	10,592	-	-	10,592
Receivables	62,246	-	(19,751)	42,495
Corporate bonds	29,005	-	-	29,005
	295,364	-	(19,751)	275,613

The debts that are impaired are fully provided for. The debts that are past due are not impaired and continue to be paid. The Fund's management is actively pursuing these debts.

Liquidity risk

The Fund is required to make payments in respect of pension payments when members withdraw or retire from the Fund, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Fund's liquidity on a regular basis and the Trustees review it on a quarterly basis.

The amounts disclosed in the table below are the contracted undiscounted cash flows of the Fund's financial liabilities.

	2015 Shs'000	2014 Shs'000
Other payables	8,715	2,702

The Fund's current liabilities are all payable within a year.

Fair value of financial assets and liabilities

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2015				
Fair value through profit or loss:				
Quoted investments	15	190,653	-	190,653
Available for sale:				
Government securities	9	334,824	-	334,824
		525,477	-	525,477

Notes to the Financial Statements

(Continued)

19 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (continued)

	Note	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2014					
Fair value through profit or loss:					
Quoted investments	15	68,663	-	-	68,663
Available for sale:					
Government securities	9	143,694	-	-	143,694
		212,357	-	-	212,357

20 RELATED PARTY TRANSACTIONS

The Fund transacts with its members, the various local authorities in Kenya. Amounts due from the sponsors represent contributions and related penalties outstanding at year end.

	2015 Shs'000	2014 Sh'000
Due from Local Authorities Pension Trust Retirement Benefits Scheme	87,807	-
Due from CPF Financial Services Limited	2,648	-
	90,455	-
Due to Local Authorities Pension Trust Retirement Benefits Scheme	794	5,619
Due to CPF Financial Services Limited	1,818	1,558
Due to Laptrust Individual Pension Scheme	-	9,979
	2,612	17,156

The related party balances are interest free, unsecured and have no fixed repayment period.

21 FAIR VALUE

The Trustees consider that there is no material difference between the fair value and the carrying value of the Fund's financial assets and liabilities where fair value details have not been presented.

22 CONTINGENT LIABILITIES

Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Fund as at 31 December 2015 (2014 – Nil).

23 REGISTRATION AND INCORPORATION

The Fund is registered in Kenya under the Retirement Benefits Act.

24 CURRENCY

The financial statements are presented in Kenya Shillings (Shs).

