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*Paper laid
By Hon. A. Duale, MP
on Wed. 24.06.2015
(Afternoon) Mmw*

REPORT

OF

THE AUDITOR-GENERAL

ON

ORANGE DEMOCRATIC MOVEMENT

FOR THE YEAR ENDED

30 JUNE 2014



REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON ORANGE DEMOCRATIC MOVEMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Orange Democratic Movement set out on pages 1 to 33, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in reserves and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 31(3) of the Political Parties Act, 2011. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 31(2) of the Political Parties Act, 2011.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 31(3) of the Political Parties Act, 2011 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

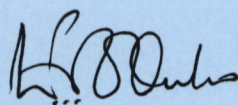
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Movement's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Orange Democratic Movement as at 30 June 2014, 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 Political Parties Act, 2011.



Edward R. O. Ouko, CBS
AUDITOR - GENERAL

Nairobi

08 June 2015



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

ORANGE DEMOCRATIC MOVEMENT

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ORANGE DEMOCRATIC MOVEMENT

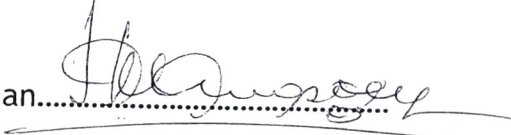
STATEMENT OF THE NATIONAL EXECUTIVE COMMITTEE RESPONSIBILITIES.

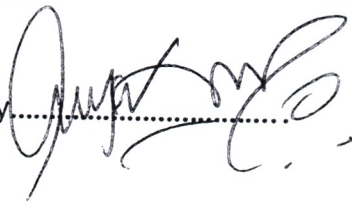
The National Executive Committee is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Party as at the end of the financial year and of the operating results of the Party for the year. They are also responsible for ensuring the Party keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Party and for safeguarding the assets of the Party.

The National Executive Committee accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Reporting Standards and in the manner required by the Political party's Act.

The National Executive Committee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Party and of its operating results. The National Executive Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the National Executive Committee to indicate that the Party will be insolvent in the next twelve months from the date of this statement.

National Chairman.....

National Secretary.....

Date.....30/9/2014.....

ORANGE DEMOCRATIC MOVEMENT

REPORT OF THE NATIONAL EXECUTIVE COMMITTEE FOR THE YEAR ENDING 30TH JUNE 2014

PRINCIPAL ACTIVITIES

The organization's principal activity is to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

RESULTS.

The results for the year ended 30th June 2014 are set on pages 3 to 12

EXECUTIVE OFFICIALS

The executive officials during the year were as follows;

Hon. Henry Kosgey	-National Chairman
Hon. Prof. Peter Anyang' Nyong'o	-Secretary General
Hon. Hassan Ali Joho	-National organizing secretary
Hon. Dalmas Otieno Anyango	- Deputy Treasurer - R/ Mobilization
Hon. Jonathan Magerer Langat	-Executive Director

REGISTERED OFFICE

Orange House
Menelik Road
Nairobi

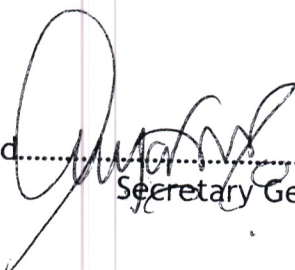
BANKERS

Co-operative Bank
Parliament Road Branch
Nairobi.

AUDITORS

AUDITOR GENERAL

By order of the Executive

Signed..........Date 30/9/2014
Secretary General

ORANGE DEMOCRATIC MOVEMENT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

<u>INCOME</u>	NOTES	2014 KSHS	2013 KSHS
Government Political Party Fund		78,080,095	73,274,383
Life Membership Fees		800,000	8,660,000
MPs Contribution		16,171,808	9,094,000
MCAs Contribution		3,000	-
Nomination Fees-Combined		694,151	149,125,500
Nomination Rules		900	32,700
Ordinary Membership Cards		-	1,400,500
Contribution From Members		4,189,460	3,025,049
Party Elections		940,000	-
Tender Purchase		220,000	-
TOTAL INCOME		101,099,414	244,612,132
EXPENDITURE			
Cost of Membership Cards		-	220,792
Administrative Expenses	3	40,528,313	37,135,559
Financial Costs	4	667,696	470,835
Branch Training, Coordination & Support	5	815,680	14,364,432
Campaign Expenses	6	4,467,298	132,313,251
Civic Education Expenses	7	229,600	3,611,930
Regional Conferences	8	29,661,984	54,566,421
Party Policy and Advocacy	9	4,831,379	6,936,960
Transfers to Coalition Partners	10	11,868,174	-
TOTAL EXPENDITURE		93,070,124	249,620,180
NET INCOME		8,029,290	(5,008,049)

ORANGE DEMOCRATIC MOVEMENT

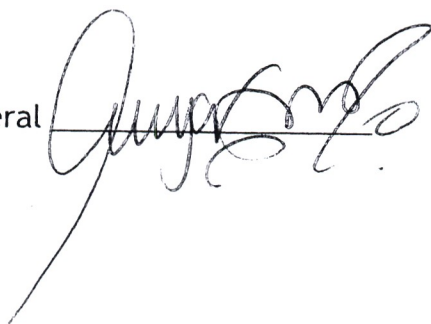
**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	NOTES	2014 KSHS	2013 KSHS
NON CURRENT ASSETS			
Property, Plant & Equipment	2	11,688,063	14,385,572
CURRENT ASSETS			
Cash and Bank Balances	11	1,644,993	236,726
Other Current Assets	12	16,967,374	16,967,374
		18,612,367	17,204,100
CURRENT LIABILITIES			
Creditors & Accruals	13	13,535,038	22,853,570
		13,535,038	22,853,570
NET CURRENT ASSETS			
		5,077,329	(5,649,470)
NET ASSETS			
		16,765,392	8,736,102
REPRESENTED BY:			
ACCUMULATED FUND	14	16,765,392	8,736,102

Notes attached hereto form part of these accounts

These accounts were approved on the 30/9/2014
on behalf of the Party by:

National Chairman 

Secretary General 

ORANGE DEMOCRATIC MOVEMENT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	Kshs.	Kshs.
Cash flows from Operating Activities		
Net Surplus/ (Loss)	8,029,290	(5,008,049)
Adjustments for:		
Depreciation	2,837,508	3,627,738
Operating profit before changes in working capital	<u>10,866,798</u>	<u>(1,380,311)</u>
Analysis of changes in working capital		
Increase/ (Decrease) in creditors & accruals	(9,318,532)	14,760,239
(Increase)/ Decrease in other current assets	1	(13,417,052)
Net Changes in Working Capital	<u>(9,318,531)</u>	<u>1,343,187</u>
Net cash flows from operating activities	<u>1,548,266</u>	<u>(37,124)</u>
Cash Flows from Investing Activities		
Purchase of Assets	140,000	(2,236,685)
Net Cash flow from Investing activities	<u>140,000</u>	<u>(2,236,685)</u>
Net change in cash and cash equivalent	1,408,266	(2,273,809)
Cash & Cash equivalents as at 1st July,2013	236,726	2,510,535
Cash & Cash equivalents as at 30th,June 2014	<u>1,644,992</u>	<u>236,726</u>

ORANGE DEMOCRATIC MOVEMENT

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30TH JUNE 2014

	Reserves <u>Kshs</u>	Accummulated Fund <u>Kshs</u>	Net Surplus/(Deficit) <u>Kshs</u>	Total <u>Kshs</u>
As at 01/7/2013	2,356,176	(3,638,482)	10,018,409	8,736,102
Net Surplus/(Deficit) for the yr			8,029,290	8,029,290
Year Ended 30/6/2014	<u>2,356,176</u>	<u>(3,638,482)</u>	<u>18,047,6999</u>	<u>16,765,392</u>

ORANGE DEMOCRATIC MOVEMENT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2014

NOTE 1 (a) SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set below:

(i) Basis of preparation

The final statements of the Party have been prepared in accordance and comply with the standards issued by the International Financial Standards (IFRS) under the Historical cost convention.

(ii) Depreciation

Depreciation is provided for on fixed assets using the reducing balance method.

The following are the rates used :

- Lease Hold Structure 10%
- Office Furniture and Fittings 12.5%
- Office Equipment 12.5%
- Computers and Printers 30%
- Motor Vehicles 25%

NOTE 2

	Leasehold Structure Kshs.	Computer and Printers Kshs.	Motor Vehicles Kshs.	Office Furniture Kshs.	Office Equipment Kshs.	TOTAL Kshs.
Cost at 01.07 2013	1,379,506	4,533,938	11,425,690	5,199,000	4,064,870	26,603,004
Additions	-	140,000	-	-	-	140,000
At 30.06.2014	<u>1,379,506</u>	<u>4,673,938</u>	<u>11,425,690</u>	<u>5,199,000</u>	<u>4,064,870</u>	<u>26,743,004</u>
Accum. Depr	581,215	2,020,522	6,806,319	1,945,120	864,256	12,217,432
Charge for the yr	<u>79,829</u>	<u>796,025</u>	<u>1,154,843</u>	<u>406,735</u>	<u>400,077</u>	<u>2,837,509</u>
At 30.06.2014	<u>661,044</u>	<u>2,816,547</u>	<u>7,961,162</u>	<u>2,351,855</u>	<u>1,264,333</u>	<u>15,054,941</u>
Net Book Value						
At 30.06.2014	<u>718,462</u>	<u>1,857,391</u>	<u>3,464,528</u>	<u>2,847,145</u>	<u>2,800,537</u>	<u>11,688,063</u>
At 30.06:2013	<u>798,291</u>	<u>2,513,416</u>	<u>4,619,371</u>	<u>3,253,880</u>	<u>3,200,614</u>	<u>14,385,572</u>

ORANGE DEMOCRATIC MOVEMENT

NOTE 3: ADMINISTRATIVE EXPENSES

	2014 KSHS.	2013 KSHS.
Salary & Wages	29,321,768	20,441,298
Cleaning Services		104,000
Communication and Internet	336,669	1,020,039
Office Stationary	37,981	473,685
Transportation and Motor Expenses	1,993,849	4,123,160
Postage and Delivery	9,420	232,838
Newspapers and Publications	59,560	413,458
Subscriptions - CMD	50,000	100,000
Staff Welfare	89,131	1,205,066
Depreciation Expense	2,837,509	3,627,738
Professional Fee	23,750	20,000
Rent and Premise Maintenance	1,680,000	1,680,000
Repairs and Maintenance	124,700	342,935
Telephone and Airtime		275,399
Travel & Accommodation	625,130	608,085
Staff Recruitment	2,033,483	
Advertisements	588,120	
Utilities	88,547	148,285
Leasehold Repairs	-	651,685
Office Security	561,655	727,565
Printing and Reproduction	67,042	940,323
TOTAL	40,528,314	37,135,559

NOTE 4: FINANCIAL EXPENSES

Bank Charges	497,696	400,835
Audit Fees	170,000	70,000
TOTAL	667,696	470,835

NOTE 5: BRANCH EXPENSES

Regional Coordination	360,000	5,072,633
Branch Office Establishment	395,680	4,900,000
Branch Training & Registration	60,000	4,391,799
TOTAL	815,680	14,364,432

NOTE 6: CAMPAIGN EXPENSES

Election Material & Personnel	1,238,720	64,316,313
Post-Election Expenses (by-elections)	1,906,920	8,524,729
Transportation & Logistics	460,000	11,269,835
Campaign and Rally Expenses	434,000	27,962,416
Coordinators Expenses	180,158	7,232,818
Promotional Items	247,500	13,007,140
TOTAL	4,467,298	132,313,251

ORANGE DEMOCRATIC MOVEMENT

NOTE 7: CIVIC EDUCATION EXPENSES	2014 KSHS.	2013 KSHS.
Branch Civic Education		
Training of Trainers		1,545,000
Party to Party Co-operation		
Conferences & Bookings	121,600	1,739,930
Retreat, Workshops & Meetings	108,000	327,000
Standing Committee Meetings		
	229,600	3,611,930
NOTE 8		
REGIONAL CONFERENCES		
NEC /PG Meetings Expenses	112,222	828,463
Ad hoc Committee Meetings	170,255	933,340
Party NDC & NGC Meetings	28,459,507	38,225,034
National Leaders /Regional Meetings	30,000	1,832,600
OYDL/OWDL Meetings	890,000	12,746,984
TOTAL	29,661,984	54,566,422
NOTE 9		
PARTY POLICY AND ADV.		
Media and Public Relations	60,000	
Strategy & Policy	89,000	2,652,180
Publicity and Advertisement	224,712	993,780
Coalition Expenses	4,457,667	3,291,000
Opinion Poll survey		
TOTAL	4,831,379	6,936,960
NOTE 10		
Transfer to Wiper Democratic Movement	11,868,174	-
TOTAL	11,868,174	
NOTE 11		
CASH AND BANK		
COOP BANK MAIN ACCOUNT	1,635,727	125,950
COOP BANK- FUNDRAISING	11,448	29,990
COOP BANK-DOLLAR ACCOUNT	1,508	11,840
COOP BANK OF KENYA - PFA	(3,725)	68,946
Cash in Hand	35	
TOTAL	1,644,992	236,726
NOTE 12		
OTHER CURRENT ASSETS		
Prepaid Insurance		-
VAT Receivable	3,011,43	3,011,439
Stocks	13,955,935	13,955,935
TOTAL	16,967,374	16,967,374

ORANGE DEMOCRATIC MOVEMENT

NOTE 13

CREDITORS & ACCRUALS	2014 KSHS.	2013 KSHS.
Akamai Holdings		797,160
First Quantum Holdings Ltd	560,000	1,680,000
Kenya National Audit Office	240,000	70,000
Bekison Enterprises		193,500
Born Designs		1,136,260
Barait Bulders & Contractors	190,000	
Branch Accounts Payable	1,410,000	1,410,000
Cianavel Tours & Travel	169,050	
Caesar Asiyo	25,000	
Com. Judy Pareno	16,000	
Dansamo Enterprises		1,050,000
Gilly's Security & Investigation Services	61,300	200,000
Green Park Golf		899,930
Maanzoni Lodges Ltd	315,080	
Kenafic Diaries		1,080,000
Lavingtone Security		304,000
Learning Resources		135,000
Membership Loans Payable		3,996,210
N.H.I.F	13,920	9,280
N.S.S.F	40,000	28,800
P.A.Y.E	4,283,496	
J.M. Rioba & Co. Advocates	63,000	
Oraro & Co. Advocates	123,500	123,500
Printfast Kenya Limited		920,000
Rachier & Company Advocates	2,830,000	4,660,000
Hon. Rt. Raila A. Odinga	1,473,000	
Scangraphics		1,700,000
Staff Payrol	1,721,692	1,129,930
Value Digital		1,000,000
Veteran General Merchants		330,000
TOTAL	13,535,038	22,853,570

NOTE 14 ACCUMULATED FUND

	2014 KSHS.	2013 KSHS.
Reserves	2,356,176	2,356,176
Accumulated Fund	6,379,926	11,387,976
Surplus/ (Deficit)	8,029,290	(5,008,049)
TOTAL	16,765,392	8,736,102

ODM 
TUKO TAYARI
ORANGE DEMOCRATIC MOVEMENT

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
(ORANGE DEMOCRATIC MOVEMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *entity* was formed on ... by merging the Ministry of ... and the Ministry of.... At cabinet level, the *entity* is represented by the Cabinet Secretary for ..., who is responsible for the general policy and strategic direction of the *entity*.

(b) Principal Activities

The organization's principal activity is to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

(c) Key Management

The *Orange Democratic Movement* day-to-day management is under the following key organs:

- Secretary General ;
- Executive Director
- Finance & Administration Director
- Other Managers
- Accountant

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20XX and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Hon. Henry Kosgey
2.	Secretary General	Hon. Prof. Peter Anyang' Nyong'o
3.	Organizing secretary	Hon. Hassan Ali Joho
4.	Executive Director	Hon. Jonathan Magerer Langat
5.	Ag. National Treasurer	Hon. Dalmas Otieno Anyango

(e) Fiduciary Oversight Arrangements

Audit Committee

The audit committee helps the National Executive Committee with corporate governance. It is a creation of the National Executive Committee of the party. Its membership is comprised of the Treasurer and two deputies, the chairperson of the Finance & Resource Mobilization and the chairperson of the Strategic Planning Committee. The primary role of the audit committee is to assist the National Executive Committee with its corporate governance oversight responsibilities in ensuring that:

- o **External Auditing** processes are carried out independently without interference so as to guarantee the integrity of the party's financial statements,
- o There is periodic **Internal Audit** to assure that the firm's internal controls are usefully efficacious.

- **Regulatory and Legal** requirements of the government inclusive of the Orange Democratic Movement code of conduct are in total compliance at all levels of the government.
- **Risk management** to assure that the allocation of the party's resources are optimized and conforms to the party's goals and objectives.

However from time to time, the audit committee may be called upon to address specific issues that fall outside of its primary role by the National Executive Committee.

Risk Management Policy

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort. Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks. Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely.

We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks. Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance is evaluated, in part, according to how he or she complies with this policy.

Purpose

The purpose of this policy is to ensure that risks to Orange Democratic Movement are identified, analyzed, and managed so that they are maintained at acceptable levels. Risks to the confidentiality, integrity, and availability of both party information and assets are considered.

ODM Risk Management Mission Statement

The Orange Democratic Movement has a moral and legal duty to its membership, employees, and to party assets. We continue to meet our duty by ensuring that risk management plays an integral part in sound governance at both a strategic and operational level.

The National Executive Committee of the party will support the risk management efforts through setting policy and providing broad guidance on goals and objectives. However, risk management is an active process that requires cooperation by all directors, employees, and—where appropriate—the larger party membership. To that end, the National Executive Committee accepts that it must take a leadership role in seeing that appropriate measures are undertaken.

ODM Risk Management Goals Statement

The National Executive Committee authorizes the establishment of a Risk Management Committee, which shall consist of Five members, the party treasurer, a member trained on fire and emergency, a member trained on public works management, and two NEC Members (to be selected by the National Executive Committee for five-year terms). The Committee shall be chaired by the party treasurer, and its responsibilities shall be:

- Identifying and assessing risks
- Selecting and implementing risk control and financing measures
- Periodically reviewing risk management efforts and reporting to the National Executive Committee

These activities shall be undertaken in the service of the risk management mission statement, and to that end risk management practices are undertaken to reduce the cost of risk to Orange Democratic Movement and to maximize benefits of opportunities that the membership may encounter.

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort.

Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks.

Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely. We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks.

Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance will be evaluated, in part, according to how he or she complies with this policy.

This Risk Policy document has received the following review and approvals from ODM Management:

(f) Entity Headquarters

Orange House
Menelik Road
P.O. Box 2478 - 00202
Nairobi

(g) Entity Contacts

Telephone: (254) 020-2053481
E-mail: info@odm.co.ke
Website: www.odm.co.ke

(h) Entity Bankers

Co-operative Bank
Parliament Road Branch
Nairobi.

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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Commercial House, 2nd Floor Suite 205
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Nairobi, Kenya

II. NATIONAL EXECUTIVE COMMITTEE MEMBERS

1. Rt. Hon. Raila Amolo Odinga	Party Leader
2. Hon. Henry Kosgey	Chairman
3. Hon. Prof. Anyang' Nyong'o	Secretary General
4. Hon. Hassan Ali Joho	National Organizing Secretary
5. Hon. Dalmas Otieno Anyango	Acting National Treasurer
6. Hon. Magerer Langat	Executive Director

III. MANAGEMENT TEAM

1. Hon. Prof. Anyang Nyong'o	Secretary General
2. Hon. Magerer Langat	Executive Director
3. Joshua Kawino	Director, Finance & Administration
4. Charles Memba	Financial Accountant
5. Ceasar Asiyo	Director, Operations & Logistics
6. Rosemary Kariuki	Director, Membership & Recruitment
7. Wafula Buke	Director, Policy & Strategy

Note: The CEO and the Company Secretary will feature both under the 'Board' and 'Management'.

IV. CHAIRMAN'S STATEMENT

One page

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

We wish to present the financial report for the year ended June 30th 2014 in accordance with the International Public Sector Accounting Standards. During the year our key responsibilities included

1. Developing strategies for and realizing financial resource mobilization for the Party
2. Ensuring that the books of the Party are audited.
3. Participation in the preparation of the NEC/PG, NGS and the NDC of the Party
4. Continuing to develop principles of stewardship, financial discipline, ethics and best practices to guide the Party in matters of Fiscal Planning and management.

In accordance with the Public Audit requirements and the Political Parties Act we managed to accomplish the following in time:

- Developed a work-plan and budgets with reference to the Party's strategic Plan for the current financial year. ..\..\Work plan Draft for 2014_2015.doc.doc,....\ODM ICT POLICY.doc ,..\..\Risk Management Policy - ODM.doc and the\Report and accounts for the year ended 30th June 2014.doc
- Ensured that the books of Accounts have been audited up to June 30th 2013 refer..\Report and accounts for the year ended 30th June 2013.doc and that relevant income section of the same were extracted and published in the local Newspapers. Likewise the unaudited accounts for the year under review have been published (see pg 21 of The Standard Newspapers of 30th September 2014 and the Star Newspaper Pg 7 of 1st October 2014) in accordance to section 33. (1) which states that "A political party shall, within three months of its financial year, publish the sources of its funds stating –
 - (a) The amount of money received from the Political Parties Fund;
 - (b) the amount of money received from its members and supporters, and
 - (c) the amounts and sources of the donations given to the party.

We further inform that the accounts were forwarded by 1st October 2014 to the Kenya National Audit Office in IFRS reporting procedure – Auditor General for auditing and which reports shall be forwarded later to Parliament and the Registrar for confirmation of compliance with the Political Parties Act 2011.

The Key Income Drivers remained more or less similar to the previous year as they included Government funding, contribution from ODM Members of Parliament, Life membership fee collections, receipts from by-election applicants and further donations and receipts from members. The 1st instalment from government funding was received in the 3rd quarter and the 2nd instalment received in the 4th Quarter of the year under review.

VI. CORPORATE GOVERNANCE STATEMENT

Orange Democratic Movement is committed to operating in accordance with best practice in political integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The National Executive Committee is delighted to report that the party has, throughout the year, complied with the provisions set out in the Code on Corporate Governance and equally applied the main principles of the Code.

Corporate governance for the Orange Democratic Movement has gone a long way to define how the party conducts its affairs in line with the objects for which it was founded. It has given the party its structure, which contains all set of rules that governs the ethical operating procedures and processes of the party by ensuring that we conform to the Kenyan Statutory requirements and the best practices in line the Political Parties Act 2011 in all political activities. Likewise it has ensured the best interests of the public and party members are jealously protected. Responsibility for corporate governance is vested with the National Executive Committee of the Orange Democratic Movement.

Much of the details are contained in the attached party Constitution which contains the following

- Identity, Vision and Mission
- Aims, objectives and Values
- Membership, Rights and Duties
- National Officials
- Party Organs
- Committees
- Stewardship
- Coalitions, Dispute Settlement and Amendment
- Dissolutions
- General Provisions

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our ambition is to gradually but visibly, establish a prosperous, industrized and modern nation in which citizens enjoy social, economic and democratic rights, and live in dignity. We envisage that our people will exploit their full potential.

The sporting concerts and events will ensure that there is a continuous link between the people and the party organs – This program arises from a desire to ensure our contribution to society goes beyond purely political campaigns. Citizens have a duty to interact in a responsible way from a social and environmental perspective. In this context, one of the questions ODM aims to answer is: how do our activities improve living standards in our communities?

In addition, it makes political sense in the long-term. When managed well this social responsibility can also facilitate achievement of strategically important goals for the party:

- Involvement in project work that tackles real challenges in our communities is a way through which we can increase **staff engagement**, member's loyalty and **pride**.
- Through collaboration in projects we can improve the **dynamism of relationships** with our members and competitors
- As a consequence of positive outcomes from our Corporate social activity, we can enhance ODM's **reputation** among key stakeholders nationally

REPORT OF THE NATIONAL EXECUTIVE COMMITTEE

The National Executive Committee is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Party as at the end of the financial year and of the operating results of the Party for the year. They are also responsible for ensuring the Party keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Party and for safeguarding the assets of the Party.

The National Executive Committee accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Reporting Standards and in the manner required by the Political party's Act.

The National Executive Committee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Party and of its operating results. The National Executive Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the National Executive Committee to indicate that the Party will be insolvent in the next twelve months from the date of this statement.

Principal activities

The organization's principal activity is to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

Results

The results of the entity for the year ended June 30, 2014 are set out on page

Directors

The members of the Board of Directors who served during the year are shown on page 3

Auditors

The Auditor General is responsible for the statutory audit of the *Orange Democratic Movement* in accordance with the Section ... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

XXX
Secretary General
Nairobi
Date:.....

VIII. STATEMENT OF THE NATIONAL EXECUTIVE COMMITTEE'S RESPONSIBILITIES

Section ... of the Public Finance Management Act, 2012 and section ... of the State Corporations Act, require the National Executive Committee to prepare financial statements in respect of Orange Democratic Movement, which give a true and fair view of the state of affairs of the Orange Democratic Movement at the end of the financial year/period and the operating results of the Orange Democratic Movement for that year/period. The National Executive Committee are also required to ensure that the Orange Democratic Movement keeps proper accounting records which disclose with reasonable accuracy the financial position of the Orange Democratic Movement. The National Executive Committee is also responsible for safeguarding the assets of the Orange Democratic Movement.

The National Executive Committee is responsible for the preparation and presentation of the *Party's* financial statements, which give a true and fair view of the state of affairs of the Orange Democratic Movement for and as at the end of the financial year (period) ended on June 30, 2013. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The National Executive Committee accept responsibility for the *party's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *party's* financial statements give a true and fair view of the state of *party's* transactions during the financial year ended June 30, 2013, and of the *party's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Orange Democratic Movement, which have been relied upon in the preparation of the *party's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the National Executive Committee to indicate that the Orange Democratic Movement will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Orange Democratic Movement's financial statements were approved by the National Executive Committee on 30/9/2014 2014 and signed on its behalf by:

Secretary General

Chairman

Ag. National Treasurer

IX. REPORT OF THE INDEPENDENT AUDITORS ON THE *ORANGE DEMOCRATIC MOVEMENT*

We have audited the accompanying (consolidated) financial statements of *Orange Democratic Movement for the year ended June 30, 2014*, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (v) a summary of significant accounting policies and other explanatory information.

National Executive Committee’s responsibility for the financial statements

The *Orange Democratic Movement’s* National Executive Committee is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is 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 the financial statements based on our audit. We conducted our audit in accordance with the 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 the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the *entity’s* preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2014, and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

I. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Property taxes revenue	3	-	-
Public contributions and donations	4	20,364,268	12,119,049
Fines, penalties and levies	5	-	-
Licenses and permits		-	-
Transfers from other governments – gifts and services-in-kind	6	78,080,095	73,274,383
		98,444,363	85,393,432
Revenue from exchange transactions			
Rendering of services	7	-	-
Sale of water and electricity	8	-	-
Rental revenue from facilities and equipment	9	-	-
Finance income - external investments	10	-	-
Finance income - outstanding receivables	11	-	-
Agency fees		-	-
Other income	12	2,655,051	159,218,700
		2,655,051	159,218,700
Total revenue		101,099,414	244,612,132
Expenses			
Bulk purchases of water and electricity	13	-	-
Employee costs	14	32,069,512	22,254,449
Remuneration of councilors	15	-	-
Depreciation and amortization expense	16	2,837,509	3,627,738
Repairs and maintenance	17	124,700	342,935
Contracted services	18	-	-
Grants and subsidies	19	-	-
General expenses	20	43,992,534	221,314,224
Rent paid		1,680,000	1,680,000
Finance costs	21	497,696	400,835
Grants and subsidies paid		11,868,174	-
Collection cost		-	-
Total expenses		93,070,125	249,620,181
Other gains/(losses)			
Gain on sale of assets	22	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	23	-	-
Impairment loss	24	-	-
Surplus before tax		8,029,289	(5,008,049)
Taxation	25	-	-
Surplus for the period		8,029,289	(5,008,049)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		8,029,289	(5,008,049)

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	26	1,644,992	236,726
Receivables from exchange transactions	27	-	-
Receivables from non-exchange transactions	28	3,011,439	3,011,439
Current portion of long-term receivables from exchange transactions	27	-	-
Inventories	29	13,955,935	13,955,935
Investments	30	-	-
		18,612,366	17,204,100
Non-current assets			
Property, plant and equipment	31	10,969,601	13,587,281
Investments	30	-	-
Intangible assets	32	718,462	798,291
Investment property	33	2,977,509	5,864,423
Long term receivables from exchange transactions	27	-	-
		14,665,572	20,249,995
Total assets		33,277,938	37,454,095
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	34	13,535,038	22,853,570
Refundable deposits from customers	35	-	-
Provisions	36	-	-
Finance lease obligation	41	-	-
Current portion of borrowings	42	-	-
Deferred income	37	-	-
Employee benefit obligation	40	-	-
Payments received in advance		-	-
Taxation		-	-

Non-current liabilities		13,535,038	22,853,570	<i>IPSAS 1.70</i>
Non-current employee benefit obligation	40	-	-	<i>IPSAS 1.88 (m)</i>
Non-current provisions	39	-	-	<i>IPSAS 1.88 (l)</i>
Borrowings	42	-	-	
Service concession liability	46	-	-	
Deferred tax liabilities	25	-	-	
		<u>13,535,038</u>	<u>22,853,570</u>	<i>IPSAS 1.70</i>
Total liabilities		19,742,900	14,600,525	<i>IPSAS 1.88 (c)</i>
Reserves		2,356,176	2,356,176	<i>IPSAS 1.88 (c), IPSAS 1.94 (f), IPSAS 1.95 (d)</i>
Accumulated surplus		17,386,724	12,244,349	<i>IPSAS 1.88 (c), IPSAS 1.94 (f), IPSAS 1.95 (d)</i>
Minority interest		-	-	<i>IPSAS 6.54</i>
Total net assets and liabilities		39,485,800	29,201,050	<i>IPSAS 1.89</i>

The Financial Statements set out on pages xxx to xxx were signed on behalf of the Board of Directors by:

Date.....

Chairman of the Board

Director General/C.E.O/M.D (enter title of head of entity)

Date.....

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

Attributable to the owners of the controlling entity

	Reserves					Net surplus/Deficit	Minority interest	Total
	Self insurance reserve	Capital replacement development	Housing reserve	Accumulated surplus	Net surplus/Deficit			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2012	-	2,356,176	-	(3,638,482)	15,026,458	-	13,744,152	
Surplus/(deficit) for the period	-	-	-	-	856,374	-	856,374	
Transfers to/from accumulated surplus	-	-	-	-	-	-	-	
Balance as at 30 JUNE 2013	-	2,356,176	-	(3,638,482)	15,882,832	-	14,600,526	
Surplus for the period	-	-	-	(5,864,424)	11,006,798	-	5,142,374	
Transfers to/from accumulated surplus	-	-	-	-	-	-	-	
Balance as at 30 JUNE 2014	-	2,356,176	-	(9,502,906)	26,889,630	-	19,742,900	

IPSAS 1.53, 63 (d) (

IPSAS 1.118 (a) (c),

IPSAS 1.118(a)©

XIV. STATEMENT OF CASH FLOWS

	Note	2013-2014	2012-2013
		Kshs	Kshs
Cash flows from operating activities			IPSAS 2.18, IPSAS 2.27
Receipts			
Property taxes		-	IPSAS 2.27 (a)
Public contributions and donations	4	20,364,268	12,119,049 IPSAS 2.27(a), IPSAS 2.22 ©
Fines, penalties and levies		-	IPSAS 2.27(a), IPSAS 2.22 (a)
Licenses and permits		-	IPSAS 2.27(a), IPSAS 2.22 (b)
Government grants and subsidies	6	78,080,095	73,274,383 IPSAS 2.27(a), IPSAS 2.22 (d)
Rendering of services		-	IPSAS 2.27(a), IPSAS 2.22 (d)
Sale of goods		-	IPSAS 2.27(a), IPSAS 2.22 ©
Finance income		-	IPSAS 2.27 (a)
Other income, rentals and agency fees	12	2,655,051	159,218,700 IPSAS 2.27 (a), IPSAS 2.22 (a)
		101,099,414	244,612,132 IPSAS 2.27 (a)
Payments			
Compensation of employees		32,069,512	22,254,449 IPSAS 2.27 (a), IPSAS 2.22 (g)
Depreciation		2,837,509	3,627,738
Repairs		124,700	342,935
Goods and services		-	IPSAS 2.27 (a), IPSAS 2.22 (f)
Finance cost		-	IPSAS 2.27 (a),
General Expenses		43,992,534	221,314,224
Rent paid		1,680,000	1,680,000 IPSAS 2.27 (a), IPSAS 2.22 (f)
Finance costs		497,696	400,835
Taxation paid		-	IPSAS 2.27 (a), IPSAS 2.22 (i)
Other payments		-	IPSAS 2.27 (a)
Grants and subsidies paid		11,868,174	IPSAS 2.27 (a), IPSAS 2.22 (i)
		93,070,125	249,620,181
Net cash flows from operating activities	45	8,029,289	(5,008,049)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(140,000)	IPSAS 2.18, IPSAS 2.31
Proceeds from sale of property, plant and equipment		-	(2,236,685) IPSAS 2.25 (a)
		-	IPSAS 2.25 (b)

Decrease in non-current receivables	-	-
Increase in investments	2,837,508	3,627,738 <i>IPSAS 2.25 (c)</i>
Net cash flows used in investing activities	2,697,508	1,391,053
Cash flows from financing activities		<i>IPSAS 2.18, IPSAS 2.31 IPSAS 2.26 (a)</i>
Proceeds from borrowings(Creditord and Accruals)	(9,318,532)	14,760,239
Repayment of borrowings	0	0 <i>IPSAS 2.26 (b), IPSAS 2.26 (c)</i>
Increase in deposits(Other current Assets)	1	(13,417,052)
Net cash flows used in financing activities	(9,318,531)	1,343,187
Net increase/(decrease) in cash and cash equivalents	1,408,266	(2,273,809)
Cash and cash equivalents at 1 JULY 2013	236,726	2,510,535
Cash and cash equivalents at 30 JUNE 2014	1,644,992	236,726 <i>IPSAS 2.56</i>

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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Property taxes	-	-	-	-	-	-	-	-	-	-
Public contributions and donations	41,000,000	-	-	-	41,000,000	20,364,268	20,364,268	-	20,365,732	-
Fines, penalties and levies	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Government grants and subsidies	82,890,372	-	-	-	82,890,372	78,080,095	78,080,095	-	4,810,277	-
Rendering of services	-	-	-	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-	2,655,051	2,655,051	-	(2,655,051)	-
Total income	123,890,372	-	-	-	123,890,372	101,099,414	101,099,414	-	22,790,958	-
Expenses										
Compensation of employees	36,600,000	-	-	-	36,600,000	32,069,512	32,069,512	-	4,530,488	-
Goods and services	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	2,837,509	2,837,509	-	(2,837,509)	-
Repairs	200,000	-	-	-	200,000	124,700	124,700	-	75,300	-
Finance cost	50,000	-	-	-	50,000	497,696	497,696	-	(447,696)	-
Rent paid	3,000,000	-	-	-	3,000,000	1,680,000	1,680,000	-	1,320,000	-
Taxation paid	-	-	-	-	-	-	-	-	-	-
Other payments	84,040,372	-	-	-	84,040,372	43,992,534	43,992,534	-	40,047,838	-
Grants and subsidies paid	-	-	-	-	-	11,868,174	11,868,174	-	(11,868,174)	-
Total expenditure	123,890,372	-	-	-	123,890,372	93,070,125	93,070,125	-	30,820,247	-
Surplus for the period	-	-	-	-	-	8,029,289	8,029,289	-	(8,029,289)	-

IPSAS 24.14 (a)

IPSAS 24.14 (a) (b)

IPSAS 1.53, 63 (c)

IPSAS 1.53, 63 (d) (e)

IPSAS 24.47 (a)

3. Property taxes revenue

	2012-2013 Shs 000	2013-2014 Shs 000
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Income forgone	-	-
Total property taxes revenue	<u>0</u>	<u>0</u>

4. Public contributions and donations

	2014 Shs	2013 Shs
Mps contributions	16,171,808	9,094,000
Contribution from members	4,189,460	3,025,049
MCA's contributions	3,000	-
Total transfers and sponsorships	<u>20,364,268</u>	<u>12,119,049</u>

Reconciliation of public contributions and donations

	2014 Shs 000	2013 Shs 000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities (see note)	<u>-</u>	<u>-</u>

5. Fines, penalties and levies

	2014 Shs 000	2013 Shs 000
Fuel levy	-	-
Fines	-	-
Total	<u>-</u>	<u>-</u>

6. Transfers from other governments – gifts and services-in-kind

2014 **2013**
Shs Shs

Unconditional grants

Operational grant

Government Political Fund

78,080,095
78,080,095

73,274,383
73,274,383

Conditional grants

National housing grant

National infrastructure grant

Provincial health grant

Social services grant

Basic services subsidy

Transportation fund (international funding)

Other organizational grants

-

-

Total government grants and subsidies

78,080,095

73,274,383

7. Rendering of services

2014

2013

Shs 000

Shs 000

Waste management (solid waste)

-

-

Waste management (sewerage and sanitation)

-

-

Other

-

-

Total revenue from the rendering of services

-

-

8. Sale of water and electricity

2014

2013

Shs 000

Shs 000

Sale of electricity

-

-

Sale of water

-

-

Total revenue from the sale of goods

-

-

9. Rental revenue from facilities and equipment

	2014	2013
	Shs 000	Shs 000
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

10. Finance income - external investments

	2014	2013
	Shs 000	Shs 000
Cash investments and fixed deposits	-	-
Total finance income – external investments	-	-

11. Finance income - outstanding receivables

	2014	2013
	Shs 000	Shs 000
Service, water and electricity debtors	-	-
Total receivables finance income – outstanding	-	-

12. Other income

	2014	2013
	Shs	Shs
Insurance recoveries	-	-
Bulk infrastructure levies	-	-
Infrastructure improvement fee	-	-
Other income	-	-
Services concession income	-	-
Life membership Fees	800,000	8,660,000
Nomination fees	694,151	149,125,500
Nomination rules	900	32,700
Ordinary membership Cards	-	1,400,500
Party Elections	940,000	-
Tender Purchase	220,000	-
Skills development levy	-	-
Total other income	2,655,051	159,218,700

13. Bulk purchases of water and electricity

	2014 Shs 000	2013 Shs 000
Electricity	-	-
Water	-	-
Total bulk purchases	-	-

14. Employee costs

	2014 Shs	2013 Shs
Employee related costs - salaries and wages	29,321,768	20,441,298
Employee related costs - contributions to pensions and medical aids	-	-
Travel, motor car, accommodation, subsistence and other allowances	625,130	608,085
Housing benefits and allowances	-	-
Staff Welfare	89,131	1,205,066
Overtime payments	-	-
Performance and other bonuses	-	-
Staff recruitment costs	2,033,483	-
Contribution - long service awards	-	-
Expenditure recharged to capital projects	-	-
Employee costs	32,069,512	22,254,449

15. Remuneration of councillors

	2014 Shs 000	2013 Shs 000
Executive mayor	-	-
Deputy executive mayor	-	-
Speaker	-	-
Chief whip	-	-
Mayoral committee members	-	-
Sub-council chairpersons	-	-
Councillors	-	-
Councillors' pension and medical aid contributions	-	-
Councillors' travel	-	-

Total councillors' remuneration

-	-
---	---

16. Depreciation and amortization expense

	2014 Shs	2013 Shs
Property, plant and equipment	2,757,680	3,539,039
Intangible assets (Leasehold)	79,829	88,699
Investment property carried at cost	-	-
Total depreciation and amortization	2,837,509	3,627,738

17. Repairs and maintenance

	2014 Shs	2013 Shs
Property	-	-
Investment property – earning rentals	-	-
Equipment	124,700	342,935
Vehicles	-	-
Other	-	-
Total repairs and maintenance	124,700	342,935

18. Contracted services

	2014 Shs 000	2013 Shs 000
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

19. Grants and subsidies

	2014 Shs 000	2013 Shs 000
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-

Total grants and subsidies

-

-

20. General expenses

The following are included in general expenses:

	2014 Shs	2013 Shs
Advertising	588,120	-
Admin fees	-	-
Audit fees	170,000	70,000
Conferences and delegations	-	-
Consulting fees	-	-
Professional fees	23,750	20,000
Consumables-cleaning services	-	104,000
(Electricity) Utilities	88,547	148,285
Fuel and oil	-	-
Insurance	-	-
Cost of Membership Cards	-	220,792
Communication and Internet	336,669	1,020,039
Branch Training, co ordination and support	815,680	14,364,432
Campaign expenses	4,467,298	132,313,251
Civic Education Expenses	229,600	3,611,930
Regional Conferences	29,661,984	54,566,422
Party policy and Advocacy	4,831,379	6,936,960
Legal expenses	-	-
Licenses and permits	-	-
Chemicals	-	-
Water purification cost	-	-
Postage	9,420	232,838
Office stationery	37,981	473,685
Printing and reproduction	67,042	940,323
Newspapers and Publications	59,560	413,458
Hire charges	-	-
Rental	-	-
Security costs	561,655	727,565
Transportation and Motor Expenses	1,993,849	4,123,160
Skills development levies	-	-

Inventory scrapping	-	-
Telecommunication	-	275,399
Leasehold repairs	-	651,685
Training	-	-
CMD subs	50,000	100,000
Other	-	-
Total general expenses	43,992,534	221,314,224

21. Finance costs		
Borrowings (amortized cost)	2014	2013
	Shs	Shs
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
bank Charges	497,696	400,835
Bank overdrafts	-	-
Total finance costs	497,696	400,835

22. Gain on sale of assets		
Property, plant and equipment	2014	2013
	Shs	Shs
Other assets	-	-
Total gain on sale of assets	-	-

23. Unrealized gain on fair value of investments		
Investments at fair value	2014	2013
	Shs 000	Shs 000
Total unrealized gain	-	-

24. Impairment loss		
Property, plant and equipment	2014	2013
	Shs 000	Shs 000
Intangible assets	-	-

Total impairment loss

-	-
-	-

25. Taxation

2014	2013
Shs 000	Shs 000
-	-

Current income tax:

Current income tax charge

- -

Deferred tax:

Relating to original and reversal of temporary differ

- -

Income tax expense reported in the statement of financial performance

-	-
-	-

The reconciliations between tax expense and the product of accounting profit multiplied by the Entity's tax rate for the years ended 30 June 2014 and 2013 as follows

	2014	2013
	Shs 000	Shs 000
Accounting surplus before income tax	XXX	XXX
Income tax at a rate of X %	XXX	XXX
Government grants exempt from tax	(XXX)	(XXX)
Fines, penalties and levy's	(XXX)	(XXX)
Non-deductible expenses:		
Depreciation and amortization	XXX	XXX
Impairment losses	XXX	XXX
Legal expenses	XXX	XXX
Grants and subsidies paid	XXX	XXX
Skills' development levy	XXX	XXX
Hire charges	XXX	XXX
Other non-deductible expenses	XXX	XXX
At the effective tax rate of A % (2013: B %)	XXX	XXX

Deferred tax relates to the following:

Statement of financial position

Statement of financial performance

Accelerated depreciation for tax purposes	2014 Shs 000	2013 Shs 000	2014 Shs 000	2013 Shs 000
Revaluation of investments to fair value	(XXX)	(XXX)	(XXX)	(XXX)
Post employment benefits	(XXX)	(XXX)	(XXX)	(XXX)
Deferred tax (income)				
Deferred tax (liabilities)	(XXX)	(XXX)	(XXX)	(XXX)

26. Cash and cash equivalents

Bank	2014 Shs	2013 Shs
Cash-on-hand and in transit	1,644,957	236,726
Short-term deposits	35	-
Total cash and cash equivalents	1,644,992	236,726

27. Receivables from exchange transactions

	2014 Shs 000	2013 Shs 000
Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors-VAT receivable	-	-
Less: impairment allowance	-	-
Total current receivables	-	-
Non-current receivables		
Sporting bodies	-	-
Public organizations	-	-
Less: impairment allowance	-	-

Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables	-	-

28. Receivables from non-exchange contracts

	2014	2013
	Shs	Shs
Current receivables		
Property tax debtors	-	-
Other debtors (non-exchange transactions) VAT	3,011,439	3,011,439
Less: impairment allowance	-	-
Total current receivables	<u>3,011,439</u>	<u>3,011,439</u>

29. Inventories

	2014	2013
	Shs	Shs
Consumable stores(stocks-Cards)	13,955,935	13,955,935
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	<u>13,955,935</u>	<u>13,955,935</u>

30. Investments

	Carrying amount Shs 000	Fair value Shs 000
Public traded government bonds		
Opening balance at 1 July 2012	XXX	XXX
Additional investments made	XXX	XXX
Fair value increase	XXX	XXX
At 30 June 2013	XXX	XXX
Additional investments made	XXX	XXX
Fair value increase	XXX	XXX
At 30 June 2014	XXX	XXX
Held-to-maturity financial instruments		
Fixed deposits		
Opening balance at 1 July 2012	XXX	XXX
Additional investments made	XXX	XXX

Interest capitalized	XXX	XXX
At 30 June 2013	XXX	XXX
Additional investments made	XXX	XXX
Interest capitalized	XXX	XXX
At 30 June 2014	XXX	XXX

Public traded government bonds

Opening balance at 1 July 2012

Additional investments made	-	-
Fair value increase	-	-

At 30 June 2013

Additional investments made	-	-
Fair value increase	XXX	XXX

At 30 June 2014

Additional investments made	XXX	XXX
Fair value increase	XXX	XXX

Held-to-maturity financial instruments

Fixed deposits

Opening balance at 1 July 2012

Additional investments made	-	-
Interest capitalized	-	-

At 30 June 2013

Additional investments made	-	-
Interest capitalized	XXX	XXX

At 30 June 2014

Additional investments made	XXX	XXX
Interest capitalized	XXX	XXX
2014	XXX	XXX
2013	XXX	XXX

Total current investments

Total non-current investments	Shs 000	Shs 000
Total investments	XXX	XXX

Intangible assets, plant and equipment

	Computers & Printers	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	Shs	Shs	Shs	Shs	Shs
As at 1st July, 2012	2,727,248	3,699,870	5,134,005	11,425,690	22,986,813
Additions during the year	1,806,690	365,000	64,995	-	2,236,685

Disposal	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
As at 30th June 2013	4,533,938	4,064,870	5,199,000	11,425,690	25,223,498			
Additions during the year	140,000	-	-	-	140,000			
Disposal	-	-	-	-	-			
Transfer/Adjustments	-	-	-	-	-			
As at 30th June 2014	4,673,938	4,064,870	5,199,000	11,425,690	25,363,498			
Depreciation and impairment								
At 1 July 2012	943,344	407,025	1,480,280	5,266,529	8,097,178			
Depreciation	1,077,178	457,231	464,840	1,539,790	3,539,039			
Impairment	-	-	-	-	-			
At 30 June 2013	2,020,522	864,256	1,945,120	6,806,319	11,636,217			
Depreciation	796,025	400,077	406,735	1,154,843	2,757,680			
Disposals	-	-	-	-	-			
Impairment	-	-	-	-	-			
Transfer/adjustment	-	-	-	-	-			
At 30 June 2014	2,816,547	1,264,333	2,351,855	7,961,162	14,393,897			
Net book values								
At 30 June 2014	1,857,391	2,800,537	2,847,145	3,464,528	10,969,601			
At 30 June 2013	2,513,416	3,200,614	3,253,880	4,619,371	13,587,281			

32. Intangible assets - software(Leasehold)

Cost	Shs							
At 1 July 2012	1,379,506							
Additions	-							
At 30 June 2013	1,379,506							
Additions - internal development	-							
At 30 June 2014	1,379,506							
Amortization and impairment	492,516							
At 30 June 2013	88,699							
At 30 June 2014	581,215							
Amortization	79,829							
Impairment loss	-							
At 30 June 2014	661,044							

Net book values
At 30 June 2014
At 30 June 2013

718,462
798,291

33. Investment property

	2014	2013
	Shs	Shs
Opening balance at 1 July	-	-
Additions	140,000	2,236,685
Depreciation	2,837,509	3,627,738
Closing balance at 30 June	<u>2,977,509</u>	<u>5,864,423</u>

34. Trade and other payables from exchange transactions

	2014	2013
	Shs	Shs
Trade payables	13,535,038	22,853,570
Payments received in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	<u>13,535,038</u>	<u>22,853,570</u>

35. Refundable deposits from customers

	2014	2013
	Shs 000	Shs 000
Consumer deposits	-	-
Other deposits	-	-
Total deposits	-	-

56. Current provisions

	Environmental rehabilitation	Leave benefits	Performance bonuses	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Balance at the beginning of the year	XXX	XXX	XXX	XXX

Additional provisions raised	XXX	XXX	XXX	XXX
Provision utilized	(XXX)	(XXX)	(XXX)	(XXX)
Change in provision due to change in discount factor and time value of money	(XXX)	(XXX)	XXX	(XXX)
Transferred from non-current provisions	XXX	-	-	XXX
Balance as at 30 June 2014	XXX	XXX	XXX	XXX

37. Deferred income

	2014	2013
	Shs 000	Shs 000
National government	XXX	XXX
International funders	XXX	XXX
Public contributions and donations	XXX	XXX
Total deferred income	XXX	XXX

38. Financial instruments

Show workings if applicable

39. Non-current provisions

	Long service leave	Environmental rehabilitation	Total
	Shs 000	Shs 000	Shs 000
Balance at the beginning of the year	XXX	XXX	XXX
Additional provisions raised	XXX	XXX	XXX
Increase due to unwinding of time value for money	XXX	XXX	XXX
Amounts used	(XXX)	(XXX)	(XXX)
Increase due to increase in input costs assumption	XXX	XXX	XXX
	XXX	XXX	XXX
Non-current portion	-	(XXX)	(XXX)

40. Pensions and other post-employment benefit plans

	Defined	Post employment medical
Non-current provisions	XXX	XXX

	benefit plan	benefits	Total
Current benefit obligation	Shs 000	Shs 000	Shs 000
Non-current benefit obligation	XXX	XXX	XXX
	XXX	XXX	XXX
Total employee benefit liability	XXX	XXX	XXX

41. Finance lease obligation
Amounts payable under finance leases

	2013		Present value
	Minimum lease	Future finance	of minimum
	payments	charges	lease payments
Within one year (current portion)	Shs 000	Shs 000	Shs 000
	XXX	(XXX)	XXX

42. Borrowings

	2014		2013
	Shs 000		Shs 000
Government bonds issued	XXX		XXX
Bank loans	XXX		XXX
	XXX		XXX
Less: total current portion of bank loans	(XXX)		(XXX)
Total non-current borrowings	XXX		XXX

43. Related party disclosures

Show workings if applicable

44. Commitments and contingencies

Show workings if applicable

	2014	2013
	Shs	Shs
Surplus for the year before tax	8,029,290	(5,008,049)
Adjusted for:		

Depreciation	2,837,508	3,627,738
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working capital adjustments:		
Increase in inventory	(9,318,532)	(13,417,052)
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	1	14,760,239
Increase in payments received in advance	-	-
Net cash flows from operating activities	1,548,267	(37,124)

46. Service concession arrangement

	2014	2013
	Shs 000	Shs 000
Fair value of service concession assets recognized in property, plant and equipment – infrastructure (see note 31)	XXX	-
Accumulated depreciation to-date	(XXX)	-
Net carrying amount	XXX	-
Service concession liability - opening	XXX	-
Service concession revenue recognized	(XXX)	-
Service concession liability - closing	XXX	-

47. Segment information

None workings if applicable

48. Events after the reporting period

There are no material non-adjusting events after the reporting date.

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). 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 direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be

measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest 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 interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information – IPSAS 24

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.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable

that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is

expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

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

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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

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

i) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity 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. 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity 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 a entity 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 Entity determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

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.

i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

j) Provisions – IPSAS 19

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

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

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

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Entity provides retirement benefits for its employees and councilors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a

fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties – IPSAS 20

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

q) Service concession arrangements – IPSAS 32

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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 and at various commercial banks 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.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Entity'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.

State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- assessment of experts employed by the Entity The condition of the asset based on the
- and adaptability to changes in technology and processes The nature of the asset, its susceptibility
- asset is deployed The nature of the processes in which the
- Availability of funding to replace the asset
- asset Changes in the market in relation to the

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are

rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.