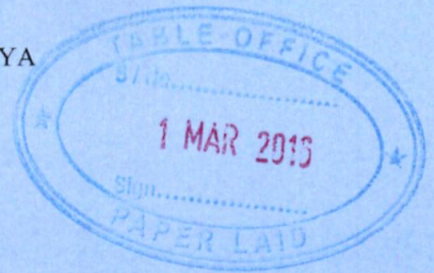


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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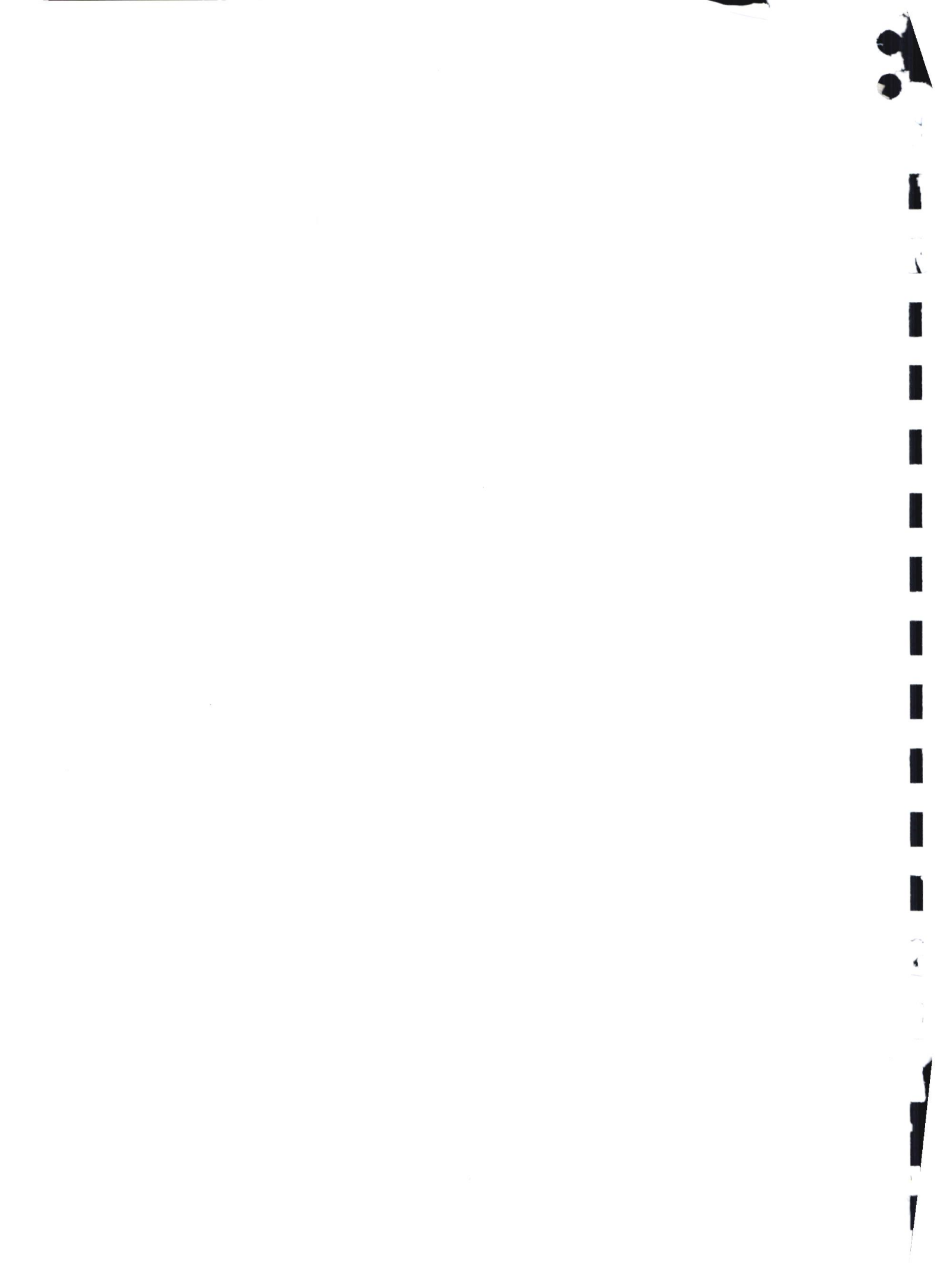
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PRIVATIZATION COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2015**





PRIVATIZATION COMMISSION
Enhancing Kenya's Productive Capacity

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2015

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

TABLE OF CONTENTS

I. KEY ENTITY INFORMATION AND MANAGEMENT ii

II. THE BOARD OF DIRECTORS xi

III. MANAGEMENT TEAM xviii

IV. CHAIRMAN'S STATEMENT xxii

V. REPORT OF THE CHIEF EXECUTIVE OFFICER xxiv

VI. CORPORATE GOVERNANCE STATEMENT xxvi

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT xxx

VIII. REPORT OF THE DIRECTORS xxxiii

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES xxxiv

X. REPORT OF THE INDEPENDENT AUDITORS ON THE PRIVATIZATION COMMISSION xxxvi

XI. STATEMENT OF FINANCIAL PERFORMANCE 1

XII. STATEMENT OF FINANCIAL POSITION 2

XIII. STATEMENT OF CHANGES IN NET ASSETS 3

XIV. STATEMENT OF CASHFLOWS 4

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 5

XVI. NOTES TO THE FINANCIAL STATEMENTS 6

XVII. EVENTS AFTER THE REPORTING DATE 25

XVIII. PROGRESS ON FOLLOW UP OF 2013/14 FINANCIAL YEAR AUDITOR RECOMMENDATIONS 25

XIX. STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES 26

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Back ground information

Privatization Commission was formed through an Act of Parliament, Privatization Act, 2005.

(b) Principal Activities.

The principal activities of the Privatization Commission are to –

- formulate, manage and implement the Privatization Programme;
- make and implement specific proposals for privatization in accordance with the Privatization Programme;
- carry out such other functions as are provided for under this Act; and
- carry out such other functions as the Commission considers advisable to advance the Privatization Programme.

(c) Key Management

Privatization Commission day to day management is under the following management team;

Executive Director/CEO	Mr. Solomon Kitungu
Chief Manager, Finance and Admin (upto 26 th April 2015)	Mr. Wycliffe Temesi
Chief Manager, Legal Affairs	Ms. Jacqueline Muindi
HR and Administration Manager	Mr. Gideon Muinde
Finance Manager	Ms. Virginiah Kariuki
Procurement Manager (upto 10 th May2015)	Mr. Joseph Njagi
Transaction Manager	Ms. Rosemary Ndiritu
Transaction Manager	Mr. Charles Ochola

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Risk & compliance Manager	Mr. Sospeter Thiga
Corporate Affairs Officer	Ms. Bessie Atieno and
ICT Officer (up to 7 th Oct 2014)	Mr. Julius Gichohi

(d) Fiduciary Management

The Board Members who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

i.	Hon. Henry Obwocha, EGH	Chairman (Since April 2015)
ii.	Mr. Henry K Rotich	Cabinet Secretary, The National Treasury
iii.	Hon. Prof. Githu Muigai, FCI Arb, EGH, SC	Attorney General
iv.	Mr. John Kiplangat Kenduiwo	Member
v.	Mr. Ngure Crispus Mwaniki	Member
vi.	Mr. Benard Aruasi Nandieki	Member
vii.	Mrs. Patricia A. O. Adala	Member
viii.	Mr. Mugambi Nandi	Member
ix.	Mrs. Esther Koimett, CBS	Member (Alternate to the Cabinet Secretary, The National Treasury)
x.	Ms. Roselyn Amadi	Member (Alternate to the Attorney General)
xi.	Mr. Solomon Kitungu	Executive Director/CEO

(e) Fiduciary Oversight Arrangements

The Commission has the following Board Committees:

(i) Finance and Strategy Committee

(ii) Audit Committee

(iii) Human Resources & Risk Management Committee

(iv) Privatization Steering Committees:

- ✓ Development Bank of Kenya Limited
- ✓ National Bank of Kenya Limited

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

- ✓ Public Sector Owned Sugar Companies
- ✓ Kenya Tourist Development Corporation Hotels
- ✓ Kenya Wine Agencies Limited
- ✓ Approved Kenya Ports Authority Projects
- ✓ Agro-Chemical and Food Company Limited
- ✓ Consolidated Bank of Kenya
- ✓ Kenya Pipeline Company Limited
- ✓ Isolated Power Stations
- ✓ Kenya Meat Commission
- ✓ New Kenya Co-operative Creameries Limited
- ✓ Numerical Machining Complex
- ✓ Kenya Electricity Generating Company Limited
- ✓ East African Portland Cement Company Limited

The terms of reference of the various committees are as follows:

i) Finance and Strategy Committee (FSC)

The FSC is mandated to assist the Commission Board in discharging its oversight duties with respect to the financial matters of the organization, overall strategic direction of the organization, operational performance, procurement, performance contracting and organizational health.

The Committee comprises six (6) members of the Board (including the Executive Director/CEO). The quorum for the FSC is four (4) members or such number as may be determined by the Board from time to time. The Committee meets every quarter and on any other dates that may be determined by the nature of the organization's operations.

The functions of the Committee are :

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

- Design and Implementation of the Privatization Programme
- Designing and reviewing of the Commission's Corporate Strategy;
- Reviewing the Privatization Commission's financial policies and making appropriate recommendations to the Commission on issues that require strategy adjustment;
- Reviewing and recommending policies that maintain and improve the financial health, integrity and procedures to the Commission for approval;
- Reviewing and recommending a medium-term financial plan for approval by the Commission;
- Reviewing and recommending an annual operating budget and annual capital budget consistent with the medium-term financial plan and financial policies for approval by the Commission;
- Reviewing recommendations for banking and authorized signatories;
- Reviewing and recommending the performance targets under the Privatization Commission's Performance Contract for approval by the Commission;
- Reviewing and recommending the Privatization Commission's annual procurement plan for approval by the Commission;
- Reviewing the Commission's Board Charter to enhance corporate governance, ethics and achievement of the corporate objectives;

ii) Human Resources and Risk Management Committee (HRMC)

The HRMC is appointed by the Board primarily to consider all matters associated with the policies and practices of the Privatization Commission in relation to its human resources and risk management matters.

The HRMC comprises six (6) members of the Board (including the ED/CEO) and the quorum is four (4) members or such number as may be

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

determined by the Board from time to time. The Committee meets every quarter and at such other times as may be determined by the nature of the organization's operations.

The **Human Resources** functions of the Committee are:

- Examining policies and procedures on employment, extension, development and staff promotion;
- Continually examining the organization structure, core functions and staff establishment, and if necessary, making proposals for harmonization and rationalization in order to eliminate possible wastage arising from redundancy, overlaps and duplications;
- Examining the procedures for the assessment of needs for employment and staff development and procedures for staff training for operational efficiency and capacity enhancement for further development and consultancy services;
- Examining and reviewing the terms and conditions of service;
- Examining the adequacy of performance and reward system;
- Examining and reviewing staff welfare policies; and
- Proposing innovative ideas to enable the Privatization Commission to achieve its Mission, Vision and Strategic objectives.

The **Risk Management** functions of the Committee are:

- Reviewing and recommending for approval the Commission's risk management policies, processes and practices and assisting in ensuring that policies and processes are in place to manage the significant risks to which the Commission is exposed;
- Reviewing and recommending for approval the Commission's risk appetite and tolerances;
- Periodically reviewing enterprise-wide risk appetite and risk thresholds for validity and recommending changes as necessary;

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

- Assessing the results and effectiveness of the Commission's control self-assessment process;
- Overseeing the development of risk management key performance indicators, reporting systems and reports to help provide assurance that significant risks are being monitored, assessed and appropriately escalated;
- Assessing risks impacting key business activities of Commission;
- Developing appropriate responses to unacceptable risks that arise on an emergency basis, either as reported by the Management's Risk Management and Business Continuity Committee (MRMBCC) through an early warning process or when a risk indicator reaches an unacceptable level;
- Reviewing and recommending for approval, the charter of the MRMBCC; and
- Receiving reports from the MRMBCC regarding its activities and discussing matters relating to such activities including any material regulatory issues and material emerging risks to the Commission.

iii) Audit Committee

This Committee consists of five (5) Members and the quorum is three (3) members or such number as may be determined by the Commission from time to time. The Secretary of the Committee is the outsourced Internal Auditor.

The Committee meets every quarter and at such other times as may be determined by the nature of the organization's operations.

The functions of the Committee are:

- Assisting the Executive Director/CEO in enhancing internal controls in order to improve efficiency, transparency and accountability;
- Reviewing audit issues raised by both Internal and External auditors;
- Resolving unsettled and unimplemented Public Investments Committee (PIC) recommendations; and

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

- Enhancing communication between Management, Internal and External audit and fostering an effective internal audit function.

iv) Privatization Steering Committees (PSCs)

The PSCs comprise of the members stipulated in Section 27 of the Privatization Act. The quorum is four (4) members or such number as may be determined by the Board from time to time. Each Steering Committee meets at such times as the business of a PSC will require.

Each PSC implements the assigned privatization on behalf of the Commission subject to any directions of the Commission.

The functions of the Committees are:

- Liaising with the Management and agreeing on the necessary work and timetable to implement the privatization project;
- Continually examining the transaction to ensure its integrity. This involves approvals including but not limited to:
 - Approval of Terms of Reference for hiring of transaction advisory services;
 - Approval of detailed privatization proposals and recommendation of the same to the Board for approval and submission to Cabinet Secretary for National Treasury for submission to the Cabinet;
 - Approval of bid documents for transaction advisory service;
 - Approval of prospectus for public offers;
 - Approval of transaction bids and recommendation to the Board for award;
 - Negotiations; and
 - Approval of allotment of shares for public offers;
- Providing general guidance to the Management on the implementation of the privatization transactions.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

(f) Privatization Commission Office

P O Box 34542 - 00100
11th Floor Extelcoms House
Haile Selassie Avenue
Nairobi, KENYA

(g) Privatization Commission contacts

Tel: +254 20 221 23 46/7/8
+254 20 260 60 05
+254 731 758 970
+254 719 430 456
Fax: +254 20 221 22 37
Email: info@pc.go.ke
Website: www.pc.go.ke

(h) Privatization Commission Bankers

Kenya Commercial Bank
University Way Branch
NAIROBI, KENYA

Co-operative Bank of Kenya Ltd.
Co-operative Bank House
Haile Selassie Avenue
NAIROBI, KENYA

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University way
P O Box 30084
GPO 00100
NAIROBI, KENYA

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

(j) Principal Legal Advisor


The Attorney General
Office of the Attorney General
Harambee Avenue
P O Box 40112
City Square 00200
NAIROBI, KENYA

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015


II. THE BOARD OF DIRECTORS

NAME AND ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS,	KEY QUALIFICATIONS AND WORK EXPERIENCE
 <p>HON. HENRY OBWOCHA, EGH – CHAIRMAN</p> <p>Holds a Bachelor of Commerce (Hons) Degree from the University of Nairobi and Postgraduate studies (Economics and Management) from Templeton College, Oxford University, UK.</p>	<p>Hon. Obwocha is a Chartered Accountant by profession and holds a Bachelor of Commerce (Hons) Degree from the University of Nairobi and Postgraduate studies (Economics and Management) from Templeton College, Oxford University, UK. He is a Fellow of the Institute of Certified Public Accountants of Kenya and a member of the Institute of Certified Public Secretaries of Kenya (Company Secretary). He is also a Fellow of the Chartered Association of Certified Accountants of the U.K.</p> <p>Hon. Obwocha is a founder member of KCA University (formerly Kenya College of Accountancy). He was a former Minister for Planning and National Development and Assistant Minister for Finance (Financial Services) and Member of Parliament for West Mugirango Constituency (1992-2007), became Chairman of public Accounts Committee. He also acted as the Minister for Energy (February – November 2006). He was a Member of the National Economic and Social Council (NESC) which drafted Kenya's Vision 2030.</p> <p>Hon. Obwocha has been involved in</p>	



PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>many company secretarial meetings, investment meetings within Treasury and has led Kenyan delegations to various international meetings and conferences.</p> <p>He is currently practicing as an Auditor at Obwocha and Associates Co.</p> <p>DOB 28th June 1949</p>
 <p>MR. HENRY ROTICH</p> <p>Holds a Master's Degree in Economics and a Bachelor's Degree in Economics, both from the University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.</p>	<p>Mr. Rotich is the Cabinet Secretary, The National Treasury.</p> <p>Prior to this appointment, Rotich was the Head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity he was involved in formulation of Macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. In addition, he was also involved in preparation of key budget documents including the Budget Statements, as well as providing strategic coordination of structural reforms in the area of fiscal and financial sector.</p> <p>Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between, 2001-</p>



PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist.</p> <p>Mr. Rotich has also been a Director on several Boards of State Corporations</p> <p>DOB: 1969</p>
<div style="display: flex; align-items: flex-start;">  <div style="flex-grow: 1;"> <p>HON. PROF. GITHU MUIGAI</p> <p>Holds LL.B degree from the University of Nairobi and an LL.M degree from Columbia University School of Law, New York. He earned his Ph.D. from the University of Nairobi.</p> </div> </div>	<p>Professor Githu Muigai was appointed as Attorney-General of the Republic of Kenya on 29th August, 2011, and is the principal legal adviser to the Government.</p> <p>He is also a Fellow of the Chartered Institute of Arbitrators (UK) and a member of the American Association of Trial Lawyers. He was called to the bar in 1985. In addition to the practice of law, he is an Associate Professor of Public Law in the School of Law of the University of Nairobi. He is a specialist in Public Law and trans-national legal practice. He is a recognized authority on business regulatory matters and in international commercial arbitration.</p> <p>He is a member of the Law Society of Kenya, East African Law Society, Chartered Institute of Arbitrators, American Association of Trial Lawyers, Institute of Public Secretaries, Council of Legal Education, International Commission of Jurists, International Bar Association and Commonwealth</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>Lawyers Association.</p> <p>DOB: 1960</p>
 <p>MR. JOHN K. KENDUIWO</p> <p>Holds Bachelor of Science (Mechanical Engineering) and Master of Business Administration (Operations Management) degrees from the University of Nairobi.</p>	<p>John Kenduiwo is a Senior Lecturer at The School of Business, Department of Management Science, University of Nairobi, and previously served as the Dean of the School for 10 Years. He is currently on secondment as the Managing Director, University of Nairobi Enterprises and Services Limited. He is a Member of the Board of Directors of Transnational Bank Limited and chairs the Board's Finance & Strategy Committee. At the Kenya Red Cross Society, he is a Council Member, Member of the National Executive Committee, and chairs the National Audit Committee. He has also previously served in other Boards, and is a Full Member of the Kenya Institute of Management (MKIM).</p> <p>DOB: 8th September 1956</p>
 <p>MRS. PATRICA ADALA</p> <p>Holds Bachelor of Arts (Economics), Bachelor of Philosophy (Economics) and Master of Arts (Economics) degrees from the University of Nairobi.</p>	<p>Mrs. Adala started her career in Government as a Planning Officer in the Ministry of Planning and Economic Development and thereafter held various senior positions in public institutions including the Kenya Tourist Development Corporation where she served as a Projects Manager and in Kenya Airways, as General Manager</p>



PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>Marketing. Mrs. Adala has previously served on the Board of the Kenya Revenue Authority. Currently she is the Executive Director of Raydoll Tours and Travel and a Member of the Advisory Board of the Women Enterprise Fund.</p> <p>DOB: 29th December 1950</p>
 <p>MR. BENARD A. NANDIEKI</p> <p>Holds a Master of Business Administration (Strategic Management) degree from the Catholic University of Eastern Africa and a Bachelor of Commerce (Marketing) degree from Daystar University. He also has a PGD from the Chartered Institute of Marketing – UK.</p>	<p>Mr. Nandieki had previously worked as the Regional Sales Manager - Coast, Eastern and Mountain at GlaxoSmithKline Consumer Division.</p> <p>Currently he is the Country Sales Manager, Del Monte Kenya.</p> <p>DOB: 6th December 1970</p>
 <p>MR. NGURE MWANIKI</p> <p>Holds a Master in Public Administration (Economics & Public Policy) degree from Harvard University, Diploma in Economics from the University of Colorado and a Bachelor of Arts (Economics & Government) degree from the University of Nairobi.</p>	<p>Mr. Mwaniki is the founder and director of the M. A. Consulting Group, a regional professional firm specializing in economic development and management in Sub-Saharan Africa. In this capacity, he has been responsible for the design, methodology and directorship of numerous assignments in Kenya and the region for over thirty (30) years. He previously worked as a lecturer at the University of Nairobi</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>and at the Ministry of Finance.</p> <p>DOB: 4th April 1950</p>
<div data-bbox="148 476 454 765" data-label="Image"> </div> <p>MR. MUGAMBI NANDI</p> <p>Holds Bachelor of Laws and Master of Business Administration degrees, from the University of Nairobi, a Diploma in Law & Practice from the Kenya School of Law and a Diploma in Financial Management from the ACCA.</p>	<p>Mr. Nandi was admitted to the Kenyan Bar in 1997. He has over fifteen(15) years. experience as in-house counsel and Company Secretary. He has previously served as the Head of Legal and Company Secretary for the CfC Stanbic Group, Legal Counsel for the East African Development Bank, Company Secretary for Uchumi Supermarkets Limited and Associate at Hamilton Harrison & Mathews, Advocates. He was named Company Secretary of the Year 2011 by the Institute of Certified Public Secretaries of Kenya.</p> <p>He is the Managing Partner at KN Associates LLP, Advocates, where he specializes in General Corporate and Commercial, Mergers & Acquisitions, and Energy Law.</p> <p>DOB: 15th October 1971</p>
<div data-bbox="148 1509 439 1800" data-label="Image"> </div> <p>MRS. ESTHER KOIMETT, CBS</p> <p>Holds Bachelor of Commerce (Accounting) and Master of Business Administration</p>	<p>Mrs. Koimett has held various senior positions in Government and the Parastatal sector including being the Permanent Secretary, Ministry of Tourism. She is currently the Investment Secretary, National Treasury. Mrs. Koimett represents the Principal Secretary, National Treasury</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
degrees from the University of Nairobi.	on the Boards of various state corporations. DOB: 14 th September 1956
 <p>MS. ROSELYN AMADI</p> <p>Holds a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She also holds a Diploma in Corporate Governance from KCA University.</p>	<p>Ms. Amadi is a lawyer by profession and also an Advocate of the High Court of Kenya. She is the acting Deputy Solicitor General in the Office of the Attorney General & Department of Justice. She is currently the Head of the Treaties and Agreements Department at the Office of the Attorney General & Department of Justice. She is a Member of the Joint Railway Commission which is steering railway infrastructure in East Africa. She is also a Board Member of Serve Africa, a voluntary Christian organization mentoring graduates in integrity and leadership in society.</p> <p>DOB: 17th October, 1955</p>
 <p>Solomon A. M. K. Kitungu</p> <p>Mr. Kitungu is the Commission Executive Director/Chief Executive Officer and he holds a Bachelor of Arts (Economics) degree from the University of Nairobi and a Master of Arts (Economics) degree from the University of Manchester, United Kingdom. Mr. Kitungu</p>	<p>EXECUTIVE DIRECTOR/ CEO:</p> <p>Prior to being appointed the Executive Director/CEO in 2009, Mr. Kitungu worked in various capacities at the Ministry of Finance rising to the position of Investments Director (Reforms) in the Department of Government Investments and Public Enterprises in 2003. While working at the National Treasury, Mr. Kitungu</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
<p>also has extensive training and experience in public sector, Parastatal and infrastructure reforms and privatization. He has also undertaken Advanced Management Programme (AMP) – University of Navarra, Spain and Strathmore Business school, Kenya.</p>	<p>represented the Permanent Secretary, Treasury in a number of Boards of Directors of State Corporations.</p> <p>DOB: 25th September 1961</p>



III. MANAGEMENT TEAM

NAME OF KEY MANAGER, ACADEMIC/EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
<div style="display: flex; align-items: flex-start;">  <div style="flex-grow: 1;"> <p>Solomon A. M. K. Kitungu Bachelor of Arts (Economics) Master of Arts (Economics) Advanced Management Programme (AMP)- University of Navarra, Spain and Strathmore Business school, Kenya. various management, financial, infrastructure, privatization and PPPs and investment trainings, Member, Institute of Economic Affairs</p> </div> </div>	<p>EXECUTIVE DIRECTOR/ CEO: Provision of leadership in the development and implementation of appropriate strategies to enhance the mission, vision and values of the Commission on all matters relating to implementation of the Commission's strategies</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME OF KEY MANAGER, ACADEMIC/EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
 <p>Jacqueline Mbithe Muindi Bachelor of Laws (LLM) Master of Laws Dip. Legal Education, CPS (K) Various Professional and Management courses Member, ICPSK, Law Society of Kenya</p>	<p>LEGAL AFFAIRS Provision of sound legal advice to the management and the Commission</p>
 <p>Virginiah Njeri Kariuki Bachelor of Science in Business Administration (Management & Accounting) Master of Business Administration (Strategic Management) CPA (K), CPS (K), Senior Leadership Programme Certified Balanced Score Card Professional (BSP), Various professional and management courses, Member, ICPAK, ICPS finalist.</p>	<p>FINANCE & ACCOUNTS Provision of finance and Accounting services to the Commission In charge of Performance contract reporting at the Commission</p>
 <p>Gideon Kyalo Muinde Bachelor of Arts (Sociology) Master of Business Administration (Strategic Management) Higher Dip. HR Management,</p>	<p>HUMAN RESOURCES & ADMINISTRATION Responsible for overall management of human resource and administrative services in the Commission</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME OF KEY MANAGER, ACADEMIC/EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
<p>Post Graduate Programme for Management Development (PMD) professional Qualification, Certified Balanced Score Card Professional (BSP), various professional and management courses Member, Institute of Human Resource Management</p>	
<div style="display: flex; align-items: flex-start;">  <div style="flex: 1;"> <p>Rosemary Ndiritu Bachelor of Commerce (Accounting) Master of Business Administration</p> <p>CPA (K), Corporate Finance UK qualification (CF) Various Management and professional courses Member. ICPAK, Association of Financial Analysts (AFA), Institute of Investment Professional EA (IIP- EA)</p> </div> </div>	<p>TRANSACTIONS Assist the CEO/Chief Manager, Transaction in managing a number of privatization transactions</p>
<div style="display: flex; align-items: flex-start;">  <div style="flex: 1;"> <p>Charles Odhiambo Ochola Bachelor of Arts (Economics) Master of Business Administration (Finance), Dip-</p> </div> </div>	<p>TRANSACTIONS Assist the CEO/Chief Manager, Transaction in managing a number of privatization transactions</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

NAME OF KEY MANAGER, ACADEMIC/EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
Marketing Management, CFA1, Various Professional and Management courses	
 <p>Sospeter Macharia Thiga Bachelor of Arts (Economics and Sociology) Master of Business Administration (Strategic Management) CPA (K), Certified Risk Auditor professional, Various professional and Management courses. Member, Information Systems Audit Control Association (ISACA)</p>	<p>RISK & COMPLIANCE Managing enterprise – wide risks as well as ensuring compliance of the organisation with various statutory and operational requirements</p>
 <p>Bessie Valerie Atieno Bachelor of Arts (Language and Literary Studies) Master of Arts (Communication Studies-Corporate Communication)-On going Post Graduate Diploma in Mass Communication Various professional and Management courses Member, Public Relations Society of Kenya; Association of Media Women in Kenya</p>	<p>CORPORATE AFFAIRS Assists the CEO in the formulation and execution of a sound communication strategy for the Commission</p>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

IV. CHAIRMAN'S STATEMENT

I am delighted to present the Privatization Commission annual report and financial statements for the year ended 30th June 2015.

The Privatization Commission is one of the entities whose operations were to be affected by the implementation of the report by the Presidential Task Force on Parastatal Reforms. The report provides that the functions of the Privatization Commission would be transferred to the Government Investment Corporation (GIC). Arising from that, a decision was made by the Cabinet at its meeting held on 10th July 2014 requiring that all proposed/intended privatizations be held in abeyance pending the report on rationalization of State Owned Enterprises.

In this respect, the Commission started the year in a transition mode which slowed down ongoing privatization work and finally stalled most of the transactions that were waiting for approval at various stages. Nevertheless, following extensive consultations the Commission was able to complete implementation of the partial sale of ICDC shareholding in Kenya Wine Agencies EA Limited.

In addition, following approval by the National Treasury to proceed to complete on ongoing work for six transactions the Commission was also able to finalize and submit five detailed privatization proposals to the National Treasury. The Commission also received approval from the National Assembly on Privatization of Sugar Companies on 21st April 2015. By the end of the year, the Commission had made the required public announced on the approved Sugar transaction and had also progressed significantly the updating of the due diligence work undertaken in 2009 and updated in 2013. The Commission had also progressed preparations for stakeholder consultations significantly.

Section 15 and 16 of the Privatization Act requires that, the Commission's Annual Report should, as a minimum include the Annual Financial Statements for the year and where a corporation was privatized during the year, a statement of the assets and liabilities of the State Corporation, and the proceeds from privatization. Accordingly the financial statements include a statement of the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

assets and liabilities and the proceeds from the privatization of Kenya Wine Agencies Limited (KWAL), a transaction that saw the sale of 26 per cent stake held by ICDC in KWAL through its holding company KWA Holdings E. A. Limited (KHEAL) to Distell Group. The consideration was Ksh.860 million resulting from the sale of 24.96 million shares.

I salute the Government for the financing and support granted during the year and the other key stakeholders including the Parent Ministries and State Corporations under the Programme for their cooperation which made it possible to achieve planned targets during the year.



HON. HENRY OBWOCHA, EGH
CHAIRMAN PRIVATIZATION COMMISSION

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year commenced with high hope that the ongoing rationalization of SOEs was going to be completed early in the year. This was considered necessary in view of the need to restart implementation of transactions that had been initially stopped in June, 2014 to await completion of the SOEs rationalization. It was also considered necessary in view of the restrictions imposed on the enterprises under the rationalization programme which had continued to affect the Commission adversely with regard to procurements and staff recruitment and promotions that are necessary to maintain the integrity of the Commission structures and processes.

Due to the continued delay of the completion of the rationalization work and the related restrictions, the commission has continued to lose staff as their contracts end and has been unable to fill vacancies which is necessary to ensure effective succession management and retention of the skills required to implement the programme effectively and to ensure the continued integrity of the Commissions processes. The delay has also led to delay in implementation of the transactions and the related work and contractual outputs resulting in low utilization of the budgeted resources.

Management continued supporting the Board in implementation of the work that was allowed, resulting in completion of five detailed proposals which were completed and submitted to the National Treasury. In addition re-engagement of the consultant for the implementation of the approved sugar companies was undertaken and the updating of the due diligence and preparation for full implementation were progressed significantly before the end of the financial year. Management also continued implementing targets set under the performance contract with regard to which the Commission achieved a very good rating.

We are very grateful to the Commission Members for the continued guidance and commitment to the Commission's work and the National Treasury for its financial and administrative support. We are also grateful to the other

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

stakeholders who contributed significantly to the Commission's work and the Commission's staff for the continued commitment and loyalty to the Commission in spite of a number of reform related uncertainties that arose during the period.



SOLOMON KITUNGU
EXECUTIVE DIRECTOR/CEO

VI. CORPORATE GOVERNANCE STATEMENT

The Commission's corporate governance structure aims at ensuring that the Commission's internal systems, which include policies, procedures, processes and people, serve the interests of the stakeholders and the communities within which we operate. The Commission Board is committed to ensuring that the organization's operations are run in a professional, transparent, just and equitable manner for the benefit of its stakeholders including the Kenyan public.

Composition of the Commission Board

The Commission Board comprises of eleven (11) members, including the Chairman, two ex-officio members and the Executive Director/CEO. The Board Members possess a broad range of skills, expertise, experience and knowledge essential to undertake the Commission's mandate.

Meetings

The meetings of the Commission Board are held quarterly. Commission business is also transacted through Steering Committees' meetings as necessary.

The Commission Board from time to time holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders in order to seek views on matters in relation to the various privatization transactions.

Meetings of the Commission Board, Board Committees and Privatization Steering Committees were held during the first, second, third and fourth Quarters.

Commission Board's Responsibilities

The Commission's responsibilities are set out in the Commission's Board Charter. The Board Charter, which incorporates internationally accepted best practices in corporate governance, defines the governance parameters within which the Commission exists and operates and sets out

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

specific responsibilities to be discharged by the Commission, its Committees and members collectively as well as certain roles and responsibilities incumbent upon directors as individuals.

The Commission Board's responsibilities include amongst others:

- i) Defining the purpose of the organization, its strategic intent, objectives, and its values and setting and reviewing the strategic direction and adopting the organization's business plans and providing oversight of performance against targets and objectives;
- ii) Providing stewardship of the organization and in discharge of its obligations, assuming the following responsibilities:
 - Retaining full and effective control over the organization, and monitoring Management's implementation of the organization's plans and strategies;
 - Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and corporate policies and procedures;
 - Defining levels of materiality, reserving specific powers to the Commission, delegating other matters through written authority and instituting effective mechanisms that monitor the performance of the management team;
 - Determining the provisions to be made for capital and recurrent expenditure and reserves;
 - Receiving any grants, gifts, donations or endowments and making legitimate disbursements there from;
 - Acting responsibly towards the organization's stakeholders, overseeing the reporting to stakeholders on the direction, governance and performance of the organization; and
 - Being committed to the principles of good corporate governance.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Conflict of Interest, Disclosure and Purchase of Shares

The Commission Board is cognizant of the prevalence of instances in which conflict of interest could arise, least, not being in matters of purchase of shares of companies or entities being privatized. The Commission Board has thus put in place measures to avoid such instances. These are:

- (i) Each Commission member undertakes to fully disclose to the Board any real or potential conflict of interest, especially in matters relating to the Privatization Programme, which comes to his or her attention, whether direct or indirect.
- (ii) A Commission member with such a conflict shall not participate in discussion of any such topic or vote on it unless the Board or Board Committee otherwise directs.
- (iii) With regard to a privatization of an entity through an Initial Public Offer (IPO) and/or sale of shares, Board Members or their spouses, or children under the age of 18 should not participate in that IPO. They can however, purchase the shares, six (6) months after the shares start trading on the market. In the case of shares held by Board Members in Companies prior to the commencement of privatization, members will disclose interest.

Separation of Roles and Responsibilities

The roles of the Chairman and the Executive Director/CEO are separate and their responsibilities clearly defined. The Chairman provides overall leadership to the Commission without limiting the principles of collective responsibility for Commission decisions. The Commission Board's authority for conduct of day to day business has been delegated to the Executive Director/CEO by the Privatization Act, 2005.

**PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015**

No. of Committees meetings held during the year were:

	Type of meeting	Number of Meetings (Regular)	Number of Meetings (Special)	Total meetings held during the year
1	Transactions/Steering Committee meetings	52	-	52
2	Finance & Strategy Committee	5	3	8
3	Human Resource & Risk Management	4	1	5
4	Commission Board Meeting	7	2	9
5	Audit Committee	5	-	5
6	Adhoc Committees	2		2
	Total	75	6	81

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Being aware that good corporate responsibility practice and responsible behavior are integral parts of sustainable development, the Commission is fully committed to conducting its work responsibly and in the best interests of its customers, employees and other stakeholders that it interacts with that are affected by its activities.

PC's strategy focuses on the following areas:

i. Health

Privatization Commission works with other partners to support initiatives that cater for the health and well-being of Kenyans.

ii. Education

Subject to availability of sitting space, the Privatization Commission provides training opportunities for final year university students through a paid internship at our Offices, as per the Internship Policy. In addition, the Commission supports research in areas relating to privatization.

iii. Environmental Sustainability

The Commission remains committed to environmental protection and sustainability. In this regard, the Commission participates in several activities as a contribution towards the conservation of the ecosystem. Such activities include but are not limited to tree planting activities initiatives; donation of tree seedlings; environmental clean-ups; and beautification and landscaping in select locations.

iv. Humanitarian Intervention

The Commission continues to support different charitable initiatives under the thematic areas discussed in the policy both by corporate and individual staff contributions in terms of time and donations in cash and kind.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Corporate social responsibility initiatives during the financial year

2014 standard chartered Nairobi marathon

The 12th edition of the Standard Chartered Nairobi Marathon was held on Sunday, 26th October 2014. The proceeds from the race go towards the *Seeing is Believing* initiative, where funds are raised for the eradication of avoidable blindness in children below the age of nine years. The Commission donated Ksh.60,000.00, and was represented at the event by a number of staff members.

Kenya medical association cancer peer champions sensitization

In February 2014 the Privatization Commission joined the Kenya Medical Association Bila Cancer Society as a Kenyan corporate declaring an end to cancer in Kenya.

As a result, the Commission identified 10 staff peer champions to join KMA for various activities from time to time and help spread the anti-cancer message within the organization.

In this regard, the staff from the Privatization Commission attended a sensitization forum that was held on 13th February 2015 at the Strathmore Business School.

The sensitization was facilitated by a team from the Cancer Centre of the Moi Teaching and Referral Hospital, Eldoret.

Environmental conservation and disability mainstreaming

In the 2014-2015 Performance Contract, the target on Environmental Conservation took a CSR angle. In this regard, the Commission agreed to donate recycling bins to a school. The preferred school was one that had integrated children with disabilities so that it would be a fully-fledged CSR activity that incorporated Environmental Conservation and Disability Mainstreaming.

The Kenya Community Center for Learning was proposed and on 26th March 2015, the Commission donated 9 recycling units for paper, plastic and biodegradable waste, planted trees and donated educational toys for the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

children who have neurological conditions. We also witnessed the launch of the School's disability friendly bus. The total amount spent was Ksh.136,880.00

the 2015 Mater Heart Run

The Mater Heart Run is an annual event organized by the Mater Hospital to raise funds towards treatment of heart ailments affecting children. Over the years the Mater Hospital has been raising funds for children from poor socio-economic backgrounds who are suffering from cardiac ailments and cannot afford the costs of the surgery. This initiative has been made possible through the collective support of different corporates, such as the Privatization Commission.

In the 2014-2015 financial year, the Commission was a Gold Sponsor of this event with a donation of Ksh.250,000.00. We also had our staff members participating in the Run on 23rd May 2015 at the Nyayo National Stadium.

Parliament Of Kenya - National Prayer Breakfast

The Commission donated Ksh.100,000.00 to the Parliament of Kenya – 13th National Prayer Breakfast. The main event took place on 28th May 2015 at the Safari Park Hotel. The Commission was represented by a section of the Commission Members led by the Chairman, Hon. Henry Obwocha.

Internship

Under the Education Pillar of the Commission's Corporate Social Responsibility Policy, the Commission has committed to provide paid-up 3-month internships to university students in their final year of study.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

VIII. REPORT OF THE DIRECTORS

The Board of Directors hereby submit this report together with the audited financial statements for the period ending 30th June 2015 which shows the state of the Commission's affairs.

Principal Activities

The principal activities of the Commission are to formulate, manage and implement the Government's Privatization Programme.

Results

The results of the Commission for the year ended June 30, 2015 are set out on page 1

Board Members

The Board Members who remained in office during the year are shown on page xi

Auditors

The Auditor General is responsible for the statutory audit of Commission's books of accounts in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012.



SOLOMON KITUNGU

EXECUTIVE DIRECTOR/CEO

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Board Members to prepare financial Statements in respect of that entity which give a true and fair view of the state of affairs of the Privatization Commission at the end of the financial year and the operating results of Privatization Commission for that year. The Directors are also required to ensure that the Privatization Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Privatization Commission. The Board Members are also responsible for safeguarding the assets of the privatization Commission. The Board Members are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30 2015.

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 ensure 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 Board Members accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Public Sector Accounting Standards (IPSAS), and in a manner required by the PFM Act and the State Corporation Act. The Board Members are of the opinion that the entity's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2015, and of its financial position as at that date. The Board Members further confirm the completeness of the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

accounting records maintained for the privatization commission's financial statements as well as the adequacy of the systems of internal financial control.

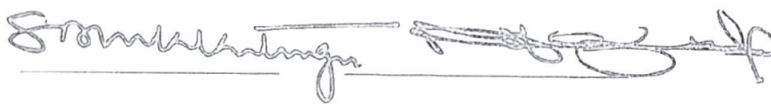
Nothing has come to the attention of the Board Members to indicate that the Privatization Commission will not remain a going concern for at least the next twelve months from the date of this statement. It is however noted that the on-going rationalization of the State Owned Enterprises may result in the mandate and operation of the Privatization Commission being taken over by the proposed Government Investment Corporation.

Approval of the financial statements

The Privatization Commission's financial statements were approved and signed by the Board Members on 10th September, 2015 and signed on its behalf by:



Hon. Henry Obwocha, EGH
Chairman



Mr. Solomon Kifungu
ED/CEO



Mr John Kenduiwo
Commission Member

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of Privatization Commission set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

Directors' Responsibility for the Financial Statements

The directors are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

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 15 (2) and (3) of the Public Audit Act, 2003 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 of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

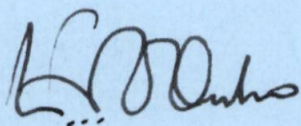
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, 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 Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2015, 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 Privatization Act, 2005 of the Laws of Kenya.



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

Nairobi

11 February, 2016

XI. STATEMENT OF FINANCIAL PERFORMANCE
For The Year Ended 30th June, 2015

	Note	2014/15 Kshs'000	2013/14 Kshs'000
Revenue from non-exchange transactions			
Government Grants	3	220,000	229,122
Deferred income	4	3,276	
Revenue from exchange transactions			
Other revenue	5	65,414	54,655
Gain on disposal of assets	6	32	
Total Revenue		288,722	283,777
Expenses			
Employee costs	7	118,803	110,530
Board expenses	8	16,514	18,623
Transaction advisory costs	9	37,714	55,122
Depreciation & Amortization expenses	10	11,835	12,550
Repairs and maintenance	11	2,472	2,376
General Expenses	12	33,013	38,987
Total Expenses		220,351	238,188
Surplus for the year		68,371	45,589

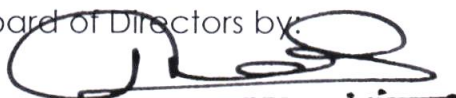
The notes set out on page 6 to 18 form an integral part of the financial statements.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

**XII. STATEMENT OF FINANCIAL POSITION
As at 30th June 2015**

	Note	2014/15 Kshs'000	2013/14 Kshs'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	13	642,651	573,004
Trade and Other Receivables	14	48	268
Inventories	15	910	1,047
		643,609	574,319
Non- Current assets			
Property, Plant and Equipment	16	12,152	23,638
Intangible Assets	17	200	256
		12,352	23,894
Total Assets		655,961	598,213
LIABILITIES			
Current Liabilities			
Trade and other payables	18	992	6,878
Current Provisions	19	37,909	39,370
		38,901	46,248
Net Assets/Equity			
Revenue reserve	20	607,162	538,791
Capital Grants	21		3,276
Revaluation Reserve	22	9,898	9,898
		617,060	551,965
Total net assets and liabilities		655,961	598,213

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



 Hon. Henry Obwocha ,EGH
 Chairman Commission

Date 10-09-2015



 Mr. Solomon Kitungu
 Executive Director/CEO

Date 10-09-2015

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30th June 2015

	Revenue Reserve	Capital Grants	Revaluation Reserve	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Reserves as at 1 st July 2013	493,202	3,276	9,898	506,376
Surplus for the year	45,589			45,589
30th June 2014	538,791	3,276	9,898	551,965
Reserves as at 1 st July 2014	538,791	3,276	9,898	551,965
Deferred income		(3,276)		(3,276)
Surplus for the year	68,371			68,371
30th June 2015	607,162		9,898	617,060

**PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015**

**XIV. STATEMENT OF CASHFLOWS
For the year ended 30th June 2015**

		2014/15	2013/14
	Note	Kshs'000	Kshs'000
Cash Flow From Operating Activities			
Operating surplus for the period		68,371	45,589
Adjustments for:			
Depreciation		11,372	12,242
Amortization		463	308
Gain on Disposal of fixed Asset		(32)	
Deferred income		(3,276)	
Operating Surplus before working capital changes		76,898	58,139
Changes in working capital			
Decrease in receivables		220	1,193
Decrease in inventories		137	386
Decrease in payables		(7,347)	(15,084)
Net cash flow from changes in working capital		(6,990)	(13,505)
Net Cash flow from operating Activities		69,908	44,634
Cash Flow From Investing Activities			
Purchase of software		(407)	(2,354)
Disposal of Assets		146	
Net cash from investing activities		(261)	(2,354)
Net Increase In Cash And Cash Equivalents		69,647	42,280
Cash and Cash equivalents at the beginning of the year		573,004	530,724
Cash and Cash equivalents at the end of the year	13	642,651	573,004

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30th June 2015**

	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance difference
	2014/15	2014/15	2014/15	2014/15	2014/15
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Revenue					
Government Grants	220,000		220,000	220,000	
Other revenue	1,500		1,500	65,414	63,914
Funds brought forward	434,452		434,452	434,452	
Total Income	655,952		655,952	719,866	63,914
Expenses					
Employee costs	118,963		118,963	118,803	160
Board expenses	30,000		30,000	16,514	13,486
Transaction advisory costs	385,395		385,395	37,714	347,681
Repairs and maintenance	5,455		5,455	2,472	2,983
General Expenses	58,138		58,138	33,013	25,125
Total Expenses	597,951		597,951	208,516	389,435
Surplus for the period*				511,350	

***Reconciliation of surplus as per budget to cash from operating expenses**

Surplus for the period	Kshs. 511,350
Adjustments for	
2014/15 funds brought forward	Kshs. (434,452)
Net changes in working capital	Kshs. (6,990)
Cash generated from operating expenses	<u>Kshs. 69,908</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparations

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for State Organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, Privatization Commission has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements. The Commission'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 (Kshs.000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the 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

The Commission operations are financed by Government grants. The grants are accounted for on cash basis.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

(ii) Revenue from Exchange transactions

These is mainly revenue realized from A.I.A and donations.

b) Interest Income

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

c) Property, plant and equipment

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.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values of the assets over their useful lives.

The annual depreciation rates in use are:

Motor vehicles	25%
Furniture & fittings	12.5%
Office Equipment	12.5%
ICT equipment	30%

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in 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.

The useful life of the intangible assets is assessed on finite basis.

Computer software development costs recognized as assets are amortized using the straight line method over their useful lives, not exceeding a period of three years.

e) Inventories

Inventory is measured at lower of cost or net replacement costs. 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.

After initial recognition, inventory is measured at the lower of cost and net realizable value.

Inventory are recognized as an expenses when deployed for utilization or consumption in the ordinary course of operations of the entity.

f) Provisions

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 services potential will be required to settle the obligation and a reliable estimate can be made to the amount of the obligation.

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

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

g) Contingent liabilities

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

h) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements.

Revenue Reserves.

This is made up of all accumulated surplus for the year arising from non-utilization of allocated grants.

Capital Grants

Capital grants relate to fixed assets donated to Privatization Commission during the year 2008/2009. The capital grants were not restrictive nor were they conditional.

Revaluation Reserves

Revaluation reserve relate to revaluation of motor vehicles which was carried out in 2012/13. The purpose of the reserve was to bring into the books the fair market value of the motor vehicles since they had been fully depreciated. There was an upward revaluation.

i) Changes in accounting policies and estimates

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

j) Employee benefits -Retirement benefit plans

The Commission does not have a retirement benefit plan. All Commission staff are on 3-5 years contract. Gratuity to the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

staff is payable to the staff after the end of contract period. Entitlements to gratuity are recognized when they accrue to employees. The provisions have been treated as a current liability.

k) Related party

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 of the Board of Directors and the Management team

l) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires Management to make judgments, estimates and assumptions that affect the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

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.

o) 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 Commission based its assumptions and estimates on parameters available when the 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 Commission. Such changes are reflected in the assumptions when they occur.

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:

The condition of the asset based on the assessment of experts employed by the Commission

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

Changes in the market in relation to the asset

p) Provisions

The provisions were raised and Management determined an estimate based on the information available.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

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. The provision amount relates to unpaid gratuity, salary, and ongoing contracts which relate to 2013/14 financial year.

q) Subsequent events

There have been no event subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

r) Budget variance.

The difference between the budgeted amount and the actual amounts spent is caused by low utilization of Transaction Advisory cost which refers to the cost of hiring Transaction Advisory Services. The funds were not fully utilized due to delay in the approval of detailed Privatization Proposals and suspension of transaction work pending implementation of the State Owned Enterprises reorganization, hence delay in the related deliverables and payments. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

The budgetary basis is cash basis in respect to Government grants and accrual basis for any other revenue.

s) Risk Management

The Commission's risk management strategy recognizes the various risks the Commission is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring. The Commission's overall risk management programme focuses on the unpredictable changes in the

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Board does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

a) Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Commission's credit risk is attributable to its cash and cash equivalents and trade receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Commission's management based on their assessment of the economic environment. Both bank balances and trade receivables are fully performing and no debt has been impaired.

b) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for management of the Commission's short, medium and long term funding requirements. The Commission manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

c) Capital Risk

The objective of the Commission's capital risk management is to safeguard the Commission's ability to continue as a going concern. The Commission's capital structure comprises of general fund and revaluation reserve.

d) Operational Risk

This is a broad category of risks the Commission faces in its day to day operational life cycle. In particular the following operational risks include;

Staffing Risks: This is the risk of high attrition coupled with the inability to fill vacant positions owing to a freeze on recruitment placed on the Commission under the ongoing State Enterprise rationalization in order to pave way for the Parastatal reform initiative. Additionally short term contract of three years have posed risks of high staff attrition to the Commission with many staff leaving for more permanent positions.

Legal Risks: The risk of not being able to get quorum for the Board of Directors/ Commission meetings owing to the impending expiry of the terms of over 5 Commission later in the new financial year. This risk has far reaching effects as the technical work of the Commission including Steering Committees work which will not be able to proceed in the absence of the Board. Two positions in the Board remained vacant during the year while the position of the chairman was filled after one year.

Change in Government Policy towards Privatization: This is the risk of adversely affecting the Privatization Programme through policy changes and other directives such as the Parastatal Reform Initiative under which the functions of the Commission were to be taken over by Government

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Investment Company. This process initially led to the stoppage of implementing the Privatization Programme pending the completion of the reforms. To date the rationalization is yet to be completed though several transactions have been authorized to proceed.

Delays in obtaining approvals for Privatization Proposals:

This is the risk of delays in obtaining approvals at various Government levels for the Privatization proposals. Past delays have happened at the various levels within the Government.

The Commission manages its staffing risks through ensuring continuous capacity building and a performance management system that ensures reward to staff for good performance. While political and administrative risks are managed through proactive stakeholders' engagement on a continuous basis. The Commission has ensured that its steering committees have representation from all key stakeholders including parent ministries, CEO's of earmarked Corporations, the National Treasury and the Attorney General. The Commission is also in the process of reviewing the enabling ACT to ensure continuity of the Commission Board.

**PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015**

3. GOVERNMENT GRANTS

	2014/15	2013/2014
	kshs'000	kshs'000
Government Grants	220,000	229,122
Total	<u>220,000</u>	<u>229,122</u>

4. DEFERRED INCOME

	2014/15	2013/14
	kshs'000	kshs'000
Deferred income	3,276	
Total Deferred income	<u>3,276</u>	

Deferred income refers to capital grants donated in 2008. The amount has now been recognized as income to write down the capital fund.

5. OTHER REVENUE

	2014/15	2013/14
	kshs'000	kshs'000
Interest income	65,234	54,503
Sale of tender documents	14	98
Miscellaneous revenue	166	54
Total Revenue	<u>65,414</u>	<u>54,655</u>

6. GAIN ON DISPOSAL

	2014/15	2013/14
	kshs'000	kshs'000
Cost	168	
Accumulated depreciation	(56)	
NBV	112	
Cash received	(144)	
Gain on disposal	<u>32</u>	

One of the tablet was stolen and the insurance company compensated for the loss

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

7. EMPLOYEE COSTS

	2014/15	2013/14
	kshs'000	kshs'000
Basic salaries	65,861	61,757
House allowance	10,980	10,559
Remunerative allowance	1,200	1,200
Responsibility /Acting/Special duty Allowance	505	300
Leave allowance	2,166	915
Gratuity	19,733	16,858
Commuter Allowance	3,279	3,203
Employer contribution to NSSF	67	67
Medical Scheme	4,310	4,830
Domestic travel & accommodation	374	588
Foreign Travel & accommodation	97	
Training expenses including capacity building	8,887	8,617
Welfare expenses	1,140	1,571
Purchase of uniforms & clothing	204	65
Total	118,803	110,530

8. BOARD EXPENSES

	2014/15	2013/14
	kshs'000	kshs'000
Board Sitting allowance	7,700	13,880
Board Local travel and other related expenses	1,463	2,321
Chairman's expenses	215	957
Other Board Expenses	7,136	1,465
Total	16,514	18,623

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

9. TRANSACTION ADVISORY SERVICES

	2014/15	2013/14
	kshs'000	kshs'000
Transaction Advisory services	37,714	55,122
Total	<u>37,714</u>	<u>55,122</u>

The Transaction Advisory cost refers to the cost of hiring Transaction Advisory Services. Part of the funds brought forward amounting to Kshs547Million that were directly related to Transaction Advisory Services were not fully utilized due to delay in the approval of detailed Privatization Proposals hence the related deliverables and payments. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

10. DEPRECIATION AND AMORTIZATION EXPENSES

	2014/15	2013/14
	Kshs '000	Kshs '000
Property , Plant & equipment	11,372	12,242
Intangible assets	463	308
Total	<u>11,835</u>	<u>12,550</u>

11. REPAIRS & MAINTENANCE

	2014/15	2013/14
	Kshs'000	Kshs'000
Maintenance expenses- Motor vehicles	340	254
Maintenance expenses- Office equipment	377	134
Maintenance expenses- Office furniture & fittings	102	7
Maintenance expenses- buildings	226	220
Maintenance expenses- IT equip & computers	1,427	1,761
Total	<u>2,472</u>	<u>2,376</u>

**PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015**

12. GENERAL EXPENSES

	2014/15	2013/14
	kshs'000	kshs'000
Telephone expenses	1,240	1,162
Internet connections	634	781
Courier & postal services	18	23
Publishing & printing services	264	789
Subscription to newspapers and magazines	422	498
Advertising, awareness & publicity campaigns	3,550	785
Rent & rates- non residential	5,263	4,279
Official entertainment	1,263	1,127
Insurance costs	412	529
General office supplies	458	570
Supplies & accessories for computer & printers	349	413
Sanitary & cleaning materials	18	18
Refined fuels & lubricants	357	535
Bank service commission and charges	96	83
Subscription and donations	711	729
Contracted guard and cleaning services	835	813
General consultancy	5,343	14,159
Steering/stakeholders Expenses	1,411	2,638
Withholding tax	9,785	8,175
Minor assets	4	301
Audit fees	580	580
Total	<u>33,013</u>	<u>38,987</u>

13. CASH AND CASH EQUIVALENTS

	2014/15	2013/14
	kshs'000	kshs'000
Bank	642,565	572,926
Cash-on-hand and in transit	86	78
Total cash and Cash equivalents	<u>642,651</u>	<u>573,004</u>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

13 (a) Banks

Name of the Bank	Bank Account Number	Currency	2015 Kshs'000	2014 Kshs'000
Co-operative Bank	0114118908900	Kshs	514,389	3,500
KCB Bank	1104820730	Kshs.	128,176	569,426
Total			642,565	572,926

13 (b) Cash on hand and in transit

Form of cash holding	2015 Kshs'000	2014 Kshs'000
Liquid cash	86	78
Total	86	78

14. TRADE AND OTHER RECEIVABLES

	2014/15 Kshs'000	2013/14 Kshs'000
Staff loan/advances		5
Prepaid Expenses	48	263
Total	<u>48</u>	<u>268</u>

15. INVENTORIES

The item comprises of consumables whose turnover is very high. All unutilized stores consumables are accounted for at cost at the end of the financial year and are valued at FIFO basis.

The inventories held at the end of the financial year were classified as follows:

	2014/15 Kshs'000	2013/14 Kshs'000
Stationery	503	634
Accessories for computers and printers	211	117
Detergents and cleaning materials	1	1
Publicity materials	195	295
Total	<u>910</u>	<u>1,047</u>

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

16. PROPERTY, PLANT AND EQUIPMENT AS AT 30TH JUNE 2015

Cost/Valuation	Motor Vehicles Kshs'000	Furniture and fittings Kshs'000	Equipment Kshs'000	Computers Kshs'000	Totals Kshs'000
As at 1 st July 2014	11,350	55,620	4,555	15,994	87,519
Disposal during the year				(268)	(268)
As at 30th June 2015	11,350	55,620	4,555	15,726	87,251
Depreciation and impairment					
As at 1 st July 2014	5,676	41,476	2,589	14,140	63,881
Depreciation on disposal				(154)	(154)
Charge for the Year	2,838	6,952	569	1,013	11,372
As at 30th June 2015	8,514	48,428	3,158	14,999	75,099
Net Book Value as at 30th June 2015	2,836	7,192	1,397	727	12,152
Cost/ Valuation					
As at 1 st July 2013	11,350	55,620	4,555	13,641	85,166
Additions during the year				2,353	2,353
As at 30th June 2014	11,350	55,620	4,555	15,994	87,519
Depreciation and impairment					
As at 1 st July 2013	2,838	34,524	2,020	12,257	51,639
Charge for the Year	2,838	6,952	569	1,883	12,242
As at 30th June 2014	5,676	41,476	2,589	14,140	63,881
Net Book Value as at 30th June 2014	5,675	14,144	1,966	1,854	23,639

As at 30th June 2015, Property, Plant and Equipment worth Kshs.13,541,257 had been fully depreciated. Although the items are still useful to the organization they were not revalued had these assets been depreciated, the nominal depreciation would have been Kshs.4,513,752.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

17. INTANGIBLE ASSETS

2014/2015	
COST/ VALUATION	Kshs'000
As at 1 st July 2014	9,741
Additions during the year	407
As at 30th June 2015	10,148
AMORTIZATION	
As at 1 st July 2014	9,485
Charge for the Year	463
As at 30th June 2015	9,948
NET BOOK VALUE AS AT 30TH JUNE 2015	200
2013/2014	
COST/ VALUATION	Kshs'000
As at 1 st July 2013	9,741
Additions during the year	-
As at 30th June 2014	9,741
AMORTIZATION	
As at 1 st July 2013	9,177
Charge for the Year	308
As at 30th June 2014	9,485
NET BOOK VALUE AS AT 30TH JUNE 2014	256

Intangible assets relate to acquisition of Microsoft Navision Integrated Financial Management Information System, Microsoft Office 2007, Windows XP, Corel Draw Graphics suite and Acrobat readers licenses.

As at 30th June 2015, intangible assets worth Kshs.9,847,710 had been fully amortized for a period of three years. Although the items are still useful to the organization they were not revalued, had these assets been depreciated, the nominal depreciation would have been Kshs.2,990,791.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

18. TRADE AND OTHER PAYABLES

	2014/15	2013/14
	kshs'000	kshs'000
Trade creditors	992	6,878
Total	992	6,878

19. CURRENT PROVISIONS

	2014/15	2013/14
	Kshs '000	Kshs' 000
Balance at the beginning of the year	39,370	32,094
Additional provisions raised	25,759	26,260
Provisions Utilized	(27,220)	(18,984)
Closing Balance	37,909	39,370

Provisions relates to:

- Accumulated staff gratuity which is payable on expiry of the contract.
- Provisions for ongoing/uncompleted contracted services which related to 2014/15 financial year.

20. REVENUE RESERVE

	2014/15	2013/14
	Kshs'000	Kshs'000
Opening Balance	538,791	493,202
Surplus for the year	68,371	45,589
Closing Balance	607,162	538,791

21. CAPITAL GRANTS

	2014/15	2013/14
	Kshs'000	Kshs'000
Capital Grants		3,276
Total		3,276

Capital grants relate to fixed assets donated to Privatization Commission during the year 2008/2009. The capital grants were not restrictive nor were they conditional. In 2014/15 the capital grants have been recognized as deferred income to write down the capital fund.

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

22. REVALUATION RESERVE

	2014/15	2013/14
	Kshs'000	Kshs'000
Revaluation Reserve	9,898	9,898
Total	9,898	9,898

Revaluation reserve relate to revaluation of motor vehicles which was carried out in 2012/13. The purpose of the reserve was to bring into the books the fair market value of the motor vehicles since they had been fully depreciated. There was an upward revaluation

23. CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2015/16. They had been approved and/or contracted.

	2014/15	2013/14
	Kshs'000	Kshs'000
Approved and contracted		
Transaction Advisory Services	547,707	385,395
Approved and not contracted		
Acquisition of fixed assets	11,300	7,700
Total	559,007	393,095

24. CONTINGENT LIABILITIES

The Commission has a pending court case in which it has been sued by a former member of staff for wrongful termination of services. The case has been going on for the last two years. The estimated contingent amount is kshs.2Million.

25. OPERATING LEASE COMMITMENTS (BUILDING)

	2014/15	2013/14
	Kshs'000	Kshs'000
Due within one year	6,383	6,078
Due within two-five years	28,887	27,511
Later than five years		7,759
Total	35,270	41,348

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Following expiry of the previous lease agreement in 2013/2014, the leased premises have been contracted for a further period of six years effective 2014/2015.

26. RELATED PARTY DISCLOSURE

The total remuneration of key personnel members (Management team) of the Privatization Commission is shown below. Expenses' relating to the Board of Directors is shown separately under note 6.

	2014/15	2013/14
Total remuneration	Kshs. 67M	Kshs. 52M
Number of persons	13	13

27. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs'000)

28. ULTIMATE AND HOLDING ENTITIES

Privatization Commission's immediate parent is the National Treasury. Its Ultimate parent is the Government of Kenya

XVII. EVENTS AFTER THE REPORTING DATE

There are no material adjusting events after the reporting date.

XVIII. PROGRESS ON FOLLOW UP OF 2013/14 FINANCIAL YEAR AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue/observation from Auditor	Management Comments	Focal point Person to resolve the issue	Status	Time frame
None					

PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

XIX. STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

Under section 16(2) of the Privatization Act, 2005, the Commission shall cause an annual report to be prepared for each financial year, a statement of the assets and liabilities of the State Corporation being privatized in the year and also disclose any proceeds from the privatization. In this respect the following are the assets and liabilities of KWA limited.

KWA HOLDINGS E.A. LIMITED					
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
	2014/15	2013/14	2012/13	2011/12	2010/11
	Sh' 000	Sh' 000	Sh' 000	Sh' 000	Sh' 000
ASSETS					
Non - current assets					
Property, plant and equipment	1,004,236	899,755	770,155	774,542	703,498
Prepaid operating lease rentals	3,653	3,930	4,207	4,484	4,760
Intangible assets	718	1,436	3,246	4,179	1,081
Biological assets		25,807	24,140	19,990	16,338
Available for sale investment		-	226,170	180,708	128,250
Defined benefit asset	80,083	81,676	62,847	-	-
	1,088,690	1,012,604	1,090,765	983,903	853,927
Current assets					
Inventories	788,127	822,505	518,172	851,961	617,855
Trade and other receivables	181,832	339,190	331,559	260,270	301,188
Tax recoverable	68,333	1,659	15,223	-	13,884
Short term deposits	178,455	210,602	35,288	32,403	48,036
Cash and bank balances	251,930	125,583	229,448	153,859	163,211
	1,468,677	1,499,539	1,129,690	1,298,493	1,144,174
Total assets	2,557,366	2,512,143	2,220,455	2,282,396	1,998,101
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	480,000	480,000	480,000	480,000	480,000
Revaluation reserves	239,848	239,848	244,474	295,245	305,709
Fair value reserve	-	-	225,016	179,555	128,250

**PRIVATIZATION COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015**

Retained earnings	1,248,392	1,082,137	796,216	717,147	574,791
Translation reserve	-	(7,948)	428	969	1,911
Total Equity	1,968,240	1,794,037	1,746,134	1,672,916	1,490,661
Non current liabilities					
Deferred taxation liability	172,104	172,104	141,480	129,066	121,006
Defined benefit liability	8,364	14,011	36,719	15,052	-
Finance lease obligations	1,406	1,406	8,795	8,700	-
	181,874	187,521	186,994	152,818	121,006
Current liabilities					
Trade and other payables	406,260	446,964	280,222	431,528	336,205
Dividend payable	771	50,439	852	760	50,229
Overdraft		20,517	-	-	-
Tax payable		5,235	-	19,021	-
Finance lease obligations	221	7,430	6,253	5,353	-
	407,252	530,585	287,327	456,662	386,434
Total equity and liabilities	2,557,366	2,512,143	2,220,455	2,282,396	1,998,101