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Leader of Majority
on 23/4/2014
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PRIVATIZATION COMMISSION

Enhancing Kenya's Productive Capacity

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year ended 30th June 2013

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CORPORATE INFORMATION

Commission Office

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Haile Selassie Avenue
P O Box 34542 - 00100
NAIROBI

Tel: +254 20 221 23 46/7/8
Fax: +254 20 221 22 37
Email: info@pc.go.ke
Website: www.pc.go.ke

Bankers

Kenya Commercial Bank
University Way Branch
NAIROBI

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

Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers
NAIROBI

OUR VISION

An agent of change, implementing a Privatization Programme that contributes significantly in transforming Kenya into a vibrant economy.

OUR MISSION

To create attractive privatization transactions and effectively manage a Privatization Programme that meets desired national objectives.

OUR CORE VALUES

In order to achieve the vision and the mission, we are guided by the following core values:

- i. Integrity** - we employ the highest ethical standards, demonstrating honesty and fairness in every action that we take;
- ii. Transparency** - we are open in our decisions and actions;
- iii. Accountability** - we take full responsibility for our actions that relate to our customers and fellow workers. We take responsibility for our performance in all our decisions and actions;
- iv. Professionalism** – We uphold professional ethics in discharging our mandate; and
- v. Fairness** - We act justly, respect people, respect privacy, minimize harm and keep our promises.



COMMISSION REPORT

The Commission hereby submits the report and audited financial statements for the period ended 30th June 2013 which shows the state of affairs at the Commission.

PRINCIPAL ACTIVITY

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

RESULTS

The income for the year was Kshs 289,916,759 and the expenditure was Kshs 187,035,543 thus giving an operating surplus of Kshs 102,881,216.

RESERVES

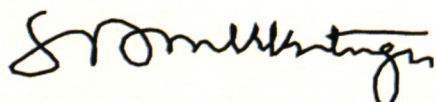
The fund balance at the end of the year amounted to Kshs 506,376,267

MEMBERS

The Commission members who remained in office during the year are shown on Page 7.

AUDITORS

The Auditor General is responsible for the statutory audit of Commission's books of accounts in accordance with the Public Audit Act, 2003.



EXECUTIVE DIRECTOR / CEO

COMMISSION MEMBERS

Prof. Peter K. Kimuyu, MBS,	-	Chairman
Dr. Kamau Thugge, EBS	-	Principal Secretary, National Treasury (From 27th June 2013)
Hon. Prof. Githu Muigai, FCIArb, EGH, SC	-	Attorney General
Mr. Joseph Kinyua, CBS	-	Permanent Secretary, National Treasury (up to 27th June 2013)
Mrs. Esther Koimett, CBS	-	Member (Alternate to the Principal Secretary, National Treasury)
Ms. Roselyn Amadi	-	Member (Alternate to the Attorney General)
Mr. John Kiplangat Kenduiwo	-	Member (from 19th September 2012)
Mr. Ngure Crispus Mwaniki	-	Member (from 19th September 2012)
Mr. Benard Aruasi Nandieki	-	Member (from 19th September 2012)
Ms. Patricia A. O. Adala	-	Member (from 19th September 2012)
Mr. Mugambi Nandi	-	Member (from 19th September 2012)
Ms. Agnes Kaleche Murgor	-	Member (19th September 2012 – 15th Feb 2013)
Ms. Mariamu El-Maawy	-	Member (19th September 2012 – 27th June 2013)
Mr. Solomon Kitungu	-	Executive Director/CEO

COMMISSION COMMITTEES

The Commission has the following Committees:

- (i) Finance and Strategy Committee
- (ii) Audit Committee
- (iii) Human Resources & Risk Management Committee
- (iv) Privatization Steering Committees:
 - a) Development Bank of Kenya Limited
 - b) National Bank of Kenya Limited
 - c) Public Sector Owned Sugar Companies
 - d) Tourism Finance Corporation (Formerly KTDC) Hotels
 - e) Kenya Wine Agencies Limited
 - f) Approved Kenya Ports Authority Projects
 - g) Agro-Chemical and Food Company Limited
 - h) Consolidated Bank of Kenya
 - i) Kenya Pipeline Company Limited
 - j) Isolated Power Stations
 - k) Kenya Meat Commission
 - l) New Kenya Co-operative Creameries Limited
 - m) Numerical Machining Complex
 - n) Kenya Electricity Generating Company Limited
 - o) East African Portland Cement Company Limited

Privatization Commission

MANAGEMENT TEAM

Mr. Solomon Kitungu	-	Executive Director/CEO
Mr. Wycliffe Temesi	-	Finance and Administration Manager (Chief Manager, Finance and Administration from July 2013)
Ms. Jacqueline Muindi	-	Legal Affairs Manager (From Mar 2013)
Ms. Bahati Morara	-	Transaction Manager (up to Sept 2013)
Mr. David Ngarama	-	Transaction Manager (up to July 2013)
Mr. Gideon Muinde	-	HR and Administration Officer (HR & Administration Manager from July 2013)
Ms. Virginiah Kariuki	-	Accountant (Finance Manager from July 2013)
Mr. Joseph Njagi	-	Procurement Officer (Procurement Manager from July 2013)
Ms. Bessie Atieno	-	Corporate Affairs Officer
Mr. Julius Gichohi	-	ICT Officer



CHAIRMAN'S STATEMENT

In compliance with Section 15 and 16 of the Privatization Act, it gives me great pleasure to present the Privatization Commission annual report for the period ended 30th June 2013. During the year under review, no privatizations were completed and therefore the annual financial statements for the year do not include a statement of the assets and liabilities and the proceeds from privatization of any state corporation.

The vacant positions of Commission members were filled after seven successful applicants received Parliamentary approval to be appointed as members of the Privatization Commission. Their names were subsequently gazetted by the Minister for Finance vide Gazette Notice No.15934 of 24th October, 2012.

However, two positions of Commission Members have since fallen vacant and are yet to be filled after the members resigned upon appointment to serve in other public offices as follows:

- (i) Mrs. Agnes Murgor - Appointed Judge of the Court of Appeal
- (ii) Ms. Mariam El-Maawy – Appointed Principal Secretary, Ministry of Lands, Housing and Urban Development

On 9th January 2013, the privatization of the five public sector owned sugar companies approved for privatization by the Cabinet in

October 2011 was postponed by Parliament until the county governments and the laws governing the sugar sector are in place. Following the enactment of the Agriculture, Livestock, Fisheries and Food Authority Act and the establishment of the County Governments, in April 2013, the Commission made a request to the National Treasury to make presentation to the Finance, Planning and Trade Committee to allow for progress on the transactions. Presentations have now been made and final position is awaited.

On 9th January 2013, parliament also provided approval for the sale of 26% of the Kenya Wine Agencies shares from the shares held by the Industrial and Commercial Development Corporation (ICDC) to Distell of South Africa. Further, Parliament also provided approval for sale of shares held by KTDC in the International Hotels Ltd, Kenya Hotel Properties and Mountain Lodge through pre-emptive rights. By the end of the year, respective consultants had been re-engaged and repeating of due diligence work had been progressed significantly to facilitate valuation and offer to respective entities.

Work is ongoing at several stages for the other entities in the privatization programme, the major task being the updating of due diligence and options analysis reports prepared either before or during the period when the Commission did not have a full Board in place. This will enable the Commission to finalize up to date detailed proposals for consideration by the Cabinet.

I would like to thank the Commission members and staff for their dedication to work in the last nine months when they have had to combine the induction programme with actual transaction work. With the Commission now in place, we look forward to a more successful year in which we will implement the programme fully to achieve the desired national benefits expected to accrue from privatization.

**PROF. PETER K. KIMUYU, MBS
CHAIRMAN**



EXECUTIVE DIRECTOR'S STATEMENT

In September 2012, the Government appointed new Commission Members enabling the Commission to proceed with the work that had stalled in the absence of the Commission Board.

As a result of this, the Commission finalized and submitted detailed proposals for three investments to the National Treasury. These three investments in the approved privatization Programme include:

- Agro-Chemical and Food Company Limited;
- East African Portland Cement Company Limited; and
- Kenya Meat Commission.

Further, following induction of Commission Members on the Commission's operations and work that had been carried out earlier, the Commission was able to commence updating of due diligence and options analysis work which was considered necessary prior to submission of detailed proposals to the Treasury. In this respect, before the end of the year, consultants had been re-engaged to update due diligence work for KenGen, Kenya Pipeline Company Ltd, Consolidated Bank of Kenya, Public Sector Owned Sugar companies and New KCC.

Towards the end of the year, the Commission was also able to retain its ISO 9001:2008 certification for the next three years after a successful recertification audit by the Kenya

Bureau of Standards. In addition, following a competitive process, Commission was able to complete the process of contracting out internal audit services in preparation for commencement of audit work early in the new year. The Commission was also able to meet its 2012/13 Performance Contract targets including:

- Completion and approval of job evaluation work which enabled the Commission to rationalize its manpower requirements and put in place structures and salaries necessary to attract and retain necessary skills;
- Creation of an e-Board system, a portal on the Commission's website through which Board papers are distributed to Commission Members, thereby saving on the cost and time it takes to print and distribute Board papers physically or via courier;
- Implementation of Citizens' Service Delivery Charter;
- Carrying out surveys that include Employees and Customer service satisfaction survey, drug abuse prevalence, disability and gender mainstreaming surveys with respect to which it met all agreed targets; and
- Targets regarding service delivery innovations, resolution of public complaints, cascading of performance contracts, disposal of idle assets, ISO 9001:2008 recertification, prevention of HIV/Aids infections, statutory obligations, automation, environmental sustainability, competency development, Vision 2030 projects, disposal of records, research and development, corruption eradication and gender and disability mainstreaming.

A handwritten signature in black ink, appearing to read 'Solomon Kitungu', written in a cursive style.

SOLOMON KITUNGU
EXECUTIVE DIRECTOR/CEO

PROFILES OF COMMISSION MEMBERS



Prof. Peter K. Kimuyu, MBS – Chairman

Prof. Kimuyu, holds a Master of Arts degree in Economics from the University of Nairobi, a Master of Science degree in Energy Economics from the University of Surrey, England and a Doctor of Philosophy degree in Energy Economics. He is a professor of Economics at the University of Nairobi, where he also served as Director of Economics, at the School of Economics. Prof. Kimuyu, a member of the New York Academy of Sciences has held several Board positions, including Export Promotion Council, where he was the Chairman, the Kenya Commercial Bank and Inoorero University, the latter two of which he still serves on.



Dr. Kamau Thugge, EBS

Dr. Kamau Thugge, is the Principal Secretary at the National Treasury and holds a PhD in Economics from the John Hopkins University. He has worked in senior positions at the International Monetary Fund (IMF) and the National Treasury where he has served as Director for Fiscal and Monetary Affairs and Economic Secretary. He is a director of several State Corporations.



Hon. Prof. Githu Muigai

Professor Githu Muigai, was appointed Attorney-General of the Republic of Kenya on 29th August, 2011, and is the principal legal adviser to the Government. He holds LLB and Ph.D. degrees from the University of Nairobi and an LLM Degree from Columbia University School of Law, New York. 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.

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 Lawyers Association.



Mr. Joseph Kinyua, CBS

Mr. Kinyua, then Permanent Secretary, Ministry of Finance holds a Bachelor of Arts (Economics) degree and Masters of Arts (Economics) degree, both from the University of Nairobi. He has worked in senior positions in the Central Bank of Kenya, the International Monetary Fund, Ministry of Planning and National Development, Ministry of Agriculture and Ministry of Finance. He was a Director of several Boards of State Corporations as well as a Board member of the East African Development Bank and the African Economic Research Consortium (AERC), amongst other international organizations.



Mrs. Esther Koimett, CBS

Mrs. Koimett, is a holder of a Bachelor of Commerce degree and a Master of Business Administration degree, both from the University of Nairobi. She 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 on the Boards of various State Corporations.



Ms. Roselyn Amadi

Ms. Amadi, is a lawyer by profession and holds a Bachelor of Laws degree from the University of Nairobi. She is an Advocate of the High Court of Kenya and a holder of a Diploma in Law from the Kenya School of Law. She also holds a Diploma in Corporate Governance from KCA University. Ms. Amadi, a Senior Deputy Chief State Counsel at the State Law Office is currently the Deputy Head of the Treaties and Agreements Department at the Attorney General's Office. She is also the Secretary of the State Corporations Appeals Tribunal.



Mrs. Patricia A. O. Adala

Mrs. Adala, holds a Bachelor of Arts (Economics), Bachelor of Philosophy (Economics) and Master of Arts (Economics) degrees from the University of Nairobi. She 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, 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.



Mr. John K. Kenduiwo

Mr. Kenduiwo, is a holder of Bachelor of Science (Mechanical Engineering) and Master of Business Administration degrees from the University of Nairobi. He is currently the Deputy Managing Director, University of Nairobi Enterprises Services Limited. He was previously the Dean of the School of Business, University of Nairobi and a senior lecturer at the School of Business. Mr. Kenduiwo is a member of the Board of Transnational Bank Limited and a council member of the Kenya Red Cross Society.



Mr. Ngure Crispus Mwaniki

Mr. Mwaniki, is an Economist, and a graduate of Harvard University (M.P.A.), the University of Colorado (Dip. in Econ) and the University of Nairobi (B.A. Hons). He 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 years.



Mr. Mugambi Nandi

Mr. Mugambi, holds a Bachelor of Laws and a Master of Business Administration degree, from the University of Nairobi, and a Diploma in Financial Management from the ACCA, London. He is an advocate of the High Court of Kenya, with over fifteen years' experience as in-house counsel and Company Secretary. He was named Company Secretary of the Year 2011 by the Institute of Certified Public Secretaries of Kenya. 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 is the Founder of and Managing Partner at KN Associates, LLP, Advocates, where he specializes in Corporate, Commercial and Intellectual Property Law.



Mr. Bernard A. Nandieki

Mr. Nandieki, is the Regional Sales Manager - Coast, Eastern and Mountain at GlaxoSmithKline Consumer Division. He holds a Masters Degree in Strategic Management from the Catholic University of Eastern Africa, and a Bachelor of Commerce degree (Marketing) from Daystar University. He also has a PGD from the Chartered Institute of Marketing – UK.



Mariamou El-Maawy

Ms. Mariamu, is a registered architect. She holds a Masters Degree in Architecture from the University of Kwa Zulu Natal, and a Bachelor of Architecture from the University of Nairobi. Previously she was the Chair of the Public Procurement Oversight Authority Advisory Board, a member of the Kenya Anti-Corruption Commission Advisory Board and a Council Member of the Mombasa Polytechnic University College. She resigned in July 2013 following her appointment as Principal Secretary, Ministry of Lands, Housing and Urban Development.



Mrs. Agnes K. Murgor

Mrs. Murgor, is an Advocate of the High Court of Kenya and a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. She has an LLB Degree from University of Buckingham, a Diploma in Law from the Kenya School of Law and a Master of Laws degree in International Business Law from the University of London International. She previously served as the Group Legal Counsel/Company Secretary of the East African Breweries Ltd.

She is currently a Senior Partner at Murgor and Murgor Advocates and continued to serve on a contractual basis as Group Company Secretary of East African Breweries Limited until January 2013 when she also resigned from the Commission to take up her duties as a Judge of the Court of Appeal following her appointment to that position, which was gazetted on 23rd November 2012.



Mr. Solomon Kitungu

Mr. Kitungu, is the Commission Executive Director/Chief Executive Officer. 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 also has extensive training and experience in public sector, Parastatal and infrastructure reforms and privatization. Prior to joining the Commission as its Executive Director/CEO in 2009, Mr. Kitungu worked in various capacities at the National Treasury rising to the position of Investment Director (Reforms) in the Department of Government Investments and Public Enterprises in 2003. While working at the Treasury, Mr. Kitungu represented the National Treasury in a number of Boards of Directors of State Corporations.

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 Commission 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 second, third and fourth Quarters following replacement of Members whose term had expired.

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 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:

- (a) 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;
- (b) Providing stewardship of the organization and in discharge of its obligations, assuming the following responsibilities:
 - (i) Retaining full and effective control over the organization, and monitoring Management's implementation of the organization's plans and strategies;
 - (ii) Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and corporate policies and procedures;
 - (iii) 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;

- (iv) Determining the provisions to be made for capital and recurrent expenditure and reserves;
- (v) Receiving any grants, gifts, donations or endowments and making legitimate disbursements there from;
- (vi) Acting responsibly towards the organization's stakeholders overseeing the reporting to stakeholders on the direction, governance and performance of the organization; and
- (vii) Being committed to the principles of good corporate governance.

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, Commission 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 Commission 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.

Commission Board Committees

The Commission has established committees to assist it in discharging its responsibilities and obligations. Each committee has specific terms of reference outlining the scope of its responsibility and relevant administrative and procedural arrangements.

The Commission has constituted the following committees; Finance and Strategy Committee, Human Resources and Risk Management Committee, Audit Committee and Privatization Steering Committees for specific privatization transactions.

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

A) 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:

- (i) Design and Implementation of the Privatization Programme
- (ii) Designing and reviewing of the Commission's Corporate Strategy;
- (iii) Reviewing the Privatization Commission's financial policies and making appropriate recommendations to the Commission on issues that require strategy adjustment;
- (iv) Reviewing and recommending policies that maintain and improve the financial health, integrity and procedures to the Commission for approval;
- (v) Reviewing and recommending a medium-term financial plan for approval by the Commission;
- (vi) 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;
- (vii) Reviewing recommendations for banking and authorized signatories;
- (viii) Reviewing and recommending the performance targets under the Privatization Commission's Performance Contract for approval by the Commission;
- (ix) Reviewing and recommending the Privatization Commission's annual procurement plan for approval by the Commission; and
- (x) Reviewing the Commission's Board Charter to enhance corporate governance, ethics and achievement of the corporate objectives.

b) Human Resources and Risk Management Committee (HRRMC)

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

- (i) Examining policies and procedures on employment, extension, development and staff promotion;
- (ii) 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;
- (iii) 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;
- (iv) Examining and reviewing the terms and conditions of service;
- (v) Examining the adequacy of performance and reward system;
- (vi) Examining and reviewing staff welfare policies; and
- (vii) Proposing innovative ideas to enable the Privatization Commission to achieve its Mission, Vision and Strategic objectives.

The Risk Management functions of the Committee are:

- (i) 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;
- (ii) Reviewing and recommending for approval the Commission's risk appetite and tolerances;
- (iii) Periodically reviewing enterprise-wide risk appetite and risk thresholds for validity and recommending changes as necessary;
- (iv) Assessing the results and effectiveness of the Commission's control self-assessment process;
- (v) 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;
- (vi) Assessing risks impacting key business activities of Commission;
- (vii) 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;
- (viii) Reviewing and recommending for approval, the charter of the MRMBCC; and
- (ix) 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.

c) 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:

- (i) Assisting the Executive Director/CEO in enhancing internal controls in order to improve efficiency, transparency and accountability;
- (ii) Reviewing audit issues raised by both Internal and External auditors;
- (iii) Resolving unsettled and unimplemented Public Accounts Committee (PAC) and Public Investments Committee (PIC) recommendations; and
- (iv) Enhancing communication between Management, Internal and External audit and fostering an effective internal audit function.

d) Privatization Steering Committees (PSCs)

The PSCs comprise of the members stipulated in Section 27 of the Privatization Act, 2005. 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:

- (i) Liaising with the Management and agreeing on the necessary work and timetable to implement the privatization project;

- (ii) Continually examining the transaction to ensure its integrity. This will involve 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, National Treasury for submission to the Cabinet;
 - Approval of bid documents for transaction advisory services;
 - Approval of prospectus for public offers;
 - Negotiations;
 - Approval of allotment of shares for public offers;
- (iii) Providing general guidance to the Management on the implementation of the privatization transaction.

Commission Members Remuneration

Commission members are paid various allowances, including sitting allowance, lunch allowance and mileage expenses when they attend Commission meetings and activities as well as annual directors' fees, as are approved by the National Treasury in line with the Guidelines from the State Corporations Advisory Committee.

Internal Controls

The Commission Board has a collective responsibility for the organization's system of internal control for reviewing its effectiveness.

The Management has the responsibility of establishing and implementing appropriate systems and controls in running the operations of the organization and providing assurance to the Commission that they have done so. The system of internal controls in place has defined operational procedures and financial controls to ensure that assets are safeguarded, transactions appropriately authorized and recorded properly and that material errors and irregularities are either prevented or detected within a reasonable period of time.

The Commission Board continuously reviews the organization's system of internal control and is satisfied that the system is effective.

The foregoing notwithstanding, with a view to testing the effectiveness of the controls at the Commission from time to time, the Commission hosts the Kenya Bureau of Standards to undertake ISO Quality Management System surveillance audits whose results have remained favourable to the Commission.

The Commission Board continues to refine and audit the comprehensive Enterprise Risk Management framework so as to identify new risks, measure these risks and manage the risk positions. Risk Registers are continuously reviewed and updated to include new risks and their attendant risk tolerance limits.

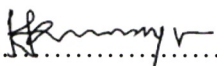
STATEMENT OF COMMISSION MEMBERS' RESPONSIBILITIES

The State Corporations Act (Cap 446, Laws of Kenya) requires the Commission members to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Commission as at the end of the financial year and of its operating results for that year. The Act also requires the Commission members to ensure that the Commission keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Commission. Commission Members also responsible for safeguarding the assets of the Commission.

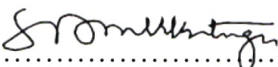
The Commission members accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and the requirements of the State Corporations Act. The Commission members are of the opinion that the financial statements give a true and fair view of the state of affairs of the Commission and of its operating results for the year ended 30th June 2013.

The Commission members further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal control. Nothing has come to the attention of the members to indicate that the Commission will not remain a going concern for the twelve months from the date of these statements.

Signed on behalf of the Commission Members by:

Prof. Peter K. Kimuyu, MBS  Chairman, Privatization Commission

Mr. John Kenduiwo  Chairman, Finance and Strategy Committee

Mr. Solomon Kitungu  Executive Director/CEO

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF THE
PRIVATIZATION COMMISSION FOR THE
YEAR ENDED 30 JUNE 2013**

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Privatization Commission set out on pages 28 to 46, which comprise the statement of financial position as at 30 June, 2013, and the statement of comprehensive income, statement of changes in capital and reserves 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

The management is 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) 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 on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain

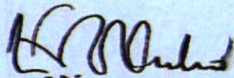
reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 Commission's internal control. 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 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, 2013, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Privatization Act, 2005 of the Laws of Kenya.



Edward R.O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

20 December 2013

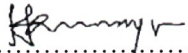
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2013**

		2012/13	2011/12
	Note	Kshs	Kshs
Income			
Government grants	3	245,000,000	200,000,000
Other income	4	44,916,759	48,538,092
Total Income		289,916,759	248,538,092
Expenditure			
Staff cost & benefits	5	79,477,483	84,387,954
Boards expenses	6	20,998,485	2,112,130
Transaction advisory costs	7	39,408,132	11,503,236
Operating expenses	8	32,748,762	28,371,477
Depreciation	9	12,097,918	13,057,658
Amortization	10	374,443	2,990,785
Audit fees	2	478,000	300,000
Total expenses		185,583,223	142,723,240
Surplus for the year		104,333,536	105,814,852
Other comprehensive income			
Revaluation reserve	16	9,897,680	-
Total Comprehensive Income		114,231,216	105,814,852

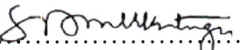
**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013**

		2012/13	2011/12
	Note	Kshs	Kshs
ASSETS			
NON CURRENT ASSETS			
Property Plant and Equipment (NBV)	9	33,526,430	34,792,815
Intangible Assets	10	563,914	170,007
Total Noncurrent assets		34,090,344	34,962,822
CURRENT ASSETS			
Trade and Other Receivables	11	1,460,431	1,462,331
Inventories	12	1,433,251	656,880
Cash and bank balances	13	40,724,274	59,023,253
Short-term call deposit	13	490,000,000	320,000,000
TOTAL CURRENT ASSETS		533,617,956	381,142,464
TOTAL ASSETS		567,708,300	416,105,286
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Revenue Reserve	14	493,202,387	388,868,851
Capital Grants	15	3,276,200	3,276,200
Revaluation reserve	16	9,897,680	
TOTAL CAPITAL AND RSERVES		506,376,267	392,145,051
CURRENT LIABILITIES			
Trade and Other payables	17	61,332,033	23,960,235
TOTAL EQUITY AND LIABILITIES		567,708,300	416,105,286

These Financial Statements were approved by the Commission in its meeting of 13/9/13 and are authorized on behalf of the Commission by:

Prof. Peter K. Kimuyu, MBS  Chairman, Privatization Commission

Mr. John Kenduiwo  Chairman, Finance and Strategy Committee

Mr. Solomon Kitungu  Executive Director/CEO

**STATEMENT OF CHANGES IN CAPITAL AND REVENUE RESERVE
FOR THE YEAR ENDED 30TH JUNE, 2013**

	Revenue Reserve	Capital Grants	Revaluation Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Reserves as at 1st July, 2011	283,053,999	3,276,200		286,330,199
Surplus for the year	105,814,852			105,814,852
30th June 2012	388,868,851	3,276,200		392,145,051
Reserves as at 1st July 2012	388,868,851	3,276,200		392,145,051
Comprehensive income for the year	104,333,536		9,897,680	114,231,216
30th June 2013	493,202,387	3,276,200	9,897,680	506,376,267

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2013**

	Note	2012/13	2011/12
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Operating surplus for the period		104,333,536	105,814,852
Adjustments for ;			
Depreciation		12,097,918	13,057,658
Amortization		374,443	2,990,785
Gain on disposal			(106,563)
Minor assets written off		1,431,484	
Cash inflows before working capital Changes		118,237,381	121,756,732
Working capital Changes			
(Increase) Decrease in Trade and other Receivables		1,899	(175,326)
(Increase) Decrease in Inventories		(776,371)	(30,845)
Increase (Decrease) in Trade and other payables		37,371,798	(27,231,730)
		36,597,326	(27,437,901)
Net cash generated from operations		154,834,707	94,318,830
INVESTING ACTIVITIES			
Disposal of motor vehicle			200,000
Purchase of furniture			(273,400)
Purchase of computers		(854,500)	(2,499,371)
Purchase of Office equipment		(1,510,836)	(15,120)
Purchase of software		(768,350)	(155,000)
Net cash from investing activities		(3,133,686)	(2,742,891)
Net increase (decrease) in Cash and Cash equivalents		151,701,021	91,575,939
Cash and Cash equivalents at the beginning of the year		379,023,253	287,447,314
Cash and Cash equivalents at the end of the year	13	530,724,274	379,023,253

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

1 GENERAL INFORMATION

Privatization Commission is incorporated and domiciled in Kenya under the Privatization Act, 2005. The core business of the Commission is to formulate, manage and implement Government of Kenya's Privatization Programme.

2.0 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies in the preparation of the financial statements are set out below. These policies shall be consistently applied, unless otherwise stated.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings and rounded to nearest shilling and prepared under the historical cost based accounting as modified by the revaluation of certain categories of assets e.g. Fixed assets

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires use of estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Estimates and judgments evaluated and based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

2.2.1 Income Recognition

The Commission operations are financed by Government Grants, A.I.A and donations. The grants are accounted for on cash basis whereas the donations are accrued as appropriate.

2.2.1.1 Government Grants

Government grants are recognized where there is reasonable assurance that the grants shall be received and all attaching conditions shall be complied with.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

2.2.1.2 Revenue Grant

Grants received to compensate expense or for the purpose of giving immediate support to the Commission with no future related costs are recorded as income in the income statement within the year of receipt.

Where a grant is related to an asset, the asset amount is presented in the balance sheet by deducting the related grant in arriving at carrying amount of the asset.

2.2.2 Tangible and intangible Assets

2.2.2.1 Capitalization

Assets whose value or cost does not exceed Kshs. 50,000 are not treated as a fixed asset but are charged to the income of the year.

2.2.2.2 Depreciation

Annually, the Commission makes estimates in determining the depreciation for property, plant and equipment using internal technical expertise. The rates used are set out in the accounting policy for the property and equipment. These estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be under the prevailing circumstances.

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 and fittings	12.5%
Office Equipment	12.5%
ICT equipment	30%

2.2.2.3 Amortization

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.

2.2.3 Provision

2.2.3.1 General Provisions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

2.2.3.2 Employee's Benefits Entitlements

Entitlements to gratuity are recognized when they accrue to employees. Provision is made for the estimated liability in respect of gratuity accrued on the balance sheet date.

2.2.3.3 Audit fees

Audit fees for the year are accrued for since it is a statutory requirement to have an audit performed.

2.2.4 Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents shall comprise of cash and bank balances, treasury bills and short-term call deposits with a maturity period of within three months of maturity when acquired.

2.2.5 Taxation

The Commission is exempted from Corporation taxation and therefore no provision for tax liability shall be made in the financial statements.

3. GOVERNMENT GRANTS

	2012/2013	2011/12
	Kshs	Kshs
Government Grants-recurrent expenditure	195,000,000	150,000,000
Government Grants-transaction Advisory costs	50,000,000	50,000,000
Total	245,000,000	200,000,000

4. OTHER INCOME

	2012/13	2011/12
	Kshs	Kshs
Interest income	44,156,473	46,858,760
Sale of tender documents	651,000	105,500
Gain on sale of Motor vehicle		106,562
Other income	109,286	1,467,270
Total	44,916,759	48,538,092

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

5. STAFF EXPENSES

	2012/13	2011/12
	Kshs	Kshs
Basic salaries	43,526,199	45,726,544
House allowance	7,520,000	7,893,333
Remunerative allowance	1,032,903	960,000
Responsibility Allowance	317,850	348,000
Acting allowance	72,000	72,000
Leave allowance	676,696	808,042
Gratuity	12,060,938	10,614,063
Commuter Allowance	2,340,000	2,452,000
Employer contribution to NSSF	60,800	59,000
Medical Scheme	3,799,334	3,523,425
Domestic travel & accommodation	83,650	53,800
Foreign travel & accommodation		7,225
Training expenses including capacity building	6,718,054	10,441,334
Welfare expenses	1,106,472	1,292,500
Purchase of uniforms & clothing	162,587	136,688
Total	79,477,483	84,387,954

- Included in the staff expenses is Executive Director/CEO salary, allowances and gratuity amounting to Kshs.11,835,740
- Basic salaries includes a provision for 13th Month salary for 2012/13
- Gratuity expenses include a provision of 31% gratuity payable to all staff for the period ending 30th June 2013 which amounted to Kshs. 10 Million.

The number of employees at the end of the year were

(i) By category

	2012/13	2011/12
Executive	1	1
Senior Management	7	3
Middle Management	2	5
Operations	13	13
Total	23	22

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

(ii) By Gender

	2012/13	2011/12
Male	57%	59%
Female	43%	41%
Total	100%	100%

6. BOARD EXPENSES

	2012/13	2011/12
	Kshs	Kshs
Sitting allowance	8,630,000	
Lunch Allowance	169,735	
Accommodation	1,333,284	
Honoraria	960,000	960,000
Directors fees	7,753,565	1,000,005
Other Boards expenses	2,151,901	152,125
Total	20,998,485	2,112,130

- Included in the Boards expenses is a provision of Directors fees amounting to Kshs 8.8 Million relating to the period the Commission Members were in office.
- Out of Ksh. 21 million an amount of Ksh. 12 million relates to regular meeting of the Commission Members for the period ended 30th June 2013.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

7. TRANSACTION ADVISORY SERVICES

	2012/13	2011/12
	Kshs	Kshs
Transaction Advisory services	39,408,132	11,503,236
Total	39,408,132	11,503,236

The Transaction Advisory cost refers to the cost of hiring Transaction Advisory Services. The total funds received for the year amounted to Kshs. 50 Million while the funds brought forward amounting to Kshs. 351 Million 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. In addition there was no Commission Board in place during the first quarter to approve detailed privatization proposal for submission to National Treasury. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

8. OPERATING EXPENSES

	2012/13	2011/12
	Kshs	Kshs
Telephone expenses	978,262	1,076,132
Internet connections	469,552	455,203
Courier & postal services	25,438	17,746
Publishing & printing services	874,384	915,350
Subscription to newspapers and magazines	377,687	295,219
Advertising, awareness & publicity campaigns	5,172,624	1,403,419
Rent & rates- non residential	4,279,321	4,117,226
Official entertainment	1,090,000	1,198,675
Insurance costs	555,863	840,487
General office supplies	498,635	564,672
Supplies & accessories for computer & printers	121,240	214,654
Sanitary & cleaning materials	12,734	26,983
Refined fuels & lubricants	342,896	356,083
Bank service commission and charges	51,625	60,899
Subscription and donations	167,150	68,667
Contracted guard and cleaning services	631,508	559,448
Legal expenses		284,516
General consultancy	3,728,588	5,355,166
Steering Committee/stakeholders workshop exp	2,602,111	2,251,319
Withholding tax	6,623,471	7,028,814
Minor assets written off	1,554,362	
Maintenance expenses- Motor vehicle	204,865	89,287
Maintenance expenses- Office equipment	997,878	492,989
Maintenance expenses- Office furniture & fittings	13,130	3,450
Maintenance expenses- buildings	45,620	123,567
Maintenance expenses- IT equip & computers	1,329,818	571,506
Total	32,748,762	28,371,477

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

9. PROPERTY, PLANT AND EQUIPMENT

9A: Property, plant and equipment as at 30th June 2013

	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs
COST/ VALUATION					
As at 1st July 2012	12,806,909	58,074,896	3,271,840	12,888,753	87,042,398
Additions during the year			1,510,836	854,500	2,365,336
Minor assets written off		(2,455,275)	(227,944)	(102,000)	(2,785,219)
Accumulated depreciation	(11,354,589)				(11,354,589)
Revaluation reserve	9,897,680				9,897,680
As at 30th June 2013	11,350,000	55,619,621	4,554,732	13,641,253	85,165,606
DEPRECIATION					
As at 1st July 2012	11,354,589	28,757,441	1,554,714	10,582,843	52,249,587
Depreciation on minor assets written off		(1,185,995)	(103,741)	(64,004)	(1,353,740)
Depreciation on Revaluation	(11,354,589)				(11,354,589)
Depreciation on disposal					
Charge for the Year	2,837,500	6,952,453	569,341	1,738,624	12,097,918
As at 30th June 2013	2,837,500	34,523,899	2,020,314	12,257,463	51,639,176
NET BOOK VALUE					
As at 30th June 2013	8,512,500	21,095,722	2,534,418	1,383,790	33,526,430
As at 30th June 2012	1,452,320	29,317,455	1,717,126	2,305,910	34,792,815

- Computers include Computers, printers and other IT equipment worth kshs 6,326,000 that had been fully depreciated as at 1st July 2011. Although the items are still useful to the organization they were not revalued due to volatile changes in information technology.
- At the beginning of the year two motor vehicles had been fully depreciated hence the whole class of motor vehicle was revalued by the Association of Automobiles
- The Commission approved change of depreciation policy and increased the capitalization amount from kshs.3,000 to Kshs 50,000. As per the IAS 18 the change has been recognized by adjusting the carrying amount of the related minor assets written off and charged to statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

9 B: Property, plant and equipment as at 30th June 2012

	Motor Vehicles Kshs.	Furniture & fittings Kshs.	Equipment Kshs.	Computers Kshs.	Totals Kshs
COST/ VALUATION					
At 1 st July 2011	13,554,409	57,801,496	3,256,720	10,389,382	85,002,007
Additions during the year		273,400	15,120	2,499,371	2,787,891
Disposals during the year	(747,500)				(747,500)
As at 30th June 2012	12,806,909	58,074,896	3,271,840	12,888,753	87,042,398
DEPRECIATION					
As at 1 st July 2011	8,806,924	21,498,079	1,145,734	8,395,243	39,845,990
Charge for the Year	3,201,727	7,259,362	408,980	2,187,589	13,057,658
Depreciation on disposal	(654,062)				(654,062)
As at 30th June 2012	11,354,589	28,757,441	1,554,714	10,582,843	52,249,587
NET BOOK VALUE					
As at 30 th June 2012	1,452,320	29,317,455	1,717,126	2,305,910	34,792,815
As at 30 th June 2011	4,747,485	36,303,417	2,110,986	1,994,128	45,156,017

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

INTANGIBLE ASSETS

10A: Intangible assets as at 30th June 2013

COST/ VALUATION	Kshs.
As at 1st July 2012	8,972,374
Additions during the year	768,350
As at 30th June 2013	9,740,724
AMORTIZATION	
As at 1st July 2012	8,802,367
Charge for the Year	374,443
As at 30th June 2013	9,176,810
NET BOOK VALUE	
As at 30th June 2013	563,914
As at 30th June 2012	170,007

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

As at 30th June 2013, Integrated Financial Management System had been fully amortized for three years.

10 A: Intangible assets as at 30th June 2012

COST/ VALUATION	Kshs.
As at 1st July 2011	8,817,374
Additions during the year	155,000
As at 30th June 2011	8,972,374
AMORTIZATION	
As at 1st July 2011	5,811,583
Charge for the Year	2,990,784
As at 30th June 2012	8,802,367
NET BOOK VALUE	
As at 30th June 2012	170,007
As at 30th June 2011	3,005,791

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

11. TRADE AND OTHER RECEIVABLES

	2012/13	2011/12
	Kshs	Kshs
Staff loan/advances	140,300	53,893
Interest receivable	1,320,131	1,408,438
Total	1,460,431	1,462,331

12. 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 on FIFO basis.

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

	2012/13	2011/12
	Kshs.	Kshs.
Stationery	700,650	515,755
Accessories for computers and printers	223,320	137,625
Detergents and cleaning materials	5,781	3,500
Publicity materials	503,500	
Total	1,433,251	656,880

13. CASH AND BANK BALANCES

	2012/13	2011/12
	Kshs.	Kshs.
Cash in Hand	52,499	41,970
Cash at Bank	40,671,775	58,981,283
Short-term call deposit	490,000,000	320,000,000
Total	530,724,274	379,023,253

Short-term call deposits were invested in KCB and Co-operative Bank.

14. REVENUE RESERVE

	2012/13	2011/12
	Kshs.	Kshs.
Opening Balance	388,868,851	283,053,999
Surplus for the year	104,333,536	105,814,852
Closing Balance	493,202,387	388,868,851

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

15. CAPITAL GRANTS

	2012/13	2011/12
	Kshs	Kshs
Capital Grants	3,276,200	3,276,200
Total	3,276,200	3,276,200

Capital grants relate to fixed assets donated to Privatization Commission during the year 2008/2009.

16. REVALUATION RESERVE

	2012/13	2011/12
	Kshs.	Kshs.
Revaluation reserve	11,350,000	
Carrying value	(1,452,320)	
Total	9,897,680	

Revaluation reserve relates to revaluation of motor vehicles.

17. TRADE AND OTHER PAYABLES

	2012/13	2011/12
	Kshs.	Kshs.
Trade creditors	29,238,462	1,448,728
Provisions	32,093,571	22,511,507
Total	61,332,033	23,960,235

18. CONTINGENT LIABILITY

The Commission has a pending court case in which it has been sued by the former Internal Audit Manager, Esther Wangeci Ngeru for wrongful termination of her services. This is in compliance with International Accounting Standards (IAS) 37.

19. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to the format of presentation for the current year.

20. INCORPORATION

The Commission is a body Corporate established under the Privatization Act, 2005.

21. CURRENCY

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

STATEMENT OF ASSETS AND LIABILITIES

During the financial year, no State Corporation was privatized.



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