

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

PARLIAMENT
OF KENYA
LIBRARY

15 MAR 2015
NATIONAL AUDIT OFFICE

REPORT

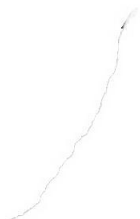
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL COUNCIL FOR LAW REPORTING

FOR THE YEAR ENDED
30 JUNE 2014



10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR LAW REPORTING FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Council for Law Reporting (NCLR) which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of cash flows for the year then ended, and 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.

Board of Director's responsibility for the financial statements

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

The Board is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 13 of the Public Audit Act, 2003 and Section 17 of the National Council for Law Reporting Act, 2012 revised 1994.

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 of the Public Audit, 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Council'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 Council'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 statement.

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 National Council for Law Reporting as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Council for Law Reporting Act, 1994.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 January 2015



NATIONAL COUNCIL FOR LAW REPORTING

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

Table of Content	Page
I. KEY COUNCIL INFORMATION AND MANAGEMENT.....	ii
II. THE NCLR BOARD MEMBERS	vi
III. THE MANAGEMENT TEAM	viii
IV. CHAIRMAN'S STATEMENT	x
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
VI. CORPORATE GOVERNANCE STATEMENT	xii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xiii
VIII. REPORT OF THE COUNCIL BOARD MEMBERS.....	xiv
IX. STATEMENT OF COUNCIL BOARD MEMBER'S RESPONSIBILITIES.....	xv
X. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL COUNCIL FOR LAW REPORTING	xvi
XI. STATEMENT OF FINANCIAL PERFORMANCE	1
XII. STATEMENT OF FINANCIAL POSITION	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVI. NOTES TO THE FINANCIAL STATEMENTS	6
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	21

I. KEY COUNCIL INFORMATION AND MANAGEMENT

Background information

The National Council for Law Reporting (NCLR) is a state corporation in the Judiciary of Kenya.

NCLR was created in 1994 by virtue of the National Council for Law Reporting Act (Act No. 11 of 1994). The Chief Justice of the Republic of Kenya is the Chairman of the Council, a body that is responsible for the general policy and strategic direction of the institution.

(a) Principal Activities

- i) Our mandate is to publish the judicial opinions of the superior courts of Kenya i.e. the Supreme Court, Court of Appeal and the High Court. NCLR is the designated publisher of the Kenya Law Reports, which are the official law reports of the Republic of Kenya.
- ii) To revise, consolidate and publish the Laws of Kenya, a mandate delegated to NCLR by the Attorney General through Legal Notice No. 29 of 2009, in line with sections 7 and 8 of the Revision of Laws Act.
- iii) NCLR is also mandated to publish such other related publications as it deems necessary. On the Council's website - www.kenyalaw.org- you will find Case Law, the Laws of Kenya, the Parliamentary Hansards, the Kenya Gazette, and the Daily Cause List from various courts, Legal Notices and other publications.

(b) Key Management

In the reporting period, the day-to-day management of the Council was under the following key organs:

- | | |
|----|--|
| 1. | Mr. Michael M Murungi - Editor/Chief Executive Officer up to 26th March 2014 |
| 2. | Mr. Long'et Terer - Senior Assistant Editor/ Deputy CEO |

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

N	Designation	Name
1.	Ag. CEO/Editor	- Mr. Long'et Kiprono Terer
2.	Team Leader- Law Reporting	- Mr. Cornelius We - kesa Lupao
3.	Team Leader-Research and Development	- Ms. Linda Awuor Ochieng
4.	Team Leader- HR & Administration	- Ms. Janette Lunyolo Watila
5.	Team Leader- Finance	- Mr. Pascal Othieno Oluoch
6.	Team Leader- Laws of Kenya	- Ms. Wambui Kamau
7.	Team Leader-Marketing & communication	- Ms. Emily Adhiambo Nakhungu
8.	Team Leader- ICT	- Mr Martin L. O. Andago
9.	Team Leader- Strategy, Quality and Assurance	- Ms. Edna Kuria Muthaura

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Audit and finance committee activities

- (i) To monitor the integrity of the financial statements of the company and any formal communication relating to the company's financial performance, reviewing significant financial reporting judgments contained in them.
- (ii) To review the company's internal financial controls and risk management systems;
- (iii) To monitor and review the effectiveness of the company's internal audit function and make recommendations to the board, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- (iv) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- (v) To develop and implement policy on the engagement of the external auditor to supply non-audit.

Parliamentary committee activities

- i) Most parliamentary committees investigate specific matters of policy or government administration or performance. Other parliamentary committees are responsible for matters related to the internal administration of the Parliament.
- ii) Committees are able to do things which it would not be possible to undertake in the large, formal environment of the parliament, such as finding out the facts of a case or issue, gathering evidence from expert groups or individuals, sifting evidence and drawing up reasoned conclusions. This kind of work is more effectively carried out by small groups of Members.
- iii) An advantage of committees is that several of them can operate at one time enabling many more investigations to be conducted. Each committee has its own defined area of operation so that it is able to specialize and build up a body of expertise among its members.

Development partner oversight activities

- i) Monitor and review progress of projects in relation to the agreed performance contracts.
- ii) Provide recommendations regarding strategic directions, new opportunities for investment, and enhanced performance.
- iii) Approve the development projects budget proposal.

(e) Council Headquarters

P.O. Box 10443 – 00100,
ACK Garden Annex,
1st Ngong Avenue,
Nairobi,
KENYA

(f) Council Contacts

Telephone: (254) 020 2712767
E-mail: info@kenyalaw.org
Website: www.kenyalaw.org

(g) Council Bankers

- i. Kenya Commercial Bank,
Capital Hill Branch,
P.O Box 69695 – 00400,
Nairobi.
- ii. Barclays Bank of Kenya,
Hurlingham Branch,
P.O Box 34974 – 00100,
Nairobi.





(h) Independent Auditors

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

(i) Principal Legal Adviser

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112- 00200
Nairobi, Kenya.






II. THE NATIONAL COUNCIL FOR LAW REPORTING COUNCIL MEMBERS





Insert each Director’s passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Council Board Member date of birth, key qualifications and work experience
 <p>1. Hon. Dr. Willy M. Mutunga</p>	<p>Chief Justice, President of the Supreme Court of Kenya, Chairman of the National Council for Law reporting.</p> <ul style="list-style-type: none"> • DOB: 1947 • Doctorate of Law – York University • LL.M- University of Dar Es Salaam • LL.B- UON • Diploma of Law- KSL • Lecturer University of Nairobi • Representative of the Ford Foundation
 <p>2. Prof. Githu Muigai</p>	<p>Attorney General ,State Law Office & Department of Justice</p> <ul style="list-style-type: none"> • DOB: 1960 • PH.D- UON • LL.M- Columbia University • LL.B - UON • Diploma of Law- KSL • Lecturer- UON • Partner, Mohammed Muigai & Co. Advocates
 <p>3. Hon. Lady Justice Roselyne Nambuye</p>	<p>Judge of the Court of Appeal</p> <ul style="list-style-type: none"> • DOB: 1952 • LL.M- UON • LL.B - UON • Diploma of Law- KSL • Chairperson Kenyan Women Judges Association
 <p>4. Hon. Lady Justice Lydia Achode</p>	<p>Judge of the High Court</p> <ul style="list-style-type: none"> • DOB :1962 • LL.B- UON • Diploma of Law- KSL • Registrar of High Court of Kenya • Chief Court Administrator • Member of Judges and Magistrates Association

 <p>5. Mrs. Florence Mwangangi</p>	<p>Advocate, Law society of Kenya</p> <ul style="list-style-type: none"> • DOB : 1963 • LLM- UON • LLB- UON • Diploma of Law- KSL • Member of JSC • Partner- Mwangangi & Co. Advocates
 <p>6. Mr. Evans Monari</p>	<p>Advocate, Law society of Kenya</p> <ul style="list-style-type: none"> • DOB: 1963 • LLB- UON • Diploma of Law- KSL • Partner, Coulson Harney, Advocates
 <p>7. Ms. Christine Agimba</p>	<p>Deputy Solicitor General, State Law Office</p> <ul style="list-style-type: none"> • DOB: • LLM- University of Warwick, England • LLB- UON • Diploma of Law- KSL • Project Manager- FLSTAP (World Bank funded project through Ministry of Finance)
 <p>8. Prof. Annie Patricia G. Kameri-Mbote</p>	<p>Dean, School of Law, University of Nairobi</p> <ul style="list-style-type: none"> • DOB: 1964 • Ph.D. Stanford University • LLM: University of Warwick, Stanford University • LLB: University of Nairobi • Diploma of Law- KSL • Dean, School of Law- UON • Associate Professor - UON
 <p>9. Mr. Long'et Terer</p>	<p>Ag. Chief Executive/Editor, National Council for Law Reporting.</p> <ul style="list-style-type: none"> • DOB: 1978 • LLM: Durham University, United Kingdom • LLB Bangalore University, India • Diploma of Law- KSL • Snr. State Counsel Office of the AG and DOP

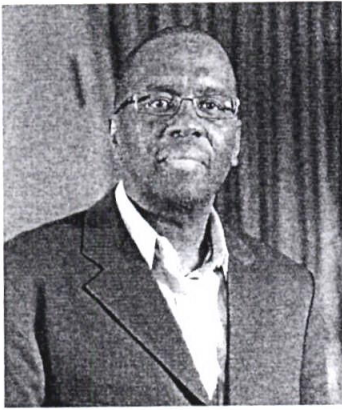
10. Sylvester Mwingi	Ag. Government Printer
----------------------	-------------------------------

III. MANAGEMENT TEAM

<i>Insert each key manager's passport-size photo and name.</i>	<i>Indicate key profession /academic qualifications And the main area of responsibility – without details</i>
 1. Mr. Long'et Kiprono Terer	Ag. CEO/Editor <ul style="list-style-type: none"> • LLM • LLB • Diploma of Law- KSL • Corporate Law, Change Management and Senior Management Certificate
 2. Mr. Cornelius Wekesa Lupao	Team Leader – Law Reporting <ul style="list-style-type: none"> • LLB • Diploma of Law- KSL • Organisational Performance Index (OPI)
 3. Ms. Linda Achieng Awour	Team Leader- Research and Development <ul style="list-style-type: none"> • LLB • Diploma of Law- KSL • Policy and legislative Drafting, Organisational Performance Index (OPI) and Professional Training Program in the art of advanced trial advocacy skills.
 4. Ms. Janette Lunyolo Watila	Team Leader- Human Resources and Administration. <ul style="list-style-type: none"> • MSC in Human Resource Management • Bachelors in Business Administration (Management Option) • Certificate in Strategic Planning • Member of IHRM
 5. Mr. Pascal Othieno Oluoch	Team Leader- Finance <ul style="list-style-type: none"> • EMBA Strategic Management • Bachelors in Business Management (Accounting) • CPA(K) • Organisational Performance Index(OPI), • Performance Management and Appraisal Certificate and Certificate World Bank Procurement procedures.

 <p>6. Ms. Wambui Kamau</p>	<p>Team Leader- Laws of Kenya</p> <ul style="list-style-type: none"> • LLB • Diploma of Law- KSL • Professional qualifications in Organisational Performance Index (OPI)
 <p>7. Ms. Emily A. Nakhungu</p>	<p>Team Leader- Marketing and Communications</p> <ul style="list-style-type: none"> • Bachelor of Arts in Communication and Media • Organizational Performance Index • Certificate on Customer Service Excellence
 <p>8. Mr. Martin L. O Andago</p>	<p>Team Leader- ICT</p> <ul style="list-style-type: none"> • BSC Business Information Systems • Linux system Essential Training • Oracle Workforce Development Programme
 <p>9. Ms. Edna Kuria Muthaura</p>	<p>Team Leader- SQUAPE</p> <ul style="list-style-type: none"> • LLB • Diploma in Law- KSL • Chartered Institute of Arbitrators • ISO Lead Auditor and Commissioner of Oaths

IV. CHAIRMAN'S STATEMENT



This is the third year of implementation of the Judiciary Transformation Programme and we are now beginning to see the results of activities under this programme.

NCLR plays a very instrumental role in the justice and legal sector, as it is the channel through which the jurisprudence developed by the Judiciary, and by extension that of Kenya, is sifted, sorted and disseminated. This is especially critical in view of the Constitutional requirements on the right to information.

The past year has been one of consolidation of all the gains that we have been able to achieve from the year 2001 when this institution was formally established. All the investments in ICT systems and human capital are beginning to come full circle and we are now seeing a mature institution that is not only able to manage and deliver its mandate but that is also a shining beacon of what a small group, properly focused, can achieve with the right ICT tools.

The case law database has in the last year been revamped and reengineered to ensure that it is responsive to the needs of its users by being extensively searchable and the results downloadable in various formats. In addition to this we have also ensured that we minimize the time lag between the close of the year and the printing and publication of the law reports. This is an ongoing activity on which we continue to improve on.

We have expanded the ambit of the database of the Laws of Kenya to include the County Assemblies, which constitute the other level of Government and, I must add, one which in the near future is bound to generate a large amount of legislation that is most relevant to the people of Kenya.

There is no doubt that NCLR has made tremendous strides in ensuring that public legal information is freely and easily accessible. We are also alive to the fact that change is really the only constant in this field which is so reliant on communications and technology. We shall therefore continue to lay emphasis on innovation and customer focus so as to ensure that NCLR is able to meet its mandate of enlightening society through provision of public legal information.

A handwritten signature in black ink, appearing to read 'Willy Mutunga'.

Dr. Willy Mutunga

D. Jur, SC, E.G.H, Chief Justice, President of the Supreme Court of Kenya, Chairman, National Council for Law Reporting

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



The past year has seen NCLR continue on the path of strengthening and developing its systems so as to ensure that the growth it has experienced over the past few years, in personnel and equipment, may be properly harnessed to achieve its vision and mission.

In addition to officially launching our new brand name (Kenya Law), we were also able to move to new premises that are more spacious and ergonomic thus creating a conducive working environment for staff.

In further recognition of the importance of our staff in the activities that we undertake, NCLR facilitated various trainings for staff members to enhance their capabilities and competencies. These included trainings on human resource, law reporting, archiving amongst others.

The new system of governance that commenced with the elections of 2013 also heralded an increase in the number of cases from the Judiciary. NCLR was able to comprehensively track and report on these using our improved system of archival and retrieval of cases. We also entered into collaboration with Transparency International (K) to enhance the development of jurisprudence around the area of ethics, anti-corruption and good governance.

In terms of financial allocation, and in comparison with the previous year, NCLR received an enhanced budget from the exchequer, which therefore enabled it to discharge its core mandate. There was also supplemental financial support from the World Bank under the Judiciary Performance Improvement Project.

Though there is still need for increased funding to ensure that the organization can remain as dynamic as expected by Kenyans we have been able to prioritize our activities so as to ensure that the most critical activities are fully discharged.

This report therefore sets out how NCLR has been able to manage its budgetary allocation to meet the expectations of the people of Kenya. Overall, NCLR continues to capitalize on ICT to enhance the provision of public legal information, an aspect that is particularly important during this time of Constitutional implementation.

Mr. Long'et Terer
Ag. Editor / Chief Executive Officer.

VI. CORPORATE GOVERNANCE STATEMENT

The National Council for Law Reporting aims to ensure that the maximum possible value is created for its stakeholders over time. Good corporate governance shall ensure an appropriate distribution of roles between the owners, the Board of Directors and the executive management team, and also contribute to reducing risk and ensuring sustainable value creation.

This section of our report sets out how we manage NCLR to ensure as far as possible that the values you would expect us to operate by are in place and adhered to, that commercial and operational risks are identified and controlled, that we have strategies and plans in place to optimise value over an appropriate time period and that a proper system of checks and balances is in place without inhibiting the efficient running of the Organisation.

Our approach to governance remains unchanged. It begins with the recognition that governance is not simply a set of rules but the framework supporting core values which define what is and what is not acceptable. It is an expression of the way we want to conduct ourselves which informs actions and decisions whether or not there is a specific rule for the situation, and which supports the culture and behaviours that we wish to foster.

Good corporate governance shall ensure that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles shall also contribute to ensuring that the activities of the Council are appropriately controlled. An appropriate distribution of roles and adequate controls shall contribute to the largest possible value creation over time, for the benefit of the owners and other stakeholders.

The governance framework, the corporate culture and human relationships that underpin all governance frameworks, are operating as expected. We are in the process of putting in place various corporate governance committees and drawing up the corporate governance charter. In a years' time, we will have a functional corporate governance structure working within the framework that was recently developed.

It is the responsibility of the Council Members to ensure that the NCLR implements sound corporate governance. The Council Members evaluate the Corporate Governance statement and other policies and procedures that benefit the organization and its stakeholders.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

“Being aware of our obligation in the advancement of society, we care for the wellbeing of one another and of the environment we operate in. We have therefore aligned our processes, services and products with the attainment of positive social outcomes.”

Corporate responsibility is an integral part of how our business operates. It reflects the inescapable reality that if the values of a business fail to resonate with the values of society, it is endangering long-term prosperity. NCLR is committed to identifying and living with the values which are important to our colleagues, customers and community at large.

Some of the CSR projects for the financial year 2013/2014 Included:

- a) Inua Dada Campaign
NCLR members of staff participated in the Inua Dada Campaign project through fundraising and purchasing of sanitary towels and inner wear for Vulnerable and under privileged school girls in poor counties. Parts of the items purchased were presented to the Red Cross offices in South C. Nairobi and part were distributed along with other items to students from the kambi ya Samaki and Kokwe Island Primary Schools in Marigat- Baringo County.
- b) NCLR staff participated in a cleaning exercise and planting of flowers at the Milimani Commercial Courts grounds and flowerbeds as part of the environmental CSR project.
- c) The NCLR Team were also involved in the annual Standard Chartered Marathon, 2013 edition. A total of 35 members of staff attended the event whose proceeds go to the Seeing is Believing Initiative that caters for eye-care projects in Kenya, providing access to cataract operations and preventive treatments in deprived communities.

VII. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of NCLR affairs.

Principal activities

The principal activities of NCLR continue to be:

- i) To publish the official reports of the judicial opinions of the superior courts of Kenya, the Council is the designated publisher of the Kenya Law Reports, which are the official law reports of the Republic of Kenya.
- ii) To revise, consolidate and publish the Laws of Kenya, through Legal Notice No. 29 of 2009, through which the Attorney General has delegated to the Council the powers of law revision conferred by sections 7 and 8 of the Revision of Laws Act.
- iii) To publish such other related publications as it deems necessary. On the Council's website - www.kenyalaw.org- you will find Case Law, the Laws of Kenya, the Parliamentary Hansards, the Kenya Gazette, and the Daily Cause List from various courts, Legal Notices and other publications.

Results

The results of the National Council for Law reporting for the year ended June 30, 2014 are set out on *page 1 below*.

Council Members

The members of the Council who served during the reporting period are shown on *page vi* in accordance with the *NCLR Act No. 11 of 2001*.

Auditors

The Auditor General is responsible for the statutory audit of NCLR in accordance with the Public Audit Act Cap 412.

By Order of the Council

Council Secretary

Nairobi

Date:.....

VIII. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 89 of the Public Finance Management Act, 2012 and The State Corporations Act Cap 446 of laws of Kenya, require the Council to prepare financial statements in respect of National Council for Law Reporting, which give a true and fair view of the state of affairs of the *Council* at the end of the financial year and the operating results of the *Council* for that year.

The Council Members are also required to ensure that the *Council* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Council*. The Council members are also responsible for safeguarding the assets of the *Council*.

Further, the Council Members are responsible for the preparation and presentation of the *Council's* financial statements, which give a true and fair view of the state of affairs of the *Council* for and as at the end of the financial year ended on June 30, 2014.

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 Council;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the *Council*;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the *Council's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act.

The Council members are of the opinion that the *Council's* financial statements give a true and fair view of the state of *Council's* transactions during the financial year ended June 30, 2014, and of the *Council's* financial position as at that date. The members further confirm the completeness of the accounting records maintained for the *Council*, which have been relied upon in the preparation of the *Council's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council members to indicate that the *Council* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements for National Council for Law Reporting were approved by the Council on _____ 2014 and signed on its behalf by:

Chairman

Member

Secretary

**X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Grant from Transparency International	1	897,750	-
Grants in Kind from the Judiciary Performance Improvement Programme (JPIP)		20,751,376	12,044,103
Grants from GOK		260,620,479	247,200,000
		<u>282,269,605</u>	<u>259,244,103</u>
Revenue from exchange transactions			
Sale of Kenya Law reports and other related publications	2	3,644,845	21,033,208
Other income	3	1,248,196	471,673
		<u>4,893,041</u>	<u>21,504,881</u>
Total revenue		<u>287,162,646</u>	<u>280,748,984</u>
Expenses			
Cost of Sales	4	2,606,640	8,541,513
Employee costs	5	118,406,771	106,351,299
Remuneration of Council Members	6	1,572,000	8,072,600
Depreciation and amortization expense	7	8,449,454	7,855,790
Repairs and maintenance	8	5,459,600	2,898,238
Contracted services	9	58,852,840	21,759,363
Grants, Donations and subsidies	10	1,130,986	54,000
General expenses	11	81,061,075	116,207,747
Finance costs	12	176,988	148,530
Total expenses		<u>277,716,354</u>	<u>271,889,080</u>
Surplus before tax		<u>9,446,292</u>	<u>8,859,904</u>
Surplus for the period		<u>9,446,292</u>	<u>8,859,904</u>

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

Ag. Editor / Chief Executive Officer

Date.....

Chairman of the Council

Date...08-12-14.....

*The notes set out on pages 6 to 21 form an integral part of the Financial Statements.

**XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2013-2014	2012-2013
ASSETS			
Current Assets			
Cash and cash equivalents	13	1,997,556	22,232,409
Receivables from exchange transactions	14	13,005,740	25,447,998
Receivables from non-exchange transactions		685,596	-
Inventories	15	157,232,305	45,261,104
		<u>172,921,197</u>	<u>92,941,511</u>
Non-Current Assets			
Property, Plant and Equipment	16	68,292,956	38,051,010
Intangible Assets	17	8,241,423	7,978,913
Long term receivables from exchange transactions	18	3,780,255	-
		<u>80,314,634</u>	<u>46,029,923</u>
TOTAL ASSETS		<u>253,235,831</u>	<u>138,971,434</u>
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	19	18,298,183	15,248,996
Bank Overdraft		1,837,117	-
Provisions for Audit Fees		3,020,000	2,160,000
		<u>23,155,300</u>	<u>17,406,996</u>
Non-Current liabilities			
Non-current employee benefit obligation	20	2,879,201	2,211,366
Total Liabilities		<u>26,034,501</u>	<u>19,620,362</u>
NET ASSETS			
Capital Fund		23,565,276	23,565,276
Other Reserves (Capital Donations in Kind)		165,992,168	67,588,203
Retained Earnings		37,643,886	28,197,593
		<u>227,201,330</u>	<u>119,351,072</u>
TOTAL NET ASSETS AND LIABILITIES		<u>253,235,831</u>	<u>138,971,434</u>

**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014**

Attributable to National Council for Law Reporting

	Capital Reserve	Retained Earnings	Other Reserves (Capital Donations in Kind)	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2012	23,565,276	19,337,689	78,620,412	121,523,377
Surplus/(deficit) for the period	-	8,859,904	-	8,859,904
Depreciation- Donated Computers & LTA			(11,032,209)	(11,032,209)
Balance as at 30 June 2013	23,565,276	28,197,593	67,588,203	119,351,072
Surplus / Additions for the period	-	9,446,292	106,724,475	116,160,768
Depreciation- Donated Computers & LTA	-	-	(8,320,510)	(8,320,510)
Balance as at 30 June 2014	23,565,276	37,643,885	165,992,168	227,201,330

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

	Note	2013/2014	2012/2013
<i>Cashflows from operating activities</i>		<u><i>Kshs</i></u>	<u><i>Kshs</i></u>
Net Surplus / (Deficit) from operations		9,446,292	8,859,904
Add Back : Non cash payments			
Depreciation expense		6,389,098	5,861,062
Amortization expense		2,060,356	1,994,728
Net cash generated from/ (used) in operations		<u>17,895,746</u>	<u>16,715,694</u>
<i>Cashflows from changes in working capital</i>			
Increase/ decrease in Receivables from exchange transactions		4,373,700	(10,669,787)
Increase/ decrease in Receivables from non exchange transactions		84,219	-
Increase/ decrease in Long term receivables from exchange transactions		3,518,488	-
Increase/ decrease in inventories		(10,248,701)	(445,090)
Increase/ decrease in payables from exchange transactions		3,049,187	(26,811,165)
Increase/ decrease in payables for Audit Fees		860,000	-
Increase/ decrease in payables from employee benefit obligation		667,835	-
Net Cash generated from changes in working capital		<u>2,304,728</u>	<u>(37,926,042)</u>
<i>Cash flows from investing activities</i>			
Purchase of fixed assets		(39,949,560)	(10,531,090)
Purchase of Software's		(2,322,865)	(9,973,641)
Net cash generated from investing activities		<u>(42,272,425)</u>	<u>(20,504,731)</u>
Net increase in cash and cash equivalents		(22,071,951)	(41,715,079)
Cash and cash equivalents B/F		<u>22,232,409</u>	<u>63,947,488</u>
Cash and cash equivalents C/F		<u>160,439</u>	<u>22,232,409</u>
Total Cash and cash equivalents C/F		<u>160,439</u>	<u>22,232,409</u>

II. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actuals on Comparable basis	Performance Difference	% Variance Performance Difference
			2013-2014	2013-2014		
			Kshs	Kshs		
Revenue						
Government grants and subsidies	260,620,479	0	260,620,479	260,620,479	0	-
Income from sales of publications	24,274,200	18,774,200	5,500,000	3,644,845	(1,855,155)	(20.29)
Other Income	35,064,521	12,010,800	23,053,721	22,897,322	(156,399)	(0.34)
Total Income	319,959,200	30,785,000	289,174,200	287,162,646	-2,011,554	
Expenses						
Compensation of employees	119,690,000	0	119,690,000	118,406,771	1,283,229	0.54
Payment for Goods and services	148,385,000	30,785,000	117,600,000	109,645,611	7,954,389	3.50
Finance costs	154,000	0	154,000	176,988	(22,988)	(6.95)
Rent paid	15,788,000	0	15,788,000	10,555,464	5,232,536	19.86
Other payments	35,732,200	0	35,732,200	37,800,533	(2,068,333)	(2.81)
Grants, Donations and subsidies paid	210,000	0	210,000	1,130,986	(920,986)	(68.68)
Total Expenditure	319,959,200	30,785,000	289,174,200	277,716,353	11,457,847	
Surplus for the period				9,446,292	9,446,293	

There was 20.3% under collection of Income from sales of publications occasioned by the inability by our main institutional customers including the Judiciary and the State Law Office to commit on orders due to insufficient budgetary allocations for their Library votes.

The Council commenced occupation of the new office premises in the second quarter instead of the first quarter as initially anticipated hence the under expenditure of 19.9%.

The 68.7% increase in Grants, donations and Subsidies was due attributed to increased donations of the pocket sized constitutions to various stakeholders.

NOTES TO THE FINANCIAL STATEMENTS**1. Statement of compliance and basis of preparation**

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 Boards 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, National Council for Law Reporting has adopted the pronouncements made by the IPSAS Board in the preparation of its current year financial statements.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Council and all values are rounded to the nearest thousand (Ksh 000). The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies**a) Revenue recognition****i) Revenue from non-exchange transactions IPSAS 23****Transfers from other government entities**

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

ii) Revenue from exchange transactions**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

b) Budget information IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of NCLR. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Council operational differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

The National Council for Law reporting is a non-commercial oriented / not for profit service State Corporation. For this purposes it is exempted from paying Corporation tax.

d) Property, plant and equipment IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, NCLR 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.

The annual depreciation rates in use are as follows:

- Motor Vehicles- 20%
- Computer, Networks and other IT equipment – 33 1/3%
- Office Furniture and fixtures – 10%
- Office equipment – 15%

e) Intangible assets IPSAS 31

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

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

The depreciation rate as follows:

Intangible assets – 20%.

f) Inventories IPSAS 12

Inventory is measured at cost upon initial recognition.

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

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

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

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

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

g) Nature and purpose of reserves

The National Council for Law Reporting creates and maintains reserves in terms of specific requirements.

Reserves include:

- Capital Fund which is the sum of total assets that were transferred to NCLR on its delinking from the Judiciary in July 2006. This is treated as the start up Capital of the institution.
- Retained earnings which are the sum of all accumulated surpluses and deficits as at the reporting date. The institutional policy is to credit any subsequent surpluses to and/or to charge any subsequent losses to this reserve as appropriate.
- Other reserve (Capital Donations in kind) which is the sum of all assets accumulated to date on account of donations in kind from development partners. The institutional policy is to credit any additional Assets and expenses / benefits received in kind to this reserve and to charge any subsequent losses in value or benefit including depreciation of the donated Non-current Assets to this reserve as appropriate. Other reserves in the books is the sum of Computers and other ICT Equipment and Inventory donated by the Financial & Legal Sector Technical Assistance Programme (FLSTAP). The treatment for these items is shown here-below:

For Non - Assets donated:

DR Asset Account

CR Other Reserves (Capital Donations in kind)

(To recognise the donation of the Asset)

DR Other Reserves (Capital Donations in kind)

CR Asset Account

(To recognise the depreciation charge of the Asset for the year)

For Inventory donated:

DR Asset (Inventory / Stock in trade) Account

CR Other Reserves (Capital Donations in kind)

(To recognise the donation of the Inventory at cost)

DR Other Reserves (Capital Donations in kind)

CR Asset (Inventory / Stock in trade) Account

(To recognise the cost of sales of donated stocks)

h) Changes in accounting policies and estimates

The National Council for Law Reporting recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are however applied prospectively if retrospective application is impractical.

i) Employee benefits:**Retirement benefit plans**

The Council provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which NCLR pays fixed contributions of 20% into a fund managed by ICEA Lion Insurance (Kenya) Limited, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

A Gratuity is payable to the Editor on completion of a periodic contract. This is budgeted for in the year it falls due for payment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held in M-Pesa Account, 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 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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

j) Comparative figures

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

k) Financial Instruments: Recognition and Measurement

The Council has ensured recognition and measurement of financial assets, financial liabilities and contracts to buy or sell non-financial items have been captured in line with IPSAS 29.

l) Related parties

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the CEO, Deputy CEO and senior managers. The policy of the Council is that all related parties should declare their interest at all times in any institutional process that might occasion a conflict of interest if they participated in the same without declaring their interest. This will then allow management to decide on the best way to execute the process in a manner that transparency and accountability is seen to have been adhered to.

m) Significant judgments and sources of estimation uncertainty IPSAS 1

The preparation of NCLR's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these

assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 was continued going concern anchored on; i) Continued government funding, and ii) Continued donor funding. NCLR 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 our control. 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 Council
- 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

Contingent Assets and Contingent Liabilities

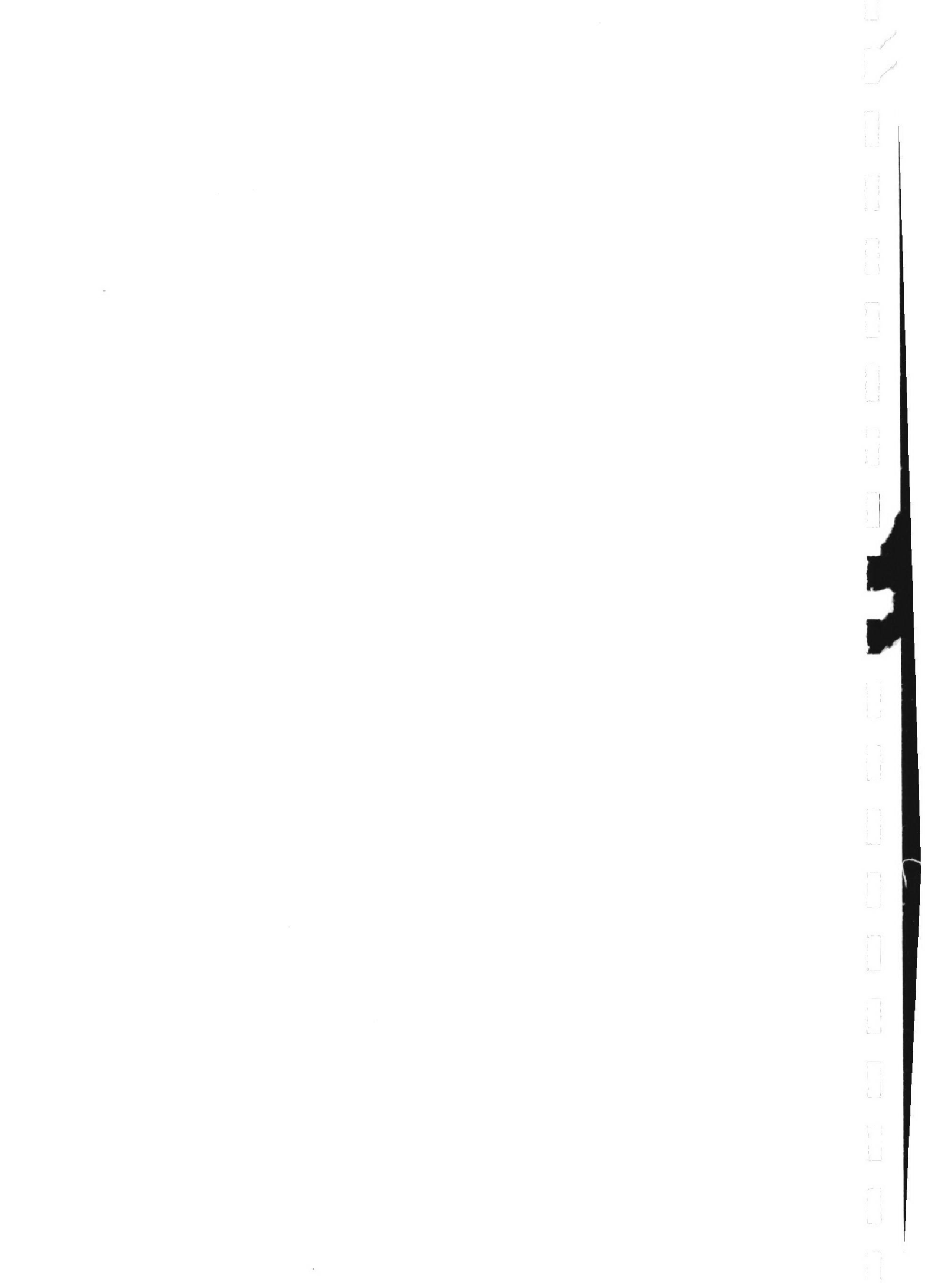
As a matter of policy, the National Council for Law Reporting makes provisions for contingent liabilities when there is a reasonable estimation that an event has occurred or will occur that has a potential of creating a measurable liability or loss to the institution. However, when an event has occurred or will occur that has a potential of creating a measurable benefit or Asset to the institution i.e. a Contingent assets, the institution only discloses the same in the notes to the financial statements. There were no contingent assets or liabilities reported in the year ended June 30, 2014.

Provisions

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 for Audit fees has been subjected to this treatment.

n) Subsequent events

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



NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from Government of Kenya

	2014 Shs	2013 Shs
Conditional grants and donations		
Grants from GOK	260,620,479	247,200,000
Grants in Kind from JPIP	20,751,376	12,044,103
Grant from Transparency International	897,750	-
Total government grants, Donations and subsidies	282,269,605	259,244,103

Grants in kind from JPIP are non-cash Income that refers to the monetary value of Assets and expenses for items procured by and paid from the Judiciary Performance Improvement Programme (JPIP). Specifically, it includes training expenses, rent expenses and service charge paid for under the JPIP. The expense items and Assets in this regard have been captured in the statement of financial performance and matched to this item of income.

2. Sales of Kenya Law Reports and Other related publications

	2014 Shs	2013 Shs
Sale of KLR'S and other Legal Publications	3,644,845	21,033,208
Total revenue from the sale of KLR and other legal publications	3,644,845	21,033,208

3. Other Incomes

	2014 Shs	2013 Shs
Other income	1,248,196*	471,673
Total other income	1,248,196	471,673

**This value is a refund of deposit payments made to Airtel Kenya in the year 2012 for roaming services.*

4. Cost of Sales

	2014 Shs	2013 Shs
Cost of Sales	2,606,640	8,541,513
Total Cost of Sales	2,606,640	8,541,513

	2014	2013
	Shs	Shs
5. Employee related costs – Salaries, Allowances and Benefits		
Airtime Allowance	1,597,000	834,500
Basic Salary	42,483,486	33,817,095
Domestic Servant Allowance	140,400	364,590
Employee reward and motivation costs	300,000	2,935,853
Entertainment Allowance	3,245,000	895,000
Extraneous Allowance	3,415,000	1,145,000
Gratuity - NCLR	1,567,416	16,565,844
House Allowance	28,140,000	21,742,857
Leave Allowance	911,335	985,000
Non practising Allowance	3,490,000	2,513,929
NSSF Expense	172,400	149,800
Pension Expense	7,173,176	5,572,982
Responsibility Allowance	1,490,000	885,000
Security Allowance	1,660,000	950,000
Shift Allowance	90,000	181,640
Special duty Allowance	982,806	790,980
Training Expenses	3,102,828	2,562,343
Transport Allowance	8,338,000	6,725,286
Life Insurance	416,125	233,600
Medical Insurance	9,691,799	6,500,000
Total Employee Costs	118,406,771	106,351,299

6. Remuneration of Council Members

	2014	2013
	Shs	Shs
Council Members Sitting Allowances and Chairman's Honorarium	1,572,000	1,408,000
Editor / CEO Salary		6,664,600
Total Council Members remuneration	1,572,000	8,072,600

7. Depreciation and Amortization expense

	2014	2013
	Shs	Shs
Depreciation of Assets	6,389,098	5,861,062
Amortization Expense	2,060,356	1,994,728
Total depreciation and Amortization expense	8,449,454	7,855,790

8.Repairsandmaintenanceexpenses	2014 Shs	2013 Shs
Maintenance of Communication Equipment	866,244	751,776
Maintenance of Computers	3,032,961	1,136,980
Maintenance of Furniture	338,380	40,000
Maintenance of Plant, MC and Equipment	978,015	618,562
Motor Vehicle Repairs and maintenance	244,000	350,920
Total repairs and maintenance expenses	5,459,600	2,898,238

9.Contractd services expenses	2014 Shs	2013 Shs
Contracted Professional services	37,331,709	12,378,359
Contracted Technical Services	15,353,129	9,381,004
Courier and Postal services	6,168,002	-
Total contracted services expenses	58,852,840	21,759,363

10.Grants, Donations and subsidies	2014 Shs	2013 Shs
Corporate donations	1,130,986	50,000
Total Grants and Subsidies	1,130,986	50,000

11.General Expenses
The following are included in general expenses:

	2014 Shs	2013 Shs
Accessories to Computers and Printers	1,965,719	2,160,100
Cleaning of Motor Vehicles	10,400	-
Parking expenses	250,560	-
Motor Vehicle Insurance	273,021	201,491
Motor fuel & lubricants	376,421	536,920
Domestic Sundry	1,372,213	3,774,375
Foreign Sundry	205,146	81,610
Foreign travel	1,757,101	2,051,610
Telephone Expenses	1,769,434	-
Domestic Travel	4,406,266	3,071,195
Domestic Accommodation	4,445,486	-
Foreign subsistence	5,365,109	6,214,956
Domestic Subsistence	8,009,732	5,645,701
Rent Expense	10,555,464	228,340
Casual Labour	3,753,000	373,400
Catering Services	3,837,566	4,180,030

NATIONAL COUNCIL FOR LAW REPORTING

Conferences, workshops and Seminar costs for Committees	4,538,678	7,958,051
Communication, Education and Library Supplies	1,851,701	9,646,720
Foreign Exchange Loss	50,312	-
Provision for Audit Fees	860,000	850,000
General Office Supplies	998,511	1,785,421
Legal fees, dues and arbitration costs	1,677,891	-
Membership fees, dues and subscriptions to prof. bodies	159,259	180,640
Publishing and Advertising Printing Expenses	17,850,655	59,495,445
Sanitation services	470,048	867,855
Temporary Committee costs	3,354,948	5,196,749
Trade Shows and Exhibitions	896,434	596,376
Refurbishment of office buildings	-	938,832
Wiba	-	165,550
Hire of Equipment	-	6,380
Total General Expenses	<u>81,061,075</u>	<u>116,207,747</u>

12. Finance Costs

	2014	2013
	Shs	Shs
Bank Charges	<u>176,988</u>	<u>148,530</u>
Total Finance Costs	<u>176,988</u>	<u>148,530</u>

13 a) Cash and Cash Equivalents

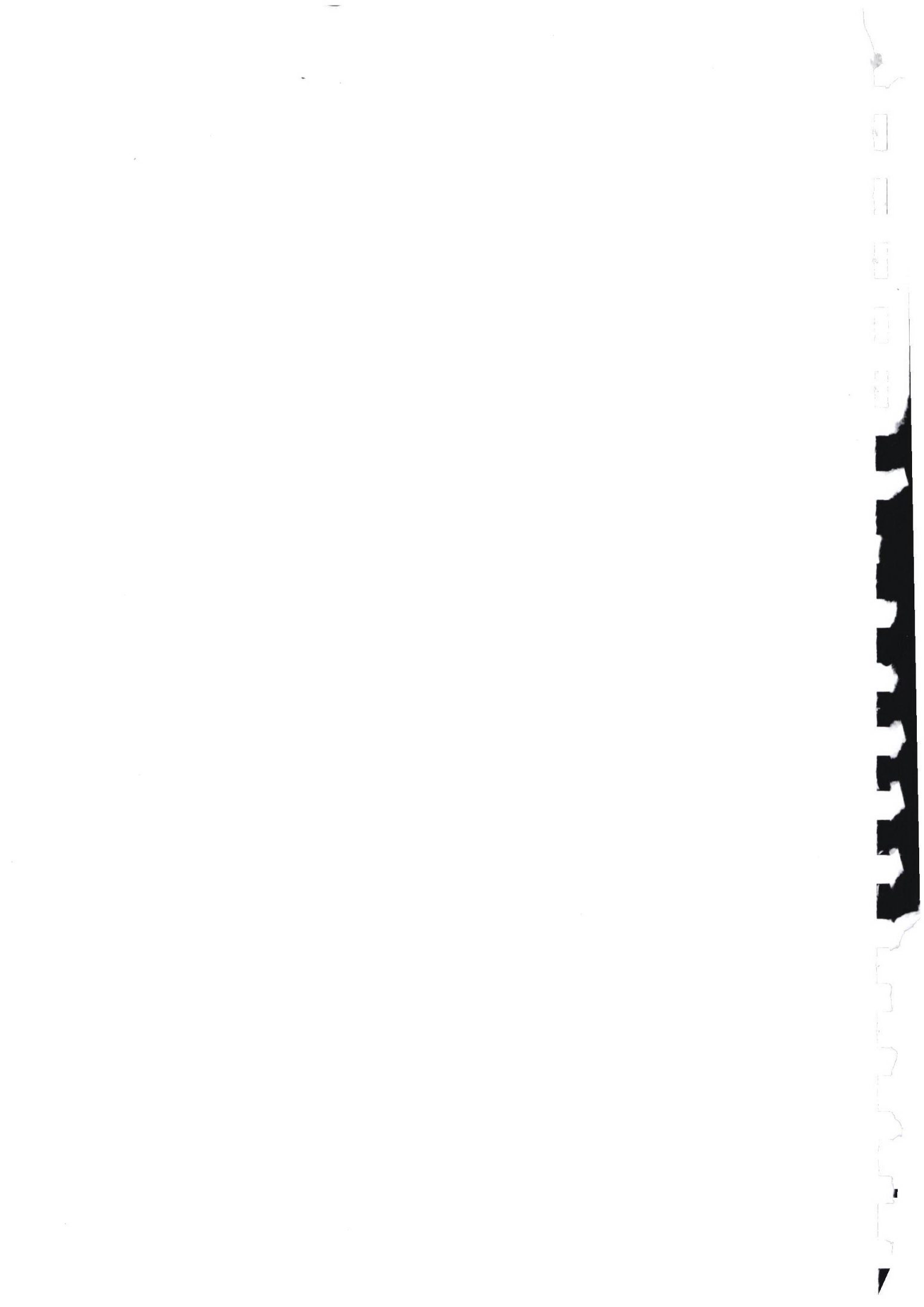
	2014	2013
	Shs	Shs
Grand total of Cash and Cash Equivalents for the year	<u>160,439</u>	<u>22,232,409</u>

13 b) Bank Overdraft

	2014	2013
	Shs	Shs
KCB OM Account	1,837,117	-
Total Overdraft	<u>1,837,117</u>	<u>-</u>

13 c) Other Cash and Cash Equivalents

	2014	2013
	Shs	Shs
KCB OM Account	-	2,207,605
KCB Donations and Grants Account	399,415	12,771,797
Barclays Bank Account (Revenue)	1,482,861	7,164,566
Cash in Hand (Petty Cash & M-Pesa)	115,280	88,441
Total Cash and Cash Equivalents	<u>1,997,556</u>	<u>2,232,409</u>

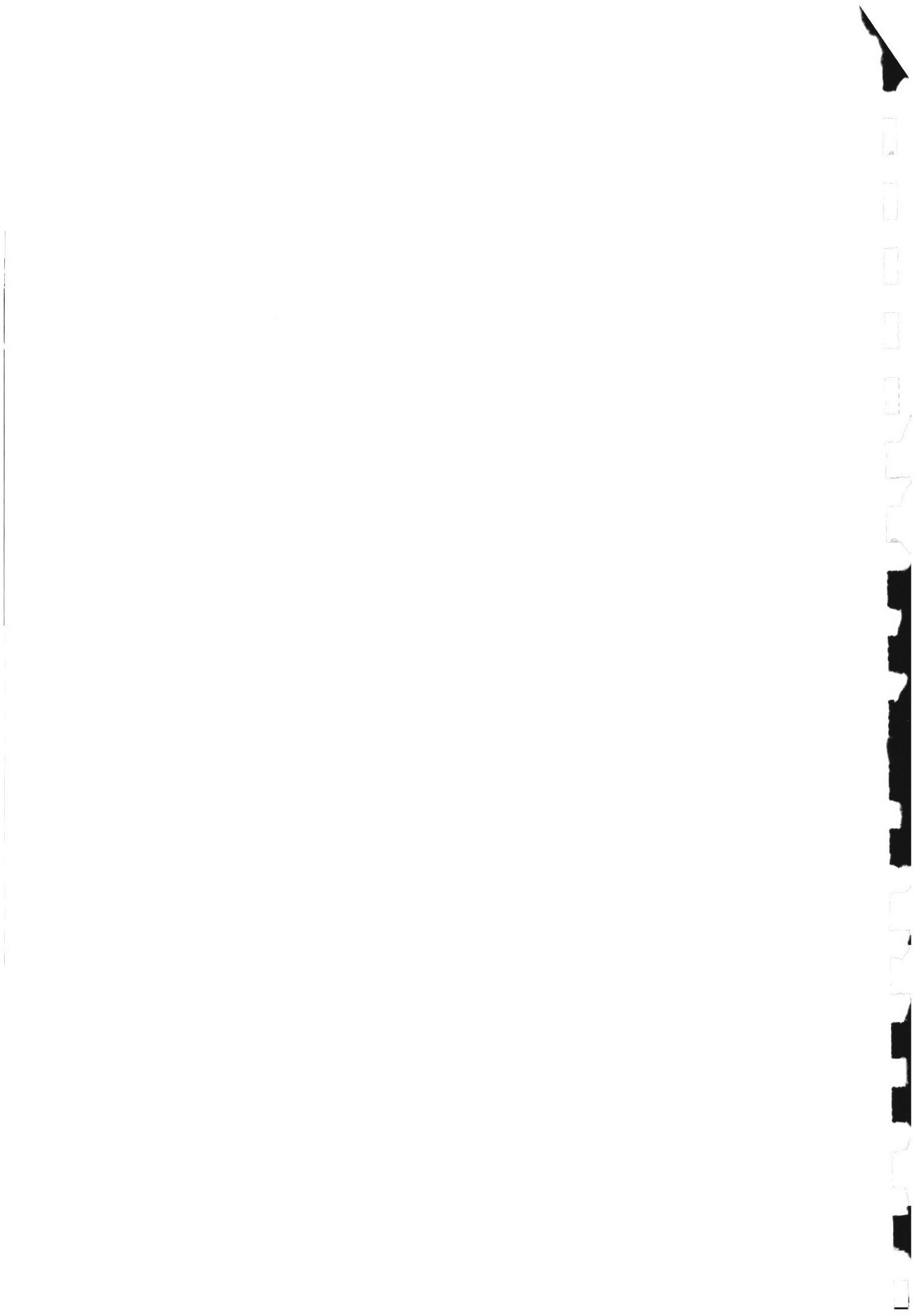


14. Current Assets

	2014	2013
	Shs	Shs
Receivables from Exchange Transactions	13,005,740	7,379,440
Receivables from Non exchange Transactions	685,596	-
	<u>13,691,336</u>	<u>7,379,440</u>

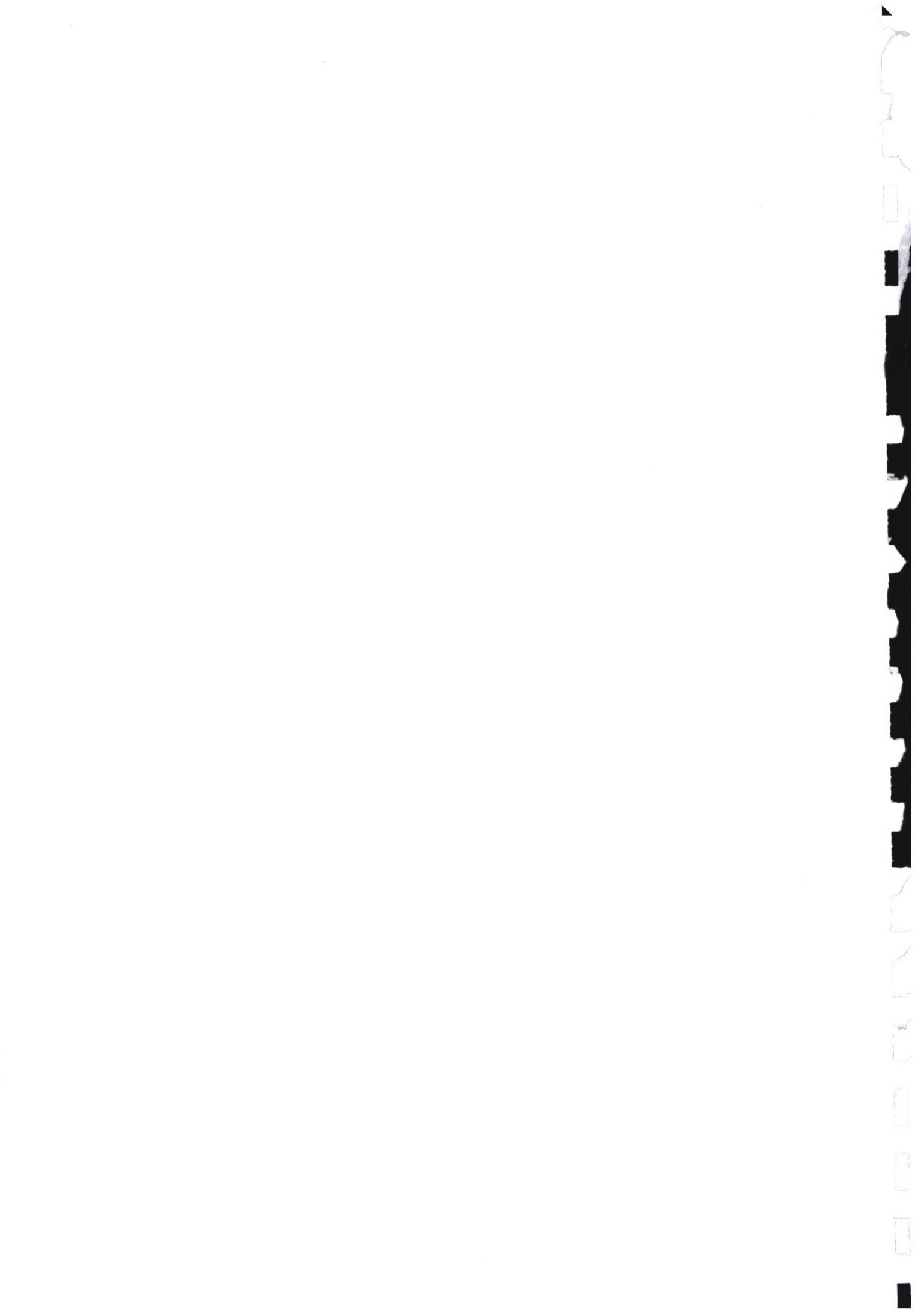
15. Inventories

	2014	2013
	Shs	Shs
Stock of Kenya Law Reports	154,128,702	41,975,594
Stock of Library Books	2,860,450	2,860,450
Stock of Stores supplies	243,153	425,060
Total inventories at the lower of cost and net realizable value	<u>157,232,305</u>	<u>45,261,104</u>



16. Property, Plant and Equipment

ITEM	Motor vehicles	Furniture and fixtures	Office Equipment	Computer Equipment	Totals
Historical Cost					
1/7/2011	3,669,000	2,055,523	3,125,000	17,823,534	26,673,057
NBV 30/6/2013	<u>769,445</u>	<u>2,554,249</u>	<u>2,925,712</u>	<u>31,801,605</u>	<u>38,051,010</u>
Additions by the Council	-	30,510,460	6,794,016	7,647,077	44,951,553
Donations by FLSTAP	-	-	-	-	-
Disposals	-	-	-	-	-
Totals	<u>769,445</u>	<u>33,064,709</u>	<u>9,719,728</u>	<u>39,448,682</u>	<u>83,002,563</u>
Depreciation					
Balance b/f 1/7/2011	(2,466,742)	(745,736)	(1,181,201)	(11,426,259)	(15,819,938)
Balance C/f 1/7/2013	<u>(2,899,555)</u>	<u>(1,257,001)</u>	<u>(2,032,871)</u>	<u>(47,078,975)</u>	<u>(53,268,403)</u>
Charge for the year to SFP	<u>(153,889)</u>	<u>(1,765,483)</u>	<u>(962,808)</u>	<u>(3,506,919)</u>	<u>(6,389,098)</u>
Charge for the year to donor fund account to SCE	=	=	=	(8,320,510)	(8,320,510)
Totals	<u>(3,053,444)</u>	<u>(3,022,484)</u>	<u>(2,995,679)</u>	<u>(58,906,403)</u>	<u>(67,978,011)</u>
Balance c/f 30/6/2014	<u>615,556</u>	<u>31,299,226</u>	<u>8,756,920</u>	<u>27,621,254</u>	<u>68,292,956</u>
NBV 30/6/2013	<u>769,445</u>	<u>2,554,249</u>	<u>2,925,712</u>	<u>31,801,605</u>	<u>38,051,010</u>



17. Intangible Assets-Software

	Shs
Cost	
At 30 June 2013	7,978,914
Additions	2,322,865
At 30 June 2014	<u>10,301,798</u>
Amortization and impairment	
2013/2014	
Amortization	(2,060,356)
Impairment loss	-
At 30 June 2014	<u>(8,241,423)</u>
Net book values	
At 30 June 2013	<u>10,301,779</u>
At 30 June 2014	<u>8,241,423</u>

18. Long Term Receivables

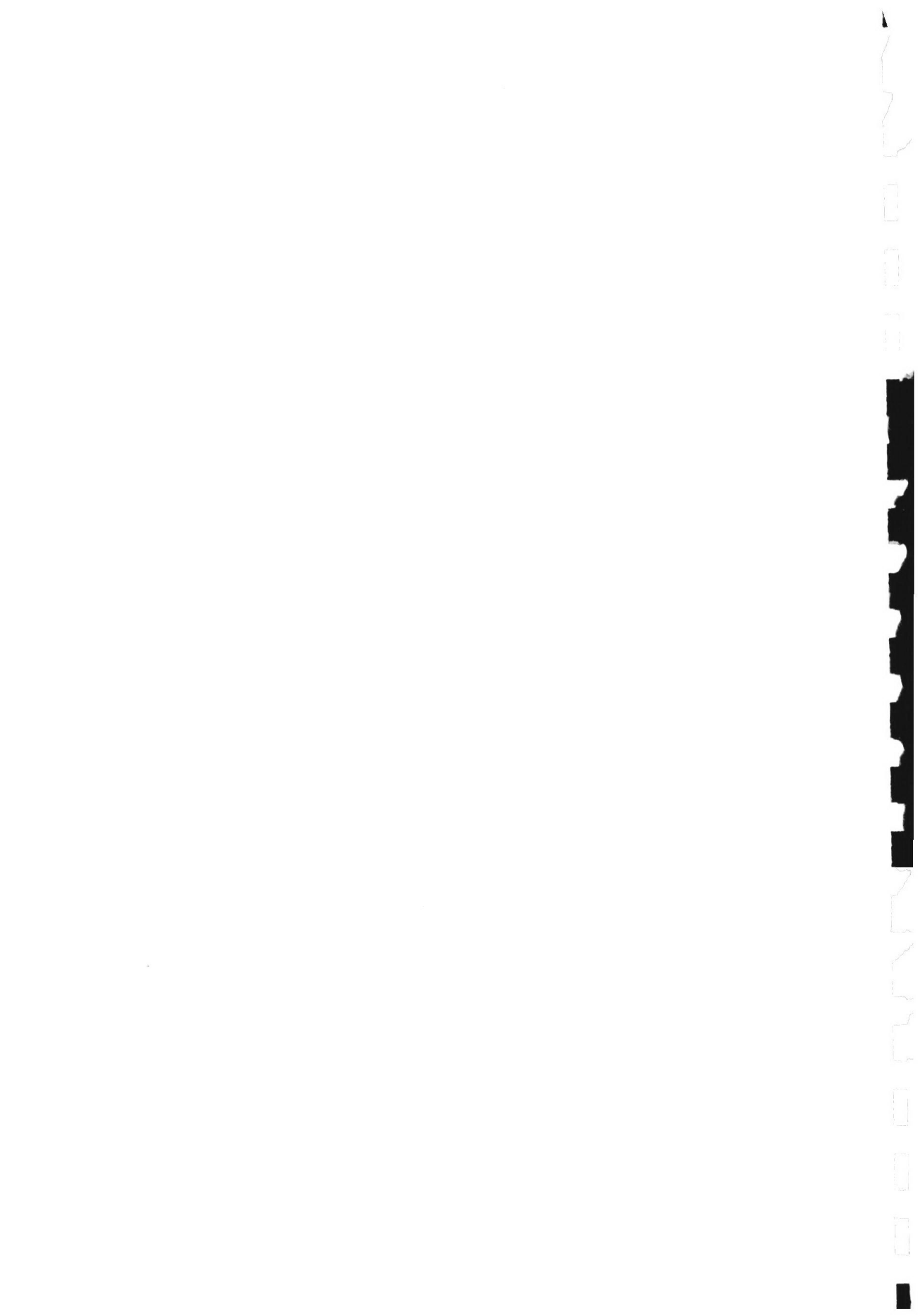
	2014 Shs	2013 Shs
Long term Receivables from Exchange Transactions	3,780,255	-
	<u>3,780,255</u>	<u>-</u>

19. Trade and other payables from exchange transactions

	2014 Shs	2013 Shs
Pay as You Earn	9,190,250	10,011,418
VAT	94,350	94,350
Donations payable	279,000	54,000
HELB payable	78,102	55,814
Insurance Payable	60,006	16,000
Loan payable	135,194	-
Mortgage payable	35,350	35,350
NHIF Payable	77,180	66,540
NSSF payable	221,000	192,200
Payable to RHC	203,794	203,794
Sheria sacco payable	2,439,910	652,730
Welfare payable	482,054	431,860
Other Payables	5,001,993	3,434,940
Total trade payables	<u>18,298,183</u>	<u>15,248,996</u>

20. Non-Current Liability Obligation

	2014 Shs	2013 Shs
Pension Payable	<u>2,879,201</u>	<u>2,211,366</u>



21. Capital Commitments

Capital commitments at the end of the year for which no provision has been made in these financial statements. This was in relation to renovation works in our new office premises for works in progress. The payment of which is to crystallize in the financial year 2014/2015.

	2014 Kshs	2013 Kshs
Authorised and contracted for	34,719,035	-
Authorised but not contracted for	-	-
	<u>34,719,035</u>	<u>-</u>
	=====	=====

22. Operating lease commitments

Operating lease commitments represent rentals payable by the Council for its leased office premises. Operating lease payments made during the year amounted to Kshs. 10,555,464.00 (Ten Million five hundred and fifty five thousand four hundred and sixty four shillings only).

At the end of the reporting period, the company had outstanding commitments of Kshs.69, 253, 927.60 under non-cancellable operating leases in relation to the lease of office premises.

23. Financial Risk Management

Risk is an integral part of operations in any institution. NCLR is exposed to various risks, including credit risk and liquidity risk. The risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

NCLR's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. NCLR does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

The financial risk management objectives and policies are as outlined below:

(a) Credit risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. NCLR's credit risk is primarily attributable to its cash and cash equivalents and trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the council's management based on prior experience and their assessment of the current economic environment.

Bank balances are fully performing. The trade receivables under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is overdue is not impaired and continues to be paid.



The amount that best represents the company's maximum exposure to credit risk is made up as follows:

	Total Amount Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2014				
Bank balances	45,159	45,159	-	-
Receivables from exchange transactions	16,785,995	16,785,995	-	-
Receivables from non exchange transactions	685,596	685,596	-	-
=====				
At 30 June 2013				
Bank balances	22,143,968	22,143,968	-	-
Receivables from exchange transactions	17,379,440	17,379,440	-	-
Receivables from non exchange transactions	769,815	769,815	-	-
=====				

b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. Ultimate responsibility for liquidity risk management rests with the council board members, which has built an appropriate liquidity risk management framework for the management of the council's short, medium and long-term funding and liquidity management requirements. The council manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the council's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Kshs	Between 1 – 3 months Kshs	Over 3 months Kshs
At 30 June 2014			
Trade payables	5,001,996	-	-
Taxation	9,284,600	-	-
Others	9,050,791	-	-
	23,337,383		
=====			
At 30 June 2013			
Trade payables	3,434,941	-	-
Taxation	10,105,768	-	-
Others	6,079,653	-	-
	19,620,362		
=====			

24. Capital risk management

196

The council's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the council consists of equity attributable to equity holders, comprising capital fund, reserves and retained earnings. The council would ordinarily monitor its capital risk using the gearing ratio. Gearing ratio is calculated as net borrowings over the total capital. The company had no borrowings at 30 June 2014 and 30 June 2013.

	2014 Kshs	2013 Kshs
The constitution of capital managed by the council is as follows:		
Capital fund	23,565,276	23,565,276
Other reserves	165,992,168	67,588,203
Retained earnings	37,633,886	28,197,593
	-----	-----
Net Assets	227,191,330	119,351,072
	=====	=====

25. Related Parties

	2014 Kshs	2013 Kshs
Key management Salaries and Allowances	34,090,433.40	29,242,232

There were no other related party transactions in the reporting year.

26. Segment Reporting

The Council does not have any reporting segments as all operations of the Council are managed from its secretariat at the Head office. The core business of the National Council for Law Reporting continues to be as per the principal activities outlined in (I a) above. There were no special segments of business that warranted separate reporting in the financial year under consideration.

27. Ultimate holding entity

The immediate parent institution of the National Council for Law Reporting's is the Judiciary of Kenya.

28. Currency

The financial statements are presented using the functional currency Kshs.

29. Events after the reporting period

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



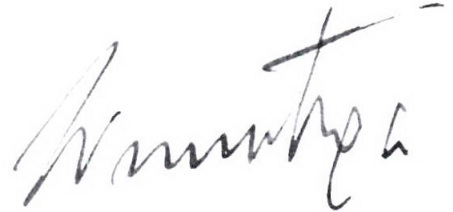
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor from the previous financial year that were still outstanding.



Ag. Editor / Chief Executive Officer

Date... 4th DEC - 2014



Chairman of the Council

Date... 08-12-14

