

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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





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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

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

(b) Principal Activities

The principal activities of the Privatization Commission are to –

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

(c) Key Management

Privatization Commission day to day Management is under the following Management Team;

Executive Director/CEO	Mr. Solomon Kitungu
Chief Manager, Finance and Admin (upto 26 th April 2015)	Mr. Wycliffe Temesi
Chief Manager, Legal Affairs	Ms. Jacqueline Muindi
HR and Administration Manager	Mr. Gideon Muinde
Finance Manager	Ms. Virginiah Kariuki
Procurement Manager (upto 10 th May 2015)	Mr. Joseph Njagi
Transaction Manager	Ms. Rosemary Ndiritu
Transaction Manager	Mr. Charles Ochola
Risk and Compliance Manager	Mr. Sospeter Thiga
Corporate Affairs Officer	Ms. Bessie Valerie Atieno
ICT Officer (up to 7 th Oct 2014)	Mr. Julius Gichohi

(d) Fiduciary Management

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

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

(e) Fiduciary Oversight Arrangements

The Commission has the following Board Committees:

- I. Finance and Strategy Committee
- II. Audit Committee
- III. Human Resources & Risk Management Committee
- IV. Privatization Steering Committees:

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

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

I) Finance and Strategy Committee (FSC)

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

The Committee comprises four (4) members of the Board (including the Executive Director/CEO). The quorum for the FSC is three(3) members or such number as may be determined by the Board from time to time. The Committee meets at least once 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:

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

II) Human Resources and Risk Management Committee (HRMC)

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

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

The HRMC comprises four (4) members of the Board (including the ED/CEO) and the quorum is three (3) members or such number as may be determined by the Board from time to time. The Committee meets at least once every quarter and at such other times as may be determined by the nature of the organization's operations.

The Human Resources functions of the Committee are:

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

The Risk Management functions of the Committee are:

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

III) Audit Committee

This Committee consists of four (4) 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 at least once every quarter and at such other times as may be determined by the nature of the organization's operations.

This Committee consists of four (4) 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 at least once every quarter and at such other times as may be determined by the nature of the organization's operations.

The functions of the Committee are: -

- Assisting the Executive Director/CEO in enhancing internal controls in order to improve efficiency, transparency and accountability;
- Reviewing audit issues raised by both Internal and External auditors;
- Resolving unsettled and unimplemented Public Investments Committee (PIC) recommendations;
- Enhancing communication between Management, Internal and External audit and fostering an effective internal audit function;
- Meeting with external auditors at least once a year;
- Deliberating on and proposing solutions for any material findings in any audit report; and
- Reviewing the quality and effectiveness of the external audit process.

IV) Privatization Steering Committees (PSCs)

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

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

The functions of the Committees are:

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

- Approval of transaction bids and recommendation to the Board for award; Negotiations;
- Approval of allotment of shares for public offers;
- Providing general guidance to the Management on the implementation of the privatization transactions.

(f) Privatization Commission Office

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

(g) Privatization Commission contacts

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

(h) Privatization Commission Bankers

Kenya Commercial Bank
University Way Branch
NAIROBI, KENYA

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


(i) Independent Auditors

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

(j) Principal Legal Advisor

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

II. THE BOARD OF DIRECTORS

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
 <p>HON. HENRY OBWOCHA, EGH – CHAIRMAN</p> <p>Holds a Bachelor of Commerce (Hons) Degree from the University of Nairobi and Postgraduate studies (Economics and Management) from Templeton College, Oxford University, UK.</p>	<p>Hon. Obwocha is a Chartered Accountant by profession and holds a Bachelor of Commerce (Hons) Degree from the University of Nairobi and Postgraduate studies (Economics and Management) from Templeton College, Oxford University, UK. He is a Fellow of the Institute of Certified Public Accountants of Kenya and a member of the Institute of Certified Public Secretaries of Kenya (Company Secretary). He is also a Fellow of the Chartered Association of Certified Accountants of the U.K.</p> <p>Hon. Obwocha is a founder member of KCA University (formerly Kenya College of Accountancy). He was a former Minister for Planning and National Development and Assistant Minister for Finance (Financial Services) and Member of Parliament for West Mugirango Constituency (1992-2007). He also acted as the Minister for Energy (February – November 2006). He was a Member of the National Economic and Social Council (NESC) which drafted Kenya's Vision 2030.</p> <p>Hon. Obwocha has been involved in many company secretarial meetings, investment meetings within Treasury and has led Kenyan delegations to various international meetings and conferences.</p> <p>He is currently practicing as an Auditor at Obwocha and Associates Co.</p> <p>Date of Birth: 28th June 1949</p> <p>Date of Appointment: 27th April, 2015</p> <p>Term of office: 1st</p> <p>Other Public institution's Directorship: none</p>

**NAME AND KEY QUALIFICATIONS,
ACADEMIC QUALIFICATIONS**

**KEY QUALIFICATIONS AND WORK
EXPERIENCE**



MR. HENRY ROTICH

Holds a Master's Degree in Economics and a Bachelor's Degree in Economics, both from the University Of Nairobi. He also

Holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

Mr. Rotich is the Cabinet Secretary, The National Treasury.

Prior to this appointment, Rotich was the Head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity he was involved in formulation of Macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. In addition, he was also involved in preparation of key budget documents including the Budget Statements, as well as providing strategic coordination of structural reforms in the area of fiscal and financial sector.

Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between, 2001-2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist.

Mr. Rotich is also a Director of several Boards of State Corporations

DOB: 1969



**HON. PROF. GITHU
MUIGAI**

Holds LL.B degree from the University of Nairobi and an LL.M degree from Columbia University School of Law, New

York. He earned his Ph.D. from the University of Nairobi.



Professor Githu Muigai was appointed as Attorney-General of the Republic of Kenya on 29th August, 2011, and is the principal legal adviser to the Government.

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.

DOB: 1960

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
 <p>MR. JOHN K. KENDUIWO</p> <p>Holds Bachelor of Science (Mechanical Engineering) and Master of Business Administration (Operations Management) degrees from the University of Nairobi.</p>	<p>John Kenduiwo is a Senior Lecturer at The School of Business, Department of Management Science, University of Nairobi, and previously served as the Dean of the School for 10 Years. He is currently on secondment as the Managing Director, University of Nairobi Enterprises and Services Limited. He is a Member of the Board of Directors of Transnational Bank Limited and chairs the Board's Finance & Strategy Committee. At the Kenya Red Cross Society, he is a Council Member, Member of the National Executive Committee, and chairs the National Audit Committee. He has also previously served in other Boards, and is a Full Member of the Kenya Institute of Management (MKIM).</p> <p>Date of Birth: 8th September 1956 Date of Appointment: 19th September, 2012 Term of office: 2nd Other Public institution's Directorship: None</p>
 <p>MRS. PATRICA ADALA</p> <p>Holds Bachelor of Arts (Economics), Bachelor of Philosophy (Economics) and Master of Arts (Economics) degrees from the University of Nairobi.</p>	<p>Mrs. Adala started her career in Government as a Planning Officer in the Ministry of Planning and Economic Development and thereafter held various senior positions in public institutions including the Kenya Tourist Development Corporation where she served as a Projects Manager and in Kenya Airways, as General Manager Marketing. Mrs. Adala has previously served on the Board of the Kenya Revenue Authority.</p>

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
	<p>Currently she is the Executive Director of Raydoll Tours and Travel and a Member of the Advisory Board of the Women Enterprise Fund.</p> <p>Date of Birth: 29th December 1950 Date of Appointment: 19th September, 2012 Term of office: 2nd Other Public institution's Directorship: Women Enterprise Fund</p>
 <p>MR. BENARD A. NANDIEKI</p> <p>Holds a Master of Business Administration (Strategic Management) degree from the Catholic University of Eastern Africa and a Bachelor of Commerce (Marketing) degree from Daystar University. He also has a PGD from the Chartered Institute of Marketing – UK.</p>	<p>Mr. Nandieki had previously worked as the Regional Sales Manager - Coast, Eastern and Mountain at GlaxoSmithKline Consumer Division.</p> <p>Currently he is the Country Sales Manager, Del Monte Kenya. Date of Birth: 6th December 1970</p> <p>Date of Appointment: 19th September, 2012</p> <p>Term of office: 1st</p> <p>Other Public institution's Directorship: None</p>
 <p>MR. NGURE MWANIKI</p> <p>Holds a Master in Public Administration (Economics & Public Policy) degree from Harvard University, Diploma in Economics from the University of Colorado and a Bachelor of Arts (Economics & Government) degree from the University of Nairobi.</p>	<p>Mr. Mwaniki is the founder and director of the M. A. Consulting Group, a regional professional firm specializing in economic development and management in Sub-Saharan Africa. In this capacity, he has been responsible for the design, methodology and directorship of numerous assignments in Kenya and the region for over thirty (30) years. He previously worked as a lecturer at the University of Nairobi and at the Ministry of Finance.</p> <p>Date of Birth: 4th April 1950</p> <p>Date of Appointment: 19th September, 2012</p> <p>Term of office: 1st</p> <p>Other Public institution's Directorship: None</p>

**NAME AND KEY QUALIFICATIONS,
ACADEMIC QUALIFICATIONS**

KEY QUALIFICATIONS AND WORK EXPERIENCE



**MR. MUGAMBI
NANDI**

Holds Bachelor of Laws and Master of Business Administration degrees, from the University of Nairobi, a Diploma in Law & Practice from the Kenya School of

Law and a Diploma in Financial Management from the ACCA.

Mr. Nandi was admitted to the Kenyan Bar in 1997. He has over fifteen(15) years.

experience as in-house counsel and Company Secretary. He has previously served as the Head of Legal and Company Secretary for the CfC Stanbic Group, Legal Counsel for the East African Development Bank, Company Secretary for Uchumi Supermarkets Limited and Associate at Hamilton Harrison & Mathews, Advocates. He was named Company Secretary of the Year 2011 by the Institute of Certified Public Secretaries of Kenya. He is the Managing Partner at KN Associates LLP, Advocates, where he specializes in General Corporate and Commercial, Mergers & Acquisitions, and Energy Law.

Date of Birth: 15th October 1971

Date of Appointment: 19th September, 2012

Term of office: 1st

Other Public institution's Directorship: None



**M R S . E S T H E R
KOIMETT, CBS**

Holds Bachelor of Commerce (Accounting) and Master of Business Administration degrees from the University of Nairobi.

Mrs. Koimett has held various senior positions in Government and the Parastatal sector including being the Permanent Secretary, Ministry of Tourism. She is currently the Investment Secretary, National Treasury. Mrs. Koimett represents the Principal Secretary, National Treasury on the Boards of various state corporations.

Date of Birth: 14th September 1956

Date of Appointment: 2008

Term of office: 2nd

Other Public institution's Directorship: Several

**NAME AND KEY QUALIFICATIONS,
ACADEMIC QUALIFICATIONS**

**KEY QUALIFICATIONS AND WORK
EXPERIENCE**



MS. ROSELYN AMADI

Holds a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She also holds a Diploma in Corporate Governance from KCA University.

Ms. Amadi is a lawyer by profession and also an Advocate of the High Court of Kenya. She is the acting Deputy Solicitor General in the Office of the Attorney General & Department of Justice. She is currently the Head of the Treaties and Agreements Department at the Office of the Attorney General & Department of Justice. She is a Member of the Joint Railway Commission which is steering railway infrastructure in East Africa. She is also a Board Member of Serve Africa, a voluntary Christian organization mentoring graduates in integrity and leadership in society.

Date of Birth: 17th October, 1955

Date of Appointment: 2008

Term of office: 2nd

Other Public institution's Directorship: Several



SOLOMON A. M. K. KITUNGU

Mr. Kitungu is the Commission Executive Director/Chief Executive Officer and he holds a Bachelor of Arts (Economics) degree from the University of Nairobi and a Master of Arts (Economics) degree

from the University of Manchester, United Kingdom. Mr. Kitungu also has extensive training and experience in public sector, Parastatal and infrastructure reforms and privatization He has also undertaken Advanced Management Programme (AMP) – University of Navarra, Spain and Strathmore Business school, Kenya.

Mrs. Koimett has held various senior positions in Government and the Parastatal sector including being the Permanent Secretary, Ministry of Tourism. She is currently the Investment Secretary, National Treasury. Mrs. Koimett represents the Principal Secretary, National Treasury on the Boards of various state corporations.

Date of Birth: 14th September 1956

Date of Appointment: 2008




Term of office: 2nd

Other Public institution's Directorship: Several

III. MANAGEMENT TEAM

NAME OF KEY MANAGER, ACADEMIC/ EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
 <p>Solomon A. M. K. Kitungu</p> <p>Bachelor of Arts (Economics) Master of Arts (Economics) Advanced Programme (AMP)- University of Navarra, Spain and Strathmore Business school, Kenya. various management, financial, infrastructure, privatization and PPPs and investment trainings, Member, Institute of Economic Affairs</p>	<p>EXECUTIVE DIRECTOR/ CEO:</p> <p>Provision of leadership in the development and implementation of appropriate strategies to enhance the mission, vision and values of the Commission on all matters relating to implementation of the Commission's strategies</p>
 <p>Jacqueline Mbithe Muindi</p> <p>Bachelor of Laws (LLM) Master of Laws Dip. Legal Education, CPS (K) Various Professional and Management courses</p> <p>Member, ICPSK, Law Society of Kenya</p>	<p>LEGAL AFFAIRS</p> <p>Provision of sound legal advice to the management and the Commission</p>
 <p>Virginiah Njeri Kariuki</p> <p>Bachelor of Science in Business Administration (Management & Accounting), MBA (Strategic Management), CPA (K),</p> <p>CPS (K), Senior Leadership Programme(SLP), Certified Balanced Score Card Professional (BSP), Various professional and management courses, Member ICPAK and AWAK</p>	<p>FINANCE & ACCOUNTS</p> <p>Provision of finance and Accounting services to the Commission In charge of Performance contract reporting at the Commission</p>

NAME OF KEY MANAGER, ACADEMIC/ EDUCATIONAL QUALIFICATION, AND KEY PROFESSIONAL QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
 <p>Gideon Kyalo Muinde</p> <p>Post Graduate Programme for Management Development (PMD) professional Qualification,</p> <p>Certified Balanced Score Card Professional (BSP), various professional and management courses Member, Institute of Human Resource Management</p>	<p>HUMAN RESOURCES & ADMINISTRATION</p> <p>Responsible for overall management of human resource and administrative services in the Commission</p>
 <p>Rosemary Nduku Ndiritu</p> <p>Bachelor of Commerce (Accounting) Master of Business Administration CPA (K), Corporate</p> <p>Finance UK qualification (CF) Various Management and professional courses Member. ICPAK, Association of Financial Analysts (AFA), Institute of Investment Professional EA (IIP-EA)</p>	<p>TRANSACTIONS</p> <p>Assist the CEO/Chief Manager, Transaction in managing a number of privatization transactions</p>

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

IV. CHAIRMAN'S STATEMENT

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

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

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

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

Section 15 and 16 of the Privatization Act requires that, the Commission's Annual Report should, as a minimum include the Annual Financial Statements for the year and where a corporation was privatized during the year, a statement of the assets and liabilities of the State Corporation, and the proceeds from privatization. Accordingly the financial statements include a statement of the assets and liabilities and the proceeds from the privatization of Kenya Wine Agencies Limited (KWAL), a transaction that saw the sale of 26 per cent stake held by ICDC in KWAL through its holding company KWA Holdings E. A. Limited (KHEAL) to Distell Group. The consideration was Ksh.860 million resulting from the sale of 24.96 million shares.

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



HON. HENRY OBWOCHA, EGH

CHAIRMAN PRIVATIZATION COMMISSION

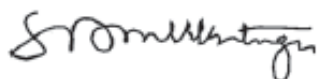
V. REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

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

We are very grateful to the Commission Members for the continued guidance and commitment to the Commission's work and the National Treasury for its financial and administrative support. We are also grateful to the other stakeholders who contributed significantly to the Commission's work and the Commission's staff for the continued commitment and loyalty to the Commission in spite of a number of reform related uncertainties that arose during the period.



SOLOMON KITUNGU
EXECUTIVE DIRECTOR/CEO

VI. CORPORATE GOVERNANCE STATEMENT

Policy on Corporate Governance

The Commission's policy on corporate Governance is enshrined in the Revised Board Charter .

The Privatization Commission has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Commission adheres to good corporate governance by embracing the following principles:

- i. To observe high standards of ethical and moral behaviour;
- ii. To act in the best interests of the Privatization Commission;
- iii. To remunerate and promote fairly and responsibly;
- iv. To recognize the legitimate interests of all stakeholders; and
- v. To ensure that the Privatization Commission acts as a good corporate citizen.

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.

Organizational Vision and Values

The vision of the Commission is "to be an agent of change, implementing a Privatization Programme that contributes significantly in transforming Kenya into a vibrant economy."

To achieve the vision and the mission, we are guided by the following core values:

- Integrity - we employ the highest ethical standards, demonstrating honesty and fairness in every action that we take.
- Transparency - we are open in our decisions and actions.
- 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.
- Professionalism - We uphold professional ethics in discharging our mandate
- Fairness - We act justly, respect people, respect privacy, minimize harm and keep our promises.

Composition of the Commission Board

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

Meetings

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

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

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

Number of Committees meetings held during the year were:

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

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:

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

Details about Board Members and Management Team

These have been disclosed under Section II (Board of Directors) and Section III (Management Team).

Board Performance and Remuneration

Remuneration

The remuneration of directors, individually and collectively is disclosed in section XVI (Notes to the financial statements) note 7.

The salaries and remuneration of the Chief Executive Officer and the senior management is disclosed in section XVI (Notes to the financial statements) note 6.

Board Evaluation Results

A summary of the Board Evaluation results for the period under review as carried out by the State Corporation Advisory Committee (SCAC) is as follows:

Full Board evaluation: The overall score was 82.960%.

Individual member's evaluation

- Ms. Roselyn Amadi	-	89.643%
- Mr. Benard Nandieki	-	81.437%
- Mr. Ngure Mwaniki	-	91.675%
- Mr. Mugambi Nandi	-	89.392%
- Mrs. Patricia Adala	-	88.452%
- Mr. John Kenduiwo	-	92.292%

- ED/CEO'S evaluation: The overall score was 78.37%.

Code Of Ethics and Conduct and Whistle-Blowing Policy

The Commission developed a Code of Ethics and Conduct in accordance with Mwongozo and Commission Members and the staff have agreed to be bound by the Code.

The Commission developed a Whistle-blowing policy which is in operation. The policy encourages persons who have reason to believe that a Board Member or employee has not acted in accordance with the Code of Ethics and Conduct to bring the matter to the relevant authority or the appropriate government agency without risking retaliation.

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:

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.

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

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.

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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.

- Investing public
- Government investments Identified for Privatization
- Regulatory Agencies
- Kenyan Public
- Kenya National Audit Office
- Media

Key Stakeholder Groups

The Commission identifies stakeholders as individuals, groups or institutions that may be affected by the strategic choices made by the Commission or those who can affect the outcome of the proposed strategies. Based on the Commission's mandate, all our stakeholders can expect good governance, transparency, accountability and efficient management of the Privatization Programme.

The Commission's main stakeholders are summarized in the table below:

- Parliament
- National Treasury
- County governments
- Ministry responsible for Investments identified for Privatization
- Investing public
- Government investments Identified for Privatization
- Regulatory Agencies
- Kenyan Public
- Kenya National Audit Office
- Media

The outcome of stakeholder engagements conducted during the period under review is as follows:

Stakeholder	Nature of stakeholder engagement	Outcome
Parliament	Presentation of report on privatization of public sector owned/controlled sugar companies	Approval of report on 21 st April 2015
National Treasury	<ul style="list-style-type: none"> • Request for statutory and other approvals and reports • Request to facilitate appointments 	<ul style="list-style-type: none"> • Approval of annual budget • Appointment of Commission Chairman in April 2015
Ministry responsible for Investments identified for Privatization	Consultations	Timely finalization of detailed privatization proposals
Government investments Identified for Privatization	Consultations	Timely finalization of detailed privatization proposals and transactions
Regulatory Agencies	Request for approval	Timely finalization of transactions
Kenyan Public	Information sharing	Effective and efficient procurement process
Kenya National Audit Office	statutory audit of Commission's books of accounts	Timely audits
Media	Information sharing	Fair and objective coverage

Key Organizational Risks

Policy on Risk Management

Key risks to which the Commission is exposed to is disclosed in section XVI (Notes to the financial statements) note 2S.

Management Discussion and Analysis

These are disclosed in the Chairman and Executive Director Statements. The ongoing delay in completion of the State Enterprise rationalization have a material effect on the financial condition and results of operations in the future.

Compliance with Applicable Reporting Standards

The financial statements have been prepared in compliance with the applicable reporting standards. There is no deviation from the applicable financial policy. This is disclosed in Section XVI note 1.

Related Party Transaction

This is disclosed in Section XVI note 2(k) and note 25

Corporate Citizenship

The goal of CSR at Privatization Commission is to embrace responsibility for the Commission's actions and encourage a positive impact through its activities on the environment, customers, employees, suppliers and all other members of the public.

The Commission is firmly committed to the view that good corporate responsibility practice and responsible behaviour are integral parts of developing a growing and sustainable organization. The Commission is therefore committed to conducting its business responsibly and in the best interests of our customers, employees, the society and the environment.

CSR activities undertaken during the year are disclosed in section VII corporate Social Responsibility statement

Procurement Policy

All procurements in the organization shall be undertaken in accordance with

1. The Public Procurement and Disposal Act, 2005
2. The Public Procurement and Disposal Regulations, 2006
3. Relevant Legal notices issued by the Treasury Cabinet Secretary
4. Relevant circulars issued by the Public Procurement Oversight Authority (PPOA)

Top Ten Contracts of the Organization in Terms of Value

The following are the top ten contracts awarded by the organization during the period

NO	ITEM DESCRIPTION	FIRM AWARDED	AMOUNT
1	Transaction advisory services of privatization of the public sector owned sugar companies	M/S Ernst & Young	30,906,000.00
2	Annual office Rent	M/S Telkoms Kenya Ltd	6,079,072.80
3	Provision of staff medical insurance policy	M/S Jubilee Insurance	2,168,179.00
4	Provision of internal audit services	M/S Mazars CPA (k)	1,948,800.00
5	Provision of transaction advisory services on privatization of KWAL	M/S Standard Investment Bank Ltd	1,619,280.00
6	Provision of consultancy services in review of PC strategic plan	M/S Selwood consultants	928,000.00
7	Maintenance and support services of the IFMIS	M/S Coretec Systems & Solutions Ltd	923,183.03
8	Provision of packing space for commission staff	M/S Kenya Railways Corporation	900,000.00
9	Provision of cleaning services	M/S One way Cleaning Services Ltd	835,200.00
10	Provision of staff calling cards for a period of 10 months	M/S Jamak Enterprises	804,000.00

The number of legal challenges to procurement decisions including details of any that may have been successful

There were no legal challenges to procurement decisions during the period.

Compliance with Laws, Regulations and Standards

The Commission conducted two (2) internal audits to monitor compliance with laws and regulations. In terms of compliance with standards, the Commission conducted two (2) internal quality audits and invited the Kenya Bureau of Standards to conduct one surveillance audit to establish level of compliance with ISO 9001:2008 quality standard. All the audits established that the Commission was complying with laws, regulations and standards.

Sustainability Reporting

The Commission embraces policies that meet the needs of the present without compromising its ability to sustain its future development needs and objectives in order to ensure long term sustainability of the organization. Some of the sustainability initiatives involving the Commission are disclosed in Section VII (CSR Statement).

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

PC's strategy focuses on the following areas:

i. Health

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

ii. Education

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

iii. Environmental Sustainability

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

iv. Humanitarian Intervention

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

Corporate Social Responsibility initiatives during the financial year:

2014 Standard Chartered Nairobi Marathon

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

Kenya Medical Association Cancer Peer Champions Sensitization

In February 2014 the Privatization Commission joined the Kenya Medical Association Bila Cancer Society as a Kenyan corporate declaring an end to cancer in Kenya. As a result, the Commission identified 10 staff peer champions to join KMA for various activities from time to time and help spread the anti-cancer message within the organization.

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

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

Environmental Conservation And Disability Mainstreaming

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

The Kenya Community Center for Learning was proposed and on 26th March 2015, the Commission donated 9 recycling units for paper, plastic and biodegradable waste, planted trees and donated educational toys for the children who have neurological conditions. We also witnessed the launch of the School's disability friendly bus. The total amount spent was Ksh.136,880.00

The 2015 Mater Heart Run

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

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

Parliament Of Kenya - National Prayer Breakfast

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

Internships

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

VIII. REPORT OF THE DIRECTORS

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

Principal Activities

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

Results

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

Board Members

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

Auditors

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



SOLOMON KITUNGU

EXECUTIVE DIRECTOR/CEO

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board Members are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30 2015.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensure that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

statements as well as the adequacy of the systems of internal financial control.

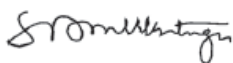
Nothing has come to the attention of the Board Members to indicate that the Privatization Commission will not remain a going concern for at least the next twelve months from the date of this statement. It is however noted that the on-going rationalization of the State Owned Enterprises may result in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

Approval of the Financial Statements

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



Hon. Henry Obwacha, EGH
Chairman



Mr. Solomon Kitungu
ED/CEO



Mr John Kenduiwo
Commission Member

X. REPORT OF THE INDEPENDENT AUDITORS ON THE PRIVATIZATION COMMISSION

REPUBLIC OF KENYA

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**P.O. Box 30084-00100
NAIROBI**

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

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

Directors' Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

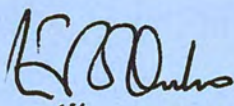
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Privatization Act, 2005 of the Laws of Kenya.



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

Nairobi

11 February, 2016

XI. STATEMENT OF FINANCIAL PERFORMANCE

 For The Year Ended 30th June, 2015

		2014/15	2013/14
	Note	Kshs'000	Kshs'000
Revenue from non-exchange transactions			
Government Grants	3	220,000	229,122
Revenue from exchange transactions			
Other revenue	4	65,414	54,655
Gain on disposal of assets	5	32	
Total Revenue		285,446	283,777
Expenses			
Employee costs	6	118,803	110,530
Board expenses	7	16,514	18,623
Transaction advisory costs	8	37,714	55,122
Depreciation & Amortization expenses	9	11,835	12,550
Repairs and maintenance	10	2,472	2,376
General Expenses	11	33,013	38,987
Total Expenses		220,351	238,188
Surplus/(Deficit) for the year		65,095	45,589

The notes set out on page 6 to 21 form an integral part of the financial statements.

XII. STATEMENT OF FINANCIAL POSITION

 As at 30th June 2015

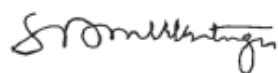
		2014/15	2013/14
	Note	Kshs'000	Kshs'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	12	642,651	573,004
Receivables	13	48	268
Inventories	14	910	1,047
		643,609	574,319
Non- Current assets			
Property, Plant and Equipment	15	12,152	23,638
Intangible Assets	16	200	256
		12,352	23,894
Total Assets		655,961	598,213
LIABILITIES			
Current Liabilities			
Trade and other payables	17	992	6,878
Provisions	18	37,909	39,370
		38,901	46,248
Net Assets/Equity			
Revenue reserve	20	603,886	538,791
Capital Grants	21	3,276	3,276
Revaluation Reserve	22	9,898	9,898
		617,060	551,965
Total net assets and liabilities		655,961	598,213

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



 Hon. Henry Obwacha ,EGH
 Chairman Commission

 Date 10th September 2015



 Mr. Solomon Kitungu
 Executive Director/CEO

 Date 10th September 2015

XIII. STATEMENT OF CHANGES IN NET ASSETS

 For the year ended 30th June 2015

	Revenue Reserve	Capital Grants	Revaluation Reserve	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Reserves as at 1 st July 2013	493,202	3,276	9,898	506,376
Surplus for the year	45,589			45,589
30 th June 2014	538,791	3,276	9,898	551,965
Reserves as at 1 st July 2014	538,791	3,276	9,898	551,965
Surplus for the year	65,095			65,095
30 th June 2015	603,886	3,276	9,898	617,060

XIV. STATEMENT OF CASHFLOWS

 For the year ended 30th June 2015

		2014/15	2013/14
	Note	Kshs'000	Kshs'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Government Grants		220,000	229,122
Other revenue		65,414	54,655
Trade receivables		220	1,193
Payments			
Employee costs		(118,803)	(110,530)
Board expenses		(16,514)	(18,623)
Transaction advisory costs		(37,714)	(55,122)
Repairs and maintenance		(2,472)	(2,376)
General Expenses		(33,013)	(38,987)
Inventories		137	386
Trade payables		(7,347)	(15,084)
Net Cash flow from operating Activities	19	69,908	44,634
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of software		(407)	(2,354)
Disposal of Assets		146	
Net cash from investing activities		(261)	(2,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS		69,647	42,280
Cash and Cash equivalents at the beginning of the year		573,004	530,724
Cash and Cash equivalents at the end of the year		642,651	573,004

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

 For the year ended 30th June 2015

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

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

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

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparations

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

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

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

2. Summary of Significant Accounting Policies

a) Revenue Recognition

i. Revenue from non-exchange transactions The Commission operations are financed by Government grants. The grants are accounted for on cash basis.

ii. Revenue from Exchange transactions
These are mainly revenue realized from A.I.A and donations.

b) Interest Income

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

c) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

The annual depreciation rates in use are:

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

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed on finite basis.

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

e) Inventories

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

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

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

f) Provisions

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

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

g) Contingent Liabilities

The Commission does not recognize a contingent liability, but discloses details of any contingencies unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The Commission has a pending court case in which it has been sued by a former member of staff for wrongful termination of services. The case has been going on for the last two years. The estimated contingent amount is kshs.2Million.

h) Nature and Purpose of Reserves

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

Revenue Reserves

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

Capital Grants

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

Revaluation Reserves

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

i) Changes in Accounting Policies and Estimates

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

j) Employee Benefits –Retirement Benefit Plans

The Commission does not have a retirement benefit plan. All Commission staff are on 3-5 years contract. Gratuity to the staff is payable to the staff after the end of contract period. Entitlements to gratuity are recognized when they accrue to employees. The provisions have been treated as a current liability.

k) Related Party

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

Members of key management are regarded as related parties and comprise of the Board of Directors and the Management team.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash In hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative Figures

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

n) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

o) Estimates and Assumptions

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

Useful Lives and Residual Values

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

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

p) Provisions

The provisions were raised and Management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The provision amount relates to unpaid gratuity, salary, and ongoing contracts which relate to 2014/15 financial year.

q) Subsequent Events

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

r) Budget Variance

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

s) Risk Management

The Commission's risk management strategy recognizes the various risks the Commission is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring. The Commission's overall risk management programme focuses on the unpredictable changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Board does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

Credit Risk

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

Liquidity Risk

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

Capital Risk

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

Operational Risk

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

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

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

Change in Government Policy towards Privatization: This is the risk of adversely affecting the Privatization Programme through policy changes and other directives such as the Parastatal Reform Initiative under which the functions of the Commission were to be taken over by the proposed Government Investment Corporation Limited. This process initially led to the stoppage of implementing the Privatization Programme pending the completion of the reforms. To date the rationalization is yet to be completed though several transactions have been authorized to proceed.

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

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

3. GOVERNMENT GRANTS

	2014/15	2013/2014
	Kshs'000	Kshs'000
Government Grants-recurrent expenditure	220,000	229,122
Government Grants-transaction Advisory costs		
Total	<u>220,000</u>	<u>229,122</u>

4. OTHER REVENUE

	2014/15	2013/14
	Kshs'000	Kshs'000
Interest income	65,234	54,503
Sale of tender documents	14	98
Miscellaneous revenue	198	54
Total Revenue	<u>65,446</u>	<u>54,655</u>

5. GAIN ON DISPOSAL

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

One of the tablets was stolen and the insurance company compensated the Commission for the loss

6. EMPLOYEE COSTS

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

The salaries and remuneration of the Chief Executive Officer was Kshs.9,256,880 while the Management staff earned Kshs.47,943,312.

7. BOARD EXPENSES

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

Individually the remuneration to the directors was as follows

Commission Member	Gross Amount Earned (Kshs'000)
Hon Henry Obwocha, EGH	800
Ms. Roselyn Amadi	929
Mr. Benard Nandieki	2,280
Mr. Ngure Mwaniki	2,166
Mr. Mugambi Nandi	2,272
Mrs. Patricia Adala	1,622
Mr. John Kenduiwo	2,171
Esther Koimett	308

8. TRANSACTION ADVISORY SERVICES

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

The Transaction Advisory cost refers to the cost of hiring Transaction Advisory Services. Part of the funds brought forward amounting to Kshs547 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. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

9. DEPRECIATION AND AMORTIZATION EXPENSES

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

10. REPAIRS & MAINTENANCE

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

11. GENERAL EXPENSES

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

12. CASH AND CASH EQUIVALENTS

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

13. TRADE AND OTHER RECEIVABLES

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

14. INVENTORIES

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

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

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

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

Cost/Valuation	Motor Vehicles Kshs'000	Furniture and fittings Kshs'000	Equipment Kshs'000	Computers Kshs'000	Totals Kshs'000
As at 1 st July 2014	11,350	55,620	4,555	15,994	87,519
Disposal during the year				(268)	(268)
As at 30 th June 2015	11,350	55,620	4,555	15,726	87,251
Depreciation and impairment					
As at 1 st July 2014	5,676	41,476	2,589	14,140	63,881
Depreciation on disposal				(154)	(154)
Charge for the Year	2,838	6,952	569	1,013	11,372
As at 30 th June 2015	8,514	48,428	3,158	14,999	75,099
NBV as at 30 th June 2015	2,836	7,192	1,397	727	12,152
Cost/ Valuation					
As at 1 st July 2013	11,350	55,620	4,555	13,641	85,166
Additions during the year				2,353	2,353
As at 30 th June 2014	11,350	55,620	4,555	15,994	87,519
Depreciation and impairment					
As at 1 st July 2013	2,838	34,524	2,020	12,257	51,639
Charge for the Year	2,838	6,952	569	1,883	12,242
As at 30 th June 2014	5,676	41,476	2,589	14,140	63,881
NBV as at 30 th June 2014	5,675	14,144	1,966	1,854	23,638

As at 30th June 2015, Property, Plant and Equipment worth Kshs.13,541,257 had been fully depreciated. Although the items are still useful to the organization they were not revalued.

16. INTANGIBLE ASSETS

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

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

As at 30th June 2015, intangible assets worth Kshs.9,847,710 had been fully amortized for a period of three years.

17. TRADE AND OTHER PAYABLES

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

18. CURRENT PROVISIONS

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

Provisions relates to:

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

19. CASH GENERATED FROM OPERATIONS

	2014/15	2013/14
	Kshs '000	Kshs' 000
Surplus for the Year	65,095	45,589
Adjusted for:		
Gain on disposal	(32)	
Depreciation & amortization	11,835	12,550
Decrease in receivables	220	1,193
Decrease in inventories	137	386
Decrease in payables	(7,347)	(15,084)
Net cash flow from operating expenses	69,908	44,634

20. REVENUE RESERVE

	2014/15	2013/14
	Kshs'000	Kshs'000
Opening Balance	538,791	493,202
Surplus for the year	65,095	45,589
Closing Balance	603,886	538,791

21. CAPITAL GRANTS

	2014/15	2013/14/13
	Kshs'000	Kshs'000
Capital Grants	3,276	3,276
Total	3,276	3,276

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

22. REVALUATION RESERVE

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

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

23. CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2014/15. They had been approved and contracted.

	2014/15	2013/14
	Kshs'000	Kshs'000
Acquisition of fixed assets	11,300	7,700
Transaction Advisory Services	547,707	385,395
Total	559,007	393,095

24. OPERATING LEASE COMMITMENTS (BUILDING)

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

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

25. RELATED PARTY DISCLOSURE

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

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

26. CURRENCY

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

27. ULTIMATE AND HOLDING COMPANIES

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

XVII. EVENTS AFTER THE REPORTING DATE

There is no material adjusting events after the reporting date.

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

Reference No. On the external audit Report	Issue/observation from Auditor	Management Comments

XIX. STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

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

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

EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	480,000	480,000	480,000	480,000	480,000
Revaluation reserves	239,848	239,848	244,474	295,245	305,709
Fair value reserve	-	-	225,016	179,555	128,250
Retained earnings	1,248,392	1,082,137	796,216	717,147	574,791
Translation reserve	-	(7,948)	428	969	1,911
Total Equity	1,968,240	1,794,037	1,746,134	1,672,916	1,490,661
Non current liabilities					
Deferred taxation liability	172,104	172,104	141,480	129,066	121,006
Defined benefit liability	8,364	14,011	36,719	15,052	-
Finance lease obligations	1,406	1,406	8,795	8,700	-
	181,874	187,521	186,994	152,818	121,006
Current liabilities					
Trade and other payables	406,260	446,964	280,222	431,528	336,205
Dividend payable	771	50,439	852	760	50,229
Overdraft		20,517	-	-	-
Tax payable		5,235	-	19,021	-
Finance lease obligations	221	7,430	6,253	5,353	-
	407,252	530,585	287,327	456,662	386,434
Total equity and liabilities	2,557,366	2,512,143	2,220,455	2,282,396	1,998,101



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