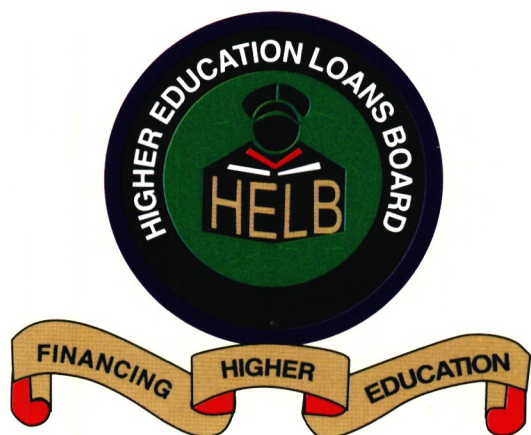


**HIGHER EDUCATION LOANS BOARD**

**Annual Accounts**  
for Year ended 30th June

**2006**



# Higher Education Loans Board

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## Vision Statement

“To be a dependable institution financing Kenyans pursuing higher education”

## Mission Statement

“To source funds and finance Kenyan students pursuing higher education in recognized institutions”

## Our Core Values

“We strive to be a Transparent, Fair, Courteous and Competent Team”

**Transparency:** We are committed to serving our clients with transparency and integrity.

**Fairness:** We strive to exercise fairness in our service delivery

**Courtesy:** We endeavor to be courteous at all times

**Competence:** Our services are provided with utmost competence

**Teamwork:** Appreciation, Communication and Teamwork are central in all activities

## Board Members and Board Details

Professor J. H. Kimura	Chairman
Mr. Benjamin C. Cheboi	Board Secretary/Chief Executive Permanent Secretary, Ministry of Education. Permanent Secretary, Treasury
Professor Crispus Kiamba	Secretary, Commission for Higher Education (Replaced on 4th April 2006)
Professor Everett Standa	Secretary, Commission for Higher Education (Appointed on 4th April 2006)
Professor Nick Wanjohi	Chairman, Vice - Chancellors Committee for Public Universities
Professor Freida Brown	Representative of Vice - Chancellors or Principals of the Private Universities
Mrs. Jackline Mugo	Executive Director, Federation of Kenya Employers
Mrs. Rose W. Waruinge	Member
Mr. K. A. K Bett	Member
Mr. John Wanyela	Representative of Chairman, Kenya Bankers Association
Mr. Kenneth Waithiru	Alternate to Permanent Secretary, Treasury
Ms. Alice Gichu	Alternate to Permanent Secretary, Ministry of Education

### AUDITORS

Controller and Auditor General,  
Kencom House,  
Nairobi.

### BANKERS

Kenya Commercial Bank Limited,  
University Way,  
Nairobi.

Citibank Limited,  
Upperhill,  
Nairobi.

Co-operative Bank  
University Way Branch  
Nairobi

National Bank of Kenya,  
Harambee Avenue Branch,  
Nairobi

## Board Secretary and Senior Officers of HELB

Board Secretary/Chief Executive Officer	Mr. Benjamin C. Cheboi
Deputy Secretary	Mr. Phillip H. Dido
Manager, Personnel and Administration	Mrs. Kate Samo
Ag. Manager, Loans Disbursement & Recovery	Mr. Richard Belio Kipsang
Ag. Manager, Finance	Ms. Mary Wachira
Manager, Information Technology	Mr. David K. Mbogori
Legal Officer	Mrs. Bernadette N. Masinde
Public Relations Officer	Mr. Otieno Agiro
Systems Analyst / Programmer	Mr. Daniel N. Kagunda
Data Analyst	Mr. Josephat K. Nzuki
Senior Loans Recovery Officer	Mrs. Esther N. Michieka

## Chief Executive Officer's Report for the Year ended 30th June, 2006

It gives me great pleasure in presenting the Annual Financial Statements of the Higher Education Loans Board for the year ended 30th June 2006.

During the year under review the Board earned a surplus of KShs. 392,659,773 compared to a surplus of KShs. 303,983,362 for the year ended 30th June 2005. The cumulative surplus for the Board as at 30th June 2006 was KShs.3,151,052,135.

The Board has improved its income generating activities through internally generated funds. Income from user charges earned the Board KShs.68 million compared to KShs.51,401,000 in 2004/2005. This increase is due to an additional net increase of 17,000 loanees now repaying their loans.

The Board continued with its mission of financing higher education. A total of KShs. 1,776,007,746 was disbursed as loans during the year compared to KShs. 1,912,252,992 in 2004/2005. The amount disbursed in 2004/2005 was higher due to the accounting method used then. In 2004/2005 and earlier years, the loan disbursements were recognized when the actual payment was made and most universities' academic years were overlapping into the financial year. The backlog of loan disbursements for previous years were accrued in 2004/2005. In 2005/2006, the accrual basis was adopted and hence loans advanced to students are recognized immediately the commitments are made.

The Board was also able to recover KShs.881,206,173 in the year under review compared to KShs.774,285,606 recovered in 2004/2005.

The Board faces various challenges in its endeavor to increase loan recoveries from past beneficiaries. These include:

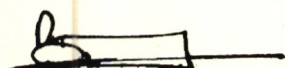
- **The Rising Demand for Funding:** This is outstripping the available resources. There exists a wide funding gap, which the Board is striving to fill. This has been brought about by the increased student population in the institutions of higher learning, both public and private accredited universities, the need to finance regular as well as Module II and students in other tertiary institutions.
- **Graduate Unemployment:** This hampers the recovery prospects and compromises the creation of a sustainable and dependable revolving fund.
- **Impact of HIV/AIDS pandemic** on loan recovery efforts and consequent increased demand for loans due to increase in the number of orphans in universities.
- **Migration of ex-university student** to other countries before repayment of the HELB Loan

The Board has developed strategies to address these challenges and these include:

- **Collaboration with the Kenya Revenue Authority** as provided by the amendments to the KRA Act made by 2005/2006 Finance Bill which gave HELB the mandate to access Kenya Revenue Authority's database to trace university graduates not repaying their loans. This is expected to increase the loan recovery.

- Increase public education on mandate of the Higher Education Loans Board and the need for the past beneficiaries to assist it in fulfilling its mandate of financing higher education by repaying their loans
- Use of modern information technology intensively to help maintain and manage the extensive data of its loanees and keep up to date records.
- Partner with other institutions like NHIF, TSC, NSSF and Government ministries to help net the loanees by using their data bases.
- Facilitate easier loan recovery remittance mechanisms including electronic transmittance and direct debits to improve on loan collection.
- Strengthening of its Legal Department to help prosecute employers who do not comply with the requirements of the HELB Act

On behalf of the Higher Education Loans Board, I wish to take this opportunity to thank the Government and other stakeholders for their support.



B. C. CHEBOI  
BOARD SECRETARY/CHIEF EXECUTIVE OFFICER



## Core Business of Higher Education Loans Board

The Core business of Higher Education Loans Board is defined for in the HELB Act, 1995.

The Act states, in Section 6, the functions of the Board which are to: -

- Formulate sound policies for regulating the management of the Fund;
- Solicit for funds and other assistance to promote the functions of the Board;
- Set the criteria and conditions governing the granting of loans including the rate of interest and recovery of loans;
- Receive any gift, donation, grants or endowments made to the Board, and to make legitimate disbursements there from;
- Establish and maintain links with other persons, bodies or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of its purposes;
- Enter into contract with financial institutions for the purpose of Loan disbursement and recovery;
- Grant loans out of the Fund either with or without security, as the Board may deem fit, to any eligible person to enable him, or assist any student, to meet the cost of higher education;
- Determine the maximum number of eligible persons or students to be granted loans in any one particular year;
- Invest any surplus funds not currently required for the purpose of the Board in any investment authorized by law for investment of trust funds with power from time to time to vary or realize those investment;
- Receive and consider all loan applications from eligible persons or students wishing to be considered for the award of higher education loans, and to approve, withhold or reject such requests in accordance with the provisions of the Act;
- Borrow such monies from such sources and in such amounts as may be approved by the Minister with the concurrence of the Treasury and to secure such loans in such manner as they deem fit;
- Take insurance cover for risk loans such as death, incapacity or inability to pay, as the Board deems fit;
- Establish and award bursaries and scholarships which it may consider necessary for promotion of the objectives and functions of the Board;
- Perform any other functions relating to the granting of students' loans in accordance with the provisions of the Act.

## Statement of Board Members' Responsibilities

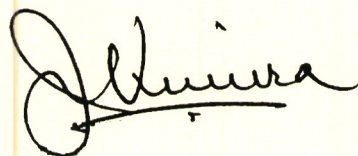
The Higher Education Loans Board (HELB) Act, Cap 213A of the laws of Kenya requires the Board to prepare financial statements for each financial year which give a true fair view of the state of affairs of HELB as at the end of the financial year and of the operating results of HELB for that year. It also requires the Board Members to ensure that HELB keeps a proper accounting record which discloses with reasonable accuracy at any time the financial position of HELB. They are also responsible for safeguarding the assets of HELB.

The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and in the manner required by the HELB Act.

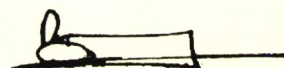
The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Higher Education Loans Board and of its operating results. The Board further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board to indicate that HELB will not remain a going concern for at least the next 12 months from the date of this statement.

This statement is approved by the Board Members and is signed on its behalf by:



PROFESSOR JOSEPH H. KIMURA  
CHAIRMAN



BENJAMIN C. CHEBOI  
BOARD SECRETARY/CEO

# Report of the Controller and Auditor General on the Financial Statements of Higher Education Loans Board for the Year ended 30 June 2006

I have audited the financial statements of the Higher Education Loans Board for the year ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of accounts.

## Respective Responsibilities of the Board and the Controller and Auditor General

The Board is responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

## Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles used and significant estimates made by the board members as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis of opinion.

## Comments

### 1.0 Loans To Students

As disclosed in note 4 to the financial statements, Matured Loans to Students plus loan interest amounted to Kshs.14,021,588,415 out of which only KShs.881,206,173 was recovered during the year leaving a balance of Kshs.13,140,382,242. Further, a sum of Kshs.21,889,659 has been added back and described as loan refund while Kshs.13,887,269 and described as loan waived has been deducted to give a balance of Kshs.13,148,384,633. When the provision of bad and doubtful debts of Kshs.657,419,498 is taken into account the outstanding mature loans come to Kshs.12,490,965,134 out of which 48% or Kshs.6 billion is non-performing as at the balance sheet date. Although the Board contends that measures have been put in place to recover the loans, it has further explained that such measures have been hampered by unemployment of graduates, impact of HIV/AIDS and migration of past beneficiaries to other countries. In the circumstances, it is not possible to ascertain whether or not the Board will be able to collect Kshs.12,490,965,134 reflected in the balance sheet as matured loans.

### 2.0 Staff Loans

As previously reported a former HELB Executive Secretary owes the Board a total of KShs.1,015,127 in respect of the following payments:-

	KShs.	From	To
Security and Medicine	330,345.05	15.12.2000	13.03.2001
Electricity Bills	89,883.30	July 1999	June 2000
27.5% Pension Contribution	594,898.40	01.08.1995	30.09.2000
	1,015,126.75		

Although the management has explained that the matter was forwarded to Inspectorate of State Corporations for possible surcharge, the outcome of such action has not been seen.

### 3.0 Accounts Receivables

Included in the accounts receivables figure of KShs.7,168,470 is KShs.749,741.30 reflected in Note 7 to the financial statements as interest due from Kenya Commercial Bank – University Way. This amount represents interest income which the Board had been underpaid on its Fixed Deposit investments with the Bank that has been outstanding in H.E.L.B's financial statements for the last six (6) financial years. The Board as to date has not resolved the issue of the underpayment with Kenya Commercial Bank.

### Opinion

Except for any adjustments that might be necessary as a result of the foregoing reservations, in my opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30 June 2006 and its surplus and cash flow for the year then ended and comply with Higher Education Loans Board Act, (Cap 213A).



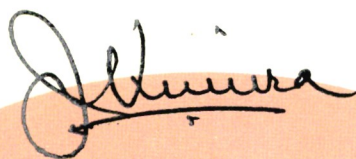
P. N. KOMORA  
CONTROLLER AND AUDITOR GENERAL

NAIROBI

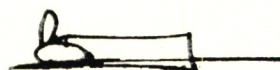
04 December 2006

## Balance Sheet as at 30th June 2006

ASSETS	NOTES	AS AT 30TH JUNE 2006 KSHS.	AS AT 30TH JUNE 2005 KSHS.	CHANGE %
<b>NON CURRENT ASSETS</b>				
PROPERTY, PLANT & EQUIPMENT (NET)	2 (Pg 17)	75,951,044	72,706,007	4.46%
LOANS TO STUDENTS NOT YET MATURED	3 (Pg 17)	4,028,489,595	3,734,113,342	7.88%
MATURED LOANS TO STUDENTS	4 (Pg 18)	12,490,965,134	11,400,334,576	9.57%
STAFF LOANS	5 (Pg 18)	55,289,256	63,195,674	-12.51%
<b>Total Non - Current Assets</b>		<b>16,650,695,030</b>	<b>15,270,349,599</b>	<b>9.04%</b>
<b>CURRENT ASSETS</b>				
INVENTORIES	6 (Pg 18)	1,664,343	769,348	116.33%
ACCOUNTS RECEIVABLE & PREPAYMENTS	7 (Pg 19)	7,168,470	11,194,352	-35.96%
SHORT TERM INVESTMENTS	8 (Pg 19)	723,327,380	907,989,893	-20.34%
CASH AND BANK BALANCES	9a (Pg 20)	31,327,811	124,179,798	-74.77%
<b>Total Current Assets</b>		<b>763,488,003</b>	<b>1,044,133,391</b>	<b>-26.88%</b>
<b>TOTAL ASSETS</b>		<b>17,414,183,033</b>	<b>16,314,482,990</b>	<b>6.74%</b>
<b>FUNDS AND LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES</b>				
G.O.K. GRANTS (LOANS TO STUDENTS)	12 (Pg 21)	14,097,758,249	13,229,855,086	6.56%
CAPITAL FUND	13 (Pg 21)	-	185,611	-100.00%
ACCUMULATED FUND	14 (Pg 21)	3,151,052,135	2,759,358,499	14.20%
<b>Total Non - Current Liabilities</b>		<b>17,248,810,384</b>	<b>15,989,399,196</b>	<b>7.88%</b>
<b>CURRENT LIABILITIES</b>				
LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	10 (Pg 20)	126,242,048	304,514,800	-58.54%
ACCOUNTS PAYABLE & ACCRUALS	11 (Pg 20)	25,548,097	20,568,994	24.21%
BANK OVERDRAFT	9b (Pg 20)	13,582,504	-	
<b>Total Current Liabilities</b>		<b>165,372,650</b>	<b>325,083,794</b>	<b>-49.13%</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>17,414,183,033</b>	<b>16,314,482,990</b>	<b>6.74%</b>



**PROFESSOR JOSEPH H. KIMURA**  
CHAIRMAN



**BENJAMIN C. CHEBOI**  
BOARD SECRETARY/CEO

## Income and Expenditure Statement for the Year ended 30th June 2006

PARTICULARS	NOTES	AS AT 30TH JUNE 2006			AS AT 30TH JUNE 2005			CHANGE %
		OPERATIONS KSHS	STUDENTS' LOANS KSHS	TOTAL KSHS	OPERATIONS KSHS	STUDENTS' LOANS KSHS	TOTAL KSHS	
<b>INCOME</b>								
<b>Grants from G.O.K.</b>								
Operations		76,004,355	-	76,004,355	75,994,335		75,994,335	0.01%
Bursaries		-	82,387,048	82,387,048		82,387,048	82,387,048	0.00%
<b>Interest Income</b>								
Accrued on Loans to Students			471,495,944	471,495,944		471,417,950	471,417,950	0.02%
Staff Loans		2,941,543		2,941,543	3,287,741		3,287,741	-10.53%
Investments		72,441,771		72,441,771	54,647,649		54,647,649	32.56%
Income from User Charges		68,000,000		68,000,000	51,401,000		51,401,000	32.29%
Miscellaneous Income	15 (Pg 17)	4,463,042	-	4,463,042	4,898,476		4,898,476	-8.89%
<b>TOTAL INCOME</b>		<b>223,850,710</b>	<b>553,882,992</b>	<b>777,733,702</b>	<b>190,229,201</b>	<b>553,804,998</b>	<b>744,034,199</b>	<b>4.53%</b>
<b>LESS: EXPENSES</b>								
Bursaries to Students			82,387,048	82,387,048		89,762,000	89,762,000	-8.22%
Postgraduate Scholarships			10,350,000	10,350,000		9,850,000	9,850,000	5.08%
Staff Costs	16 (Pg 18)	132,340,510		132,340,510	103,124,232		103,124,232	28.33%
Other Operating Expenses	17 (Pg 19)	63,270,880		63,270,880	65,809,720		65,809,720	-3.86%
Bank Charges & Commission	18 (Pg 20)	2,611,560	7,842,830	10,454,390	2,417,691	9,453,645	11,871,336	-11.94%
Provision for Bad & Doubtful Debts	19 (Pg 20)		71,180,366	71,180,366		145,796,317	145,796,317	-51.18%
Audit Fees		500,000		500,000	500,000		500,000	0.00%
Depreciation provision for the year	2 (Pg 12)	14,590,735		14,590,735	13,337,232		13,337,232	9.40%
<b>TOTAL EXPENSES</b>		<b>213,313,685</b>	<b>171,760,244</b>	<b>385,073,929</b>	<b>185,188,875</b>	<b>254,861,962</b>	<b>440,050,837</b>	<b>-12.49%</b>
<b>SURPLUS FOR THE YEAR</b>		<b>10,537,025</b>	<b>382,122,748</b>	<b>392,659,773</b>	<b>5,040,326</b>	<b>298,943,036</b>	<b>303,983,362</b>	<b>29.17%</b>

## Cash Flow Statement for the Year ended 30th June 2006

	Note	AS AT 30TH JUNE 2006 KSHS.	AS AT 30TH JUNE 2005 KSHS.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Surplus for the Year</b>		392,659,773	303,983,362
<i>Adjustments for:</i>			
Depreciation		14,590,735	13,337,232
Gain on Sale of Property, Plant and Equipment			(2,120,605)
Prior Period	14	(966,137)	(10,536,057)
Change in Provisions	16	57,293,096	129,538,353
<b>Operating Surplus before Working Capital Changes</b>		<b>463,577,468</b>	<b>434,202,285</b>
Decrease / (Increase) in Loans Advanced	3 & 5	(286,469,835)	1,261,051,804
(Increase) in Accounts Receivable (Students Loans)	4	(1,148,383,877)	(2,914,892,147)
Decrease/(Increase) in Other Accounts Receivable	7	4,025,883	21,243,914
(Increase)/Decrease in Inventories	6	(894,995)	-
Increase / (Decrease) in Accounts Payable	10 & 11	(173,204,648)	178,595,903
Decrease in Capital Fund	13	185,611	184,313
<b>NET CASH ABSORBED BY OPERATING ACTIVITIES</b>		<b>(1,141,164,394)</b>	<b>(1,019,613,928)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant & Equipment	2	(17,835,772)	(20,302,339)
Proceeds on disposal of Property, Plant & Equipment			2,120,605
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(17,835,772)</b>	<b>(18,181,734)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capitation received from G.O.K.	12	867,903,163	817,902,862
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>867,903,163</b>	<b>817,902,862</b>
Net Increase / (Decrease) in Cash		(291,097,002)	(220,009,804)
Cash and Cash Equivalents at the Beginning of the Period		1,032,169,689	1,252,179,493
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>741,072,687</b>	<b>1,032,169,689</b>

## Statement of Changes In Equity

	ACCUMULATED FUND	CAPITAL FUND	TOTAL
	KSHS.	KSHS.	KSHS.
AT 1ST JULY 2005	2,759,358,499	185,611	2,759,544,110
PRIOR YEAR ADJUSTMENT	(966,137)	-	(966,137)
AMORTIZATION		(185,611)	(185,611)
SURPLUS	392,659,773	-	392,659,773
AT 30TH JUNE 2006	3,151,052,135	0	3,151,052,135

(a) During the year 2005/2006 the net increase in Equity was KShs.396,197,257. This was as a result of a realized surplus of KShs.391,508,025, a prior period adjustment of KShs.966,137 and amortization of capital fund of Kshs.185,611

(b) Capital Fund - Capital Fund is made up of Property, Plant and Equipment donated through IDA Project No.2309 KE.



# Notes to the Financial Statements

## I. HELB Accounting Policies

### a) Basis of Accounting

The accounts have been prepared under the Historical Cost Convention except for the inclusion of certain assets, which are at valuation.

### b) Income Recognition

(i) Income and expenditure are recognised on the accrual basis.

(ii) Income from government grants includes only amounts received in relation to the financial year.

(iii) Interest income on all loans advanced is recognised on the accrual basis.

### c) Government Grants

(i) Grants related to operations and bursaries to students are passed through the income statement.

(ii) Grants received for advancing loans to students are dealt with in the balance sheet and are credited directly to Accumulated Fund.

### d) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided to write-off the cost of the fixed assets in use on a straight-line basis over the expected useful lives of the assets concerned. The annual rates for this purpose are: -

Buildings	-	2.50%
Motor Vehicles	-	25.00%
Office Equipment	-	12.50%
Furniture	-	12.50%
Fixtures & Fittings	-	12.50%
Computers	-	33.33%

### e) Investments

Investments are stated at cost plus provision for accrued interest in the case of short-term deposits with various banks.

### f) Provision for Bad and Doubtful Loans and Advances

(i) Specific bad debts are provided for at 100%.

(ii) A general provision for bad and doubtful debts is maintained at 5% of the debtors. The provision for bad and doubtful debts is increased by charges to income and decreased by write offs (net of recoveries).

(iii) Loans advanced are written off/down when the Board is of the opinion that their recoverability will not materialise.

### g) Retirement Benefit Obligations

The Board operates a defined retirement benefit scheme for all its employees. The scheme is administered by trustees and is funded from contributions from both the Board and employees at the rate of 20% and 5% of the basic salary respectively.

The Board's contributions to the defined contribution retirement scheme are charged to the income and expenditure statement in the year to which they relate.

The Board also contributes to a statutory defined contribution pension scheme, the National Social Security Fund.

#### h) Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year. In particular, comparative figures have been amended to comply with IAS No. 8 "Fundamental Errors and Changes in Accounting Policy" and IAS No.20 Accounting for Government Grants".

## 2. Property, Plant and Equipment

DETAILS	LAND KSHS	BUILDING KSHS.	M/VEHICLES KSHS.	EQUIPMENT KSHS.	FURNITURE KSHS.	FIX. & FITT. KSHS.	COMPUTERS KSHS.	TOTAL KSHS.
<b>COST/VALUATION</b>								
AT 01.07.2005	44,588,742	1,926,686	22,294,928	10,942,016	8,357,550	23,119,413	48,466,129	159,695,464
ADDITIONS	0	0	2,068,550	241,200	0	4,117,935	11,408,087	17,835,773
LESS: DISPOSALS/W.OFF		-	-	-	-	-	-	-
<b>AT 30.06.2006</b>	<b>44,588,742</b>	<b>1,926,686</b>	<b>24,363,478</b>	<b>11,183,216</b>	<b>8,357,550</b>	<b>27,237,348</b>	<b>59,874,216</b>	<b>177,531,236</b>
<b>DEPRECIATION</b>								
AT 01.07.2005	0	124,759	16,607,046	7,646,986	6,631,914	17,140,699	38,838,053	86,989,457
CHARGE FOR THE YEAR	0	48,167	1,636,900	1,038,072	328,207	2,184,453	9,354,935	14,590,735
LESS: ON DISPOSALS		-	-	-	-	-	-	-
<b>AT 30.06.2006</b>	<b>0</b>	<b>172,926</b>	<b>18,243,946</b>	<b>8,685,058</b>	<b>6,960,121</b>	<b>19,325,152</b>	<b>48,192,988</b>	<b>101,580,192</b>
<b>NET BOOK AMOUNT</b>								
AT 30.06.2006	44,588,742	1,753,760	6,119,532	2,498,158	1,397,429	7,912,196	11,681,228	75,951,044
AT 30.06.2005	44,588,742	1,801,927	5,687,882	3,295,029	1,725,636	5,978,714	9,628,076	72,706,006

Property, Plant and Equipment with an original cost of KShs.79,710,070 (2004/2005 – KShs. 62,856,847) which are still in use are fully depreciated. The theoretical depreciation charge on cost at the normal rates as per note 1(d) would be KShs.16,962,576 (2004/2005 – KShs. 16,907,001).

### 3 LOANS TO STUDENTS NOT YET MATURED

As at 30.06.2006

As at 30.06.2005

Kshs

Kshs

Balance brought forward

3,734,113,342

4,983,826,034

Add : Loans awarded during the year less returns

1,776,007,746

1,912,252,992

5,510,121,088

6,896,079,026

Less : Transferred to Matured Loans

(1,481,631,493)

(3,161,965,684)

4,028,489,595

3,734,113,342

After a loan data re-organisation and cleaning exercise concluded in 2004/2005, some Kshs. 1.9 billion was transferred from Loans to Students not matured to matured Loans to Students.

4 MATURED LOANS TO STUDENTS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs.</i>	<i>Ksbs</i>
Balance brought forward	12,000,460,978	9,085,568,830
<i>Add:</i> Transferred from Un-Matured Loans	1,481,631,493	3,161,965,684
	<hr/>	<hr/>
	13,482,092,471	12,247,534,514
<i>Add:</i> Accrued Interest/User Charges	539,495,944	473,466,684
	<hr/>	<hr/>
	14,021,588,415	12,721,001,198
<i>Less:</i> Loan Recovery during the year	(881,206,173)	(722,884,606)
	<hr/>	<hr/>
	13,140,382,242	11,998,116,592
<i>Add back:</i> Loan Refunds	21,889,659	2,344,386
	<hr/>	<hr/>
	13,162,271,902	12,000,460,978
<i>Less: Loans Waived</i>	(13,887,269)	-
	<hr/>	<hr/>
	13,148,384,633	12,000,460,978
<i>Less:</i> Provision for Bad & Doubtful Debts	(657,419,498)	(600,126,402)
	<hr/>	<hr/>
	<b>12,490,965,134</b>	<b>11,400,334,576</b>

5 STAFF LOANS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Balance brought forward	63,195,674	74,534,786
Add: Loans issued during the year	1,575,000	1,782,342
	<hr/>	<hr/>
	64,770,674	76,317,128
<i>Less: Loan Repayment during the year</i>	(9,481,418)	(13,121,454)
	<hr/>	<hr/>
<i>Balance as at 30.06.2006</i>	<b>55,289,256</b>	<b>63,195,674</b>

6 INVENTORIES

The inventories figure of *Ksbs. 1,664,343* includes spareparts donated through *IDA Credit No. 2309 KE* .

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Consumable Stores	894,995	-
Photo Copier Spares	420,933	420,933
Motor Vehicle Spareparts	348,415	348,415
<b>TOTAL</b>	<b>1,664,343</b>	<b>769,348</b>

## 7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
<b>PREPAYMENTS &amp; DEPOSITS</b>		
Hospital Deposit	875,000	875,000
Utilities Deposit	39,412	41,777
Rent Deposit	288,800	288,800
Other Pre-payments	435,378	151,820
<b>Sub - Total</b>	<b>1,638,590</b>	<b>1,357,397</b>
<b>OTHER ACCOUNTS RECEIVABLE</b>		
Staff Imprest	604,998	140,623
Staff Salary Advances	1,148,127	1,853,958
Medical Overexpenditure	453,570	996,751
Boarded Stores	300,350	-
Accrued Interest on Investment	3,488,338	5,116,982
Clearing Staff Debtors	(279,883)	-
Min. of Education (Loan Recoveries)	-	1,319,238
HELFB (Paymaster General)	-	595,025
Interest Due from KCB University Way	749,741	749,741
	<b>8,103,832</b>	<b>12,129,715</b>
<b>Less: Prov. for Bad &amp; Doubtful Debt</b>	<b>(935,363)</b>	<b>(935,363)</b>
	<b>7,168,470</b>	<b>11,194,352</b>

## 8 SHORT TERM INVESTMENTS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs.</i>
Kenya Commercial Bank	49,984,134	151,783,691
Citibank	195,699,091	45,040,753
Cooperative Bank	325,505,213	520,765,282
National Bank of Kenya	127,138,942	116,415,166
Treasury Bills	-	48,985,000
Treasury Bonds	25,000,000	25,000,000
	<b>723,327,380</b>	<b>907,989,893</b>

9(a) CASH AND BANK BALANCES

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs.</i>
KCB University Way Branch	15,574,384	61,217,508
Citibank Upperhill Branch	13,589,877	62,261,196
Co-operative Bank University Way Branch	2,149,592	646,462
Cash in Hand	13,958	54,632
	<b>31,327,811</b>	<b>124,179,798</b>

9(b) BANK OVERDRAFT

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs.</i>
KCB University Way Branch	13,582,504	-

10 LOANS, BURSARIES & SCHOLARSHIPS PAYABLE

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs.</i>
Loans Payable	106,532,500	285,278,800
Postgraduate Scholarships	8,250,500	5,900,000
Bursaries Payable to Students	11,459,048	13,336,000
<b>Sub - Total</b>	<b>126,242,048</b>	<b>304,514,800</b>

11 ACCOUNTS PAYABLE AND ACCRUALS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs.</i>
Staff Expenses	1,108,168	5,152,424
Leave Pay Liability	4,800,838	-
Other Operating Expenses	960,626	3,455,762
Other Creditors relating to HELF (Defunct)	60,318	60,318
Other Trade Creditors	1,808,865	112,447
Purchase of Fixed Assets	14,549,282	9,668,044
Land Rent & Rates	1,260,000	1,120,000
Audit Fees	1,000,000	1,000,000
<b>Sub - Total</b>	<b>25,548,097</b>	<b>20,568,994</b>

12 GOVERNMENT GRANTS (LOAN TO STUDENTS)

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Balance b/forward	13,229,855,086	12,411,952,224
<i>Add:</i> Capitation Received for the year for Students Loans	867,903,163	817,902,862
	<b>14,097,758,249</b>	<b>13,229,855,086</b>

13 CAPITAL FUND

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Balance b/forward	185,611	369,924
Less: Amortisation	(185,611)	(184,313)
<i>Balance carried forward</i>	<b>0</b>	<b>185,611</b>

Capital Fund is made up of Property, Plant and Equipment donated through IDA Project No.2309 KE

14 ACCUMULATED FUND

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Balance b/forward	2,759,358,499	2,465,911,194
<i>Add: Surplus for the year</i>	392,659,773	303,983,362
<i>Less: Prior Period Adjustments</i>	(966,137)	(10,536,057)
	<b>3,151,052,135</b>	<b>2,759,358,499</b>

15 MISCELLANEOUS INCOME

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Sale of Tender Forms	760,200	610,000
Sale of Postgraduate Loans & Scholarship Forms	1,426,000	2,144,500
Sale of Boarded Stores	545,850	2,014,804
Interest Earned on Bank Balances	1,313,416	129,172
Insurance Payments	417,576	-
	<b>4,463,042</b>	<b>4,898,476</b>

16 STAFF COSTS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Kshs</i>	<i>Kshs</i>
Basic Salary	51,586,618	46,351,385
House Allowance	28,340,356	28,644,162
Overtime Allowance	648,979	950,922
Entertainment Allowance	602,270	641,516
Fuel and Commuter Allowance	3,958,290	3,826,096
Security Allowance	144,000	143,710
Responsibility Allowance	1,185,120	906,922
Acting Allowance	295,487	323,637
Meals Allowance	59,805	34,990
Special Duty Allowance	404,612	396,237
Domestic Allowance	243,840	391,320
Gratuity and Pension	32,147,240	8,891,971
Annual Leave Expenses	569,162	602,425
Staff Welfare Expenses	759,760	1,037,210
Medical Expenses	6,974,973	5,997,876
Aids Awareness	115,975	820,339
Staff Utility Expenses	275,195	395,376
Casual Wages	4,028,828	2,768,139
	<b>132,340,510</b>	<b>103,124,232</b>

The figure for Gratuity and pension includes KShs. 22.3 million paid to the HELB Staff Pension Scheme.

This was made necessary after an actuarial valuation made on the scheme.

## 17 OTHER OPERATING EXPENSES

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Kshs</i>	<i>Kshs</i>
Telephone Expenses	4,112,348	3,422,828
E-Mail / Internet Expenses	1,828,589	1,673,496
Postal and Telegrams	823,782	298,807
Travelling Expenses (Internal & External)	1,357,478	1,668,614
Licenses	19,460	60,600
Fuel Consumption	1,897,038	1,966,299
Office, Warehouse & Parking Charges	14,322,019	12,708,698
Insurance Expenses	2,693,768	3,017,495
Staff Training	2,396,757	3,563,161
Seminars and Conferences	1,121,496	2,243,877
Repair and Maintenance (Property, Plant and Equipment)	1,574,063	1,817,306
Computer Hardware & Software Maintenance	1,388,758	224,142
Hire of Office Machinery and Equipment	34,522	33,416
Office Cleaning and Maintenance	368,024	505,516
Office Security Expenses	2,727,405	2,790,525
Office Tea	880,779	818,331
Office Flowers	225,100	155,420
Official Entertainment	504,057	361,005
Subsistence Expenses	1,564,065	2,034,547
Legal Fees	181,575	81,200
Contracted Professional Services	2,338,296	7,188,421
Dry Cleaning Expenses	51,040	56,060
Staff Uniforms	404,785	19,970
Subscriptions to Professional Bodies	174,075	133,207
Newspapers, Journals, Periodicals & Library Books	296,620	459,274
Advertising and Publicity	14,274,086	7,102,593
Publishing and Printing	279,150	2,147,120
Office Stationery	583,597	1,295,766
Computer Accessories and Stationery	743,262	3,353,565
Board Members Expenses	4,104,887	4,608,462
	<b>63,270,880</b>	<b>65,809,720</b>

## 18 FINANCIAL EXPENSES

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Kshs</i>	<i>Kshs</i>
Bank Charges and Interest	10,454,390	11,871,336



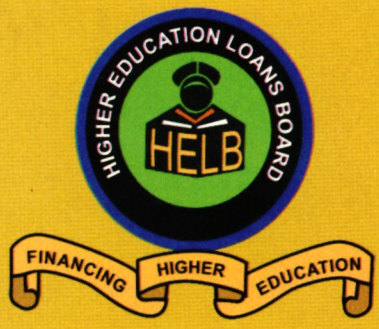
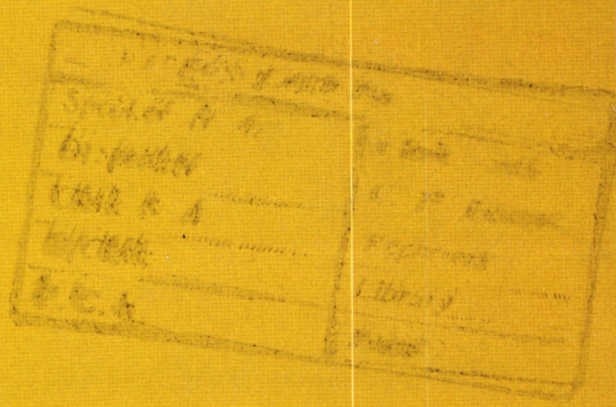
19 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	<i>As at 30.06.2006</i>	<i>As at 30.06.2005</i>
	<i>Ksbs</i>	<i>Ksbs</i>
Balance b/forward	601,061,764	471,523,411
<i>Add:</i> Provisions for the year	71,180,366	145,796,317
<i>Less:</i> Loans Waived/Bad Debts Written - Off	(13,887,269)	(16,257,964)
	<b>658,354,860</b>	<b>601,061,764</b>

20 LEGAL STATUS

The Board is a State Corporation established under the Higher Education Loans Board Act Cap 213A of 1995





# HIGHER EDUCATION LOANS BOARD

*Working with you to finance higher education now and in the future*