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OF KENYA  
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FINANCING HIGHER EDUCATION

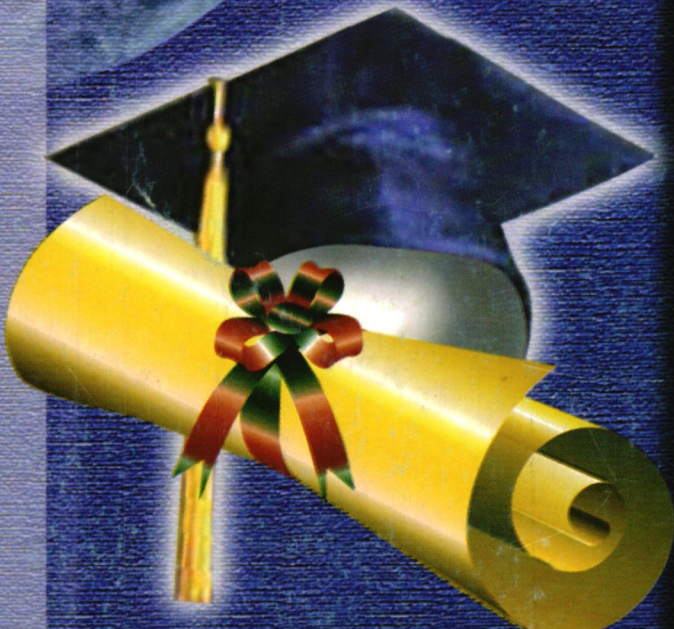
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# HIGHER EDUCATION LOANS BOARD



## ANNUAL FINANCIAL STATEMENTS 2004



## *Vision Statement*

"To be a dependable institution financing Kenyans pursuing higher education"

## *Mission Statement*

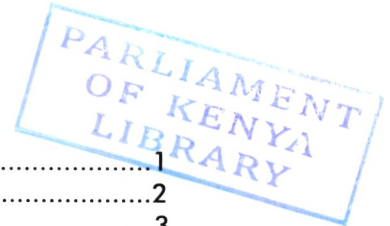
"To source funds and finance Kenyan students pursuing higher education in recognized institutions"

## *Our Core Values*

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

- |                      |  |
|----------------------|--|
| <b>TRANSPARENCY:</b> | We are committed to serving our clients with transparency and integrity. |
| <b>FAIRNESS:</b>     | We strive to exercise fairness in our service delivery                   |
| <b>COURTESY:</b>     | We endeavor to be courteous at all times                                 |
| <b>COMPETENCE:</b>   | Our services are provided with utmost competence                         |
| <b>TEAMWORK:</b>     | Appreciation, Communication and Teamwork are central in all activities   |

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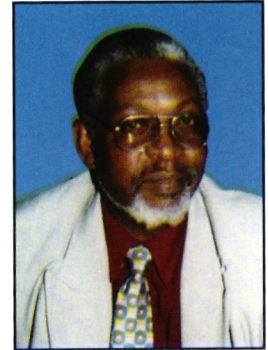
# Board Of Directors



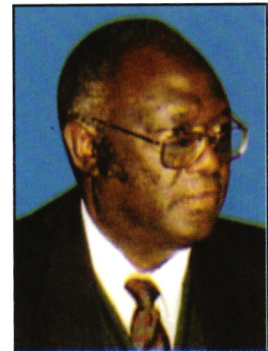
B.C. Cheboi  
Board Secretary/Chief Executive



Prof. J.H Kimura  
Board Chairman



Prof. J. Irina, Secretary,  
Commission for Higher Education



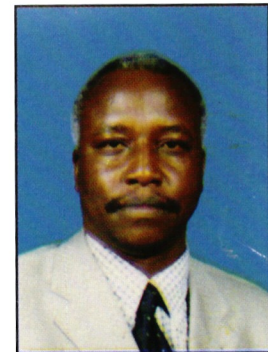
Mr. Tom Owuor  
Executive Director,  
Federation of Kenya  
Employers



Mrs. Rose Waruinge  
Board Member



Dr. Freida Brown  
Representative, Vice  
Chancellor  
of Private Chartered  
Universities



Mr. K.A.K Bett  
Board Member



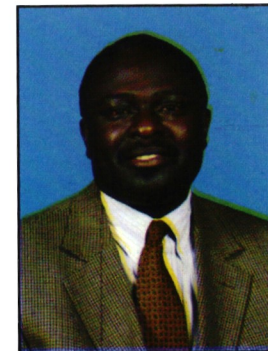
Mr. James Wanyela  
Alternate, Chairman  
Kenya Bankers Association

### PICTURERS NOT AVAILABLE

Mr. Gabriel Lengoiboni  
Alternate, PS Ministry of Education,  
Science and Technology

Prof. Everett Standa  
Chairman, Vice Chancellors  
Committee for  
Public Universities

Prof. J.K. Kipn'geno  
Alternate, Secretary  
Commission for Higher Education



Mr. Kubai Khasiani  
Alternate, P.S.  
Ministry of Finance

## Registered Office.

ANIVERSARY TOWERS,  
P.O.BOX 69489,  
NAIROBI

TELEPHONE: 251877, 246590/1, 226080, 226205  
FAX:252330  
EMAIL: Helb@helb.co.ke  
WEBSITE: www.helb.co.ke

### BOARD MEMBERS

Professor J. H. Kimura	<i>Chairman</i>
Mr. Benjamin C. Cheboi	<i>Board Secretary/Chief Executive</i>
Permanent Secretary, Ministry of Education.	
Permanent Secretary, Treasury	
Professor Justin Irina	<i>Secretary, Commission for Higher Education</i>
Professor Everett Standa	<i>Chairman, Vice - Chancellors Committee for Public Universities</i>
Dr. Freida Brown	<i>Representative of Vice - Chancellors or Principals of the Private Universities</i>
Mr. Tom D. Owuor	<i>Executive Director, Federation of Kenya Employers</i>
Mrs. Rose W. Waruinge	
Mr. K. A. K Arap Bett	
Mr. James Wanyela	<i>Representing Chairman, Kenya Bankers Association</i>
Mr. Kubai Khasiani	<i>Alternate to Permanent Secretary, Treasury</i>
Mr. G. Lengoiboni	<i>Alternate to Permanent Secretary, Ministry of Education</i>
Prof. J. K. Kipn'geno	<i>Alternate to Secretary, CHE</i>

## Board Committees

### FINANCE, STAFF & GENERAL PURPOSES

K. A. K. Bett	-Chairman
Permanent Secretary, Treasury	(Alternate: K. Khasiani)
Permanent Secretary, Education	(Alternate: G. Lengoiboni)
J. Wanyela	
Professor Justin Irina	

### LOANS DISBURSEMENT & RECOVERY

Rose Waruinge (Mrs.)	-Chairperson
Permanent Secretary, Treasury	(Alternate: K. Khasiani)
Permanent Secretary, Education	(Alternate: G. Lengoiboni)
Freida Brown (Ms.)	
Professor Justin Irina	

### TENDER

J. Wanyela	-Chairman
K. A. K. Bett	
B. C. Cheboi	-(Chief Executive Officer)

### AUDIT

Prof. J. H. Kimura	-Chairman
K. A. K. Bett	
Professor Justin Irina	
Permanent Secretary, Education	(Alternate: G. Lengoiboni)

### SENIOR OFFICERS

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	Mr. Fritz N. C. Achola
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

### AUDITORS

Controller and Auditor General,  
Kencom House,  
Nairobi.

### BANKERS

Kenya Commercial Bank Limited,  
University Way,  
Nairobi.

Citibank Limited,  
Upperhill Branch,  
Nairobi.

# Senior Management



Mr. Benjamin Cheboi, BS  
**Board Secretary/Chief Executive**



Mr. Philip H. Dido  
Deputy Secretary



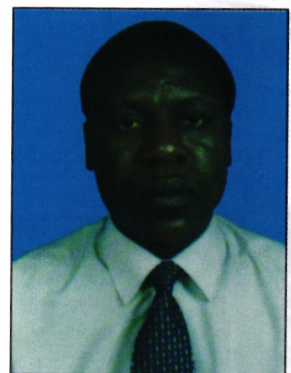
Mr. Richard B. Kipsang  
Acting Manager, Loans  
Disbursement &  
Recovery



Mr. David Mbogori,  
Manager Information  
Technology



Mrs. Kate Samo, Manager,  
Human Resources and  
Administration



Mr. Fritz Achola  
Acting Manager,  
Finance

## Chairman's Statement

I am delighted to present to you our Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2004. I am pleased to report that the Board has steadily grown since its inception in August 1995 despite difficult conditions dictated by insufficient funds to lend out to all deserving applicants and the unfavourable economic climate in the country.



Prof. J.H. Kimura  
Board Chairman

In the financial year 2003/2004 the Board received **KShs.976 million (2002/2003 – KShs.766 million)** from the Exchequer yet we consider that we require at least **KShs.1.7 billion** in any one year to be able to satisfy requirements from needy students.

Despite these difficulties, the Board did successfully disburse loans during the year. The Board recognizes the fact that one of its greatest challenge is it's ability to effectively recover the outstanding **KShs. 9.089 billion** from past beneficiaries so that, coupled with increased funding from the Exchequer it should be able to extend loans to all needy applicants. This challenge is one that the Board is determined to rise to as it wins over the cooperation of all concerned namely the loanees, employers of past loanees and all Kenyans in general. Recovery efforts during the period under review yielded considerable results but a lot more needs to be done.

During **2003/2004**, the Board received **35,132** applications compared to **33,050** in **2002/2003**. Out of this figure, a total of **34,340** students or **98%** compared to **32,261** students or **97%** in **2002/2003** received loans ranging from **KShs. 30,000** to **KShs. 42,000**. I wish to further urge those parents with financial ability to assist us by paying their children's fees.

During the next couple of years, the Board plans to fully computerize all its operations to ensure quick and reliable retrieval of information; to complete the hiring of essential staff; to enhance recovery and to seek additional sources of funding from within and without Kenya.

Going by progress made so far during the formative years, we are confident that the primary objectives of the Board, as spelt out in the **HELB ACT** namely, the provision of funding in the form of loans, bursaries and scholarships to eligible Kenyans pursuing higher education are being gradually realized. We take pride in these strides and achievements. Our pride stems not only from the fact that we have been able to make these humble but remarkable steps against a background of considerable difficulties, but also because being the only organization of its kind in contemporary Africa, our achievements take a unique place. We are determined to consolidate these gains to the extent that the Board should be self-sustaining within the first decade of its life when we hope to recover **KShs. 75 million** per month from our past loanees.

We are confident that coupled with assistance from the Government, donor agencies and the cooperation of all Kenyans, we are poised for greater gains. We therefore earnestly appeal to all Kenyans, especially loanees, the student community and parents to extend the hand of cooperation to the Board in this noble undertaking that seeks to guarantee a sustainable financing of Higher Education in Kenya.

In conclusion, I wish to express my appreciation to Members, Management and staff of the Board for their dedication and commitment to the development and smooth running of both our institution and the financing of Higher Education.

Let us rededicate ourselves to the heavy challenges ahead.

**Thank you one and all.**

**PROFESSOR J. H. KIMURA**  
**CHAIRMAN.**



## Chief Executive's Statement



**Mr. Benjamin Cheboi**  
Board Secretary/Chief Executive

**A**s the Board moves closer to the tenth year of its existence, I am pleased to have to share some of my salient reflections about its performance since its inception in **August 1995**.

The last year has seen the Board make significant advances in all its key areas of operation. The pivotal role of loan recovery, for instance, has been enhanced from **Kshs. 5 million** in **1980/81**, when recoveries commenced, to **Kshs. 674 million** in **2003/2004**. The loan recovery during **2002/2003** was **Kshs. 584 million**, which reflects an increase of **15%**. As at the end of **2003/2004**, a total of **Kshs. 3.566 billion (including accrued interest)** had been recovered. Out of this amount, **Kshs. 3.349 billion** was recovered by HELB in its **eight (8)** years of existence and the balance of **Kshs. 216 million** being recovered by the Ministry of Education through the defunct *University Students Loans Scheme*. Viewed against the outstanding mature loans totaling **Kshs. 9.089 billion**, this amount is still small although comparatively the growth is significant. The Board intends to intensify its efforts in this area so that more money can be recovered.

### LOAN RECOVERY

During **2003/2004**, the total loan recovery was **Kshs. 674,201,913** compared to **Kshs. 584,007,679** recovered in **2002/2003**.

### DEFAULTERS

In its endeavor to strengthen loan recovery, the Board's Legal Department is pre-occupied with initiating action on loan defaulters by sending demand notices to these defaulters. The response so far has been encouraging.

During the period under review, it was noted that the majority of those repaying their loans are public servants employed in government ministries and state corporations. Loanees in self-employment and private firms have the highest defaulter rate because it is proving difficult to trace them. The Board has tried to solve this problem through vigorous media campaigns and increased action from the legal department and the loans recovery unit.

As a result of this more Loanees were netted and billed accordingly.

The Board intends to contact all employers in order to establish whether they have any Loanees in their employment.

This will be done through the legal demand notices and subsequent follow-ups by HELB loan inspectors.

Where Loanees and employers fail to respond to the Board's reminders and follow-ups by its inspectors, the Legal Department shall cause the prosecution of defaulters in a court of law in accordance with the **HELB Act**.

### DISBURSEMENT OF LOANS

In **2003/2004**, the Board approved loans to students amounting to **Kshs. 1.32 billion** compared to **Kshs. 1.2 million** awarded in **2002/2003**.

The Board has computerized the disbursement section for easy disbursement of loans through **Electronic Funds Transfer (EFT)**. In the long run, HELB plans to network with the universities and the banks to facilitate the flow of information and therefore ease the disbursement of loans.

It is anticipated that in five years time, the number of students applying for loans to pursue higher education will be **60 per cent** of the total student population in public universities. If this happens and HELB maximizes loan recovery and the **Revolving Fund** becomes self-sustaining, it will be possible to meet most of the financial requirements of needy students pursuing higher education in Kenya as per the Board's mandate.

During the year under review, the Board was allocated **Kshs. 817 million** by the Government as loans to students. This allocation was not adequate to meet the demands of all needy students from public and private universities. A realistic amount should be **Kshs. 1.7 billion**. The Board's resources were over-stretched, since part of the loans recovered were used to meet the shortfall. This development has greatly affected the Board's efforts of building up a viable Revolving Fund.

An assessment of the period under review indicates that increased loan recovery of money from past Loanees is viable. Increased public awareness and debate coupled with a strengthened loans inspectorate and full computerization of the Board should undoubtedly lead to recovery of loans from at least **75%** of past loan recipients who have so far not repaid their loans.

I take this opportunity to thank the universities, the student community and Kenyans in general for the cooperation they extended to the Board during these formative years of its existence. We look forward to further cooperation in future.

### MANAGEMENT OF CORPORATE AFFAIRS

As mandated by the **HELB Act**, the Board was to maintain links with other persons, bodies or organizations. These links were to be achievements through the Board's aggressive and deliberate strategies geared towards promoting positive corporate image. From the time the Board was established, there have been attempts-

to either strengthen or forge appropriate links with strategic partners as stated in the following achievements:-

- Increased network with stakeholders;
- Development of Board's Core Values;
- Sustained positive Government support;
- Frequent mass media campaigns to highlight the activities of the Board; and
- Development of promotional materials such as calendars, brochures and the HELB newsletter.

### CHALLENGES

The following are some of the challenges that HELB faces:-

- Satisfying the increasing needs of financing higher education loans;
- Satisfying the customers'/clients' expectations through delivery of quality service;
- Maintaining an accurate information database for timely decision making;
- Maximizing the recovery of outstanding loans;
- Managing and minimizing the risk of loss of funds due to the low life expectancy of loanees;

- Promoting and creating institutional team work and internalization of corporate values;
- Attracting and sustaining competent staff and hence promoting creativity and innovativeness;
- The need to seek alternative sources of funding;
- Transforming the Board into a self-sustaining and autonomous institution with a potential of administering a Revolving Fund.

### CONCLUSION

The management of HELB is grateful and appreciative of the various supportive roles and contributions made by stakeholders of the Board. On behalf of the management, I wish to thank the Full Board, the staff members for their loyalty, enthusiasm, and acceptance of positive change; and our customers/clients for their patience and support.



BENJAMIN C. CHEBOI  
BOARD SECRETARY/CHIEF EXECUTIVE

## CORPORATE GOVERNANCE

The Board Members of HELB recognize the need to conduct its functions with integrity and in accordance with highest standard of governance practices. The full board determines HELB's Policy and Strategy, monitors the attainment of Objectives and ensures that the Board meets its obligations to stakeholders. The Board members are also responsible for overseeing the secretariat's internal control systems that are designed to safeguard the assets and to ensure reliability of the financial information used within the organization.

## Board Members

Higher Education Loans Board consists of ten non-executive board members and the Board Secretary/Chief Executive Officer.

The Full Board meets at least four times a year. The Board members have access to timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

The Board has delegated authority for conduct of day-today business to the Board Secretary. The Board retains responsibility for establishing and maintaining the secretariat's overall internal control of financial, operational and compliance issues and monitoring the performance of the Management.

The Board and its committees are supplied with full and timely information, which enables them to discharge their responsibilities

## BOARD COMMITTEES

The Board has **four** standing committees that meet regularly under terms set by the Board.

- (a) Finance, Staff and General Purposes Committee (**F, S & GPC**)
- (b) Loans Disbursement & Recovery Committee (**LD & RC**)
- (c) Tender Committee (**TC**)
- (d) Audit Committee (**AC**)

## FINANCIAL HIGHLIGHTS

### Exchequer Receipts

PURPOSE	2003/2004 KShs.	2002/2003 KShs.
Operations	75,858,090	74,575,488
Loans to Students	817,902,862	609,552,000
Bursaries	82,387,048	81,373,600
<b>Total</b>	<b>976,148,000</b>	<b>765,501,088</b>

### Loan Recovery

MONTH	2003/2004 KSHS.	2002/2003 KSHS.
July	50,894,142	19,359,201
August	51,103,888	76,277,569
September	55,425,981	48,188,586
October	56,187,938	47,907,395
November	54,202,465	48,442,227
December	55,788,957	45,661,547
January	55,749,537	50,307,994
February	54,455,722	49,009,797
March	58,270,973	48,342,133
April	60,170,461	47,848,240
May	60,399,937	50,658,011
June	61,551,912	52,004,979
<b>TOTAL</b>	<b>674,201,913</b>	<b>584,007,679</b>

### Amount of Loans to Students Approved.

UNIVERSITY	2003/2004		2002/2003	
	No. of Students	Amount KShs.	No. of Students	Amount KShs.
Nairobi	9,723	374,653,000	9,257	313,964,000
Kenyatta	6,210	238,125,500	5,651	190,495,500
Egerton	5,299	202,806,500	5,033	169,032,000
Moi	7,144	272,808,500	6,568	220,618,000
Jomo Kenyatta	1,990	78,240,000	2,004	67,556,500
Maseno	2,634	100,836,500	2,701	90,847,000
Baraton	435	15,944,000	368	11,657,000
Catholic	411	15,106,000	347	10,946,000
Daystar	302	11,054,000	233	7,377,000
USIU	133	4,820,000	98	3,136,000
Scott Theological College	5	175,000	1	35,000
African Nazarene	50	1,829,000	0	0
<b>TOTAL</b>	<b>34,336</b>	<b>1,316,398,000</b>	<b>32,261</b>	<b>1,085,664,000</b>

**Bursaries Awarded**

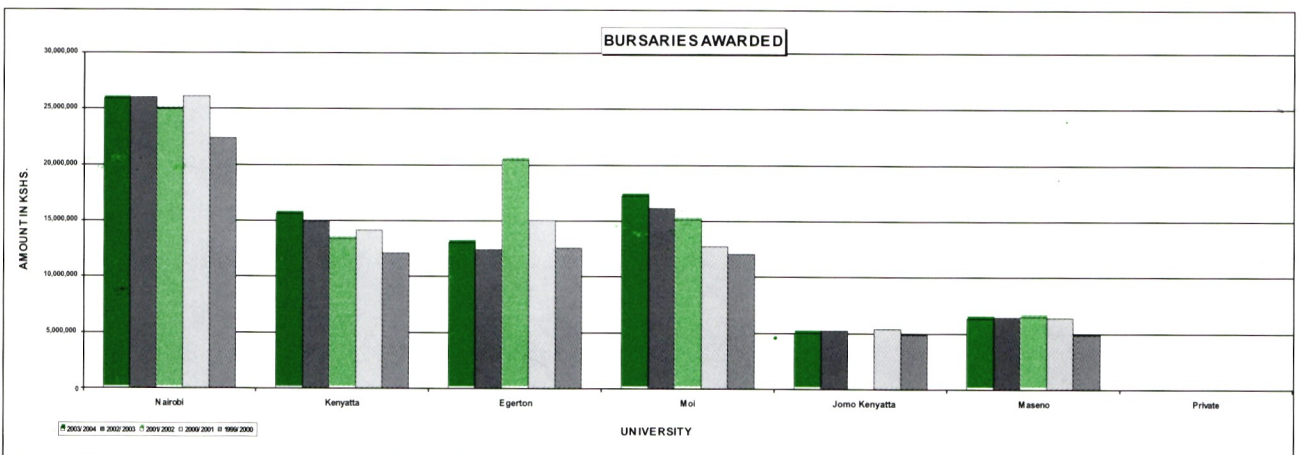
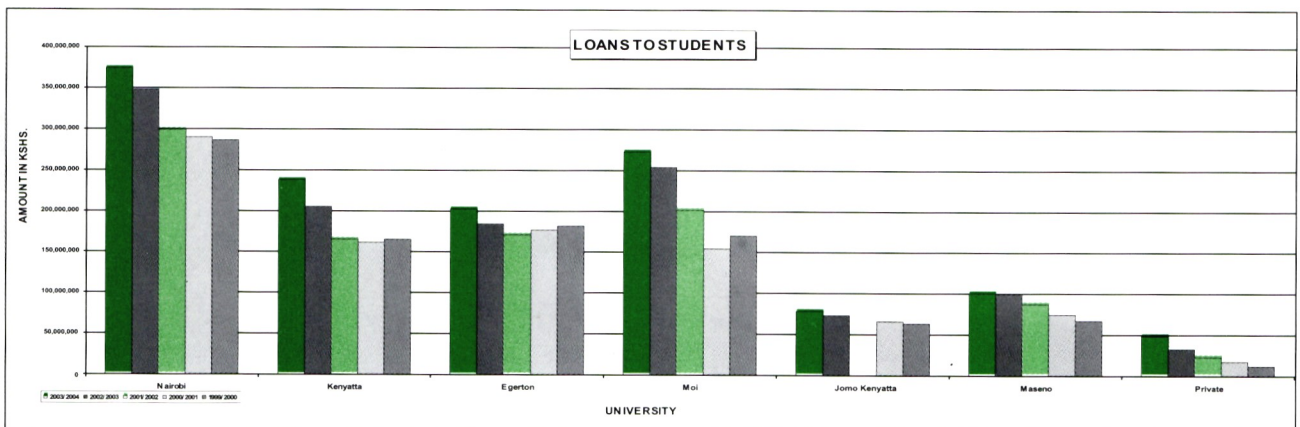
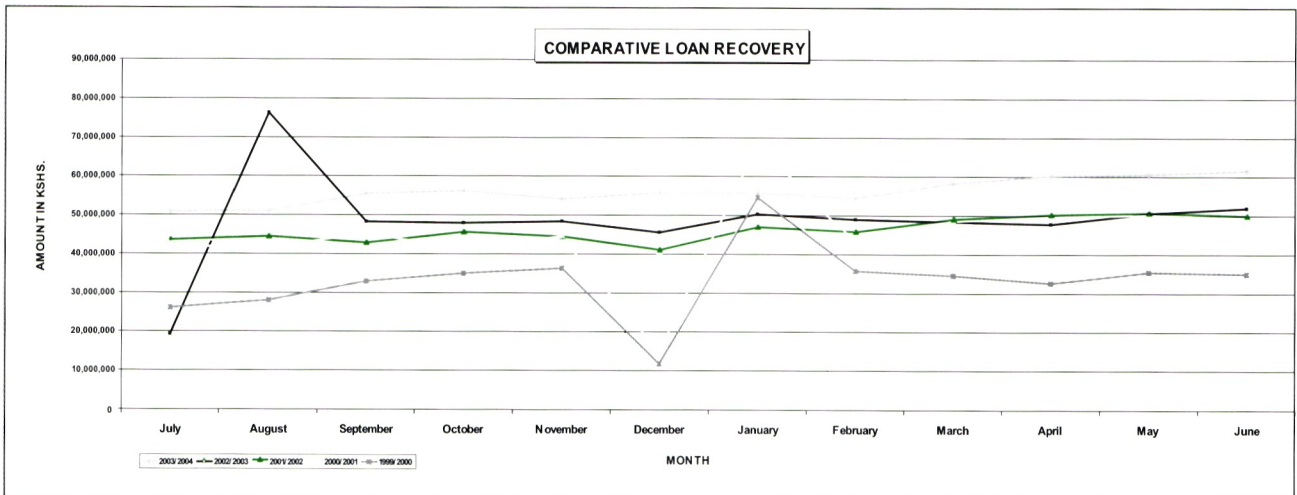
UNIVERSITY	2003/2004		2002/2003	
	No. of Students	Amount KShs.	No. of Students	Amount KShs.
Nairobi	4,383	25,900,000	4,623	25,999,000
Kenyatta	2,636	15,627,000	2,640	14,971,000
Egerton	2,214	13,049,000	2,237	12,456,000
Moi	3,008	17,236,000	2,951	16,140,000
Jomo Kenyatta	940	5,051,000	997	5,257,000
Maseno	1,058	6,333,000	1,143	6,472,000
Private Universities	0	0	0	0
<b>TOTAL</b>	<b>14,239</b>	<b>83,196,000</b>	<b>14,591</b>	<b>81,295,000</b>

**Teaching Practice and Field Attachment Allowances Paid**

UNIVERSITY	2003/2004	2002/2003
	KSHS.	KSHS.
Nairobi	0	34,168,800
Kenyatta	0	14,700,000
Egerton	0	16,050,000
Moi	0	33,211,500
Jomo Kenyatta	0	5,829,600
Maseno	0	9,015,000
Private Universities	0	0
<b>TOTAL</b>	<b>0</b>	<b>112,974,900</b>

The expenditure on Teaching Practice and Field Attachment Allowances were not provided for in the Printed Estimates for the year. The money spent was drawn from the Loans to Students allocation

## FIVE YEAR FINANCIAL HIGHLIGHTS (GRAPHS)



## Statement of Board of Directors' Responsibilities

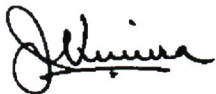
The Higher Education Loans Board Act, Cap 213A of the Laws of Kenya requires the Directors to prepare financial statements for each Financial Year, which gives a true and fair view of the state of affairs of the Board as at the end of the financial year and of the operating results of the Board for that year. It also requires the Directors to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board.

The Directors accept 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 HELB.

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

Nothing has come to the attention of the Directors to indicate that the Board 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 of Directors and is signed on its behalf by:



PROFESSOR JOSEPH H. KIMURA  
CHAIRMAN



BENJAMIN C. CHEBOI  
BOARD SECRETARY

## REPORT OF THE AUDITOR – GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2004

I have audited the Financial Statements of the Higher Education Loans Board for the year ended **30 June 2004** 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 Directors 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** amounted to **KShs.8,631,238,746** out of which only an amount of **KShs.672,621,432 (7.8%)** was recovered during the year under review, while loans totaling **KShs.1,217,906,826** were granted during the year. These loans have been outstanding for a long time and no efforts have been made for their recoveries. As previously reported, even though the Board contends that it has put in place aggressive measures to ensure that all outstanding **Mature Loans** are recovered, such measures do not so far appear to have borne results. Any additional provision that would have been necessary in relation to this uncertainty have not been incorporated in these financial statements.

#### 2.0 Higher Education Loans Fund Paymaster General (H.E.L.F)

As indicated in **Note 7** of the financial statements, the **Accounts Receivables and Prepayments** figure of **KShs.16,180,302** include **KShs.595,025** described as H.E.L.F Paymaster General. This amount has been outstanding since the tenure of H.E.L.F and it was to be repaid in 1995 when HELB was formed. Available information indicates that with the enactment of HELB Act, 1995, the Board was to take over all the assets and liabilities of former Higher Education Loans Fund (HELFB) including **KShs.595,024.50** in the Deposit Account with Paymaster General. However, this balance could not be transferred to the Board as the deposits accounts held by Ministries in the Paymaster General Account were then frozen by Treasury. The decision to lift the freeze has not been made and as a result, it is not possible to confirm recoverability of this debt.

#### 3.0 Ministry of Education – KSHS.1,319,238.50

The **Accounts Receivables and Prepayments** balance sheet figure of **KShs.16,180,302** also includes **KShs.1,319,238.50** being moneys recovered by **Ministry of Education (Loan Recoveries)** from former loanees of the Ministry of Education on behalf of HELB and which have not been remitted to the Board.



The Ministry issued a cheque **No. 002501** dated **24 April 1997** for the above amount but later stopped the cheque through a bank stop payment order. The Ministry of Education has not honoured its undertaking to replace the cheque hence recoverability of the amount is doubtful.

#### 4.0 Former Helb Executive Secretary – KSHS.1,015,127

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

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

Although the former Chief Executive has disputed the inclusion of cost of amenities such as water, electricity and security in the debts, the Board has not taken action to determine the correct position to ensure recovery of the outstanding debt.

#### 5.0 KCB University Way – KSHS.749,741.30

Included in the Accounts Receivables and Prepayments figure of **KShs.16,180,302** is **KShs. 749,741.30** described in **Note 7** to the financial statements as interest due from **Kenya Commercial Bank – University Way**. This amount represents interest income which the Board was underpaid on its Fixed Deposit investments with the Bank. Although the amount has been outstanding in H.E.L.B's financial statements for the last **four (4)** financial years, the Board does not appear to have made effort to recover the amount.

#### Opinion

Except for the reservations set out in the foregoing paragraphs, 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 2004 and its surplus and cash flow for the year ended and comply with Higher Education Loans Board Act, (Cap 213A).



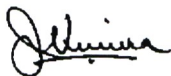
**E. N. MWAI**  
CONTROLLER AND AUDITOR GENERAL

**NAIROBI**

**09 December 2005**

**BALANCE SHEET**AS AT 30<sup>TH</sup> JUNE 2004

	NOTES	AS AT 30TH JUNE 2004 KSHS.	AS AT 30TH JUNE 2003 KSHS.
<b>ASSETS EMPLOYED</b>			
PROPERTY, PLANT & EQUIPMENT ( <b>NET</b> )	2	66,020,945	66,026,374
LOANS TO STUDENTS NOT YET MATURED	3	4,983,826,034	4,590,947,407
MATURED LOANS TO STUDENTS	4	8,631,238,746	8,129,735,690
STAFF LOANS	5	74,534,786	77,801,057
		<b>13,755,620,511</b>	<b>12,864,510,528</b>
<b>CURRENT ASSETS</b>			
INVENTORIES	6	769,348	1,052,436
ACCOUNTS RECEIVABLE & PREPAYMENTS	7	16,180,302	15,896,552
SHORT TERM INVESTMENTS	8	799,214,184	839,211,531
CASH AND BANK BALANCES	9	452,965,313	50,449,234
		<b>1,269,129,147</b>	<b>906,609,753</b>
<b>CURRENT LIABILITIES</b>			
TUITION & BURSARIES PAYABLE TO STUDENTS	10	139,265,648	12,310,600
ACCOUNTS PAYABLE & ACCRUALS	11	7,222,243	8,370,337
		<b>146,487,891</b>	<b>20,680,937</b>
NET CURRENT ASSETS		<b>1,122,641,256</b>	<b>885,928,816</b>
		<b>14,878,233,341</b>	<b>13,750,439,345</b>
<b>FINANCED BY</b>			
G.O.K. GRANTS (LOANS TO STUDENTS)	12	12,411,952,224	11,594,049,362
CAPITAL FUND	13	369,924	554,236
ACCUMULATED FUND	14	2,465,911,194	2,155,835,747
		<b>14,878,233,342</b>	<b>13,750,439,345</b>



PROFESSOR J.H. KIMURA  
CHAIRMAN, BOARD OF DIRECTORS



B. C. CHEBOI  
BOARD SECRETARY/CHIEF EXECUTIVE

## INCOME AND EXPENDITURE STATEMENT

### FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2004

PARTICULARS	NOTES	AS AT 30TH JUNE 2004			AS AT 30TH JUNE 2003		
		KSHS	STUDENT LOANS KSHS	TOTAL KSHS	OPERATIONS KSHS	STUDENT LOANS KSHS	TOTAL KSHS
<b>INCOME</b>							
Grants from GOK							
Operations		75,858,095	-	75,858,090	84,275,488		84,275,488
Bursaries		-	82,387,048	82,387,048		81,273,600	81,273,600
<b>Interest income</b>							
Accrued on Loans to students			380,514,393	380,514,393		344,097,206	344,097,206
Staff Loans		4,089,931	-	4,089,931	4,960,321		4,960,321
Investments		21,000,443	-	21,000,443	69,108,344		69,108,344
Miscellaneous income		2,340,495	-	2,340,495	1,804,169		1,804,169
<b>TOTAL INCOME</b>		<b>103,297,959</b>	<b>462,901,441</b>	<b>566,199,400</b>	<b>160,148,322</b>	<b>425,370,806</b>	<b>586,519,128</b>
<b>EXPENSES</b>							
Bursaries to students			82,387,048	82,387,048		81,275,600	81,275,600
Staff Costs		73,337,149		73,337,149	74,649,577		74,649,577
Other Operating Expenses		49,174,472		49,174,472	47,387,144		47,387,144
Bank Charges and Commissions	12	382,377	7,374,231	7,756,608	641,160	8,690,581	9,331,691
Bad Debts Written Off			3,282,835	3,282,835	-		-
Bad and Doubtful Debts Expenses	13	16,094	28,135,269	28,151,363	-	42,508,819	42,598,819
Audit Fee		350,000		350,000	350,000		350,000
Depreciation position for the year	2	11,684,480		11,684,480	13,029,120		13,029,120
<b>TOTAL EXPENSES</b>		<b>134,944,572</b>	<b>121,179,383</b>	<b>256,123,955</b>	<b>136,057,001</b>	<b>132,564,950</b>	<b>268,621,951</b>
<b>SUPPLIES FOR THE YEAR</b>		<b>(31,646,613)</b>	<b>341,722,058</b>	<b>310,075,445</b>	<b>24,094,321</b>	<b>292,805,856</b>	<b>316,897,177</b>

## CASH FLOW STATEMENT

### AS AT 30 JUNE 2004

#### CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year

**Adjustments for:**

Depreciation

Change in Provisions

Prior Period

Operating surplus before working capital changes

Decrease / (Increase) in Loans Advanced

(Increase) in Accounts Receivable (Students Loans)

Decrease/(Increase) in Other Accounts Receivable

(Increase)/Decrease in Inventories

Increase in Accounts Payable

Decrease in Capital Fund

**NET CASH ABSORBED BY OPERATING ACTIVITIES****CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets

Increase in Short Term Investments

**NET CASH FLOWS FROM INVESTING ACTIVITIES****CASH FLOWS FROM FINANCING ACTIVITIES**

Capitation received from G.O.K.

**NET CASH FLOWS FROM FINANCING ACTIVITIES**

Net Increase/(Decrease) in Cash

Cash at the Beginning of the period

**CASH AT THE END OF THE PERIOD**

Note	30 JUNE 2004 KSHS.	30 JUNE 2003 KSHS.
	310,075,445	316,897,177
2	11,684,480	13,029,120
13	28,151,361	42,598,819
	-	781,676
	349,911,286	373,306,791
3 & 5	(389,612,356)	(171,114,168)
4	(529,043,621)	(857,232,513)
7	(299,844)	5,380,667
6	(283,088)	(85,307)
10 & 11	125,806,854	(26,021,082)
13	(184,313)	
	(443,705,082)	(675,765,613)
2	(11,679,052)	(7,864,628)
	39,997,347	57,352,707
	28,318,295	49,488,079
12	817,902,862	609,552,000
	817,902,862	609,552,000
	402,516,078	(16,725,535)
	50,449,235	67,174,768
	<b>452,965,313</b>	<b>50,449,235</b>

## Notes to the Financial Statements

### 1. 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. (i) FIXED ASSETS SCHEDULE**

DETAILS	LAND & BLDG. KSHS.	M/VEHICLES KSHS.	EQUIPMENT KSHS.	FURNITURE KSHS.	FIX. & FITT. KSHS.	COMPUTERS KSHS.	TOTAL KSHS.
<b>COST/VALUATION</b>							
At 01.07.2003	45,725,730	27,972,974	9,430,084	6,812,542	19,928,984	30,508,564	140,378,878
ADDITIONS	789,698	-	574,532	918,376	1,515,578	7,880,869	11,679,052
LESS: DISPOSALS/W.OFF	-	-	-	-	-	-	0
<b>At 30.06.2004</b>	<b>46,515,428</b>	<b>27,972,974</b>	<b>10,004,616</b>	<b>7,730,918</b>	<b>21,444,562</b>	<b>38,389,433</b>	<b>152,057,930</b>
<b>DEPRECIATION</b>							
At 01.07.2003	28,425	25,073,133	5,673,552	4,980,719	12,295,070	26,301,606	74,352,505
CHARGE FOR THE YEAR	47,232	1,265,346	942,339	786,433	2,648,571	5,994,560	11,684,480
LESS: ON DISPOSALS	-	-	-	-	-	-	-
<b>At 30.06.2004</b>	<b>75,657</b>	<b>26,338,479</b>	<b>6,615,891</b>	<b>5,767,152</b>	<b>14,943,641</b>	<b>32,296,166</b>	<b>86,036,985</b>
<b>NET BOOK AMOUNT</b>							
At 30.06.2004	46,439,771	1,634,495	3,388,725	1,963,766	6,500,921	6,093,267	66,020,945
<b>At 30.06.2003</b>	<b>45,697,305</b>	<b>2,899,841</b>	<b>3,756,533</b>	<b>1,831,823</b>	<b>7,633,914</b>	<b>4,206,958</b>	<b>66,026,374</b>

- (ii) Fixed assets with an original cost of **KShs. 47,297,044 (2002/2003 - Kshs. 28,633,434)** 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. 12,922,020 (2002/2003 - KShs. 8,639,513)**

**3. LOANS TO STUDENTS NOT YET MATURED**

	As at 30.06.2004 Kshs.	As at 30.06.2003 Kshs.
Balance brought forward	4,590,946,407	4,436,109,397
<b>Add:</b> Loans awarded during the year less returns	1,217,906,826	1,245,119,084
	5,808,853,233	5,681,228,481
<b>Less:</b> Matured Loans during the year	(825,028,199)	(1,090,282,074)
	<b>4,983,825,034</b>	<b>4,590,946,407</b>

**4. MATURED LOANS TO STUDENTS**

Balance brought forward	8,555,930,506	7,703,637,322
<b>Add:</b> Matured during the year	825,028,199	1,090,282,074
	9,380,958,705	8,793,919,396
<b>Add:</b> Accrued Interest	380,514,393	344,097,206
	9,761,473,098	9,138,016,602
Less: Loan Recovery during the year ( <b>less loan refunds</b> )	(672,621,432)	(582,086,096)
	9,088,568,666	8,555,930,506
<b>Less:</b> Loan Written Off	(3,282,835)	-
	9,088,851,831	8,555,930,506
<b>Less:</b> Provision for Bad & Doubtful Debts	(454,330,085)	(426,194,816)
	<b>8,634,238,746</b>	<b>8,129,735,690</b>

The loans written-off of Kshs. 3,282,835 consists of loanees who have since died and the write off is in pursuant of the HELB Act Cap 231A - Section 21(a)

**5. STAFF LOANS**

Balance brought forward  
Add: Loans issued during the year

**Less: Loan Repayment during the year**  
**Balance as at 30.06.2003**

	<b>As at 30.06.2004 Kshs.</b>	<b>As at 30.06.2003 Kshs.</b>
Balance brought forward	77,801,057	61,523,900
Add: Loans issued during the year	6,375,659	23,414,621
	84,176,716	84,938,521
<b>Less: Loan Repayment during the year</b>	<b>(9,641,930)</b>	<b>(7,137,464)</b>
<b>Balance as at 30.06.2003</b>	<b>74,534,786</b>	<b>77,801,057</b>

**6. INVENTORIES**

The inventories figure of **Kshs. 796,348 (2002/2003 - Kshs. 1,052,436)** is the value of spare parts donated through **IDA Credit No.2309 KE**. Stock of stationery and office supplies held at the year-end were expensed at the time they were brought. The cost method was used as the basis of valuation

**7. ACCOUNTS RECEIVABLE & PREPAYMENTS****PREPAYMENTS & DEPOSITS**

Hospital Deposit  
Insurance Pre-paid  
Utilities Deposit  
Rent Deposit  
Pre-payment of Warehouse Rent  
**Sub - Total**

**OTHER ACCOUNTS RECEIVABLE**

Staff Imprest  
Staff Salary Advances  
Medical Overexpenditure  
Accrued Interest on Investment  
Arrears on Interest on Loans - HELF  
Dishonoured Cheques  
Training Expenses Re-Imbursable through IDA  
Credit No. 2309 KE  
Min. of Education (Loan Recoveries)  
HELF (Paymaster General)  
Interest Due from KCB University Way

**Less: Prov. for Bad & Doubtful Debt**

	<b>As at 30.06.2004 Kshs.</b>	<b>As at 30.06.2003 Kshs.</b>
Hospital Deposit	875,000	875,000
Insurance Pre-paid	726,410	748,437
Utilities Deposit	51,850	51,850
Rent Deposit	288,800	288,800
Pre-payment of Warehouse Rent	-	-
<b>Sub - Total</b>	<b>1,942,060</b>	<b>1,964,087</b>
Staff Imprest	256,953	211,708
Staff Salary Advances	1,770,692	1,569,098
Medical Overexpenditure	921,100	-
Accrued Interest on Investment	3,225,267	4,704,434
Arrears on Interest on Loans - HELF	5,354,307	5,167,893
Dishonoured Cheques	981,283	534,601
Training Expenses Re-Imbursable through IDA Credit No. 2309 KE	16,257,964	16,257,964
Min. of Education (Loan Recoveries)	1,319,238	1,319,238
HELF (Paymaster General)	595,024	595,024
Interest Due from KCB University Way	749,741	749,741
	<b>33,373,629</b>	<b>33,073,785</b>
<b>Less: Prov. for Bad &amp; Doubtful Debt</b>	<b>(17,193,327)</b>	<b>(17,177,233)</b>
	<b>16,180,302</b>	<b>15,896,552</b>

**8. SHORT - TERM INVESTMENT**

Short-term Investment include amounts in Fixed Deposits, Treasury Bills and Bonds

Fixed Deposit in various Banks  
Treasury Bills  
Treasury Bonds

Fixed Deposit in various Banks	673,964,184	663,966,640
Treasury Bills	100,250,000	136,794,891
Treasury Bonds	25,000,000	38,450,000
	<b>799,214,184</b>	<b>839,211,531</b>

**9. CASH AND BANK BALANCES**

KCB University Way Branch  
 Citibank Upperhill Branch  
 Cash in Hand

	As at 30.06 2004 Kshs	As at 30.06 2003 Kshs
KCB University Way Branch	343,619,839	37,988,139
Citibank Upperhill Branch	109,293,156	12,290,592
Cash in Hand	52,318	170,503
	<b>452,965,313</b>	<b>50,449,234</b>

**10. TUITION & BURSARY PAYABLE**

Universities (Tuition)  
 Bursary Payable to Students  
 Sub-Total

Universities (Tuition)	121,592,000	—
Bursary Payable to Students	17,673,648	12,310,600
	<b>139,265,648</b>	<b>12,310,600</b>



**11. ACCOUNTS PAYABLE AND ACCRUALS**

	As at 30.06 2004 Kshs	As at 30.06 2003 Kshs
Salary Expenses		7,500
Payroll Deduction	271,457	-
Staff Allowances	726	1,000
Gratuity and Pension	405,152	80,984
Staff Welfare	11,900	139,700
Medical Expenses	2,181,730	875,519
Fuel Consumption	181,767	167,039
Subsistence Allowance	2,000	-
External Travelling	99,190	-
Telephone Expenses	275,137	4,823
Postage & Telegrams	140,000	-
Water Expenses	-	9,291
E-Mail / Internet Expenses	-	160,896
Advertising & Publicity Expenses	189,504	25,000
Office Rent and Rates	929,770	755,506
Contracted Prof. Services	-	32,936
Publishing and Printing	184,181	-
Staff Uniform Expenses	15,940	-
Other Office Expenses - Flowers	12,680	-
Staff Training Expenses	535,203	540,219
Repairs and Maintenance - Equipment	46,106	26,220
Repairs and Maintenance - Motor Vehicles	95,272	130,325
Office Security Services	52,000	165,041
Chairman's Honoraria	120,000	-
Board Member' Expenses	14,550	-
Office Tea	-	13,020
Newspapers & Periodicals	-	25,000
Dry Cleaning	17,390	-
Subscriptions to Professional Bodies	740	-
Purchase of Fixed Assets	621,505	-
Other Creditors relating to HELF (Defunct)	60,318	60,318
Staff House Loan	-	4,300,000
Commissioner VAT	108,026	-
Audit Fees	650,000	850,000
<b>Total</b>	<b>7,222,243</b>	<b>8,370,337</b>

**12. GOVERNMENT GRANTS (LOANS TO STUDENTS)**

Balance b/foward	11,594,049,362	10,984,497,362
Add: Capitation Recieved for the year for Students Loans	817,902,862	609,552,000
	<b>12,411,952,224</b>	<b>11,594,049,362</b>

13. CAPITAL FUND	As at 30.06 2004 Kshs	As at 30.06 2003 Kshs
Balance b/forward	554,236	738,549
<b>Less: Amortisation</b>	<b>(184,313)</b>	<b>(184,313)</b>
<b>Balance carried forward</b>	<b>369,923</b>	<b>554,236</b>
14. ACCUMULATED FUND		
Balance b/forward	2,155,835,747	1,838,938,570
<b>Add: Surplus for the year</b>	<b>310,075,447</b>	<b>316,897,77</b>
	<b>2,465,911,194</b>	<b>2,155,835,747</b>
15. FINANCIAL EXPENSES		
Bank Charges and Interest	<b>7,756,607</b>	<b>9,331,691</b>
16. PROVISION FOR BAD AND DOUBTFUL DEBTS		
Balance b/forward	443,372,050	400,773,231
<b>Add: Provisions for the year</b>	<b>28,151,361</b>	<b>42,598,819</b>
	<b>471,523,411</b>	<b>443,372,050</b>