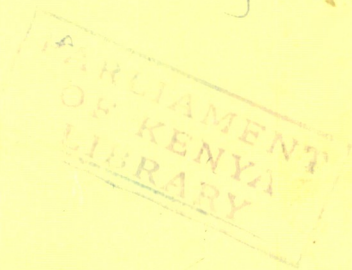




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KASNEB

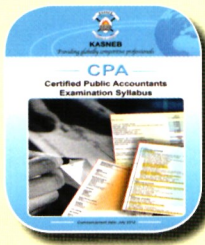
Providing globally competitive professionals



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012



PROFESSIONAL QUALIFICATIONS



Certified Public Accountants (CPA)

Certified Public Accountants are skilled and competent professional accountants, auditors, finance managers, tax consultants and practitioners.



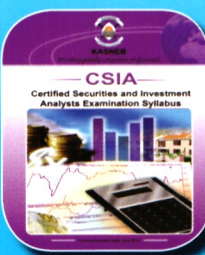
Certified Public Secretaries (CPS)

Certified Public Secretaries are expert practitioners in corporate governance, corporate secretarial practice, consultancy, business management and administration and human resources management.



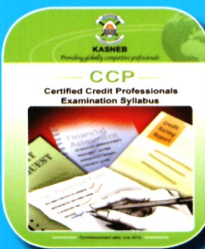
Certified Information Communication Technologists (CICT)

Certified Information Communication Technologists are skilled and competent system developers and programmers, network administrators, systems engineers, ICT consultants and practitioners.



Certified Securities and Investment Analysts (CSIA)

Certified Securities and Investment Analysts are experts in financial analysis, consultants and practitioners in investments and securities, portfolio management and investment banking.



Certified Credit Professionals (CCP)

Certified Credit Professionals are skilled and competent top level managers, practitioners and consultants in the rapidly developing field of credit management.

Our vision

To be a world-class professional examinations body.

*Paper Card by
Leader of majority
on 08/05/2012
@umubi*

CONTENTS

	Page
Table of Contents	1
Corporate Information	2
Members of the Board	3
Corporate Governance Statement	5
Report of the Members of the Board	8
Chairman's Statement	9
Statement of Board Members' Responsibilities	11
Report of the Auditor General	12
Financial Statements	
Statement of Financial Position	15
Statement of Comprehensive Income.....	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19

CORPORATE INFORMATION

1. Location and Principal Place of Business

KASNEB Towers
Hospital Road, Upper Hill
P.O. Box 41362-00100
NAIROBI

Telephone: 2712640/2712828

Fax: 2712915

Website: www.kasneb.or.ke

Email: info@kasneb.or.ke

2. Principal bankers

National Bank of Kenya Ltd.
Hill Plaza Branch
P.O. Box 45219-00100
NAIROBI

Barclays Bank of Kenya Ltd.
Enterprise Road Branch
P.O. Box 18060-00500
NAIROBI

3. Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084-00100
NAIROBI

4. Secretary and Chief Executive

Pius M. Nduatih
P.O. Box 41362-00100
NAIROBI

MEMBERS OF THE BOARD AS AT 30 JUNE 2012

1. Prof. Wanyama Kulundu-Bitonye - **Chairman**
Office of the Attorney General
2. Prof. Margaret K. Kobia - **Vice-Chairman**
Nominated by KASNEB Board
3. Mr. Michael M. Gatimu
Ministry of Finance
4. Mrs. Caroline J. Kigen
Institute of Certified Public Accountants of Kenya (ICPAK)
5. Mr. Michael M. Itote
Institute of Certified Public Accountants of Kenya (ICPAK)
6. Ms. Jane W. Chege
Ministry of State for Public Service
7. CS. Joe M. Mbuthia
Institute of Certified Public Secretaries of Kenya (ICPSK)
8. Ms. Catherine Musakali
Institute of Certified Public Secretaries of Kenya (ICPSK)
9. Mr. Ndung'u K. Gakungu
Ministry of Higher Education, Science and Technology
10. Dr. Nyambura Koigi
Federation of Kenya Employers
11. Dr. George O. Wakah
Nominated by KASNEB Board



Prof. Wanyama Kulundu-Bitonye
Chairman



Prof. Margaret K. Kobia
Vice-Chairman



Mr. Michael M. Gatimu



Mrs. Caroline J. Kigen



Mr. Michael M. Itote CS.



Ms. Jane W. Chege



CS. Joe M. Mbuthia



Ms. Catherine Musakali



Mr. Ndung'u K. Gakungu



Dr. Nyambura Koigi



Dr. George O. Wakah



Mr. Pius M. Nduatih
Secretary and Chief Executive

CORPORATE GOVERNANCE STATEMENT

The Board of KASNEB is responsible for the overall management of KASNEB. The Board comprises eleven non-executive members who are accountable to the Government and the people of Kenya through the Ministry of Finance. The members of the Board are committed to achieving the highest standards of corporate governance. In this regard, the members and entire management have committed to work honestly and diligently and have ensured that appropriate policies and strategies are put in place and comply with the law and standards of best practice in corporate governance and business ethics. The members operate in accordance with the broad principles set out in the Accountants Act, No. 15 of 2008 and the Certified Public Secretaries of Kenya Act, Cap 534 of 1988.

Members of the Board

The members of the Board are appointed by the Minister for Finance for a term of three years and comprise the Chairman, Vice-chairman and nine other members. The Board meets at least four times a year, with additional meetings being held on a need basis. The Board has delegated authority for the day-to-day operations to the Secretary and Chief Executive. The members of the Board are provided with appropriate and timely information to enable them discharge their responsibilities and maintain full and effective control over strategic, financial, operational and compliance issues.

Committees of the Board

The Board has established the following four standing committees and one sub-committee, whose members are shown on page 6, to which it has delegated certain responsibilities:

Examinations Committee
Finance and General Purposes Committee
Planning and Business Development Committee
Audit, Governance and Risk Management Committee
Examinations Technical Sub-Committee

Each committee meets at least four times in a year under the terms of reference set by the Board.

The main responsibilities of the committees are as follows:

Examinations Committee

The principal responsibilities of the Committee are development of syllabuses which comply with international standards, development of strategies for management of examinations, receiving and considering examiners reports and guiding the release of results, advising the Board on matters incidental to good strategies for administration of examinations and considering and ensuring good guidelines for training institutions offering tuition for examinations of KASNEB.

Examinations Technical Sub-Committee

The Examinations Technical Sub-Committee is a permanent Sub-Committee of the Examinations Committee. Its principal responsibility is dealing with technical issues on examination matters and syllabuses as delegated by the Examinations Committee from time to time.

Finance and General Purposes Committee

The principal responsibilities of the Committee are developing and overseeing the implementation of the finance strategy, human resource strategy and information technology strategy. The committee is also responsible for the approval of the annual procurement plan and annual budget and for ensuring sound financial management.

Planning and Business Development Committee

The principal responsibilities of the Committee are formulating the business development policy, spearheading the development of the corporate strategic plan, monitoring and implementation of the strategic and operational plans and advising the Board on topical and developmental issues. The Committee is also responsible for the performance contracting process.

Audit, Governance and Risk Management Committee

The principal responsibilities of the Committee include evaluating the adequacy of management procedures with regard to issues relating to risk management, control and governance, reviewing and approving the audit charter and internal audit annual work plans, reviewing the internal and external audit findings and recommendations and proposing preventive and corrective action as appropriate. The Committee is also responsible for reviewing the systems established to ensure sound public financial management and internal controls.

The Head of Internal Audit is an ex-officio member of the Committee.

Members of committees

<p>Examinations Committee</p> <p>Joe M. Mbuthia (<i>Chairman</i>) Wanyama Kulundu-Bitonye Ndung'u K. Gakungu Michael M. Gatimu Jane W. Chege Catherine Musakali Caroline J. Kigen Michael M. Itote Vincent O. Kamasara Sharon J. Kisire Yonah O. Okidia Jonah K. Aiyabei Sammy M. Muriu</p>	<p>Finance and General Purposes Committee</p> <p>Catherine Musakali (<i>Chairman</i>) Michael M. Gatimu Caroline J. Kigen Nyambura Koigi Jane W. Chege Margaret K. Kobia</p> <p>Planning and Business Development Committee</p> <p>Nyambura Koigi (<i>Chairman</i>) Margaret K. Kobia Joe M. Mbuthia Michael M. Itote Catherine Musakali George O. Wakah</p>	<p>Audit, Governance and Risk Management Committee</p> <p>Michael M. Itote (<i>Chairman</i>) Michael M. Gatimu Nyambura Koigi Joe M. Mbuthia George O. Wakah</p> <p>Examinations Technical Sub-Committee</p> <p>Ndung'u K. Gakungu (<i>Chairman</i>) George O. Wakah Jane W. Chege Margaret K. Kobia Daniel M. Ndonye Vincent O. Kamasara Sharon J. Kisire John N. Walubengo Patrick K. Kairu</p>
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Code of Ethics

The members of the Board, Committees and staff of KASNEB are committed to the highest standards of professionalism, integrity and ethical values in full compliance with the law in dealing with all stakeholders of KASNEB.

Emoluments to Members

The emoluments paid to the members of the Board are approved by the Minister for Finance in accordance with the guidelines issued by the government from time to time.

The aggregate amount of emoluments paid to the members for services rendered during the financial year 2011/2012 are disclosed in the notes to the financial statements.

Corporate Social Responsibility (CSR)

KASNEB acknowledges the importance of being sensitive and socially responsible. In this regard, KASNEB made contributions to CSR activities during the year as follows:

- Donation to “Kenya for Kenya” to alleviate hunger in Turkana.
- Donated desks and chairs to Rarakwa Girls Secondary School - Murang’a.
- Paid school fees for orphaned children of Tunyai Children home - Meru.
- Donated food stuff to Mogra Children Home - Kiambu.
- Donated and participated in the 2012 Freedom from Hunger Walk.
- Donated books to Mandera, Kisii, Meru and Nakuru Kenya National Library Service branches for use by KASNEB students.

The expenses are included under the social responsibility expenses in the financial statements.



REPORT OF THE MEMBERS OF THE BOARD

The members of the Board submit their report and audited financial statements for the year ended 30 June 2012 which show the state of affairs of KASNEB.

1. **Principal Activities**

The principal activities of KASNEB are the development of syllabuses, conduct of professional and technician examinations and certification of candidates in finance, accountancy, governance, management, information technology and related disciplines, the promotion of its qualifications nationally and internationally and the accreditation of relevant training institutions.

2. **Results**

The results for the year are set out on pages 15 to 24.

3. **Members of the Board**

The members of the Board who served during the year and to the date of this report are shown on page 3.

4. **Auditors**

The Auditor-General is responsible for the statutory audit of the books of account of KASNEB in accordance with the provision of article 229 of the Constitution of Kenya, 2010 and Section 14 of the Public Audit Act, 2003.

By order of the Board

PIUS M. NDUATIH
SECRETARY AND CHIEF EXECUTIVE

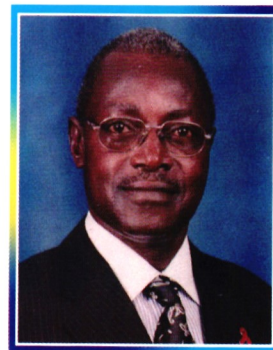
22 September 2012



CHAIRMAN'S STATEMENT

On behalf of the Board, it is my pleasure to present the annual report and financial statements of KASNEB for the financial year ended 30 June 2012.

KASNEB has continued to successfully execute its mandate of developing syllabuses, conducting professional and technician examinations and certifying candidates in finance, accountancy, governance and management, information communication technology among other disciplines and promoting the qualifications nationally and internationally and the accreditation of relevant training institutions.



KASNEB is a not-for-profit organisation whose main source of income is modest fees charged to students. The Board and management of KASNEB have continuously and prudently managed the resources of KASNEB to fund the operations and realise some surplus for development purposes.

Governance

The operations of the Board of KASNEB are governed by the Accountants Act, No.15 of 2008 and the Certified Public Secretaries of Kenya Act, Cap.534 of 1988. Under the provisions of Section 15(1) of the Accountants Act, the Minister for Finance has appointed 11 members to serve the Board for a period of three (3) years.

Corporate strategic plan

The Board developed the fourth Corporate Strategic Plan (2012-2017) which leverages on creativity, innovation and new technology addressing emerging and emergent issues. This will propel KASNEB in the next five years in achieving the stated strategic objectives. The plan incorporates the aspirations of the Board and management taking cognisance of the Kenya Vision 2030 and the devolved government structure in line with the Constitution of Kenya 2010.

Service delivery to customers

In order to improve on service delivery to customers KASNEB has opened additional fee collection accounts with Equity Bank Ltd, Cooperative Bank of Kenya Ltd. and Kenya Post Office Savings Bank (Postbank). KASNEB has also upgraded the website to make it interactive in order to enhance the quality and speed of service to the customer. In addition, KASNEB was at an advanced stage of ISO 9001:2008 Quality Management System certification which is geared towards further enhancing and improving service delivery.

Performance contracting

The performance contract for the financial year 2011/2012 was implemented successfully. KASNEB promptly submitted the annual performance contract report to the Inspector General-Corporations for evaluation. Following the evaluation by the Performance Contracting Department, KASNEB was provisionally ranked in the "very good" category.

The Board is implementing the performance contract for the financial year 2012/2013 which was signed on 2 August 2012.

Midterm review of examination syllabuses

During the year, KASNEB undertook a mid-term review of the examination syllabuses in order to keep pace with the emerging issues and offer high quality examinations that meet the market needs. The revised syllabuses will be examined for the first time in May/June 2013.

Accreditation of training institutions

KASNEB is mandated by the Accountants Act, No. 15 of 2008 to accredit training institutions providing tuition for courses examinable by KASNEB.

During the year, the Board accredited 17 training institutions which fully met the accreditation requirements while 31 training institutions were granted interim accreditation. The assessment of other training institutions which have applied for accreditation is in progress.

Marketing of examinations

KASNEB has continued to increase its market share in the national, regional and international market. During the period under review, KASNEB undertook marketing activities in colleges and universities in Kenya, Uganda, Tanzania, Rwanda, Botswana and Ethiopia in order to promote the examinations nationally and internationally. KASNEB also signed a memorandum of understanding (MOU) with Mt. Kenya University, Rwanda to further facilitate the training of students and marketing of KASNEB qualifications in Rwanda.

The way forward

KASNEB will continue to provide globally competitive professionals who are responsive to global trends and changes by offering high quality examinations under the revised syllabuses. These professionals are critical in realising the national aspirations and development objectives and, in particular, the Kenya vision 2030 education sector target of globally competitive quality education, training and research for sustainable development.

KASNEB will further continue to invest in service delivery innovations to enhance customer satisfaction. This requires greater investment in information communication technology.

Appreciation

On behalf of the Board, I wish to thank all our stakeholders including: members of staff for their excellent performance, loyalty, commitment and dedication to the ideals of KASNEB; graduates of KASNEB examinations for being good ambassadors of KASNEB; our students for their loyalty and confidence in the examinations of KASNEB; parents, sponsors, trainers, examiners and other stakeholders and well wishers for their unwavering support.

Special thanks to the Ministry of Finance for the continued guidance and support and to my fellow members of the Board and Committees for stewardship and commitment to the success and good governance of KASNEB.

PROFESSOR WANYAMA KULUNDU-BITONYE
CHAIRMAN

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The members of the Board and management are responsible for preparing financial statements which give a true and fair view of the state of affairs of KASNEB as at the end of each financial year and of the operating results for that year.

The members of the Board and management are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of KASNEB. The members and management are also responsible for safeguarding the assets of the Board.

The members of the Board and management accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and in conformity with the International Financial Reporting Standards. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of KASNEB as at 30 June 2012 and of its surplus for the year then ended. The members and management further accept responsibility for the maintenance of accurate and complete accounting records which have been relied upon in the preparation of the financial statements as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the members of the Board and management to indicate that KASNEB will not remain a going concern for the next twelve months from the date of this statement.

PROFESSOR WANYAMA KULUNDU-BITONYE
CHAIRMAN

PIUS M. NDUATIH
SECRETARY AND CHIEF EXECUTIVE



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
KENYA ACCOUNTANTS AND
SECRETARIES NATIONAL
EXAMINATIONS BOARD FOR THE
YEAR ENDED 30 JUNE 2012**



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examinations Board set out on pages 15 to 24, which comprise the statement of financial position as at 30 June, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain

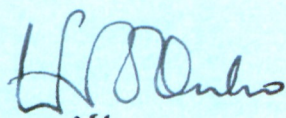
reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Accountants Act, 2008.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 February 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

ASSETS	Note	2012	2011
		Sh.	Sh.
Non current assets			
Property, plant and equipment	9(b)	126,706,951	117,495,848
Prepaid operating lease rentals	9(a)	5,586,707	5,652,432
		<u>132,293,658</u>	<u>123,148,280</u>
Current assets			
Government securities	10	1,062,645,215	838,078,775
Mortgage deposit	11	117,759,360	106,941,310
Receivables	12	51,151,293	25,844,291
Cash and bank balances	13	52,678,280	32,733,204
		<u>1,284,234,148</u>	<u>1,003,597,580</u>
Total assets		<u>1,416,527,806</u>	<u>1,126,745,860</u>
EQUITY AND LIABILITIES			
Equity		1,369,566,204	1,063,019,551
Current liabilities			
Bank Overdraft	14	2,438,804	-
Payables	15	44,522,798	63,726,309
		<u>46,961,602</u>	<u>63,726,309</u>
Total equity and liabilities		<u>1,416,527,806</u>	<u>1,126,745,860</u>

The financial statements on pages 15 to 24 were approved by the Board on 22 September 2012 and were signed on its behalf by:

PROFESSOR WANYAMA KULUNDU-BITONYE
CHAIRMAN OF THE BOARD

PIUS M. NDUATIH
SECRETARY AND CHIEF EXECUTIVE



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011
	Note	Sh.	Sh.
Income from operations	2	783,735,468	711,617,617
Income from other sources	3	<u>19,121,789</u>	<u>19,520,722</u>
		802,857,257	731,138,339
Operating expenses	4	(578,470,676)	(504,731,360)
Administration costs	5	<u>(44,197,942)</u>	<u>(27,502,748)</u>
Operating surplus		180,188,639	198,904,231
Finance income	7	<u>126,358,014</u>	<u>51,542,138</u>
Surplus for the year		<u>306,546,653</u>	<u>250,446,369</u>



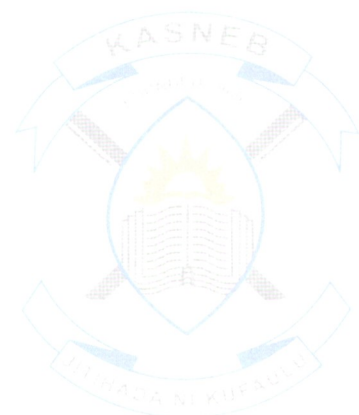
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	2012 Sh.
Balance at 1 July 2010	812,573,182
Surplus for the year ended 30 June 2011	<u>250,446,369</u>
Balance at 30 June 2011	<u>1,063,019,551</u>
Balance at 1 July 2011	1,063,019,951
Surplus for the year ended 30 June 2012	<u>306,546,653</u>
Balance at 30 June 2012	<u>1,369,566,204</u>



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011
	Note	Sh.	Sh.
Cash flows from operating activities			
Cash generated from operations	8(a)	188,609,206	264,968,909
Interest received		<u>91,369,458</u>	<u>36,232,283</u>
Net cash generated from operating activities		<u>279,978,664</u>	<u>301,201,192</u>
Cash flows from investing activities			
Proceeds from disposal of property and equipment		-	1,289,094
Purchase of property and equipment		<u>(27,087,902)</u>	<u>(22,208,874)</u>
Net cash utilised in investing activities		<u>(27,087,902)</u>	<u>(20,919,780)</u>
Net increase in cash and cash equivalents		<u>252,890,762</u>	<u>280,281,412</u>
Cash and cash equivalents at the beginning of the year		977,753,289	697,471,877
Cash and cash equivalents at the end of the year	8(b)	<u>1,230,644,051</u>	<u>977,753,289</u>
Net increase in cash and cash equivalents		<u>252,890,762</u>	<u>280,281,412</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

ESTABLISHMENT

Kenya Accountants and Secretaries National Examinations Board (KASNEB) is a body corporate established under Section 14(1) of the Accountants Act (Cap.531) of the Laws of Kenya. The Accountants Act, Cap 531 of the Laws of Kenya was repealed and replaced with the Accountants Act, No. 15 of 2008 which took effect from 30 December 2008. The Certified Public Secretaries of Kenya Act (Cap. 534) reaffirms KASNEB as the examining body for the Certified Public Secretaries profession under section 2 of the Act.

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements have been consistently applied to all years presented, unless otherwise stated, and are set out below:

(a) Basis of preparation

The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis of accounting. The financial statements are presented in Kenya Shillings (Sh).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Board policies.

The areas involving a higher level of judgment or where estimates are significant to the financial statements are disclosed in note (d) below.

(b) Revenue recognition

Examination fees is accounted for in the financial year in which the relevant examination takes place. No value is placed on stocks of examination stationery and past examination papers.

Other fees income is accounted for as it is received. Refunds are accounted for in the year in which they are made to students and candidates.

(c) Investment income

Investment income is recognised in the period in which it is earned.

(d) Critical accounting estimates and judgment

Estimates and judgment are continually evaluated based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

In the process of applying accounting policies, KASNEB makes certain estimates and assumptions about future events. Such estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial year, are described below:

Property, Plant and equipment

KASNEB makes estimates in determining the depreciation rates of property, plant and equipment. The rates used are set out in the depreciation policy for property, plant and equipment in note (e) on page twenty (20).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012(Continued)

(e) Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment over their estimated useful lives.

The annual rates of depreciation in use are:

Buildings	2.5%
Information and communication technology equipment	50%
Furniture and fittings	20%
Machinery and office equipment	20%
Motor vehicles	25%

(f) Leasehold land

KASNEB owns leasehold land (LR.209/522/1) in Upper Hill area, Nairobi, on which stands its office premises. The lease on the land expires in the year 2097. The cost of the leasehold land is treated as prepaid operating lease rentals and amortised over the remaining lease period. The lease rentals payable under the operating lease are charged to the income and expenditure statement on a straight line basis over the remaining lease period.

(g) Financial instruments

Financial instruments are contracts that give rise to both financial assets and financial liabilities. Currently KASNEB has no financial liabilities. The Financial assets comprise government securities in form of Treasury bills and bonds and are held to maturity. Financial assets are recognised in the financial statements at cost.

(h) Retirement benefits

KASNEB operates a staff retirement benefits scheme for its employees. The scheme, which was established on 1 January 1980, operates according to the provisions of the Retirement Benefits Act, 1997. The assets of this scheme are held in a separate trustee administered fund that is funded by contributions from both the employees and KASNEB as the sponsor. The scheme was converted from a defined benefits scheme to a defined contribution scheme with effect from 1 July 2011 in compliance with Treasury circular No. 18/2010 and the Retirement Benefits Act.

KASNEB and all its employees also contribute to a statutory defined contribution scheme, the National Social Security Fund (NSSF). The contributions are determined by the National Social Security Fund Act (Cap.258).

2	INCOME FROM OPERATIONS	2012 Sh.	2011 Sh.
	Examination entry fees	474,672,337	419,669,185
	Registration fees	134,983,010	140,051,351
	Annual registration renewal fees	115,965,863	106,300,770
	Exemption fees	57,249,190	44,708,339
	Sale of past question papers	<u>865,068</u>	<u>887,972</u>
		<u>783,735,468</u>	<u>711,617,617</u>
3	INCOME FROM OTHER SOURCES		
	Students' identity card fees	10,911,846	11,531,413
	Rental income - Other tenants	393,012	351,666
	Miscellaneous income	<u>7,816,931</u>	<u>7,637,643</u>
		<u>19,121,789</u>	<u>19,520,722</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	Note	2012 Sh.	2011 Sh.
4 OPERATING EXPENSES			
Examinations and invigilation		142,430,645	99,476,106
Examination prizes		4,980,230	2,801,706
Rent of examination halls		5,516,349	4,966,400
Data processing		5,414,927	5,957,019
Printing and stationery		47,053,547	20,998,205
Local travel and transport		5,468,345	8,120,736
Long distance travel and transport		9,092,627	6,231,357
Postage and telephone		15,930,081	11,754,089
Staff emoluments and benefits		253,578,421	252,003,792
Repairs and renewals		873,090	610,789
Auditors' remuneration		600,000	600,000
Insurance		1,004,835	879,249
Sundry expenses	4.1	4,790,814	3,650,815
Bank charges		5,661,437	5,846,920
Board expenses	4.2	8,155,430	7,890,550
Publicity, promotion, marketing and communication		44,042,529	51,400,043
Students journal - KASNEB Newslite		17,268,947	16,823,835
Legal expenses	4.3	1,466,489	624,154
Ground rent and land rates		583,024	590,280
Office Provisions		4,558,909	3,505,315
		<u>578,470,676</u>	<u>504,731,360</u>
4.1 SUNDRY EXPENSES			
KASNEB end of year and annual anniversary expenses		2,209,920	1,984,067
Staff uniforms, floral and laundry expenses		1,769,562	1,135,500
Other expenses		<u>811,332</u>	<u>531,248</u>
		<u>4,790,814</u>	<u>3,650,815</u>
4.2 BOARD EXPENSES			
Board and committees attendance allowances		5,394,700	4,583,671
Board and committees meeting and transport expenses		<u>2,760,730</u>	<u>3,306,879</u>
		<u>8,155,430</u>	<u>7,890,550</u>
4.3 LEGAL EXPENSES			
Legal expenses relate to payments made to a firm of advocates hired by KASNEB in a civil case regarding the access road to KASNEB premises. KASNEB is the plaintiff in the civil suit.			
5 ADMINISTRATION COSTS			
Student identity cards		1,761,230	1,848,900
Insurance and maintenance of KASNEB Towers		9,826,953	6,795,136
Social responsibility	5.1	1,213,500	237,950
Strategic planning expenses		4,080,048	-
Website development and maintenance		575,117	611,520
Library books and resource material		233,250	364,340
Research and development		3,824,100	275,100
Miscellaneous expenses		1,908,692	136,660
Other non - recurrent expenses		2,832,529	3,711,100
Depreciation		17,876,799	13,456,317
Operating lease rentals		<u>65,725</u>	<u>65,725</u>
		<u>44,197,942</u>	<u>27,502,748</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	Note	2012 Sh.	2011 Sh.
5.1 SOCIAL RESPONSIBILITY			
Donations to schools and children homes		<u>1,213,500</u>	<u>237,950</u>
6 STAFF EMOLUMENTS AND BENEFITS			
Staff salaries and wages		220,752,300	174,771,205
Pension and benefits		21,997,497	57,733,404
Education and training		10,828,624	19,499,183
		<u>253,578,421</u>	<u>252,003,792</u>
7 FINANCE INCOME			
Finance income comprises the following:			
Interest earned from government securities		80,162,435	31,374,255
Interest receivable from government securities/mortgage		33,380,214	15,309,855
Interest earned on mortgage deposit		10,818,050	3,372,646
Interest earned from bank balances		1,374,651	821,133
Interest earned from advances to staff		622,664	664,249
		<u>126,358,014</u>	<u>51,542,138</u>
8 NOTES TO THE STATEMENT OF CASH FLOWS			
(a) Reconciliation of operating surplus to cash generated from operations			
Operating surplus		180,188,639	198,904,231
Adjustments for:			
Depreciation		17,876,799	13,456,317
Amortisation of prepaid lease rentals		65,725	65,725
Interest receivable		34,988,556	15,309,855
(Gain) / loss on disposal of property, plant and equipment		-	(1,289,094)
Operating surplus before working capital changes		<u>233,119,718</u>	<u>226,447,034</u>
Changes in working capital			
(Increase) / Decrease in receivables		(25,307,002)	(2,004,372)
Increase / (Decrease) in payables		(19,203,511)	40,526,247
Cash generated from operations		<u>188,609,206</u>	<u>264,968,909</u>
(b) Cash and cash equivalents at the end of the year			
Treasury bills and bonds		1,062,645,215	838,078,775
Mortgage deposit		117,759,360	106,941,310
Cash and bank balances		52,678,280	32,733,204
Bank overdraft		(2,438,804)	-
		<u>1,230,644,051</u>	<u>977,753,289</u>
9 (a) PREPAID OPERATING LEASE RENTALS			
Leasehold land			
Cost		6,112,507	6,112,507
At 1 July 2011		460,075	394,350
Amortisation charge for the year		65,725	65,725
		<u>525,800</u>	<u>460,075</u>
Net book value		<u>5,586,707</u>	<u>5,652,432</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

9 (b) PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT - 2010/2011

	Building	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2010	118,063,650	41,056,548	22,370,459	12,970,889	31,658,335	226,119,881
Additions	10,111,748	6,435,221	1,991,575	5,230	3,665,100	22,208,874
Disposals	-	(2,201,454)	(445,194)	(2,057,506)	(2,078,205)	(6,782,359)
At 30 June 2011	<u>128,175,398</u>	<u>45,290,315</u>	<u>23,916,840</u>	<u>10,918,613</u>	<u>33,245,230</u>	<u>241,546,396</u>

DEPRECIATION

At 1 July 2010	30,979,749	38,711,397	17,059,745	7,543,635	23,082,064	117,376,590
Charge for the year	3,204,385	3,709,692	2,140,358	1,724,503	2,677,379	13,456,317
Eliminated on disposals	-	(2,201,454)	(445,194)	(2,057,506)	(2,078,205)	(6,782,359)
At 30 June 2011	<u>34,184,134</u>	<u>40,219,635</u>	<u>18,754,909</u>	<u>7,210,632</u>	<u>23,681,238</u>	<u>124,050,548</u>

NET BOOK VALUE

At 30 June 2011	<u>93,991,264</u>	<u>5,070,680</u>	<u>5,161,931</u>	<u>3,707,981</u>	<u>9,563,992</u>	<u>117,495,848</u>
At 30 June 2010	<u>87,083,901</u>	<u>2,345,151</u>	<u>5,310,714</u>	<u>5,427,254</u>	<u>8,576,271</u>	<u>108,743,291</u>

PROPERTY, PLANT AND EQUIPMENT - 2011/2012

	Building	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2011	128,175,398	45,290,315	23,916,840	10,918,613	33,245,230	241,546,396
Additions	4,318,116	5,789,296	4,236,858	9,891,596	2,852,036	27,087,902
At 30 June 2012	<u>132,493,514</u>	<u>51,079,611</u>	<u>28,153,698</u>	<u>20,810,209</u>	<u>36,097,266</u>	<u>268,634,298</u>

DEPRECIATION

At 1 July 2011	34,184,134	40,219,635	18,754,909	7,210,632	23,681,238	124,050,548
Charge for the year	3,312,338	5,503,612	2,898,691	3,291,321	2,870,837	17,876,799
At 30 June 2012	<u>37,496,472</u>	<u>45,723,247</u>	<u>21,653,600</u>	<u>10,501,953</u>	<u>26,552,075</u>	<u>141,927,347</u>

NET BOOK VALUE

At 30 June 2012	<u>94,997,042</u>	<u>5,356,364</u>	<u>6,500,098</u>	<u>10,308,256</u>	<u>9,545,191</u>	<u>126,706,951</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 Sh.	2011 Sh.
10 GOVERNMENT SECURITIES		
Treasury bills		
Maturing within 91 days	352,756,500	241,225,250
Maturing after 91 days	<u>223,645,300</u>	<u>165,345,680</u>
	<u>576,401,800</u>	<u>406,570,930</u>
Treasury bonds		
Maturing within one year	104,690,800	93,057,230
Maturing within 1-3 years	102,792,015	89,329,750
Maturing after 3 years	<u>278,760,600</u>	<u>249,120,865</u>
	<u>486,243,415</u>	<u>431,507,845</u>
	<u>1,062,645,215</u>	<u>838,078,775</u>

The weighted average effective interest rate on Treasury bills was 5% (2011 : 5.62%).

The weighted average effective interest rate on Treasury bonds was 10.4% (2011 : 10.2%).

11 MORTGAGE DEPOSIT

KASNEB operates a staff mortgage scheme. The staff mortgage scheme is administered by Kenya Commercial Bank Ltd. KASNEB has maintained a revolving fund with Kenya Commercial Bank Ltd. for the purpose of advancing mortgage loans to employees.

12 RECEIVABLES

Prepayments	2,372,494	2,273,322
Interest receivable	34,436,059	15,309,855
Receivable from tenants	1,430,110	842,987
Staff receivables	<u>12,912,630</u>	<u>7,418,127</u>
	<u>51,151,293</u>	<u>25,844,291</u>

13 CASH AND BANK BALANCES

Cash in hand	1,113,446	1,824,792
Bank balances	<u>51,564,834</u>	<u>30,908,412</u>
	<u>52,678,280</u>	<u>32,733,204</u>

14 BANK OVERDRAFT

	<u>2,438,804</u>	<u>-</u>
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Bank overdraft represents money collected through fee collection account which was invested in Government Treasury bills and bonds before receipting as income.

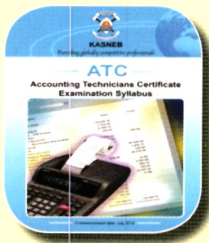
15 PAYABLES

Examinations and invigilation expenses	17,087,477	12,217,856
Accruals	17,416,113	43,578,207
Prepaid examination fees	9,860,623	7,478,961
Other payables	158,586	451,285
	<u>44,522,798</u>	<u>63,726,309</u>

16 TAXATION

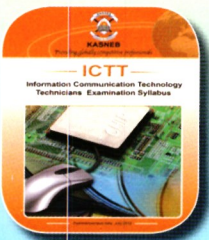
The income of KASNEB is exempt from income tax by virtue of legal notice No. 116/1975.

TECHNICIAN QUALIFICATIONS



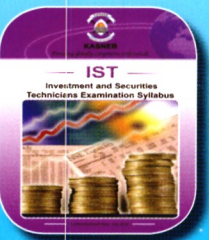
Accounting Technicians Certificate (ATC)

The Accounting Technicians qualification equips candidates with skills and competencies to work as middle level accountants providing technical support in accounting, auditing and taxation.



Information Communication Technology Technicians (ICTT)

Information Communication Technology Technicians have the technical know-how and skills to work in the dynamic ICT industry as technicians in systems development, systems programming, administration and maintenance.



Investment and Securities Technicians (IST)

Investment and Securities Technicians work as technical analysts in the specialised fields of investment, securities analysis and pension administration.



Credit Management Technicians (CMT)

Credit Management Technicians are competent and skilled to work as technicians in credit management and credit control in both financial and non-financial enterprises

Our mission

To provide globally competitive professionals by offering quality examinations in finance, accountancy, governance, management, information technology and related disciplines.



KASNEB

Providing globally competitive professionals



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