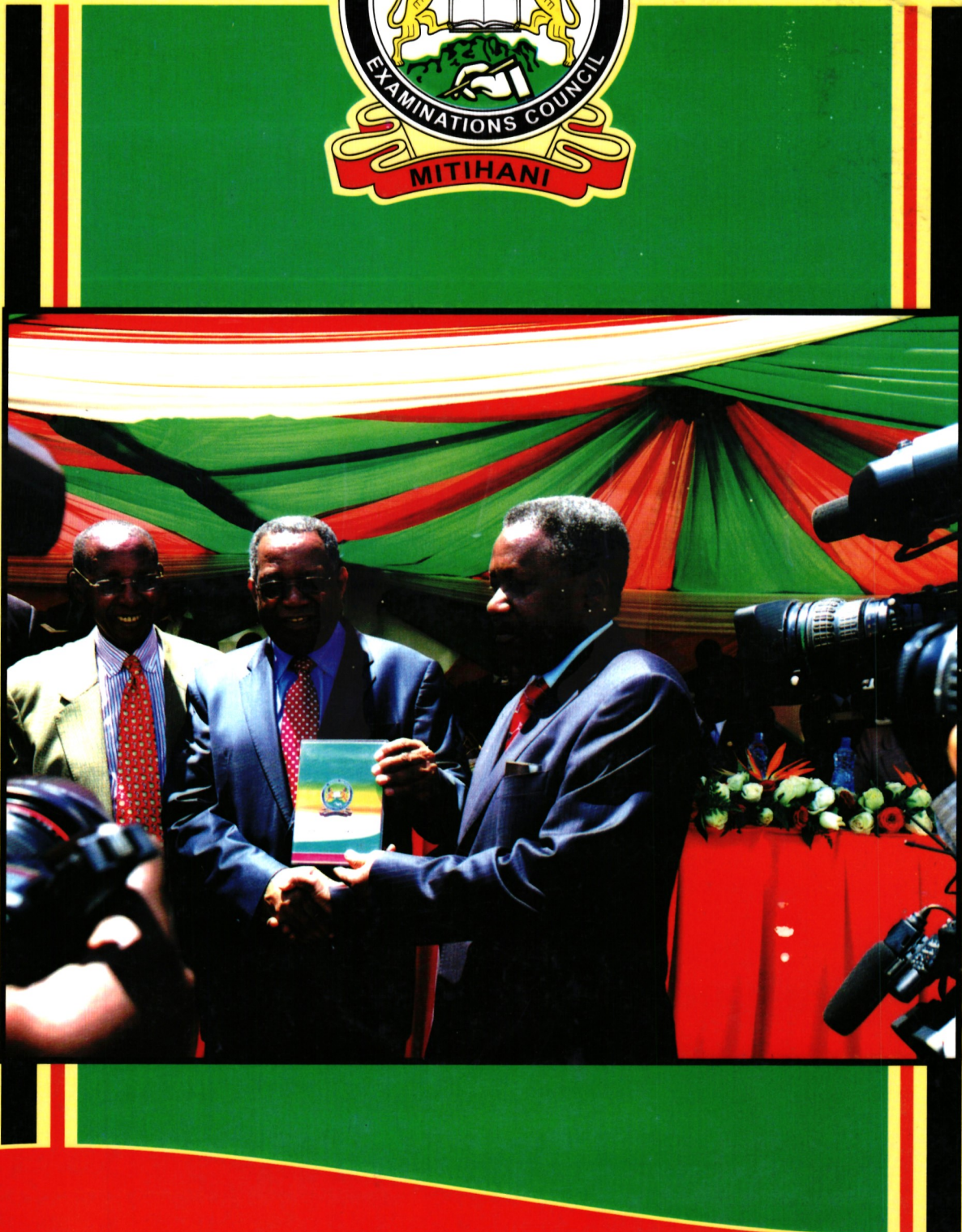


THE KENYA NATIONAL EXAMINATIONS COUNCIL



Annual Financial Statements For
The Financial Year Ended 30th June 2012

THE KENYA NATIONAL EXAMINATIONS COUNCIL



**Annual Financial Statement For
The Financial Year Ended 30th June 2012**

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THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.0 CORPORATE INFORMATION

1.1 Registered Office and Principal Place of Business N H C House Aga Khan Walk

Postal Address:

P. O Box 73598
Code 00200 City Square
NAIROBI

Telephone (+254-20) 341027 / 50 , 317412 / 19 / 27

E-mail: info@knec.ac.ke

Website: www.knec.ac.ke

Fax (+254-20) 2226032

1.2 Council Secretary / Chief Executive

Paul M. Wasanga, MBS
P. O. Box 73598
Code 00200 City Square
NAIROBI



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.3 Vision Statement

‘To be a leading organization in testing and assessment for quality education.’

1.4 Mission Statement

‘To objectively evaluate learning achievements so as to enhance and continuously safeguard nationally and internationally acceptable certification standards.’

1.5 Strategic Objectives

- 1.5.1 To Review and develop a strong responsive legal framework that addresses current and future governance and examination administration issues.
- 1.5.2 To develop a responsive organizational structure.
- 1.5.3 To Transform KNEC into a visible customer focused service organization.
- 1.5.4 To attract, develop and retain a qualified, competent and motivated workforce.
- 1.5.5 To enhance the credibility of examinations.
- 1.5.6 To integrate ICT in all KNEC operations and institutionalize an automated performance management system.
- 1.5.7 To enhance the printing capacity.
- 1.5.8 To enhance the research function in KNEC.
- 1.5.9 To acquire adequate office space to accommodate all KNEC operations.

1.6 Core Values

- 1.6.1 Professionalism
- 1.6.2 Accountancy
- 1.6.3 Transparency
- 1.6.4 Integrity
- 1.6.5 Courtesy
- 1.6.6 Diligence
- 1.6.7 Teamwork



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.7 The Kenya National Examinations Council Board Members

- 1.7.1 **Prof. Kabiru Kinyanjui**
Chairman, KNEC
- 1.7.2 **Prof. George I Godia**
Permanent Secretary, Ministry of Education
- 1.7.3 **Hon. Josephine Odira Sinyo**
Kenya Law Reform Commission
- 1.7.4 **Dr. Lydia Nzomo**
Director, Kenya Institute of Curriculum Development
- 1.7.5 **Mr. Charles Mutuku**
Director, RICCATI Business College of East Africa
- 1.7.6 **Mrs. Elizabeth K Mbebe**
Educationist
- 1.7.7 **Mr. Arthur Rateng**
Educationist
- 1.7.8 **Mr. Mohammed M Mwinyipembe**
Ag Director of Quality Assurance & Standards, Ministry of Education
- 1.7.9 **Mr. Gabriel Lengoiboni**
Secretary, Teacher Service Commission
- 1.7.10 **Mr. Pius M. Nduatih**
Secretary, KASNEB (Co-opted)
- 1.7.11 **Mr. Paul M Wasanga**
Council Secretary/Chief Executive, KNEC



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.8 BANKERS

1.8.1 CO-OPERATIVE BANK OF KENYA (Co-operative House)

1.8.2 KENYA COMMERCIAL BANK (Head Office)

1.8.3 NATIONAL BANK OF KENYA (Harambee Avenue)

1.8.4 EQUITY BANK (Moi Avenue)

1.8.5 CFC STANBIC BANK (Harambee Avenue)

1.8.6 STANDARD CHARTERED BANK (Harambee Avenue)

1.9 EXTERNAL AUDITOR

Auditor General

P O Box 49384 - 00100

NAIROBI



THE KENYA NATIONAL EXAMINATIONS COUNCIL

2.0 PRINCIPAL ACTIVITIES

The principal activities of the Kenya National Examination Council (KNEC) are:

- 2.1 Conduct such academic, technical and other examinations within Kenya as it may consider desirable in the public interest.
- 2.2 Award certificates or diplomas to successful candidates in such examinations.
- 2.3 Invite any body or bodies outside Kenya, as it may find fit to conduct academic, technical and other examinations within Kenya or to conduct these examinations jointly with the council and to award certificates or diplomas to successful candidates in these examinations.
- 2.4 Advise any body or bodies invited under paragraph (c) above, upon the adaptation of examinations necessary for the requirements of Kenya and to assist any such bodies to conduct such examinations.
- 2.5 Make rules regulating the conduct of examinations and for all purposes incidental thereto.

3.0 RESULTS FOR THE YEAR


The results of the year are set out on Pages 1 to 16.




THE KENYA NATIONAL EXAMINATIONS COUNCIL

4.0 STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2012

- 4.1 The Board is required to prepare financial statements, which give a true and fair view of the state of affairs of the Council as at the end of the financial year and of its comprehensive income for that year. The Board is required to ensure that the Council maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Council. The Board is also responsible for safeguarding the assets of the Council.
- 4.2 The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards. 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 Council as at 30 June 2012 and of its comprehensive income for the year then ended. The Board further confirms the accuracy and completeness of the accounting records maintained by the Council, 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.
- 4.3 Nothing has come to the attention of the Board to indicate that the Council will not remain a going concern for at least twelve months from the date of this statement.
- 4.4 This Statement is approved by the Board and is signed on it's behalf by:

Sign  Date: 21-02-2013...
Prof Kabiru Kinyajui PHD
CHAIRMAN

Sign  Date: 21.2.2013...
Paul M. Wasanga MBS
COUNCIL SECRETARY/CHIEF EXECUTIVE



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenyaweb.com

REPUBLIC OF KENYA

P.O. Box 30084-0010
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Examinations Council set out on pages 1 to 16, 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 misstatement.

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

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Financial Performance

The Council's financial performance continued to deteriorate during the year under review and it incurred a deficit of Kshs.470,642,054 compared to a deficit of Kshs.386,119,179 in the previous year. The management has attributed the deficit to limited funding from the Government while costs escalated from Kshs.3,322,599,854 in the previous year to Kshs.3,816,292,339 in the current year due to increased candidature from 800,000 in the previous year to 1,300,000 in the same period. However the management has indicated that the Council has put strategies in place for the year 2013/2014 to improve its financial position.

In the circumstances, should the strategies fail to reverse the trend, the Council may experience financial difficulties.

2. The New Mitihani House Project

As reported in the previous year, the Council's staff continued being housed at five different sites because the new building (Mitihani house) was not complete as earlier on anticipated. There was no additional expenditure done on the building during the year. The works done so far are only 34% complete, despite the fact that these works have been ongoing for the last 26 years and as per the latest Engineer's valuation it requires Kshs.2.6 billion to complete the House. According to management, the cause of delay and escalation in costs of the project is attributable to challenges relating to project management by the Ministry of Public

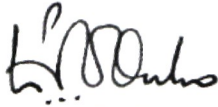


THE KENYA NATIONAL EXAMINATIONS COUNCIL

Works and non-remittance of Development Grants by the Parent Ministry. Further, although the management has indicated that Kshs.900 million was allocated for the project in financial year 2012/2013 and that the Council will tender for the project phase direct, the money is not adequate to complete the project as estimated by the Engineer's valuation at Kshs.2.6 billion to completion.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council 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 Kenya National Examinations Council Act.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

6 March 2013



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	NOTES	2012 Kshs.	Restated 2011 Kshs.
ASSETS			
NON CURRENT ASSETS			
Property, furniture and equipment	2	1,129,465,701	683,069,225
Building (Work in Progress)	3	659,909,468	660,615,678
Intangible Assets	4	42,449,797	40,580,068
Investments	5	64,300,000	64,300,000
		<u>1,896,124,966</u>	<u>1,448,564,971</u>
CURRENT ASSETS			
Inventories	6	115,539,589	44,105,479
Receivables	7	136,135,943	32,785,567
Cash and Cash Equivalents	8	1,308,123,809	1,880,912,343
		<u>1,559,799,341</u>	<u>1,957,803,389</u>
TOTAL ASSETS		<u><u>3,455,924,307</u></u>	<u><u>3,406,368,360</u></u>
RESERVES			
Capital Reserve	12	1,234,757,976	1,219,260,681
Revaluation Reserve	13	465,850,359	90,926,890
Revenue Reserves	14	1,136,106,559	1,591,459,672
		<u>2,836,714,894</u>	<u>2,901,647,243</u>
TOTAL RESERVES		<u>2,836,714,894</u>	<u>2,901,647,243</u>
Donor Project Funds	15	21,018,739	36,275,727
		<u>2,857,733,633</u>	<u>2,937,922,970</u>
CURRENT LIABILITIES			
Trade and other payables	9	122,484,578	205,685,672
Prepaid Income	10	472,138,135	165,833,882
Bank Overdraft	11	3,567,961	96,925,836
		<u>598,190,674</u>	<u>468,445,390</u>
TOTAL RESERVES, FUNDS & LIABILITIES		<u><u>3,455,924,307</u></u>	<u><u>3,406,368,360</u></u>

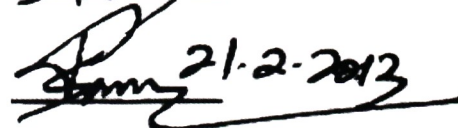
The financial statements were approved by the Full Council during the meeting held on 27th September 2012 and signed on its behalf by:

Prof. Kabiru Kinyanjui PhD

Chairman



Paul M. Wasanga MBS Council Secretary / Chief Executive




THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	2012 Kshs.	Restated 2011 Kshs.
REVENUE			
Examination Fees	16	2,862,843,927	2,527,619,831
Other Operating Income	17	80,279,608	70,773,350
		<u>2,943,123,535</u>	<u>2,598,393,181</u>
LESS EXPENDITURE			
Personnel Expenses	20	848,255,175	703,137,282
Office Administration Expenses	21	269,247,938	238,425,624
Examination Expenses	22	2,459,081,904	2,151,315,056
Housing of Staff & Office Accommodation	23	58,292,582	48,893,655
Project Expenses	24	9,136,156	16,836,488
Losses on disposal of motor vehicles	25	423,428	-
Depreciation and Amortization Expenses	26	171,855,156	163,991,749
Total Operating Expenses		<u>3,816,292,339</u>	<u>3,322,599,854</u>
Operating Deficit		(873,168,804)	(724,206,673)
NON-OPERATING INCOME			
Interest Income	18	102,526,750	38,087,494
Operating Deficit before grants		(770,642,054)	(686,119,179)
Operating Grants	19	300,000,000	300,000,000
Loss for the year		(470,642,054)	(386,119,179)
OTHER COMPREHENSIVE INCOME :			
Gains on property revaluation		50,818,173	-
Comprehensive Income /(loss) for the year		<u>(419,823,881)</u>	<u>(386,119,179)</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

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

	Capital reserve Kshs.	Revaluation reserve	Revenue Reserves Kshs.	Total Kshs.
Balance as at 1st July 2010	1,093,457,812	82,506,890	1,908,581,059	3,084,545,761
Supervision Expenses Adjustment			365,971	365,971
Accrual expenses adjustments upon cancelled LPOs & Project expenses chargeable to the Project Funds			68,631,821	68,631,821
Restated Balance as at 1st July 2010	1,093,457,812	82,506,890	1,977,578,851	3,153,543,553
Capital grants on New Mitihani Hse	125,802,869			125,802,869
Revaluation made for the year		8,420,000		8,420,000
Total comprehensive loss for the year (Restated)			(386,119,179)	(386,119,179)
Balance as at 30th June 2011	1,219,260,681	90,926,890	1,591,459,672	2,901,647,243
Balance as at 1st July 2011	1,219,260,681	90,926,890	1,591,459,672	2,901,647,243
Supervision Expenses Adjustment			(1,547,547)	(1,547,547)
Project expenses adjustments made on projects expenses chargeable to the Project funds			16,836,488	16,836,488
Restated Balance as at 1st July 2011	1,219,260,681	90,926,890	1,606,748,613	2,916,936,184
Capital grants on Mitihini Data Process Centre	15,497,295			15,497,295
Revaluations for the year		324,105,296		324,105,296
Total comprehensive income/ (loss) for the year		50,818,173	(470,642,054)	(419,823,881)
Balance as at 30th June 2012	1,234,757,976	465,850,359	1,136,106,559	2,836,714,894



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Kshs.	Restated 2011 Kshs.
Cash flows from operating activities		
Total comprehensive loss for the year	(419,823,881)	(386,119,179)
Adjustments for :		
Project expenses adjustments	15,288,941	68,997,792
Depreciation and Amortization Expenses	171,855,156	163,991,749
(Gain) /Loss on disposal of non current assets	423,428	(1,201,250)
Gains on property revaluation	(50,818,173)	-
Ministry of Education Recurrent Grant	(300,000,000)	(300,000,000)
Investment Income	(102,526,750)	(38,087,494)
	<hr/>	<hr/>
Operating surplus before working capital changes	(685,601,279)	(492,418,382)
Increase in Inventories	(71,434,110)	(10,240,513)
Increase in Net Receivables	(84,140,737)	(12,367,737)
Decrease in Trade and other payables	(83,201,094)	67,507,888
Increase in Prepaid Income	306,304,253	165,833,882
	<hr/>	<hr/>
Net cash flows from operating activities	(618,072,967)	(281,684,862)
Servicing of finance		
Increase in accumulated reserve	15,497,295	125,802,869
Ministry of Education Recurrent Grant received	300,000,000	300,000,000
Decrease in Donor Project Funds	(15,256,988)	4,015,796
	<hr/>	<hr/>
Net cash flows in servicing of finance	300,240,307	429,818,665
Cash flows from investing activities		
Purchase of property, plant and equipment	(229,650,043)	(318,528,934)
Interest received	83,317,110	37,232,700
Purchase of software system	(20,953,776)	(43,838,457)
Sale proceeds of disposal of non current assets	4,982,500	1,600,000
Construction /(Recoveries) made from contractors on New Mitihani Building	706,210	(77,999,488)
	<hr/>	<hr/>
Net cash flows from investing activities	(161,597,999)	(401,534,179)
Net Decrease in Bank	(479,430,659)	(253,400,376)
Cash and Cash equivalents at beginning of year	1,783,986,507	2,037,386,883
Cash and Cash equivalents at end of year	<u>1,304,555,848</u>	<u>1,783,986,507</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

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

NOTE 1

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Accounting

These Accounts have been prepared in accordance to the International Accounting Standards under the historical Cost Convention modified to include the revaluation of certain assets.

The Council has adopted accrual accounting concept with effect from 1st July 2009.

b) Significant accounting estimates and judgment

The preparation of the financial statements are in conformity with IFRS requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year.

There are contingent provisions of examination expenses and accrued expenses have been considered.

c) Depreciation

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated to write off the cost, valuation of Leasehold Building, Motor vehicles, Computer & Office Equipment and Office Furniture on a straight line basis over their estimated useful lives, at the following rates: -

Leasehold Buildings	2 ¹ / ₂ %
Motor Vehicles	25%
Computer Equipment	25%
Office Equipment	10%
Furniture	12 ¹ / ₂ %
Partitions & Fittings	10 %

d) Inventories

Inventories are valued at the lower of cost and net realisable value. According to IAS 2, the inventories of Printing Unit have been incorporated as they relate to the printing of examinations held in the next financial year.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Foreign Currency

Transactions in foreign currency are translated into Kenya Shillings at the rate exchanged ruling on the date of the transaction.

f) Pension Scheme

The Council's contributions and the Conversion from Defined Benefit Scheme to Defined Contribution Scheme are charged to the income statement.

g) Prepaid Income

The Council has prepaid income for examinations fees and other income pertaining to examinations in line with IAS 18. Incremental revenue has been restated in accordance with the accrual concept.

h) Grants

Grants are recognized in the year they are received from the Ministry of Education.

i) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise net balances from banking institutions and fixed deposits.

j) Computer Software Development Costs

Generally, costs associated with developing computer software programmes are recognized as an expense incurred. However costs that are probable benefit exceeding the cost beyond one year are recognized as an intangible asset.

Computer software development costs recognized as assets are stated at cost less amortization. Amortization is calculated on a straight line basis over the estimated useful lives not exceeding a period of 4 years.

k) Prepayment

The costs of test developers allowances and printing expenses relating to the next year examinations have been prepaid in accordance with the accrual concept.

l) Capital Commitments

These are Council capital items made on commitments of Kes. 107,689,965 not settled by end of the year.

m) Donor Funds

Cash and cash equivalents includes Kes 21,018,739 which relates to the Donor Funds.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2

Property, Plant and Equipment Schedule as at 30 June 2012

	LAND Kshs.	LEASEHOLD BUILDING Kshs.	MOTOR VEHICLE Kshs.	OFFICE EQUIPMENT Kshs.	COMPUTER EQUIPMENT Kshs.	FURNITURE Kshs.	PARTITION & FITTINGS Kshs.	GROSS TOTAL Kshs.
COST OR VALUATION:								
Balance as at 1-7-2011	30,000,000	195,944,704	80,742,408	428,325,275	421,218,967	59,143,135	76,779,236	1,292,153,725
Additions for the year		16,565,395	2,700,560	67,743,249	79,156,335	11,916,334	51,568,170	229,650,043
Revaluations for the year	273,050,000	101,873,469						374,923,469
Disposals			(7,227,628)			(4,636,944)	(3,752,470)	(15,617,042)
Balance as at 30-6-2012	303,050,000	314,383,568	76,215,340	496,068,524	500,375,302	66,422,525	124,594,936	1,881,110,195
ACCUMULATED DEPRECIATION:								
Balance as at 1-7-2011		50,818,173	45,543,070	189,093,911	271,333,389	35,313,270	16,982,687	609,084,500
Disposals			(4,970,128)			(3,369,152)	(1,871,835)	(10,211,115)
Depreciation charge for the year		15,672,424	17,296,880	43,267,100	56,062,094	8,261,726	12,210,885	152,771,109
Balance as at 30-6-2012	0	66,490,597	57,869,822	232,361,011	327,395,483	40,205,844	27,321,737	751,644,494
NET BOOK VALUE:								
As at 30-6-2012	303,050,000	247,892,971	18,345,518	263,707,513	172,979,819	26,216,681	97,273,199	1,129,465,701
As at 1-7-2011	30,000,000	145,126,531	35,199,338	239,231,364	149,885,578	23,829,865	59,796,549	683,069,225
Rate of Depreciation		2.5%	25%	10%	25.0%	12.5%	10%	

* The revaluation of Council Houses were conducted by Gimco Ltd and Tectura International Architects, Registered Valuers.

Property, Plant and Equipment Schedule as at 30 June 2011

	LAND Kshs.	LEASEHOLD BUILDING Kshs.	MOTOR VEHICLE Kshs.	OFFICE EQUIPMENT Kshs.	COMPUTER EQUIPMENT Kshs.	FURNITURE Kshs.	PARTITION & FITTINGS Kshs.	GROSS TOTAL Kshs.
COST OR VALUATION:								
Balance as at 1-7-2010	30,000,000	161,014,150	72,528,861	344,996,943	286,272,337	39,495,920	48,834,817	983,143,028
Additions for the year		34,930,554	17,157,118	83,328,332	134,946,630	20,221,881	27,944,419	318,528,934
Revaluations for the year			8,420,000					8,420,000
Disposals			(1,595,000)					(1,595,000)
Amount written off for the year			(15,768,571)			(574,666)		(16,343,237)
Balance as at 30-6-2011	30,000,000	195,944,704	80,742,408	428,325,275	421,218,967	59,143,135	76,779,236	1,292,153,725
ACCUMULATED DEPRECIATION:								
Balance as at 1-7-2010	0	45,919,555	42,957,426	152,464,507	199,526,791	29,005,679	9,783,524	479,657,482
Disposals			(1,196,249)					(1,196,249)
Amount written off for the year			(15,768,571)			(574,666)		(16,343,237)
Depreciation charge for the year		4,898,618	19,550,464	36,629,404	71,806,598	6,882,257	7,199,163	146,966,504
Balance as at 30-6-2011	0	50,818,173	45,543,070	189,093,911	271,333,389	35,313,270	16,982,687	609,084,500
NET BOOK VALUE:								
As at 30-6-2011	30,000,000	145,126,531	35,199,338	239,231,364	149,885,578	23,829,865	59,796,549	683,069,225
As at 1-7-2010	30,000,000	115,094,595	29,571,435	192,532,436	86,745,546	10,490,241	39,051,293	503,485,546
Rate of Depreciation		2.5%	25%	10%	25.0%	12.5%	10%	

* The revaluation of Motor Vehicles were done by Automobile Association of Kenya.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3

NEW MITIHANI HOUSE (WORK IN PROGRESS)

This represents construction work being undertaken at the plot L.R. No 188/4/451/11/79 next to the Kenya Bureau of Standards Headquarters, off Mombasa Road. The Government of Kenya commissioned the building in 1986.

	2012 Kshs.	Restated 2011 Kshs.
Balance as at 1 st July	660,615,678	582,616,190
Additions / (Recoveries made from Contractors.)	(706,210)	77,999,488
Balance as at 30 th June	<u>659,909,468</u>	<u>660,615,678</u>

NOTE 4

INTANGIBLE ASSETS

These are costs associated with acquisition of the ICT Software Upgrade

	2012 Kshs.	Restated 2011 Kshs.
Balance as at 1 st July	79,801,118	35,962,661
Additions for the year	20,953,776	43,838,457
Accumulated Amortization b/f	(39,221,050)	(22,195,805)
Amortization for the year	(19,084,047)	(17,025,245)
Balance as at 30 th June	<u>42,449,797</u>	<u>40,580,068</u>

NOTE 5

INVESTMENTS

These are investments held in Consolidated Bank of Kenya Limited comprised of :

	2012 Kshs.	Restated 2011 Kshs.
695,000 Ordinary Shares @ Kshs. 20.00	13,900,000	13,900,000
2,520,000 4% Non cumulative Preference Shares @ Kshs 20.00	50,400,000	50,400,000
	<u>64,300,000</u>	<u>64,300,000</u>

NOTE 6

INVENTORIES

	2012 Kshs.	Restated 2011 Kshs.
General Stationary stocks	15,201,155	8,669,941
Bookshop stocks	35,573,970	34,223,930
Consumables stocks	64,764,464	1,211,608
	<u>115,539,589</u>	<u>44,105,479</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7

RECEIVABLES

	2012 Kshs.	Restated 2011 Kshs.
Salary Advance	1,383,930	874,551
Staff Debtors	164,794	169,901
Pre-payment	78,897,959	13,128,437
Kenya Polytechnic	153,460	153,460
Miscellaneous Debtors	175,007	175,007
Pension Scheme Debtor	432,000	-
Debtor of Commission earned from SMS	5,437,019	1,000,019
Temporary Imprest	7,879,178	3,949,704
Deposit to Hospitals	706,000	706,000
Deposit to Institutions	9,353,605	400,000
Accrued Interest	30,914,013	11,704,374
SFI Bank Replacement Cheques	60,571	60,571
Mwalimu Co-operative	47,602	47,601
Insurance	526,735	440,613
Mortgages / Bank Loans	271,424	245,049
Returned Salaries	60,768	125,585
Staff Contribution to WCPS	5,665	5,665
Refunds	217,467	150,284
	<u>136,687,197</u>	<u>33,336,821</u>
LESS PROVISION FOR DOUBTFUL DEBTS		
	2012 Kshs.	2011 Kshs.
Temporary Imprest	279,871	279,871
Kenya Polytechnic	153,460	153,460
Fina Stationers	103,273	103,273
Mufam Collectors	14,650	14,650
	<u>551,254</u>	<u>551,254</u>
NET RECEIVABLES	<u><u>136,135,943</u></u>	<u><u>32,785,567</u></u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8

CASH AND CASH EQUIVALENTS

	2012 Kshs.	Restated 2011 Kshs.
Cash in Bank	98,123,809	119,148,302
Fixed Deposits	1,210,000,000	1,761,764,041
	<hr/>	<hr/>
	1,308,123,809	1,880,912,343

NOTE 9

TRADE AND OTHER PAYABLES

	2012 Kshs.	Restated 2011 Kshs.
Stale Cheques	5,396,409	4,872,023
SFI Stale Cheques	5,790,623	5,790,623
Audit Expenses	2,000,000	2,000,000
Examinations Expenses	18,650,875	36,752,934
Accrued Expenses	51,863,438	93,194,108
Trade Creditors	32,551,888	59,533,874
Net Pay	25,820	183,966
P.A.Y.E.	919,822	1,887,518
N H I F	2,077	2,077
Elimu Co-operative	450	450
University Loan Recoveries (HELB)	1,010	1,010
Other Co-operatives	95,311	98,314
Exam Co-operative	4,143	5,145
Benevolent Fund	-	38,900
Recoveries made on behalf of other institutions	12,580	12,580
Teachers Service Commission	9,435	10,000
Miscellaneous Deductions	492,510	478,344
Retirement Benefits	2,474,383	757,344
Withholding Income Tax	1,534,764	66,462
VAT Tax	659,040	-
	<hr/>	<hr/>
	122,484,578	205,685,672



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10

PREPAID INCOME

	2012 Kshs.	Restated 2011 Kshs.
Prepaid Income - KCPE	35,176,960	30,826,612
Prepaid Income - PTE	(19,543,089)	(13,430,426)
Prepaid Income - KCSE	323,540,441	213,160,103
Prepaid Income - TCEA	(856,546)	(355,209)
Prepaid Income - Technical	(15,885,364)	(55,621,353)
Prepaid Income - Business	(4,066,600)	(30,108,989)
Prepaid Income - ECDE	151,908,093	21,363,144
Prepaid Income - DTE	351,210	-
Prepaid Income - SNE	305,900	-
Prepaid Income - Confirmation of Certificates	1,052,090	-
Prepaid Income - Replacements of Certificates	155,040	-
	<u>472,138,135</u>	<u>165,833,882</u>

NOTE 11

BANK OVERDRAFT

	2012 Kshs.	Restated 2011 Kshs.
Bank Overdraft	3,567,961	96,925,836
	<u>3,567,961</u>	<u>96,925,836</u>

NOTE 12

CAPITAL RESERVE

	2012 Kshs.	Restated 2011 Kshs.
Balance as at 1 st July	1,219,260,681	1,093,457,812
Additions for the year	15,497,295	125,802,869
	<u>1,234,757,976</u>	<u>1,219,260,681</u>

NOTE 13

REVALUATION RESERVE

	2012 Kshs.	Restated 2011 Kshs.
Balance as at 1 st July	90,926,890	82,506,890
Revaluations Surplus for the year	324,105,296	8,420,000
Transfer from Revenue reserve on revaluation	50,818,173	-
	<u>465,850,359</u>	<u>90,926,890</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14

REVENUE RESERVES

	2012 Kshs.	Restated 2011 Kshs.
Balance as at 1 st July	1,591,459,672	1,908,581,059
Supervision Expenses Adjustment	(1,547,547)	365,971
Accrual Expenses Adjustment	16,836,488	68,631,821
Total comprehensive loss for the year	(419,823,881)	(386,119,179)
Transfer to Revaluation reserve on revaluation	(50,818,173)	-
	<u>1,136,106,559</u>	<u>1,591,459,672</u>

NOTE 15

DONOR PROJECT FUNDS

	2012 Kshs.	Restated 2011 Kshs.
Rockefeller Foundation	3,339,543	3,339,543
KESSP	15,043,918	27,765,466
Sacmeq III Research Project	891,268	3,633,058
EAC Essay Writing Competition	1,744,010	1,537,660
	<u>21,018,739</u>	<u>36,275,727</u>

NOTE 16

EXAMINATION FEES

	2012 Kshs.	Restated 2011 Kshs.
KCPE	409,546,182	377,140,900
PTE	26,154,868	37,625,438
KCSE	1,697,406,149	1,482,597,433
Adult Education	1,793,532	2,186,500
Technical	219,299,590	192,554,815
Business	173,813,754	132,760,198
Foreign	24,305,890	28,746,867
ECDE	238,586,111	219,814,787
Diploma Teachers Education	12,192,500	4,984,381
Special Needs Education	62,328,381	28,062,924
Vocational Training	-	26,274,489
Less Refunds	(2,583,030)	(5,128,901)
	<u>2,862,843,927</u>	<u>2,527,619,831</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17

NOTES

OTHER OPERATING INCOME

		2012 Kshs.	Restated 2011 Kshs.
Net Rental Income on Council Houses	27	1,627,494	2,399,847
Tenders		1,481,480	1,360,340
Waste Papers		612,220	854,200
Commission earned from SMS		11,985,363	10,379,584
Sale of Publications		18,746,776	20,570,388
Sundry Revenue		-	266,210
Confirmation fees		20,104,858	20,050,244
Replacement of Certificates		14,301,250	10,479,350
Equation		2,422,063	2,051,083
Consultancy		544,799	530,659
A.E.A.A. Conference Income		8,755,995	1,063,715
Gain on disposal of assets		-	1,201,250
Gain on Foreign Exchange		219,945	-
Less Refunds		(522,635)	(433,520)
		<u>80,279,608</u>	<u>70,773,350</u>

NOTE 18

INTEREST INCOME

		2012 Kshs.	Restated 2011 Kshs.
Interest on Fixed Deposits		96,770,666	36,682,208
Interest on Current Accounts		5,756,084	1,405,286
		<u>102,526,750</u>	<u>38,087,494</u>

NOTE 19

GRANTS

		2012 Kshs.	Restated 2011 Kshs.
Ministry of Education Recurrent Grants		300,000,000	300,000,000



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 20

PERSONNEL EXPENSES

	2012 Kshs.	Restated 2011 Kshs.
Personal Emoluments	613,750,930	541,122,596
Extra Clerical Assistance	11,958,991	11,800,565
Medical Expenses	58,267,626	44,223,535
Contributions to Pension Schemes	164,277,628	105,990,586
	<u>848,255,175</u>	<u>703,137,282</u>

NOTE 21

OFFICE ADMINISTRATION EXPENSES

	2012 Kshs.	Restated 2011 Kshs.
Board and its committees Expenses	7,627,700	6,368,740
Leave Expenses and Passage	6,835,197	6,895,081
Transport Operation Expenses	27,641,628	21,350,672
Travel & Accommodation	21,480,307	17,229,767
Courier & Postal Services	1,601,146	4,991,496
Telephone/Airtime Expenses	14,958,329	9,452,744
Official Entertainment	800,000	638,250
Electricity, Water & Conservancy	6,696,215	6,128,887
Purchase of uniforms	1,808,825	1,239,713
Purchase of Stationery	5,507,262	5,300,922
Purchase of Accountable Documents	770,881	176,450
Bank Charges	12,513,640	5,226,687
Audit Expenses	2,000,000	2,000,000
Maintenance of Plant & Equipment	12,581,344	4,550,421
Newspapers, magazines and periodicals	765,369	536,030
Catering and Event Management	21,723,776	16,118,312
Contracted Guards	8,782,087	10,334,655
Supplies of sanitary services	6,120,494	5,670,861
Staff Training	25,604,813	38,333,035
A.E.A.A. Conference	16,861,183	15,259,614
Advertising & Publicity	19,352,402	24,016,967
Library Expenses	520,694	751,000
Quality Assurance and Strategic Management	2,934,932	6,781,940
Bookshop Operating Expenses	762,874	(7,267,680)
Legal Expenses	337,030	5,884,406
General Consultancy	11,954,584	11,106,724
HIV/AIDS, ADA, Gender & Anti Corruption Programs	8,135,019	4,964,075
Staff Welfare Development	22,570,207	14,385,855
	<u>269,247,938</u>	<u>238,425,624</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 22

EXAMINATION EXPENSES

	2012 Kshs.	Restated 2011 Kshs.
Computer Charges	83,668,368	58,362,868
Printing Unit	36,106,847	89,162,470
KCPE	524,566,550	463,167,238
PTE	39,425,154	39,615,909
KCSE	1,491,987,310	1,221,816,656
Adult Education	1,770,433	1,082,972
Technical	81,735,493	82,795,064
Business	83,374,842	86,080,465
Foreign	10,663,500	14,595,624
ECDE	50,534,401	35,946,610
Diploma Teachers Education	20,831,460	17,000,510
Special Needs Education	30,263,477	21,546,812
Vocational Training	4,154,069	20,141,858
	<u>2,459,081,904</u>	<u>2,151,315,056</u>

NOTE 23

STAFF HOUSING AND OFFICE ACCOMMODATION

	2012 Kshs.	Restated 2011 Kshs.
Rent & Rates to Senior Staff Housing	-	-
Repair to Council Houses	12,638,867	10,421,204
Rent & Rates to Office Accommodation	45,653,715	38,472,451
	<u>58,292,582</u>	<u>48,893,655</u>

NOTE 24

PROJECT EXPENSES

	2012 Kshs.	Restated 2011 Kshs.
Rockefeller Foundation	-	-
KESSP	6,821,386	12,721,548
Sacmeq III Research Project	891,268	2,741,790
EA Essay Competition	1,423,502	1,373,150
	<u>9,136,156</u>	<u>16,836,488</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 25

LOSS ON DISPOSAL OF ASSETS

	2012 Kshs.	Restated 2011 Kshs.
Sales Proceeds on non-current assets	(4,982,500)	-
Net Book value of non-current assets	5,405,928	-
	<hr/>	<hr/>
Loss on disposal of assets	423,428	-
	<hr/> <hr/>	<hr/> <hr/>

NOTE 26

DEPRECIATION AND AMORTIZATION EXPENSES

	2012 Kshs.	Restated 2011 Kshs.
Depreciation of Motor Vehicles	17,296,880	19,550,464
Depreciation of Office Equipment	43,267,100	36,629,404
Depreciation of Computer Equipment	56,062,094	71,806,598
Depreciation of Office Furniture	8,261,726	6,882,257
Depreciation of Fittings (e.g Partition Materials)	12,210,885	7,199,163
Depreciation of Council Houses	15,672,424	4,898,618
Amortization of Software Development	19,084,047	17,025,245
	<hr/>	<hr/>
	171,855,156	163,991,749
	<hr/> <hr/>	<hr/> <hr/>

NOTE 27

NET RENTAL INCOME ON COUNCIL HOUSE

	2012 Kshs.	Restated 2011 Kshs.
Rental Income	7,854,400	7,426,000
Maintenance to Council Houses	(6,226,906)	(5,026,153)
	<hr/>	<hr/>
Net Rental Income	1,627,494	2,399,847
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