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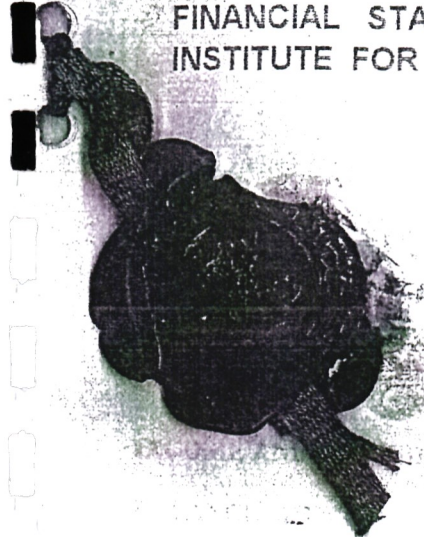
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REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2004.

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**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

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# KENYA AGRICULTURAL RESEARCH INSTITUTE

## Accounts for the year ended 30 June 2004

### Director's Report

The Director has the pleasure in submitting the Financial Statements of the Institute for the year ended 30th June 2004.

### Legal Status

The Kenya Agricultural Research Institute (KARI) is statutory agricultural research organization established under the Science and Technology Act chapter 250 revised edition of 1979. KARI is the country's principal national institution responsible for research and technology generation on crops, livestock, soil and water management and the socioeconomics. It falls under the Ministry of Agriculture.

### The KARI vision and mission

The vision of the institute is to be an institution of excellence in agricultural research and technology transfer, contributing to an improved quality of life for all Kenyans. The institute's mandate is to conduct appropriate crop, livestock and factor research programmes that are geared towards the sustainable development of national agricultural sector. Its mission is to develop and disseminate appropriate agricultural technologies in collaboration with stakeholders. In pursuit of this mission, KARI seeks to acquire and contribute knowledge and creative solutions that are participatory and client-oriented; holistic and system-oriented; gender-sensitive and affordable to its stakeholders.

The Institute has a computerized Financial Management Information System, which is operational in all research centres and consolidation of financial data done at Headquarters.

During the year under the review the Government incorporated KEVEVAPI and KETRI into KARI.

### Board of Management

The current Board of Management was appointed in February 2002 and comprised of:

#### (a) Appointed Members

Prof. Francis J. Gichaga (Chairman – retired on 7<sup>th</sup> July 2003)

Dr. Jamleck J.M. Mutungi (Chairman – appointed on 7<sup>th</sup> July 2003)

Mr. Nathaniel K. arap Tum (retired on 23<sup>rd</sup> July 2003)

Dr. Mohamud A. Jama

Prof. Julia Gitobu

Dr. Robert Arunga

Prof. Adbullahi Aboud

Prof. Esther M. Kahangi – appointed on 23<sup>rd</sup> July 2003

Mrs. Salome C. Korir - appointed on 7<sup>th</sup> July 2003

Dr. R.M. Kiome (Secretary)

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**(b) Ex-Officio Members**

**Ministry of Agriculture**

- Permanent Secretary
- Director of Veterinary Services
- Director of Livestock Production
- Director of Agriculture

**Ministry of Finance**

- Permanent Secretary

**Ministry of Natural Resources**

- Permanent Secretary

**Department of Water Development**

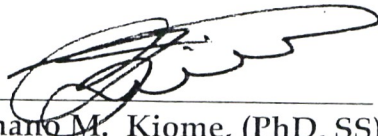
- Director of Water Development

**Office of the President**

- Inspectorate of State Corporations

**National Council for Science and Technology**

- Secretary



Romano M. Kiome, (PhD, SS)  
Director, Kenya Agricultural Research Institute

28<sup>th</sup> December 2004  
Date

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
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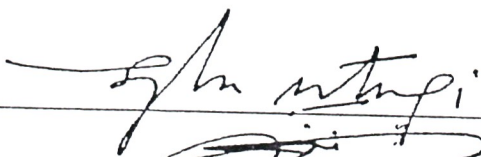
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Science and Technology Act (Cap 250) requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Institute, a statement of income and expenditure, and such other statements that the Directors may deem necessary. It also requires the Directors to ensure the Institute keeps proper books or account and other books and records in relation to the Institute and to all the undertakings, Funds, investments, activities and property of the Institute. They are also responsible for safeguarding the assets of the Institute.

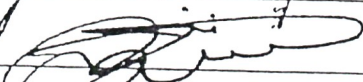
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Science and Technology Act chapter 250 revised edition of 1979.. 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 Institute 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 the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Institute will not remain in a going concern for at least the next twelve months from the date of this statement.

Chairman: \_\_\_\_\_



Director: \_\_\_\_\_



Date: \_\_\_\_\_

28<sup>TH</sup> DECEMBER 2004



# KENYA NATIONAL AUDIT OFFICE

## **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2004**

I have audited the financial statements of Kenya Agricultural Research Institute for the year ended 2004 in accordance with 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 considered necessary for the purpose of my audit. The Financial statements are in agreement with the books of account.

### **Respective Responsibilities of the Directors and the Controller and Auditor General**

As set out in the Statement of Directors Responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the institute'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 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 of 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 directors, as well as evaluating the overall financial statements presentation. I believe my audit provides reasonable basis for the opinion.

### **Comments**

#### **1. Financial Position**

During the year ended 30 June 2004, the Institute incurred a deficit of KShs 65,061,000 which brought the accumulated deficit to KShs 710,804,000. The unfavorable result realized by the institute was mainly attributed to high administrative costs. Accordingly, the Institute is facing

financial difficulties and its continued operation as a going concern is dependent upon support from Government, Creditors and Donors.

2. **Fixed Assets**

- i) The Institute has so far obtained only twenty three (23) title deeds out of a total of eighty one (81) parcels of land it owns. Surveying is on going in eleven (11) parcels of land and letters of allotment have been issued for another (11) while thirty six (36) parcels of land are un-surveyed and have no letters of allotment. Further, and as pointed out in the previous reports the Institute's portion of land reference No. L.R. 5212 which was under use by the Naivasha Heifer Research Center was allocated to private developers even though the Institute had been issued with a letter of allotment in July 1997. Consequently, I am unable to confirm ownership of land property for which the Institute does not hold title documents.
- ii) The Balance Sheet Net Fixed Assets figure of KShs 5,570,586,000 as at 30 June 2004 has been over stated by KShs 53,386,480 being the value of buildings and KShs 27,263,600 being the value of site works both of which were transferred to Kenya Plant Health Inspectorate Service. Consequently, I am unable to confirm the carrying value of KShs 5,570,586,000 stated in the financial statements represents the fair value of the Institutes properties as at 30 June 2004.

3. **Debtors**

The debtors balance of KShs 243,699,000 as at 30 June 2004 includes a debt of KShs 183,380,000 in respect of breeder's rights arising from the Memorandum of Understanding signed on 14 August 1995 between KARI and Kenya Seed Company to the effect that Kenya Seed Company would pay KARI 2.5% of its gross sale of commercial seeds grown from crop varieties developed by KARI which has been outstanding since 1997 against the Kenya Seed Company. Although the Institute accrued the debt of KShs 183,380,000 in its books, the Kenya Seed Company has repudiated the debt on ground that the levy was to be passed on to the consumer and, therefore, needed the approval of Parliament. I am unable to confirm whether the Institute will be able to recover this amount. No provision in relation to this uncertainty has been incorporated in these financial statements.

4. **Statutory Deductions**

As previously reported, the Institute was unable to remit statutory retirement deductions (including service charge) amounting to KShs 478,221,000 some of which have remained unpaid for several years. The



Institute therefore, continues to be in breach of statutes governing such deductions and runs the risk of having to pay interest and/or penalties. Currently negotiations between the Institute and the relevant authorities are on going to resolve the issue. I am thus, unable to ascertain the extent of the liability that may arise as a result of the non payment of these deductions.

**Opinion**

Except for any adjustments that might be necessary as a result of the matters discussed above, in my opinion, the financial statements give a true and fair view of the Institute financial affairs as at 30 June 2004 and of its loss and cash flows for the year then ended.



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

Nairobi

20 May, 2005

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**RESEARCH PROGRAMMES ACHIEVEMENTS 2003/2004**

**Introduction**

KARI implemented more than 500 research projects in the financial year 2003/2004. The highlights on achievements during the same year reflected tangible outputs from project activities completed before July 2004. The achievements were realised in several programmes viz; Food Crops, Horticulture and Industrial Crops, Animal Production, Animal Health, Soil and Land Management, KARI Seed Unit, Information and Documentation Services and Agricultural Technologies and Information Response Initiative (ATIRI).

**1. Food Crops**

Table 1. Improved Food Crop varieties released during the period AD 2003-2004.

Crop	Variety released	Yield (acre) No. of 90-kg bags)	Recommended ecozone	Colour
Bread Wheat	Njoro-BW1	8-16	Semi-arid regions of eastern Kenya	Red brown
	Njoro-BW2	15-30	High potential highlands	Red
Hybrid maize	Muguga-1	28-32	Medium and high altitude	White
	KH600-15A	32-40	High altitude	White
	KH600-16A	35-47	High altitude	White
Sweetpotato	KH633A	16-28	Medium -high altitude	White
	Wanjugu	80-140	All ecozones	
	Kak/SPK-4	60-100 bags	Western Kenya	
	KEMBI 10	80	All ecozones	
	KEMB-23	70-90	All ecozones	
	Mugande	60-80	All ecozones	

Table 2. New Crop Varieties (to be) presented to the National Variety Released Committee (NVRC) for Official Release.

Crop	Variety	Grain Yield (Bags/Acre)	Altitude/Agro-ecozone	Centre (Type)
OPV Maize	EMCO-92	16-20	Medium altitude	Embu
	KKSyn-1	16-20	Med-High	Kakamega
	KKSy:i-2	18-22	Med-High	Kakamega
	KVC-0	14-18	Semi-arid/Med	Katamani
	KVC-W	18-24	Semi-Arid/Med	Katamani
	KAPT941	18-22	Semi-arid/Med	Katamani
Hybrid Maize	KH600-17A	36-50	Moist highlands	
	Muguga-2 (MU-99232)	24-28	Highland Transitional	Muguga
	Muguga-3	26-30	-do-	-do-
	Muguga-4	24-28	-do-	-do-
	Muguga-5	28-32	-do-	-do-
Sorghum	KARI/Mtama-2	10-18	Sub-humid AEZ	Katamani
	KARI/Mtama-3	12-18	Sub-humid AEZ	Katamani
Dry Beans	Kat-x-16		Semi-arid areas	Katamani
	Kat-x-56		-do-	Katamani
	Kat-x-69		-do-	Katamani

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Finger-millet	Kak/FM-2 Nak/FM-1	5-7 3-5	Humid AEZ Cold dry areas	Kakamega Lanet-Beef
Pearl Millet	Kat/PM-2	9-13	Dry land	
Cowpeas	KVU-419	4-6	Semi-arid areas	Katumani
Yellow Gram (Mung Beans)	Kat/Dengu-26	4-6	Semi-arid areas	Katumani
Pigeon peas	Kat/Mbaazi-2	8-12	Semi-arid areas	Katumani
Cassava	KME-1 KME-61 Mucericeri Kak/Muhogo-1 Kak/Muhogo-2	8-9 T/Acre 10-15 8-12 12-16 14-18	Semi-arid areas -do- -do- Humid Humid	Katumani Katumani Katumani Kakamega Kakamega

## 2. Horticulture and Industrial Crops

The following achievements or varieties tested/recommended to growers for each commodity under horticulture and industrial crops

Planned Activities	Results/Outputs	Impact
<b>COTTON</b>		
Breeding	2 varieties released – KSA 81M and HART 89 M	Widely grown in Eastern Kenya
Agronomy	Recommendation on manure application document	Grown in Western Kenya. Used in Western Kenya.
Crop Protection	2 predators for bollworm identified	Increase in cotton production in Eastern Kenya
<b>OIL CROPS</b>	- 4 <b>soyabeans</b> varieties recommended - 3 crosses of <b>oil palm</b> selected for commercialization - 2 rosette resistant <b>groundnut</b> varieties identified - 2 sunflower varieties recommended	Area under oil crop increased
<b>FRUITS</b>	- <b>banana</b> production technology using drenches recommended in drier areas of KARI and Rongai. - 5 <b>mango</b> varieties recommended for wider dissemination - 2 <b>passion fruit</b> lines tolerant to <i>Fusarium</i> wilt identified - 2 <b>strawberry</b> varieties evaluated and recommended for commercialization - <b>citrus</b> – control of gummosis in Kwale district; ----- FFS established to train farmers on citrus and mango management - Promotion of <b>avocado</b> growing in Kitale mandate area - Enhanced seed multiplication of <b>papaya</b> variety Solo Sunrise	

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<b>VEGETABLES</b>	<ul style="list-style-type: none"> <li>- one variety of <b>onion</b> commercialized in Perkerra and appropriate agronomic recommendations disseminated to farmers in three irrigation schemes</li> <li>- 8 <b>cabbage</b> varieties recommended for commercial cultivation</li> <li>- 12 <b>tomato</b> cultivars recommended for commercialization</li> <li>- 2 carrot cultivars recommended for cultivation</li> <li>- one <b>French bean</b> cultivar recommended for commercialization</li> <li>- <b>runner beans, snap bean, sugar snap.</b> Several cultivars recommended for cultivation; also commercial packages developed and disseminated.</li> <li>- <b>Indigenous vegetables</b> – selection from landraces completed in Kakamega, Kisii, Njoro, Kitale, and Thika; seed bulked for distribution to farmers; ecogeographical surveys completed and databases on the various collections generated by GBK.</li> <li>- four varieties of <b>potato</b> pre-released; two varieties recommended for commercialization; processing technologies developed and disseminated.</li> </ul>	
<b>FLOWERS</b>	<ul style="list-style-type: none"> <li>- 33 <b>lily</b> varieties, 17 <b>gerbera</b> varieties, 12 <b>gladiolus</b> varieties, 5 <b>rose</b> varieties, 4 <b>sunflower</b> varieties, 10 <b>carnation</b> varieties, 3 <b>erygium</b> varieties, 1 ornithogalum variety, 5 <b>lisianthus</b> varieties, 9 <b>alstroemeria</b> varieties, 6 <b>anthurium</b> varieties recommended for commercialization</li> <li>- agronomic technologies for the above flowers developed and disseminated</li> <li>- appropriate control of Erwinia soft rot in <b>arabicum</b> identified</li> <li>- multiplication techniques in <b>lilus</b> developed</li> <li>- 3 <b>wild flowering</b> plants collected for domestication and 1 (<b>Moby Dick</b>) commercialized.</li> </ul>	
<b>Potatoes</b>	<ul style="list-style-type: none"> <li>- 3 varieties (<b>Asante, Tigoni, and Furaha</b>) were released</li> <li>- 4 varieties (<b>Kenya Sifa, Faulu, Kenya Mavuno and Kenya Karibu</b>) have been pre-released.</li> </ul>	

### 3. Animal Production/Animal Health

#### Animal improvement

- Over 1000 sahiwal bulls availed to farmers.
- Over 650 sahiwal/friesian crossbred bulls availed to farmers
- Over 500 Kenya dual purpose goats produced and sold to farmers

#### Feeds and feeding

- Improved technologies for reseeded pastures developed and disseminated.
- Improved fodder technologies (e.g. management of napier grass) and improved fodders (e.g. calliandra) developed and disseminated.

#### Livestock diseases and management

- 16 technologies for diagnosis of priority livestock diseases developed.
- Commercialization of East Coast Fever immunization accomplished, with over 4000 cattle immunized. New plans to immunize more cattle in selected districts.
- Validation of a recombinant vaccine for rinderpest

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## Accounts for the year ended 30 June 2004

- Biotechnology techniques adopted in crop (e.g. tissue bananas) and livestock (e.g. diagnostic kits) research.
- Better management practices for indigenous chicken produced.
- A helminth control strategy using medicated feedblocks validated for adoption

### Post harvest management

- Technologies for value adding of dairy products produced and disseminated.

## 4. Land and Water Management

### Soil fertility and plant nutrition

- A manure module for the Agricultural Production in Simulator Model (APSIM) was developed.
- A new manure and mineral fertilizer package (5 t manure + 20 kg N ha<sup>-1</sup>) was developed for maize production in the central Kenya highlands.
- A suitable compound fertiliser (10:30:20) that is superior to Triple Super Phosphate (TSP) and Diammonium Phosphate (DAP) fertilizer for areas where potassium is a limiting nutrient was developed.
- Geo-referenced fertiliser recommendation maps were developed for Kisii and Trans-Nzoia District.
- Recommendation on *Crotalaria* and *Mucuna* as green manure in Western Kenya were established.
- Developed a Plant and Soil Laboratory Analysis Manual

### Land resources management

- Soil surveys were carried out in Meru District (semi detailed), Embu and Moyale districts (detailed) and Kajiado District (site evaluation).
- Approximately 906 soil samples and 46 water samples were analysed.
- 64 GIS based products and 684 maps and databases were produced for the Medium Term Plan.
- Carried out many consultancies.

### Irrigation and drainage

- Over 6500 bucket drip irrigation kits and 500 farm kits were sold and more than 30 extension workers trained on the dissemination of drip irrigation technology.
- A drip irrigation extension manual was developed (Technical handbook No 24 - Drip irrigation: options for smallholder farmers in Eastern and Southern Africa) in collaboration with RELMA.
- One thousand four hundred and seven soil samples were analysed.
- Drip irrigation demonstration site was established at KARI - Muguga South.

## 5. KARI Seed Unit

About 157 varieties, populations, inbred lines and planting stocks out of recorded 173 pre-releases/releases were maintained. The total amount of seed crop produced and vegetatively propagated planting materials during the year include 135 tons of breeder, pre-basic and basic seed from KSU Katumani, Perkerra, Njoro, Mtwapa, Embu and Masongaleni; 707 (50 kg) bags of pre-basic and basic seed potato, 35,000 seedlings, 15 (50kg) flower seed, 25,000 corms, 180,000 cormels, and 97 flower stems, respectively. This seed was provided to over 400,000 small-scale farmers in semi-arid areas, 2,000 irish potato farmers and 500 flower farmers. Kenya Malting Co., Lagrotech Seed Co., East African Seed Co and Freshco Seed Co signed Licensing agreements to produce, process and market KARI bred varieties and hybrids. Masongaleni farmers were also trained on the alternative methods of using tradition food crops like sorghum and pigeon pea as a direct promotion of use of KSU seed of these crops. KSU continued to offer, ADSP Winrock International assisted 250 seed growers in Seed Industry Development Units (SIDUs), a trading license which enables their crop seed to be inspected and certified by KEPHIS. KSU staff took part in developing of production and crop variety description brochures that was funded by Winrock International. KSU Officers also took part in discussions on harmonized seed policies in East Africa under Seed Traders Association of Kenya, workshops on seed production systems in Kenya held under Moi University and National Variety Release Committee meeting where several KARI varieties and hybrids were released. One study tour was undertaken in South Africa by eight KSU staff. This assisted the team to improve their nursery management and also will give useful suggestions during the review of Seed and Plant Varieties Act (Cap 326).

## 6. Information and Documentation Services

IDS being a service-delivering unit supported most of the operation of the main thematic programmes both at KARI Headquarters and at the center level, through:

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## Accounts for the year ended 30 June 2004

- Production of over 30 publications (annual report, technical publication, technical notes, proceedings, brochures, newsletters, posters and flyers, calendar and business cards)
- Setting up of e-mail services at five main centers
- Completion of requirements analysis, specification and implementation plan documentation for the payroll and human resources systems
- Training of over one hundred staff on e-mail, network services and basic application packages
- Completion of hardware and software systems audit at all KARI centers
- Dissemination of over 20 KARI technologies to farmers at district level through Factual Films regional circuits all over the country
- Acquisition of crop protection compendium and CAB Abstracts as electronic reference resources at the library
- Acquisition of 1,389 publications for the library
- Participation in the International Network for the Availability of Scientific Publications (INASP) for free online access to more than 20 journals, with specific emphasis to African scholarly journals
- Hosting of Question and Answer Service (QAS) planning and sensitization workshop for Kenya, Uganda, Tanzania and Ethiopia with facilitation from CTA

### 7. Agricultural Technologies and Information Response Initiative (ATIRI)

Most of these achievements were realised as from 2002. These included:

- KARI-ATIRI has recorded significant achievements against its stated objectives.
- Improving farmers' capacity to make demand on service providers
- A total of 225 CBO proposals, involving 306 agricultural technologies, had been approved and funded, benefiting some 14,000 directly and over 150,000 farmers indirectly, and at a cost of over KSh. 41.0 million (Tables 1).
- Baseline and benchmark surveys were conducted on all CBOs supported by ATIRI in order to facilitate monitoring and evaluation, impact and beneficiary assessments. Issues arising out of this crucial exercise have been shared in a Coordinators' forum.
- In order to harmonise the CBOs' understanding of the principles and procedures of ATIRI and to build their capacity in a number of areas including the redress of poor implementation and accountability, a comprehensive capacity building for all the CBOs has been implemented. The areas covered included ATIRI-CBO project proposal cycle, team building and group dynamics, farming as a business, gender issues in agriculture, nutrition and HIV-Aids, and sustainability issues in community development projects.
- An External Programme Review (EPR) on KARI programmes reviewed the ATIRI process, assessed its achievements so far, and gave suggestions/recommendations on its future direction.

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Table 1. Summary of CBOs, intermediaries, number of technologies, direct and indirect contact farmers in 16 KARI-ATIRI centres, June 2004.

Centre	CBOs	Inter-Mediaries	No. of Technologies	Direct contact farmers	Indirect contact farmers farmers (x10)
KARI-Embu	13	5	39	858	8580
KARI-Kakamega	19	10	43	1179	11790
KARI-Katumani	13	7	13	4800	48000
KARI-Kisii	23	6	18	587	5870
KARI-Kitale	13	8	15	576	5760
KARI-Lanet	10	5	12	673	6730
KARI-Mtwapa	24	10	12	627	6270
KARI-Naivasha	3	3	16	150	1500
KARI-Njoro	48	10	52	2594	25940
NARL-Kabete	5	4	4	183	1830
KARI-Thika	15	4	20	928	9280
KARI-Muguga	7	1	22	309	3090
KARI-Kibos	10	2	19	308	3080
KARI-Tigoni	5	1	8	175	1750
KARI-Kiboko	12	2	8	265	2650
KARI-Marsabit	5	5	5	127	1270
<b>Total</b>	<b>225</b>	<b>83</b>	<b>306</b>	<b>14339</b>	<b>143,390</b>

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

Income and Expenditure Account - Year Ended 30 June 2004				
		2004		2003
	Notes	Ksh '000		Ksh '000
<b>Income</b>				
AIA	2(a)			
Goods		52,344		46,615
Services		4,923		2,816
Interest Received	2(b)	2,827		5,000
Other receipts	2(c)	59,992		77,673
<b>Recurrent Funds</b>				
Personal Emoluments	3(a)	825,632		784,639
Operational		36,000		36,000
<b>Development Funds</b>				
GoK		51,239		22,232
IDA		235,403		324,515
Other donors		370,934		162,451
<b>Total Income</b>		<b><u>1,639,294</u></b>		<b><u>1,462,032</u></b>
<b>Expenditure</b>				
Loss		(1,704,355)		(1,502,471)
Reserves B/Forward		(65,061)		(40,439)
Reserves C/Forward		(645,743)		(605,304)
		<b><u>(710,804)</u></b>		<b><u>(645,743)</u></b>



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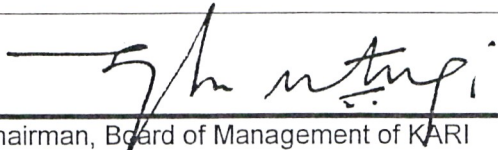
**Income and Expenditure Account Cont.**

Expenditure	Notes	2004	2003
	4	Ksh'000	Ksh'000
Personnel Emoluments		407,566	402,224
Casual Wages		63,962	44,693
Gratuity and Pension Contribution		74,523	57,739
House Allowance		254,040	256,556
Other Personal Allowances		5,842	6,184
Medical Allowance		35,892	35,911
Passage and Leave Expenses		10,223	7,651
Medical Expenses		2,246	4,862
Transport Operating Expenses		105,423	89,550
Traveling and Accommodation		147,477	132,599
External Travel and Accommodation		21,614	6,972
Postage and Telegram Expenses		1,244	1,032
Telephone Expenses		14,568	22,661
Official Entertainment		2,052	1,718
Cost of Conferences and Seminars		7,468	8,562
Electricity, Water and Conservancy		39,913	33,038
Purchase of Supplies for Production		25,785	26,342
Purchase of Experimental Animals		2,477	3,856
Farm Development		13,106	20,871
Fungicides, Insecticides and Sprays		6,711	2,245
Purchase of Laboratory Stores		33,336	19,982
Purchase of Food and rations		2,498	2,782
Publishing and Printing Expenses		12,028	6,068
Purchase of Uniforms and Clothing		966	231
Library Expenses		3,079	1,430
Purchase of Stationery		23,240	13,814
Advertising and Publicity		7,310	5,456
Show Expenses		8,045	4,897
Payment of Rents and Residential Rates		808	2,121
Contracted Professional Services		55,193	41,230
Computer Charges		14,716	13,022
Hire of Transport, Plant and Machinery		2,829	1,900
Insurance of Property		6,064	2,484
Hire of Security Services		21,115	17,182
Miscellaneous and Other Charges		23,627	17,319
Vehicles, Insurance and Road Tax		24,290	3,924
Fees, Commission and Honoraria		5,887	9,055
Training		35,035	16,919
Compensation and Ex-gratia Payment		1,306	2,771
Maintenance of Plant, Machinery and Equipment		10,385	6,636
Maintenance of Buildings/Stations		29,056	18,115
Minor Alterations and Maintenance		5,693	264
<b>Total</b>		<b>1,568,641</b>	<b>1,370,383</b>
Provision for Depreciation		135,714	132,088
<b>Grand Total</b>		<b>1,704,355</b>	<b>1,502,471</b>
(Deficit) 0/ Surplus of Income over Expenditure		(65,061)	(40,439)
Deficit of Income over Expenditure B/F		(645,743)	(605,304)
Deficit of Income over Expenditure C/F		(710,804)	(645,743)

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**Balance Sheet As At 30 June 2004**

		2004	2003
	Notes	Ksh' 000	Ksh' 000
<b>Non Current Asset</b>			
Property, Plant and Equipment	5	5,570,586	5,666,405
<b>Current Assets</b>			
Cash and bank Deposits	6	321,985	206,080
Debtors	7	243,699	234,037
Stock	8	98,654	88,959
Grants receivable	9	-	80,119
<b>Total current assets</b>		<b>664,338</b>	<b>609,195</b>
<b>Total Assets</b>		<b>6,234,924</b>	<b>6,275,600</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	628,655	644,151
<b>Total Current liabilities</b>		<b>628,655</b>	<b>644,151</b>
<b>Net Current Liabilities</b>		<b>35,683</b>	<b>(34,956)</b>
<b>Non-Current Liability</b>		-	-
<b>Net Assets</b>		<b>5,606,269</b>	<b>5,631,449</b>
<b>Represented By</b>			
General Reserve	11	1,413,084	1,451,273
Capital Fund	12	4,258,246	4,220,615
Result for the period		(65,061)	(40,439)
<b>Total</b>		<b>5,606,269</b>	<b>5,631,449</b>

  
 Chairman, Board of Management of KARI

  
 Director, KARI

28<sup>th</sup> December 2004  
 Date  
 28<sup>th</sup> December 2004  
 Date

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**Cash Flow Statement As At 30<sup>th</sup>**

	Notes	2004 Ksh' 000	2003 Ksh' 000
Cash Flow From Operating Activities			
Deficit for the year		(65,061)	(40,439)
Adjustment for items not involving movement of cash:			
Depreciation		135,714	132,088
Prior year adjustment		2,250	
<b>Cash flow from operating activities before increase/decrease in working capital</b>		<b>72,903</b>	<b>91,649</b>
<b>Working Capital</b>			
(Increase)/Decrease in Stocks		(9,695)	(1,573)
(Increase)/Decrease in Debtors		(9,662)	(26,974)
Increase in Grants Receivable		80,119	( 50,073)
Decrease in Creditors		(15,496)	(4,511)
<b>Cash flow from operating activities</b>		<b>118,169</b>	<b>8,518</b>
<b>Investment Activities</b>			
Purchase of fixed Assets		(39,895)	(124,996)
Adjustment for disposed assets		-	(21,308)
<b>Cash outflow Before Financing</b>		<b>78,274</b>	<b>(137,786)</b>
<b>Financing</b>			
Capital grant		37,631	128,160
<b>Increase/(Decrease) in Cash Flow</b>		<b>115,905</b>	<b>(9,626)</b>
<b>Increase/(Decrease)in Cash &amp; Bank balance</b>		<b>115,905</b>	<b>(9,626)</b>

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

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**Notes to the accounts**

**1. Significant Accounting Policies**

**(a) Accounting Convention**

The accounts are prepared under the historical cost convention modified.

**(b) Revenue Recognition**

Grants and other receipts are recognized as income when received. Those of revenue nature are credited to Income while those of capital nature are credited to capital fund.

**(c) Stocks.**

Stocks are stated at the lower of cost and net realizable value.

**(d) Fixed Assets**

Fixed assets are stated at cost or at revalued cost.

**(e) Depreciation**

Depreciation is calculated to write off the cost or valuation of fixed assets using the straight-line method at the following annual rates:

Permanent Buildings	2%
Motor Vehicles	25%
Motorcycles & Bicycles	25%
Plant and Machinery	12.5%
Office Equipment	12.5%
Furniture & Fittings	12.5%
Laboratory Equipment	12.5%

**2. Income**

**(a) Appropriation In Aid.**

The Institute generates some revenue from sale of farm produce and services offered to clients.

**(b) Interest Received**

This represent interest earned on cash deposits held on call.

**(c) Other Receipts**

These include proceeds from sale of tender documents.

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**3. Grants**

**(a) Recurrent Grants**

The Institute receives grants from the Exchequer for personnel emoluments, operation and maintenance.

**(b) Development Grants**

These represent grants received from various donors and IDA Credit Agreement including the Government's contribution for research activities.

**4. Recurrent and Development Expenditure**

The expenditure is financed by both recurrent and development funds.

**5. Property, Plant and Equipment**

Fixed Assets Schedule as at 30.6.2004										
	Land	Buildings	Work in progress	Motor Vehicles	Plant and Machinery	Office Equipment	Furniture and Fittings	Lab Equipment	Motor Cycles and Bicycles	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost or valuation 01/07/03	3,016,176	2,995,565	35,898	396,738	125,011	210,016	73,595	210,642	2,080	7,065,721
Addition / (Transfers)	-	46,613	(35,898)	-	1,999	17,733	525	8,920	-	39,892
Cost or valuation 30/6/04	3,016,176	3,042,178	-	396,738	127,010	227,749	74,120	219,562	2,080	7,105,613
Accumulated depreciation to 30/6/03	-	618,340	-	298,883	65,495	174,232	73,500	167,774	1,092	1,399,316
Charge for the year	-	60,843	-	26,331	12,395	18,259	65	17,594	225	135,712
Accumulated depreciation to 30/6/04	-	679,183	-	325,214	77,890	192,491	73,565	185,368	1,317	1,535,028
Net book value 30/6/04	3,016,176	2,362,995	-	71,524	49,120	35,258	555	34,194	763	5,570,585
Net book value 30/6/03	3,016,176	2,377,225	35,898	97,855	59,516	35,784	95	42,870	988	5,666,405

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**6. Cash and Bank Deposits**

The Institute maintained its bank accounts at the Kenya Commercial Bank, Kenyatta International Conference Centre branch and the Co-operative Bank of Kenya while some were held by the centres at various branches.

	2004	2003
	Ksh'000	Ksh'000
Cash in Hand	-	-
Bank Balance	161,413	104,768
Deposits	160,572	101,312
<b>Total</b>	<b><u>321,985</u></b>	<b><u>206,080</u></b>

**7. Debtors**

	2004	2003
	Ksh'000	Ksh'000
Trade debtors	9,623	6,408
Imprest	24,202	10,504
Other debtors	23,917	9,699
Salary advances	2,577	2,232
LVEMP	-	21,814
Kenya Seed	183,380	183,380
	<b><u>243,699</u></b>	<b><u>234,037</u></b>

No provision has been made for bad debts but the management is still making efforts to recover the outstanding debts.

**8. Stock**

The Institute obtained a valuation of all livestock and consumable stores in June 2004 of Kshs. 98.6 millions. Stocks are stated at the lower of cost and net realizable value.

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**9. Grants Receivables**

There was no outstanding Grant Receivables as at 30<sup>th</sup> June 2004.



**10. Creditors**

**(a) Trade Creditors**

	2004	2003
	Ksh '000	Ksh '000
Trade Creditor	143,707	127,178
<b>Total</b>	<b>143,707</b>	<b>127,178</b>

These represent amount owing to suppliers for goods and services rendered.

**(b) Other Creditors**

	2004	2003
	Ksh '000	Ksh '000
Statutory deductions	462,194	489,657
Service charge	16,027	16,027
Co-operative shares/loans	-	4,738
Insurance	833	2,677
NHFC	-	3
University loans/AFC loans	-	144
Hire Purchase	-	417
Returned salary	649	284
Agricultural Research Fund	2,245	245
KARI Conference	3,000	-
Welfare Associations	-	2,781
<b>Total</b>	<b>484,948</b>	<b>516,973</b>
<b>Total Creditors</b>	<b>628,655</b>	<b>644,151</b>

These represent payroll deductions outstanding as at 30 June 2004 as per the table below.

**Statutory Deductions**

Is mostly composed of employer's pension contribution for the periods before 2001. Most of the other items on the above list relate to the same period.

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**11. General Reserve**

	2004	2003
	Ksh'000	Ksh'000
General Reserve B/F	1,410,834	1,451,273
Prior year Adjustment for Audit Fees	2,250	-
	<b>1,413,084</b>	<b>1,451,273</b>
Deficits for the year	<u>(65,061)</u>	<u>(40,439)</u>
Balance Carried Forward	<u><b>1,348,023</b></u>	<u><b>1,410,834</b></u>

General Reserve represents the surplus / deficit brought forward over the periods.

**12. Capital Funds**

	2004	2003
	Ksh'000	Ksh'000
Capital Funds Brought Forward	1,305,219	1,177,056
Revaluation Reserve Brought Forward	2,915,396	2,915,396
Assets From Grants for the year	<u>37,631</u>	<u>128,163</u>
Balance Carried Forward	<u><b>4,258,246</b></u>	<u><b>4,220,615</b></u>

This represents revenue of capital nature and revaluation surplus on non current assets



**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**Expenditure By Treasury Line Items**

ITEM	Expenditure	Notes 4	2004 Ksh'000	2003 Ksh'000
000	Personnel Emoluments		407,566	402,224
001	Casual Wages		63,962	44,693
040	Gratuity and Pension Contribution		74,523	57,739
050	House Allowance		254,040	256,556
060	Other Personal Allowances		5,842	6,184
065	Medical Allowance		35,892	35,911
080	Passage and Leave Expenses		10,223	7,651
090	Medical Expenses		2,246	4,862
100	Transport Operating Expenses		105,423	89,550
110	Traveling and Accommodation		147,477	132,599
112	External Travel and Accommodation		21,614	6,972
120	Postage and Telegram Expenses		1,244	1,032
121	Telephone Expenses		14,568	22,661
130	Official Entertainment		2,052	1,718
131	Cost of Conferences and Seminars		7,468	8,562
140	Electricity, Water and Conservancy		39,913	33,038
150	Purchase of Supplies for Production		25,785	26,342
151	Purchase of Experimental Animals		2,477	3,856
152	Farm Development		13,106	20,871
153	Fungicides, Insecticides and Sprays		6,711	2,245
156	Purchase of Laboratory Stores		33,336	19,982
160	Purchase of Food and rations		2,498	2,782
171	Publishing and Printing Expenses		12,028	6,068
172	Purchase of Uniforms and Clothing		966	231
173	Library Expenses		3,079	1,430
174	Purchase of Stationery		23,240	13,814
175	Advertising and Publicity		7,310	5,456
176	Show Expenses		8,045	4,897
181	Payment of Rents and Residential Rates		808	2,121
184	Contracted Professional Services		55,193	41,230
185	Computer Charges		14,716	13,022
186	Hire of Transport, Plant and Machinery		2,829	1,900
187	Insurance of Property		6,064	2,484
188	Hire of security services		21,115	17,182
190	Miscellaneous and Other Charges		23,627	17,319
192	Vehicles, Insurance and Road Tax		24,290	3,924
193	Fees, Commission and Honoraria		5,887	9,055
194	Training		35,035	16,919
198	Compensation and Ex-gratia Payment		1,306	2,771
250	Maintenance of Plant, Machinery and Equipment		10,385	6,636
260	Maintenance of Buildings/Stations		29,056	18,115
295	Minor Alterations and Maintenance		5,693	264
	<b>Total</b>		<b>1,568,641</b>	<b>1,370,383</b>
	Provision for Depreciation		135,714	132,088
	<b>Grand Total</b>		<b>1,704,355</b>	<b>1,502,471</b>

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2004**

**Centres Names, Addresses and Telephone Numbers**

<p><b>Headquarters</b> Kenya Agricultural Research Institute P.O. Box 57811 Nairobi Tel (020) 58 33 01-20/583720</p>	<p>P.O. Box 450, Kitale Tel (054)2 01 09/20180/20941-3</p>	<p><b>Njoro</b> National Plant Breeding Research Centre Private Bag, Njoro Tel. (051)6 11 20/61528/61720</p>
<p><b>Alupe</b> Agricultural Research Sub-Centre P.O. Box 278, Busia Tel. (055)20 65</p>	<p><b>Lanet</b> Beef Research Centre P.O. Box 1275, Nakuru Tel (051)8 53 34/85324</p>	<p><b>Oi Joro Orok</b> Agricultural Research Sub-Centre Private Bag, Oi Joro Orok Tel. (065)2 22 61</p>
<p><b>Buchuma</b> Range Research Sub-Centre P.O. Box 389, Voi Tel. (043)3 02 04</p>	<p><b>Mariakani</b> Animal Husbandry Research Sub-Centre P.O. Box 30, Mariakani Tel. (041)3 30 24</p>	<p><b>Perkerra</b> Regional Agricultural Research Centre P.O. Box 32, Marigat Tel (053) 51259/8</p>
<p><b>Embu</b> Regional Agricultural Research Centre P.O. Box 27, Embu Tel (068)2 01 16/2 08 73</p>	<p><b>Marsabit</b> National Aridlands Research Centre P.O. Box 147, Marsabit Tel. (069)2 22 0/2040</p>	<p><b>Thika</b> National Horticultural Research Centre P.O. Box 220, Thika Tel. (067)2 12 81-5</p>
<p><b>Garissa</b> Regional agricultural Research Centre P.O. Box 230, Garissa Tel. (046)22 23</p>	<p><b>Matuga</b> Agricultural Research Sub-Centre P.O. Box 96246, Mombasa Tel. (041)5 10 25</p>	<p><b>Tigoni</b> National Potato Research Centre P.O. Box 338 Limuru Tel. (066) 73060/1</p>
<p><b>Kabete</b> National Agricultural Research laboratories P.O. Box 14733, Nairobi Tel. (020)444144/444029-031</p>	<p><b>Molo</b> National Pyrethrum Research Centre P.O. Box 100, Molo Tel (051)2 10 30-1</p>	<p><b>Transmara</b> Transmara Research Sub-Centre P.O. Box 93, Kilgona Tel. (058) 2 26 9</p>
<p><b>Kakamega</b> Regional agricultural Research Centre P.O. Box 169, Kakamega Tel. (056)30031-9/30049</p>	<p><b>Msabaha</b> Agricultural Research Sub-Centre P.O. Box 344, Malindi Tel. (042)2 05 45/2 08 07</p>	<p>TRC  VVRC</p>
<p><b>Katumani</b> National Dryland Farming Research Centre P.O. Box 340, Machakos Tel. (044)2 06 06-7</p>	<p><b>Mtwapa</b> Regional agricultural Research Centre P.O. Box 10275, Bamburi Tel. (040)5485839/5485842</p>	
<p><b>Kiboko</b> National Range Research Centre P.O. Box 12, Makindu Tel (045)2 24 66-7</p>	<p><b>Muguga</b> National Veterinary Research Centre P.O. Box 32, Kikuyu Tel. (066)3 28 80-6</p>	
<p><b>Kibos</b> Fibre Research Sub-Centre P.O. Box 1490, Kisumu Tel. (057)4 44 01</p>	<p><b>Muguga</b> Regional agricultural Research Centre P.O. Box 30148, Nairobi Tel. (066)3 28 80-6</p>	
<p><b>Kisii</b> Regional Agricultural Research Centre P.O. Box 523, Kisii Tel. (058)3 18 00-3</p>	<p><b>Mwea Tebere</b> National Fibre Research Centre P.O. Box 298, Kerugoya Tel. (060)4 80 57</p>	
<p><b>Kitale</b> National Agricultural Research Centre</p>	<p><b>Naivasha</b> National Animal Husbandry Research Centre P.O. Box 25, Naivasha Tel. (050)2 01 65-6</p>	