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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 2006**

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KENYA AGRICULTURAL RESEARCH INSTITUTE

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Kaptagat Road, off Waiyaki Way,
P.O. Box 57811,
Nairobi, Kenya.
Tel No 4183301/20; FAX NO (254) 4183344

KENYA AGRICULTURAL RESEARCH INSTITUTE
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Director's Report

The Director has the pleasure in submitting the Financial Statements of the Institute for the year ended 30th June 2006.

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 disseminates 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. The Institute has also incorporated the former KEVEVAPI and KETRI into its accounts for the period under report.

Board of Management

The current Board of Management comprises of:

(a) Appointed Members

- Dr. Jamleck J. M. Mutugi (Chairman)
- Prof. Mohamed S.Rajab
- Prof. Julia Gitobu
- Dr. Robert Arunga
- Prof. Adbullahi Aboud
- Prof. Esther M. Kahangi
- Mrs. Salome C. Korir
- Dr. E. A. Mukisira (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

Other Relevant Information

Principal Bankers

- Kenya Commercial Bank
KICC, Branch
P.O.Box 46950
Nairobi
Tel no. 020-214878, Fax no. 337650

- NIC Bank Limited
Westlands Branch
P.O. Box 44599- 00100
Nairobi.
Tel no. 4450882, Fax no. (020) 4450847

Principal Advocates

- KARI legal Office

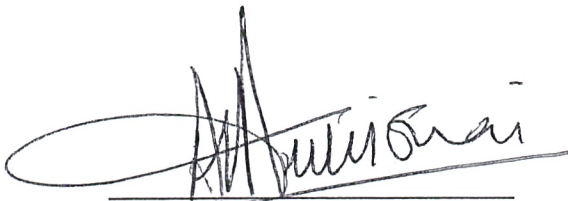
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Auditors

- Controller & Auditor General
Kenya National Audit Office
P. O. Box 30084-00100
Nairobi

Registered Office

- Kenya Agricultural Research Institute,
Headquarters,
Kaptagat Road, Off Waiyaki Way
P. O. Box 57811-00200
NAIROBI
Tel No. 4183301/20; Fax No. (254) 4183344



Ephraim A. Mukisira, (PhD)
Director, Kenya Agricultural Research Institute

30/09/06
Date

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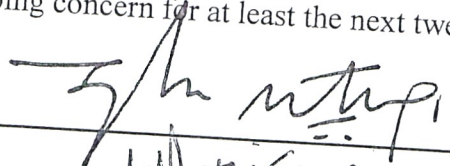
STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Science and Technology Act (Cap 250) requires the Board of Management to prepare 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 as the Board of Management may deem necessary. It also requires the Board of Management to ensure that the Institute keeps proper books of account and other books and records in relation to the Institute's operations, all the undertakings, funds, investments, activities and property of the Institute. The Board of Management is responsible for safeguarding the assets of the Institute.

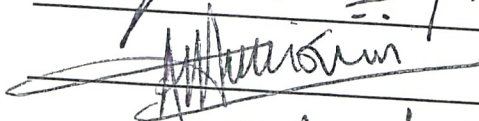
The Board of Management accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with generally accepted accounting practice and in the manner required by the Science and Technology Act chapter 250 revised edition of 1979. The Board of Management further accept responsibility for 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 Board of Management 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 controls.

Nothing has come to the attention of the Board of Management 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:



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RESEARCH PROGRAMMES ACHIEVEMENTS 2005/2006

Introduction

KARI implemented approximately over 600 research projects in the financial year 2005/2006. During the year under review, KARI made strides and achievements which contributed tremendously to the overall agricultural development, food security and the national economy. Some of the projects that were implemented developed technological products that were useful to the farmer. 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

FOOD CROPS SEEDS AND APPROPRIATE AGRO-ECOLOGICAL ZONES

1. Maize (*Zea mays* L.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	KH600-22A	Wet Highlands	new	2006 March
2.	KH600-21A	Wet Highlands	new	2006 March
3.	KH600-20A	Wet Highlands	new	2005 May
4.	KH600-19A	Wet Highlands	new	2005 May
5.	MU03-32	Moist Transitional	NPT	2006 }
6.	MU01-104	Moist Transitional	NPT	2006 }
7.	MU03-19	Moist Transitional	NPT	2006 }
8.	MU01-016	Moist Transitional	NPT	2006 }
9.	MU01-009	Moist Transitional	NPT	2006 }
10.	MU99-100	Moist Transitional	NPT	2006 }
11.	MU01-019	Moist Transitional	NPT	2006 }
12.	MU03-22	Moist Transitional	NPT	2006 }
13.	MU03-25	Moist Transitional	NPT	2006 }
14.	MU03-36	Moist Transitional	NPT	2006 }
15.	KH631A-QPM	mid-High Altitude	new	2005 Feb
16.	Embu 206	Mid-High Altitude	new	2005 May
17.	Embu 207	Mid-High Altitude	new	2005 May
18.	Embu 208	Mid-High Altitude	new	2005 May
19.	Embu 209	Mid-High Altitude	new	2005 May
20.	Emb203-QPM	High Lysine	new	2005 Feb
21.	KH400-11A	Dry Midlands	new	2005 May
22.	KH400-12A	Dry Midlands	new	2005 May
23.	CKTO26065-IR	M-Alt. Striga	new	2005 May
24.	CKTO36069-IR	M-Alt. Striga	new	2005 May
25.	CKTO36071-IR	M-Alt. Striga	new	2005 May

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2. Wheat (*Triticum aestivum* L.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	R960 (KARI/Ngano-3)	Moist Areas	new	2006
2.	DH-16 (KARI/Ngano-4)	ASALs	new	2006

3. Sorghum (*Sorghum bicolor* (L.) Moench):-

No.	Crop Varieties	Ecology	Status	Year Released
1.	BM30	Dry Highlands	due	2006
2.	Ikinyaruka	Dry Highlands	due	2006
3.	E1291	Dry Highlands	due	2006

4. Pearl Millet (*Pennisetum glaucum* (L.) R. Br.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	ICMV-221	ASALs	new	1998

5. Dry Bean (*Phaseolus vulgaris* L.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	KK-8	Moist	new	2006
2.	KK-15	Moist	new	2006
3.	KK-22	Moist	new	2006
4.	MAC-13	Moist	new	2006
5.	MAC-26	Moist	new	2006
6.	MAC-34	Moist	new	2006
7.	MAC-64	Moist	new	2006
8.	RWV524B	Moist	new	2006

6. Cowpeas (*Vigna unguiculatum* (L.) Walps)

No.	Crop Varieties	Ecology	Status	Year Released
1.	KVU27-1	ASALs	new	2002
2.	KVU-19	ASALs	new	2000

7. Mung Beans (*Vigna radiata* L.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	Kat/Dengu 26	ASALs	due	2006

8. Sweetpotato (*Ipomoea batatas* L.)

No.	Crop Varieties	Ecology	Status	Year Released
1.	Wanzaa 1-1 (A)	Moist areas	NPT	2005
2.	Apollo (Vit A)	Moist areas	NPT	2005

Information Leaflets/ Pamphlets:-

1. Select the Best: Positive Seed Potato Selection - Field Aid - KARI-Tigoni (2 005).
2. Post-harvest processing, Value addition and Utilization of Cassava - (May, 2006).
3. Cassava Utilisation Training Manual
4. Impact of Improved Bean Varieties in Western Kenya
5. Pambana na Funa wa Maharage (Combating Bean Pests)

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Information Leaflets/ Pamphlets (Mtwapa):-

1. Maize: What varieties do I grow in Coastal Kenya?
2. Mapendekezo ya ukuzaji mahindi katika eneo la Pwani, Kenya.
3. Cassava flour recipes
4. Major food crops recommendations in Coastal Kenya
5. Cassava small-scale machines for processing in rural areas
6. Identification of major cassava diseases and pests
7. Deep tillage guarantees harvests in Coastal dry land areas

Refereed Journals:-

1. Optimising fungicide spray regimes for integrated management of potato late blight in Kenya (2005): *Proceeding of African Crop Science Journal* (2005): M. W. Nyongesa *et. al.*
2. Yield Performance and Release of Four late blight tolerant potato varieties in Kenya (2006): *Journal of Agronomy* 5 (1): 57-61. *Journal* (2005): C. Lung'aho *et. al.* (KARI-Tigoni).
3. *Australian J. of Experimental Agriculture*: - KARI-Njoro;
4. *Crop Science Journal*: (Wanyera *et. al.* - KARI-Njoro;
5. *Plant Disease Journal*: (Wanyera *et. al.* - KARI-Njoro;
6. *Crop Science Journal* (Wanyera *et. al.* - KARI-Njoro;
7. *Indian Crop Science Journal*: Kimurto, Njau, Kinyua - KARI-Njoro.
8. *Indian Crop Science Journal*: Kimurto, Njau, Kinyua - KARI-Njoro.

2. Horticulture and Industrial Crops

Varietal Development

- Eight (8) locally bred tomato and 4 French bean lines were evaluated at 5 sites for tolerance to Bacterial wilt, nematodes and rust respectively.
- A total of 27 lines of assorted vegetables from AVRDC Taiwan were screened for resistance to major diseases and pest and performance.
- Flowers: 10,275 gladioli corms and 7,950 bulbs of lilies were introduced from Holland, evaluated and recommended to farmers in Central Kenya.
- Four locally bred cotton, 5 soyabeans and 2 sunflower hybrids were advanced to on-farm evaluation.
- Twelve accessions of local papaya, 219 citrus, and 11 passionfruit were maintained.

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Production Technologies

- A total of 9 surveys were conducted to determine the constraints to production of fruit crops (passionfruit, avocado, apples), vegetables (brassica, snow peas, tomato, herbs and spices, ALV), flowers, macadamia and cotton. Major constraints identified included diseases and pests, lack of suitable varieties and inadequate marketing information and clean planting material. To address some of these, an insect proof passion fruit nursery with a capacity of 300,000 seedlings was rehabilitated and operationalised. In addition 1,577 seedlings of improved passion fruit lines, 939 cashew and 4,000 mango seedlings, 300 avocado rootstocks, 1,000 gladioli corms were raised.
- Thirty – seven ha of basic seed cotton were planted.
- Environmentally friendly IPM options (5) for snow peas and brassica were tested on-farm.

Technology Transfer

- More than 350 farmers and extension staff were trained in crop production and marketing, disease scouting, anthurium production, nursery management, and utilisation of ALVs. The training was conducted through farmers' field schools, workshops, and field days

3. Animal Production

Over 70 activities in Animal Production were implemented during the financial year.

Animal Improvement

- One hundred and twenty (120) Sahiwal animals sold to farmers
- Twenty (20) Sahiwal Friesian crosses sold to farmers
- Sixty (60) improved indigenous cocks sold to farmers
- Seventy (70) Boran bulls sold to farmers to improve cattle
- Two Boran nucleus herds consisting of over 300 breedable females and 10 breeding bulls established on farm to improve breeding services
- Four KARI scientists trained (hands-on) on Embryo Transfer (ET) technique

Technologies Developed

- Fourteen (14) livestock feeding technologies released
- One Napier grass variety (Kakamega II) resistant to headsmut released
- Thirteen (13) acre-bulking plots for Napier grass resistant to headsmut established (10 acres of Kakamega I and 3 acres Kakamega II)
- Planting material for resistant Napier grass distributed to 200 farmers

Publications

- Papers in referred journals - 12
- Papers in conference Proceedings - 34
- Two (2) Production manual
- Thirty six (36) farmer and extension leaflets
- One (1) documentary of the Boran

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4. Animal Health

Livestock Diseases and Management

- Five (5) technologies for diagnosis of priority livestock diseases have been developed/acquired and ready for evaluation.
- Piloting of the National Roll-out of East Coast fever vaccination in Uasin Gishu District. The activity involved training of 12 private and government veterinarians.
- Testing of a PPR (pestes petit des ruminants) vaccine for heterologous protection against rinderpest.
- Commercialisation of the penside latex agglutination test for CCPP (caprine pleuropneumonia) diagnostic kit started.
- Validation of a strategic liver fluke control strategy for high potential areas accomplished. Studies commenced on the effect of low anti - helmentic administration through medicated feedblocks on drug resistance.
- Production of a draft technical bulletin entitled "A simple method for on-farm control of liver flukes" finalised for publication.

Post harvest management

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

5. Land and Water Management

Soil Fertility and Plant Nutrition:

- Evaluated Integrated Nutrients Management (INM) Technologies through Farmers Field Schools (FFS) in Kiambu and Mbeere Districts.
- The long term field trial at NARL continued in its 28th year when a crop of pigeon peas was harvested and yield data analysed.
- Statistical analysis of the Kabete database to evaluate long-term impact of land management on soil fertility was executed through regression analysis.
- Evaluation of the efficacy of biological fertilisers on behalf of the Standing Committee of Imports and Exports continued.

Land Resources Management:

- A Total of 4,600 soil and plant samples were analysed.
- Seventeen (17) laboratory staff from Mtwapa, Kitale, Kisii, Njoro, Embu and Muguga South trained on improved methods of analyses.
- A manual for plant tissue analysis was compiled and was used for training the laboratory staff.
- Reconnaissance soil, vegetation land use survey of Rivers Oroba and Kibos catchments were carried out.
- Land use suitability for Mwandu Farm for growing bananas, passion fruits and eucalyptus trees was carried out.

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Irrigation Drainage:

- A Rapid diagnostic baseline survey for 10 irrigation pilot schemes across the country was carried out.
- A total of 804 samples were analysed for soil texture, and 201 samples were analysed for moisture retention characteristics.
- A drip irrigation kit from G-North and Son Limited was tested for its efficiency, and was found to have a low head efficiency of 90%.
- Technical advisory services on irrigation were provided to Welfay Farm Subukia.
- Advisory services on Irrigation System were provided to farmer groups at Kandara and Thika.
- Research on improving crop water productivity for crop production in semi-arid areas through improved water management practices established that data on daily irrigation, soil moisture change in the soil profile and rainfall data is essential.

Lake Victoria Environment Management Project (LVEMP)

- Held the 2nd National LVEMP Conference where 60 papers were presented
- Facilitated the preparation final reports on lessons learned on: Water Hyacinth Control, Soil and Water Conservation, Catchment Afforestation, Wetlands Management, Community Participation, Micro-projects, Institutional Arrangements and Capacity building; and synthesis reports on Water Quality and Fisheries.
- Procured 12 vehicles and 2 motorcycles for the project

Western Kenya Integrated Ecosystem Management Project (WKIEMP)

- The project was declared effective after successful preparations, negotiations, signing and meeting the effective requirements such as appointing staff to the project coordination office, opening relevant accounts and depositing agreed funds initial deposit in the local accounts. The project funding is a grant of \$4.1 million from the Global Environment Facility (GEF) for a period of 5 years.
- Held a Project Launch workshop
- Procured office and laboratory equipment and motor vehicles for the project

Kenya Agricultural Productivity and Sustainable Land Management Project (KAPSLM)

- Conducted PRAs and biophysical analysis in Kinale, Taita, Tugen, Cherangany and Yala catchments
- Conducted studies on Economic and Financial Analysis, Indigenous People Plan, Social Analysis for the project
- Conducted studies on Environmental and Social Management Framework, Land Degradation Assessment, Selection of Operational Areas, Alternative Livelihoods and Monitoring and Evaluation framework

Publications:

- 11th Issue of the Legume Research Network Project (LRNP) Newsletter
- 15 technical bulletins emanating from the Soil Management Project.
- SWMnet Discussion Paper 4 – a technical report on “Scaling-up and Uptake Promotion of Soil and Water Management Research Outputs in East and Central Africa”.

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6. KARI Seed Unit

Seed Science and Technology

- Long term experiment set-up at Katumani to identify the influence of selected packaging materials on seed deterioration in semi-arid environments.
- Continued to observe local banana type for TC preparation and passion fruit clones adapted to semi-arid lowlands.

Seed Production Business of KARI Seed Units

- Maintained 60 varieties, inbred lines and populations of fruit trees, pasture grasses and crops;
- Produced over 110 tons of improved dryland crop varieties seed;
- Produced 150 tons of wheat seed and planted 340 acres of wheat seed;
- Planted 70 acres of Kitale seed maize;
- Produced 400 kgs of Muguga breeder seed maize ;
- Planted 350 acres of collaborative seed maize by KSU/Freshco, 27 acres of maize with East African Seed;
- Planted one acre of Irish potatoes at Embu;
- KSU propagated 30,000 fruit tree and 3,000 macadamia seedlings.

7. Information and Documentation Services

The goal of Information and Documentation Service (IDS) programme is to ensure effective and efficient management of knowledge and information resources within KARI. The division is a service-delivering unit supporting operations of the all programmes both at KARI Headquarters and at the centre levels. During the current year, the IDS delivered the following products and services:

- Subscribed to 16 print journal titles, over 1500 print online resources and electronic resources, these include TEEAL, AGORA and PERI. The library also acquired 278 monographs.
- Established partnerships with local, Regional and International Institutions. These include CTA/AGRIDEA in the provision of QAS services, FAO and ASARECA/RAIN on WEBAGRIS and the KLISC consortium on PERI online resources.
- Two hundred and seventy (270), literature requests were made and information provided.
- Produced over 30 publications including technical notes, brochures, newsletters, posters, flyers, calendars and business cards, media releases and internal report; produced approximately 200 show posters; published articles in farmers' magazines and dailies.
- Disseminated KARI technologies during agricultural shows, field days, open days and created awareness through live radio links and television programmes.
- User trainings and maintenance were conducted in the Coastal, Central, Nairobi and Eastern provinces on the use of ICT infrastructure at both KAPP District Units and KARI centres. These included at least computers (200), printers (150), photocopiers (65) and fax machines (10).
- Web, Email and Internet Access to the institute improved with the introduction of a stand-by redundancy link

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- An IT Help Desk office was established at NARL Kabete, hence improving IT service provision to the centre
- Two training workshops for Finance and Administration staff were conducted training about 18 persons
- Technical contribution by IT to the upgrade of the financial management system Finpro to the new improved system FINPRONET.

8. Socio-economics and Biometrics

- Coordinated completion of the *ex- ante* economic and social analysis for the KAP-SLM project part of the requirement for the project appraisal
- Facilitated over 80 KARI staff on priority setting at centres level which involved coming up through a participatory process with the criteria and scores for centre level priority setting.
- Coordinated the completion of priority setting for all KARI centres and compiled synthesis document for the whole process.
- Participated in the taskforces to develop a strategy paper on the accelerated use of farm inputs.
- Participated in a taskforce for the development of a policy for seed maize pricing in Kenya.
- Coordinated the development of a sector working group paper for the agricultural and rural sector to be used in the development of a national policy on Science, Technology and Innovations for national development.
- Completed a study on the status of biometrics skills among KARI scientists.
- Continued to offer biometrics support to the KARI scientists.
- Conducted a five day training workshop for biometricians to develop training materials to be used to train KARI scientists in the Centres on various biometrics skills.
- Conceived a project on orienting the Institute research for impact

9. Agricultural Technologies and Information Response Initiative (ATIRI)

During the year some 173 CBO proposals had been approved by the 18 Centres involved in KAPP-ATIRI activities.

During this financial year, KARI offered technical backstopping to most the CBOs that participated in the ATIRI programme. A summary of ATIRI participants centres, CBOs and technologies are provided in Table 3.

Table 3. Summary of ATIRI participating centres, CBOs and number of technologies by June 2006

Centre	CBOs	No. of technologies
KARI-Mtwapa	15	15
KARI-Kiboko	10	10
KARI-Katumani	10	10
KARI-Marsabit	7	7
KARI-Embu	9	12
KARI-Thika	12	12
KARI-Tigoni	8	8

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KARI-NARL	14	14
KARI-Muguga S	11	17
NARL-Naivasha	12	12
KARI-Lanet	9	9
KARI-Njoro	7	7
KARI-Molo	6	6
KARI-Perkerra	8	8
KARI-Kitale	10	10
KARI-Kakamega	6	6
KARI-Kibos	4	4
KARI-Kisii	15	15
Total	173	183

The following were the achievement during the year 2005/2006 financial year:

- Two centres held their Regional Steering Committee (RSC) meetings and approved some proposals.
- The National Secretariat conducted a Monitoring and Evaluation exercise covering 9 centres in Central and Western Kenya.
- Two centres conducted CBO capacity building exercise covering a wide range of topics including ATIR CBO proposal cycle, farming as a business, simple farm accounts, leadership and group dynamics nutrition and HIV/AIDs, among others.
- Two centres (Kisii and Kitale) established baselines and benchmarks of their CBOs. This is a critical requirement in order to determine the status of the CBO with regard to the demanded technology, for subsequent monitoring and evaluation.
- A cattle dip in Maasailand (Narok), cost-shared through ATIRI (KARI-Naivasha) was launched.
- Up-scaling of the Plastic Tubular Biogas Technology in Embu was done.



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 2006

I have audited the financial statements of Kenya Agricultural Research Institute for the year ended 30 June 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

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

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

Basis of opinion

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

1. Unremitted Statutory Deductions

The trade and other payables balance of Kshs 591,506,000 as at 30 June 2006 includes an amount of Kshs 293,859,000 being cumulative statutory deductions which have remained unremitted for several years. In addition, included in other creditors is an amount of Kshs 16,027,000 being service charge which has remained unremitted since the previous financial year. These unremitted balances are likely to attract penalties and interest which have not been provided

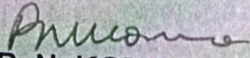
for in these financial statements. The Institute is clearly in breach of the law governing these statutory deductions.

2. Property, Plant and Equipment

As pointed out in the previous year's audit report, the Institute has so far managed to obtain only twenty three (23) title deeds out of the eighty one (81) parcels it has been vested with. Further, the Institute's portion of land reference L. R. No. 5212 which has been under the use of Naivasha Heifer Research Centre was allocated to a private developer, although the Institute had been issued with a letter of allotment in July 1997 for it. In addition, the property, plant and equipment net book value of Kshs 8,466,546,000 as at 30 June 2006 is overstated by Kshs 81,650,080 being the value of buildings and site works transferred to Kenya Plant Health Inspectorate Service, but which are still included in the books of the Institute. Consequently, it was not possible to ascertain that property, plant and equipment balance of Kshs 8,466,546,000 is fairly stated as at 30 June 2006.

Opinion

Except for the reservations set out in the foregoing paragraphs, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Institute as at 30 June 2006 and of its surplus and cash flows for the year then ended and comply with the Science and Technology Act, Cap 250.


P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

20 March 2007

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Income and Expenditure Account - Year Ended 30 June 2006

		2006	2005
	Notes	Ksh '000	Ksh '000
Income			
AIA			
	2(a)		
Goods		206,416	58,586
Services		2,466	5,184
Interest Received	2(b)	8,363	8,828
Other receipts	2(c)	75,530	71,204
Recurrent Funds	3(a)		
Personal Emoluments		1,181,698	1,076,269
Operational	3(b)	36,000	32,882
Development Funds			
GoK		524,210	23,789
IDA		324,191	375,595
Other donors		256,596	286,922
Total Income		<u>2,615,470</u>	<u>1,939,259</u>
Expenditure		<u>(2,615,074)</u>	<u>(1,923,620)</u>
Surplus / (Deficits)		396	15,639

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Income and Expenditure Account Cont.

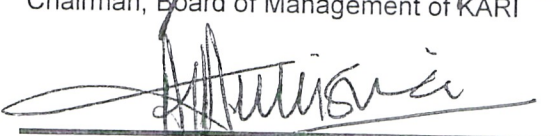
Expenditure	Notes	2006	2005
	4	Ksh'000	Ksh'000
Personnel Emoluments		759,724	619,604
Casual Wages		84,022	62,180
Gratuity and Pension Contribution		112,826	99,887
House Allowance		305,451	250,815
Other Personal Allowances		14,766	10,851
Medical Allowance		42,945	35,789
Passage and Leave Expenses		12,806	8,588
Medical Expenses		5,937	5,541
Transport Operating Expenses		96,785	101,382
Traveling and Accommodation		170,888	154,836
External Travel and Accommodation		16,151	23,470
Postage and Telegram Expenses		3,252	3,969
Telephone Expenses		18,128	13,942
Official Entertainment		1,419	1,972
Cost of Conferences and Seminars		9,577	11,803
Electricity, Water and Conservancy		42,539	39,546
Purchase of Supplies for Production		100,921	32,742
Purchase of Experimental Animals		2,021	2,766
Farm Development		16,855	9,713
Fungicides, Insecticides and Sprays		6,882	3,328
Purchase of Laboratory Stores		28,549	36,787
Purchase of Food and rations		2,957	4,225
Publishing and Printing Expenses		8,387	6,514
Purchase of Uniforms and Clothing		1,833	462
Library Expenses		3,009	1,446
Purchase of Stationery		26,668	20,130
Advertising and Publicity		7,785	8,526
Show Expenses		4,415	5,877
Payment of Rents and Residential Rates		1,480	615
Contracted Professional Services		223,445	67,688
Computer Charges		8,951	9,189
Hire of Transport, Plant and Machinery		3,305	3,679
Insurance of Property		2,194	12
Hire of Security Services		17,410	16,680
Miscellaneous and Other Charges		25,852	17,262
Vehicles, Insurance and Road Tax		18,329	18,573
Fees, Commission and Honoraria		7,567	6,344
Training		71,383	30,225
Compensation and Ex-gratia Payment		899	254
Maintenance of Plant, Machinery and Equipment		7,879	9,909
Maintenance of Buildings/Stations		34,178	26,440
Minor Alterations and Maintenance		2,736	2,679
Total		2,333,106	1,786,180
Provision for Depreciation		281,968	137,440
Grand Total		2,615,074	1,923,620
Deficit of Income over Expenditure		396	15,638

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Balance Sheet As At 30 June 2006

		2006	2005
Non Current Assets	Notes	Ksh' 000	Ksh' 000
Property, Plant and Equipment	5	8,466,546	5,490,308
Investments		409	-
Current Assets			
Cash and bank	6 (a)	218,646	110,611
Deposits	6 (b)	136,925	174,962
Debtors	7	226,396	357,747
Prepayments		11,247	-
Stock	8	137,818	96,909
Grants receivable	9	49,256	57,101
Total current assets		780,288	797,330
Total Assets		9,247,243	6,287,638
Current Liabilities			
Overdraft		23,639	-
Trade and Other Payables	10	591,506	608,568
Total Current liabilities		615,145	608,568
Net Current Assets		165,143	188,762
Non-Current Liability		-	-
Net Assets		8,632,098	5,679,070
Represented By			
General Reserve	11	1,031,862	1,363,662
Capital Fund	12	2,943,441	1,400,012
Revaluation Reserve	13	4,656,795	2,915,396
Total		8,632,098	5,679,070


 Chairman, Board of Management of KARI


 Director, KARI

30/09/06

Date

30/09/06

Date

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Cash Flow Statement As At 30th June 2006

	Notes	2006 Ksh' 000	2005 Ksh' 000
Cash Flow From Operating Activities			
Surplus for the year		396	15,639
Adjustment for items not involving movement of cash:			
Depreciation on Assets		281,968	137,440
Prior year adjustments:		(332,197)	(21,513)
Cash flow from operating activities before increase/decrease in working capital		(49,833)	131,566
Working Capital			
(Increase)/Decrease in Stocks		(40,909)	1,745
(Increase)/Decrease in Debtors		131,351	(114,048)
Increase/ Decrease in Grants Receivable		7,845	(57,101)
(Increase)/Decrease in Prepayments		(11,247)	-
Increase/Decrease in Creditors		(17,062)	(20,087)
Cash flow from operating activities		20,145	(57,925)
Investment Activities			
Purchase of fixed Assets		(431,148)	(57,162)
Adjustment for Disposed Assets		-	21,513
Cash outflow Before Financing		(410,003)	(93,574)
Financing			
Capital grant		457,362	57,162
Increase/(Decrease) in Cash Flow		46,589	(36,412)
Increase/(Decrease)in Cash & Bank balance		46,589	(36,412)

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Statement of Changes in Equity as at 30th June 2006

	Capital Fund	Revaluation Reserve	General Reserve	Totals
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Balance B/F: 01/07/2005	1,400,012	2,915,396	1,363,662	5,679,070
Adjustment	-	-	(332,196)	(332,196)
Additions	1,543,429	1,741,399	396	3,285,224
Balance C/F: 30/06/2006	2,943,441	4,656,795	1,031,862	8,632,098

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Notes to the accounts

1. Significant Accounting Policies

(a) Accounting Convention

The accounts are prepared under the historical cost convention.

(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%

(g) Currency translation

Central Bank of Kenya prevailing or ruling currency mean rates is used in translation of foreign currency.

(f) Retirement benefits

The retirement scheme is contributory with employee and employer contributing 5% and 18.3% respectively, on basis of Basic Salary.

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

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.

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.

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

5. Property, Plant and Equipment

	LAND	BUILDINGS	WORK IN PROGRESS	MOTOR VEHICLES	PLANT & MACHINERY	OFFICE EQUIP.	FURNITURE & FITTINGS	LAB. EQUIPMENT	MOTOR CYCLES & BICYCLES	TOTAL
	Kshs 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs 000	Kshs'000	Kshs'000	Kshs'000
Net Book Value 1/7/05	3,016,176	2,302,152	1,851	49,109	43,476	27,631	1,257	48,111	543	5,490,308
Revaluation	1,050,934	100,628	-	221,093	43,061	18,114	60,404	238,188	8,977	1,741,399
Addition for the Year	561,000	355,548	20,368	169,656	125,099	152,152	12,948	115,174	4,862	1,516,807
Total Cost 30/06/2006	4,628,110	2,758,328	22,219	439,858	211,637	197,897	74,609	401,473	14,382	8,748,514
Accumulated Depreciation at July 2005	-	740,028	-	329,966	87,974	184,977	73,360	200,975	1,343	1,618,623
Accumulated Depreciation written off	-	(740,028)	-	(329,966)	(87,974)	(184,977)	(73,360)	(200,975)	(1,343)	(1,618,623)
Depreciation Charge for the Year	-	55,167	-	112,504	26,455	24,737	9,326	50,184	3,596	281,968
Accumulated Depreciation	-	55,167	-	112,504	26,455	24,737	9,326	50,184	3,596	281,968
Net Book Value (NBV) at 30/06/06	4,628,110	2,703,161	22,219	337,454	185,182	173,160	65,283	351,289	10,787	8,466,546
Net Book Value (NBV) at 30/06/05	3,06,176	2,302,152	1,851	49,109	43,476	27,631	1,257	48,111	543	5,490,308

The assets were revalued during the financial year, necessitating writing off of the accumulated depreciation brought forward. The fixed asset figures are inclusive of former KEVAVAPI and KETRI fixed assets of Ksh. 557.7millions and Ksh. 496.5 Millions respectively, the two have been incorporated to KARI.

6. (a) Cash and Bank

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

	2006	2005
	Ksh'000	Ksh'000
Bank Balance	218,646	87,611
Cash in Transit	-	23,000
Total	218,646	110,611

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

6. (b) Deposits

	2006	2005
	Ksh'000	Ksh'000
Deposits held on call	134,840	174,962
Deposits	2,085	-
Total	136,925	174,962

7. Debtors

	2006	2005
	Ksh'000	Ksh'000
Trade debtors	97,562	102,086
Imprest	92,191	56,442
Other debtors	3,802	12,150
Salary advances	3,799	3,689
Provision for Bad Debts	(958)	-
Kenya Seed	30,000	183,380
Total	226,396	357,747

Management is still making efforts to recover the outstanding debts, however Kenya Seed Company old debt of 153 million has been written-off.

	2006	2005
	Ksh'000	Ksh'000
Prepayments	11,247	-
Total	11,247	-

The prepayments as at 30th June 2006 amounted to Ksh 11.2 million.

8. Stock

The Institute obtained a valuation of all livestock and consumable stores in June 2006 of Kshs. 137.8 Millions. Stocks are stated at the lower of cost and net realizable value.

9. Grants Receivables

	2006	2005
	Ksh'000	Ksh'000
Receivables	49,256	57,101
Total	49,256	57,101

A grant of Kshs 49.25 millions due from the Ministry of Agriculture for the month of June was received in July 2006 hence stated as Grants receivable in the financial statement.

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

10. Creditors

	2006	2005
	KShs '000	Ksh '000
(a) Overdraft	23,639	-
(b) Trade Creditors		
Trade Creditors	215,920	143,570
(c) Other Creditors		
	Ksh '000	Ksh '000
Statutory deductions	293,859	441,929
Service charge	16,027	16,027
Insurance	-	490
Returned salary	1,623	1,307
Agricultural Research Fund	-	2,245
Conference Center	-	3,000
Other creditors	58,080	-
Sub Total	375,586	464,998
Total Creditors	615,145	608,568

Trade creditors represent amount owing to suppliers for goods and services rendered.

Other creditors represent payroll deductions outstanding as at 30 June 2006 as per the table above.

11. General Reserve

	2006	2005
	Ksh'000	Ksh'000
Balance Brought Forward	1,363,662	1,348,023
Adjustment	(332,196)	-
Surplus for the year	396	15,639
Balance Carried Forward	1,031,862	1,363,662

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

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

12. Capital Funds

	2006	2005
	Ksh'000	Ksh'000
Capital Funds Brought Forward 1 st July 2005	1,400,012	1,342,850
Additions for the year	1,543,429	57,162
Balance Carried Forward	2,943,441	1,400,012

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

13. Revaluation Reserves

	2006	2005
	Ksh'000	Ksh'000
Revaluation Reserves Brought Forward 1 st July 2005	2,915,396	2,915,396
Revaluation Surplus for the year	1,741,399	-
Balance Carried Forward	4,656,795	2,915,396

This represents Revaluation Surplus on Non Current Assets.

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Expenditure By Treasury Line Items

Expenditure	Notes	2006	2005
	4	Ksh'000	Ksh'000
Personnel Emoluments		759,724	619,604
Casual Wages		84,022	62,180
Gratuity and Pension Contribution		112,826	99,887
House Allowance		305,451	250,815
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Hire of Security Services		17,410	16,680
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Maintenance of Plant, Machinery and Equipment		7,879	9,909
Maintenance of Buildings/Stations		34,178	26,440
Minor Alterations and Maintenance		2,736	2,679
Total		2,333,106	1,786,180
Provision for Depreciation		281,968	137,440
Grand Total		2,615,074	1,923,620

KENYA AGRICULTURAL RESEARCH INSTITUTE
Accounts for the year ended 30 June 2006

Centres Names, Addresses and Telephone Numbers

Headquarters

Kenya Agricultural Research Institute
P.O. Box 57811 Nairobi
Tel (020) 58 33 01-20/583720

Alupe

Agricultural Research Sub-Centre
P.O. Box 278, Busia
Tel. (055)20 65

Buchuma

Range Research Sub-Centre
P.O. Box 389, Voi
Tel. (043)3 02 04

Embu

Regional Agricultural Research Centre
P.O. Box 27, Embu
Tel. (068)2 01 16/2 08 73

Garissa

Regional agricultural Research Centre
P.O. Box 230, Garissa
Tel. (046)22 23

Kabete

National Agricultural Research
laboratories
P.O. Box 14733, Nairobi
Tel. (020)444144/444029-031

Kakamega

Regional agricultural Research Centre
P.O Box 169, Kakamega
Tel. (056)30031-9/30049

Katumani

National Dryland Farming Research
Centre
P.O. Box 340, Machakos
Tel. (044)2 06 06-7

Kiboko

National Range Research Centre
P.O. Box 12, Makindu
Tel. (045)2 24 66-7

Kibos

Fibre Research Sub-Centre
P.O. Box 1490, Kisumu
Tel. (057)4 44 01

Kisii

Regional Agricultural Research Centre
P.O. Box 523, Kisii
Tel. (058)3 18 00-3

Kitale

National Agricultural Research Centre
P.O. Box 450, Kitale
Tel. (054)2 01 09/20180/20941-3

Lanet

Beef Research Centre
P.O. Box 1275, Nakuru
Tel. (051)8 53 34/85324

Mariakani

Animal Husbandry Research Sub-Centre
P.O. Box 30, Mariakani
Tel. (041)3 30 24

Marsabit

National Aridlands Research Centre
P.O. Box 147, Marsabit
Tel. (069)2 22 0/2040

Matuga

Agricultural Research Sub-Centre
P.O. Box 96246, Mombasa
Tel. (041)5 10 25

Molo

National Pyrethrum Research Centre
P.O. Box 100, Molo
Tel. (051)2 10 30-1

Msabaha

Agricultural Research Sub-Centre
P.O. Box 344, Malindi
Tel. (042)2 05 45/2 08 07

Mtwapa

Regional agricultural Research Centre
P.O Box 10275, Bamburi
Tel. (040)5485839/5485842

Muguga

National Veterinary Research Centre
P.O. Box 32, Kikuyu
Tel. (066)3 28 80-6

Muguga

National agricultural Research Centre
P.O. Box 30148, Nairobi
Tel. (066)3 28 80-6

Mwea Tebere

National Fibre Research Centre
P.O. Box 298, Kerugoya
Tel. (060)4 80 57

Naivasha

National Animal Husbandry Research
Centre
P.O. Box 25, Naivasha
Tel. (050)2 01 65-6

Njoro

National Plant Breeding Research
Centre
Private Bag, Njoro
Tel. (051)6 11 20/61528/61720

Ol Joro Orok

Agricultural Research Sub-Centre
Private Bag, Ol Joro Orok
Tel. (065)2 22 61

Perkerra

Regional Agricultural Research Centre
P.O. Box 32, Marigat
Tel. (053) 51259/8

Thika

National Horticultural Research Centre
P.O. Box 220, Thika
Tel. (067)2 12 81-5

Tigoni

National Potato Research Centre
P.O. Box 338 Limuru
Tel. (066) 73060/1

Transmara

Transmara Research Sub-Centre
P.O. Box 93, Kilgoris
Tel. (058) 2 26 9

Muguga

Trypanosomosis Research Centre
P.O. Box 362 - 00902
Kikuyu

Embakai

Veterinary Vaccines Production Centre
P.O Box 53260
Nairobi