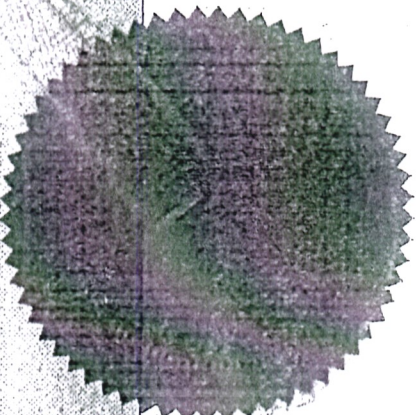




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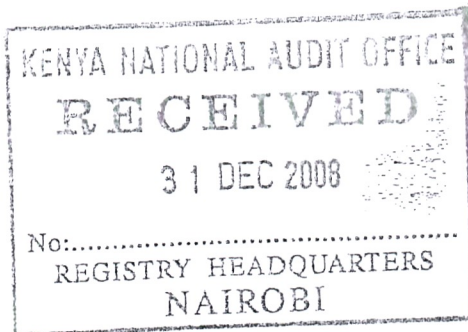
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REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2008



# **KENYA AGRICULTURAL RESEARCH INSTITUTE**

## **ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2008**

Kaptagat Road, off Waiyaki Way,  
P.O. Box 57811,  
Nairobi, Kenya.  
Tel No4183301/20; FAX NO (254) 4183344

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**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2008**

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# KENYA AGRICULTURAL RESEARCH INSTITUTE

## Director's Report

The Director has the pleasure in submitting the Financial Statements of the Institute for the year ended 30th June 2008

## 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 socio-economics. 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.

## Board of Management

The current Board of Management comprises of:

### (a) Appointed Members

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

### (b) Ex-Officio Members

#### Ministry of Agriculture

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

#### Ministry of Finance

- Permanent Secretary

#### Ministry of Natural Resources

- Permanent Secretary

#### Department of Water Development

- Director of Water Development

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Office of the President

- Inspectorate of State Corporations  
National Council for Science and Technology
- Secretary

### 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

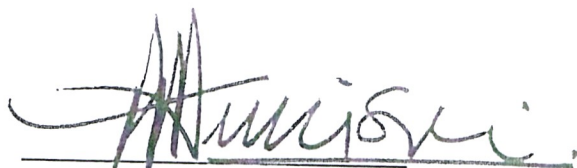
- KARI legal Office

### 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

29<sup>th</sup> September 2008

Date

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Science and Technology Act (Cap 250) requires the Board of Management 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 Board of Management may deem necessary. It also requires the Board of Management to ensure the Institute keeps proper books of 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 Board of Management 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 Board of Management is 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 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:

29<sup>th</sup> September 2008

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### RESEARCH PROGRAMMES ACHIEVEMENTS 2007/2008

The year recorded significant achievements in the various programmes. However, the volatile political situation in January to March 2008 did have significant negative implications on programme outputs in the second half of the year. Below is a summary of achievements on per programme basis.

#### Food Crops Programme

The year witnessed an impressive release of both Schedule 2 and non-schedule 2 crops. Main activities involved implementation of multi-locational preliminary yield trials (PYT), advanced yield trials (AYT), national performance trials (NPT), distinctness, uniformity and stability (DUS) trials countrywide. NPT and DUS trials were conducted under the aegis of KEPHIS. Significant achievements included:

- Licensing of 7 new KARI maize varieties to 3 local seed companies and two varieties to a fourth seed company.
- Some 29 crop varieties were released by the National Variety Release Committee in June 2008 and forwarded to the Minister for Agriculture for gazette. They included maize (18), wheat (1), sorghum (4), climbing bean (3) and mosaic-resistant cassava (6).
- Another 20 non-schedule 2 crops were recommended to the farmers. They included bananas (FHIA 17, FHIA 18 and GT-Sukari Ndizi), mango (Irwin) and cotton (2 varieties)
- Some 18 maize, 6 sorghum, one finger millet and one foxtail millet varieties were made available for licensing to seed companies.
- Global Rust Initiative at KARI-Njoro identified 3 pure wheat lines (KSR-1, KSR-II, and KSR-IV) with putative resistance to the wheat stem rust disease (Ug99)
- Some 12 scientists attended international food crop research-oriented forum in the course of the year
- A pamphlet entitled Management of Maize Streak Virus was produced by KARI-Muguga

#### Horticulture and Industrial Crops Programme

The main focus was introduction, screening and breeding varieties with desirable characteristics, development of agronomic, crop protection and post-harvest technologies and dissemination of market information. The main achievements were:

- Coconut mother block consisting of 84 East Africa tall coconut established at KARI-Mtwapa
- Some 150 citrus varieties evaluated at KARI-Matuga with Dansy having the highest yield and Battangas the lowest, variety Freemoney had the sweetest fruit while Orlando and KARA 184 had the lowest sucrose content.
- Valencia orange, grafted onto Rough Lemon rootstock had the highest yield (50 fruits per tree)
- Some 106,980 seedlings of 3 oil palm hybrids (Deli x Ghana, Bamenda x Ekona and Tanzania x Ekona) were imported and planted in 4 nurseries at Kakamega, Mumias and Alupe (2 sites)
- Four screen houses each with a capacity to hold 25,000 oil palm seedlings were constructed at KARI-Alupe (3) and Mumias (1)
- Mango variety Van Dyke was confirmed having the longest shelf life
- Two (2) groundnut lines (ICGV-SM 90704 and ICGV-SM 99568), two banana, one mango, one hydrang and 7 gladiolus varieties were recommended to farmers for commercialisation
- Crop protection packages for tomatoes, Asian vegetables, snowpeas, passion fruit, mango weevil and macadamia (*Phytophthora* and stink bug) were developed

## KENYA AGRICULTURAL RESEARCH INSTITUTE

- Post-harvest technologies for macadamia nut-mango jam, mango jelly and garlic curing (to improve shelf life) were developed
- *Bauveria bassiana* (Bio-Power) and two Neem products (Achook and Nimbecidine) were confirmed as effective bio-pesticides for aphids and diamond back moth of Brassicas
- Makueni farmers trained in *Aloe vera* harvesting, processing and marketing
- Some 400 micro-propagated seedlings were produced and sold.
- More seedling sales included 693 mangoes, 547 citrus, 1,142 TC bananas, 1,457 yellow passion and 1,900 paw paws
- Two technical assistants were trained in production of 5 *Aloe vera* products (creams, hair conditioners, shampoos, washing detergents) by Kwale Producers
- Thirty (30) farmers from Bukura were trained on mushroom production at KARI-Kakamega
- Forty two (42) farmers were trained on Banana *Xanthomonas* wilt symptoms, spread and control
- Workshop on oil palm production, utilization and value chains for Ministry of Agriculture staff was held
- Twenty one members of Githabua Murungaru Farmers Group in Nyeri trained on apple management

### Animal Production Programme

The main programme thrust was the development and dissemination of feed resources and animal nutrition technologies, development and testing of breeding guidelines. The main achievements were:

- Nine (9) forage suitability maps were developed
- Draft fact sheets on 15 forages were developed to be used together with the forage suitability maps.
- Draft report on the economic viability of using agro by-products was compiled
- Some 150 farmers and stakeholders were trained on feed contamination
- Two (2) farmer training manuals (Small Ruminant Breeding Systems and Small Ruminant Marketing Systems) were developed
- Indigenous chicken production publications were revised
- Over 450 indigenous chicken were made available to farmers for breeding purposes

### Animal Health Programme

The main programme thrusts were the development, testing and dissemination of livestock disease vaccines and diagnostic kits, and development of technologies for the control of helminth and tsetse-borne diseases. The main achievements were:

- Oil-based Foot and Mouth Disease (FMD) vaccine was formulated in collaboration with SEPPIC of France
- Improved CBPP vaccine tested in Narok and over 4,000 post-vaccination serum samples tested using Complement Fixation Test for protective ability
- Over 200 cattle immunised in Kajiado using *Theilkeria parva* strain Merikebuni to demonstrate use of the vaccine in a pastoral setting.
- Peste des petit ruminant (PPR) vaccine developed in anticipation of an outbreak of the disease
- Two diagnostic kits were tested, namely Penside diagnostic kit for Rinderpest and Residue detection kit
- Twelve (12) veterinarians trained on delivery of immunisation in Nyandarua District



## KENYA AGRICULTURAL RESEARCH INSTITUTE

- Helminth control using medicated feedblocks disseminated to 600 farmers in Nyahururu Nyandarua District
- Tsetse mass rearing achieved a colony size of 29,000
- English and Kiswahili documentary on indigenous chicken rearing with emphasis on control of Newcastle Disease through vaccination completed
- Seminar on laboratory accreditation given to Virology staff
- Fencing and construction of a Sentry box at KARI-VRC Muguga to enhance quarantine as a pre-requisite for ISO-17025 laboratory certification
- A draft Quality Policy System for ISO 17025 developed
- Terms of Reference for a consultancy to assess the diagnostic laboratories for ISO 17025 accreditation were prepared.

### Socio-economics Programme

The main programme thrusts were coordination of a number of policy-oriented activities in KARI, Internal Evaluation of the KARI component of KAPP, KARI's 4th Medium Term Plan (MTP) and Biometrics input into KARI research programmes. The main achievements were:

- Capacity building in planning, monitoring and evaluation and impact assessment for 17 KARI scientists was undertaken at Egerton University
- Capacity building in value chain research for KARI Senior Managers was undertaken
- Completion of an M Sc Biometrics degree
- Planning, monitoring and evaluation unit set up at KARI HQ with a Coordinator and a Core Team of programme officers
- Successful hosting of a Mini-Conference primarily for the M Sc and Ph D trainees to share their research findings
- Capacity building in gender analysis for KARI staff was undertaken
- Successful coordination of an Internal Evaluation of KAPP-supported activities in KARI. The Evaluation Report indicated that KARI had implemented its activities satisfactorily and had met the agreed upon triggers for moving to KAPP Phase II was submitted to the KARI Management
- Coordination, completion and documentation of a study on the potential socio-economic implications of the Highly Pathogenic Avian Influenza (HPAI) in Kenya.
- Criteria for Evaluating KARI Scientists was reviewed and sent to scientists to fill.

### Adaptive research Programme

The main programme thrust was promotion of technology adoption, development of policy guidelines on adaptive research activities and promotion of collaborative partnerships in order to exploit synergy and complementarities. Main achievements included:

- Eleven (11) research priority setting forums were held. They included 5 CRACs, stakeholder workshops and actual priority setting fora.
- Some 77 farmer field schools were completed
- Some 268 on-farm demonstrations and field days were staged
- Some 254 farmer training workshops were conducted
- Significant contribution to the National Strategy for traditional foods, dietary diversity and health
- Significant contribution to the draft KARI 4<sup>th</sup> Medium Term Plan

## **KENYA AGRICULTURAL RESEARCH INSTITUTE**

### **Biotechnology Programme**

The main programme thrusts were rapid multiplication of clean planting materials of a wide range of food and industrial crops, marker-assisted breeding protocol for selecting Russian wheat aphid resistant varieties, maize transformation studies (for pest resistance), collection of field sera in CBPP hotspots and provision of support in re-drafting the Kenya Biosafety Bill. Main achievements included:

- DNA extracted from 100 wheat lines with resistance to Russian wheat aphid (RWA).
- Collaborative grant has been negotiated to train one scientist at Murdoch University on MAS screening of Russian wheat aphid resistance
- Some 862 TC banana seedlings were virus-indexed
- Some 500 banana and 400 Irish potato mutants are ready for field evaluation
- New diagnostic kit Loop-mediated Isothermal Amplification (LAMP) developed in collaboration with the International Atomic Energy Agency (IAEA) of Vienna
- A KARI scientist completed his attachment to an advanced biotechnology laboratory in Japan
- Significant contribution to the strategic planning and priority setting of ASARECA biotechnology activities.
- Significant contribution to the revised draft of the Kenya Biosafety Bill and the development of a National Biotechnology Awareness Creation Strategy.
- KARI-Njoro became the second KARI centre to optimise vanilla TC protocol. Planting material for on-station and on-farm testing are ready for planting in Kwale and Kilifi districts.
- Samples of 39 macadamia accessions intended for DNA extraction and analysis are available as grafted seedlings.
- Development of a Biotechnology Strategic Plan has been initiated. A 10-day retreat by four scientists, followed by a two-day workshop attended by 60 participants (scientists and technicians) and a report on their views are positive steps towards the Strategic Plan.

### **Agricultural Technology and Information Response Initiative (ATIRI)**

This was the last year of the Initiative in its present form. The main thrusts were to ensure smooth conclusion of outstanding CBO projects (constructive disengagement), document ATIRI experiences and transit into the proposed Outreach programme through articulation of programme objectives and expected outputs in the KARI's 4<sup>th</sup> MTP. The main achievements were:

- A 30-minute video documentary recorded at KARI-Katumani
- Regional Steering Committees (RSC) met and approved proposals in NARL, Tigoni and Muguga S
- Fingerprinting and baselines and benchmarks were established in Marsabit CBOs
- CBOs facilitated by KARI Marsabit and Katumani were capacity-built to adopt holistic, productive and profitable technologies
- Held a two-day consultative meeting ATIRI Centre Coordinators, RSC Chairpersons and District Service Unit (DSU) Coordinators on future collaboration
- Ninety (90) CBO projects were concluded having demanded, adopted and up-scaled technologies of their choice.
- A total of 350 CBO proposals were facilitated, in line with the KAPP Phase I target
- Contribution to the KARI MTP's Outreach and Partnerships component

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Agricultural Research Investment Services (ARIS)

The focus of ARIS was commercialisation activities in KARI Ol joro orok, Kiboko, Mariakani, Msabaha and Naivasha. The first four centres indicated great potential for commercialisation while curriculum development at Naivasha was likely to take a little longer before the courses are rolled out. The main achievements were:

- At KARI Ol joro orok, 165 acres of wheat was planted and 148 acres harvested. Some 891 bags (90 kg) were sold, 115 bags stored for centre use and 910 bales of straw made.
- In the same centre, 1.8 tons of High Altitude composite and 7.7 tons of grain maize for animal feed were harvested. Some 20,000 napier grass cuttings and 60 tons of sorghum fodder were sold and 20 tons conserved at the centre
- The centre generated a total of KSh. 5.539 million
- At KARI-Kiboko some 145 head of cattle were sold, 67 calves born and 20 acres of ranch fenced for hay production
- In the same ranch, 168 Galla goats were transferred from the Small Ruminant Project to the commercial ranch (at the end of the research project) while an additional 51 were purchased to boost the programme
- The ranch generated a total of KSh. 3.46 million.
- KARI Mariakani established a total of 45 acres of Rhodes grass (Var. Ex-Tozi), made 3,000 bales of hay and harvested 250 kg seed. The hay, worth KSh. 450,000, was used to feed the cattle between January and March
- KARI-Msabaha sold 893 mango seedlings and 943 citrus seedlings. In addition, 12 cows calved down and 4,490 lit milk was produced and sold. All these generated a total of KSh. 1.84 million
- Draft curricula design and modules for Intensive Dairy cattle Management, Commercial Poultry Production and Pasture and Fodder Production were developed at KARI Naivasha.

### KARI Seed Unit (KSU)

The mandate of KSU is to produce, clean, package and market seed of various classes and to coordinate maintenance of released KARI varieties. KSU multiplies breeder, basic and certified seed of the required crop varieties, in accordance with the Seed Act. KSU also propagates seedlings of fruit/nut trees and other planting materials. These products are sold on cost recovery basis. The main programme achievements were:

- Ministry of Agriculture (MoA) contracted KARI to produce 439.84 tons OPV, 40 tons Irish potato, 2.7 tons of pasture grasses, 1,699,058 cassava cuttings and 1,832,800 sweet potato vines, all worth KSh. 58 million and at a cost of KSh. 47 million, for distribution to 62 ASAL districts.
- Some 668 small scale seed growers produced the seed in 2,896 acres and were paid KSh. 17 million.
- These seeds were expected to benefit 500,000 poor households in the ASALs and were distributed as follows:
  - Eastern province (179.18 tons of seed, 22 tons of Irish seed potato, 666,850 cassava cuttings and 655,000 sweet potato vines)
  - Nyanza province (51 tons of seed, 196,500 cassava cuttings and 266,000 sweet potato vines)
  - Central province (32.5 tons of seed, 10 tons of Irish seed potato, 144,056 cassava cuttings and 150,000 sweet potato vines)

## KENYA AGRICULTURAL RESEARCH INSTITUTE

- Rift Valley province (88.56 tons of seed, 10 tons of Irish seed potato, and 328,800 sweet potato vines)
- Western province (29 tons of seed, 428,911 cassava cuttings and 353,000 sweet potato vines)
- Coast province (49.6 tons of seed, 312,741 cassava cuttings and 40,000 sweet potato vines)
- North Eastern province (5 tons of seed).
- In addition to this:
  - Some 810.2 ha of seed was planted and 120 tons seed harvested
  - KARI-Njoro collected from contract farmers and sold 165 tons of wheat seed while KARI-Tigoni sold 40 tons of irish potato seeds.
  - Some 500,000 cassava cuttings and 1.2 million sweet potato cuttings were available for sale.
  - Overall, some 2,000 farmers were contracted to produce 610 tons of basic seed. Over 472 tons of seed were collected and paid for.

### Information and Documentation Services (IDS)

The Information and Documentation Services Division facilitates information management and application of information and communication technologies in KARI. The division has three units, namely, the information technology unit (ITU), library and information services unit (LIS) and the publications unit (PU). Achievements revolved around the three units and included:

- Capacity was built for 11 staff on electronic document management and website design and management.
- Internet connectivity was effected in Muguga North and Genebank.
- LAN McAfee antivirus was procured and installed for KARI Headquarters to improve working stations security throughout the network.
- IT help desk supported 38 system units from KARI centres.
- Some 80 papers were either published or accepted for publication in refereed journals
- Some 94 Technical publications (bulletins, brochures, pamphlets, technical notes etc) were published
- Some 168 papers were presented in conferences. Many of these were presented during the Mini Conference
- Five hundred copies of the InFocus Newsletter Issue No.1 processed, printed and distributed.
- 9<sup>th</sup> KARI Biennial Conference Proceedings received from printer and distributed.
- Bumper Issue Highlighter No. 21 was processed, printed and distributed.
- A total of 107 publications were procured. These publications were further accessioned, catalogued, and entered in the CLIS database.
- The Web-Agris database was edited to ensure standards are adhered to. Some 95 records have been submitted and are accessible in the global database at FAO. The unit has been collaborating with other partner institutions who include, KARI NARL, AIRC, KEFRI and JKUAT.
- Through the AGRIS project the unit received one computer server and 2 UPS's. The Units databases are now accessible through the server.



## 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 2008

I have audited the financial statements of Kenya Agricultural Research Institute set out on pages 10 to 20 which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in Capital Fund and Reserves and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes 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.

#### **Board of Management's Responsibility for the Financial Statements**

The Board of Management is 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 in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and 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 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 controls 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 Institute's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### 1. Property, Plant and Equipment

As previously reported, the Institute has so far managed to obtain only thirty four (34) title deeds out of the eighty four (84) parcels it has been vested with. The land without title documents includes the Institute's portion of land reference L.R. No. 5212 allocated to a private developer, even though the Institute holds an allotment letter for it issued in July 1997. Further, a substantial acreage of KARI – Naivasha area at Manera and Olmagogo farms measuring 5,289 acres as well as the entire quarantine area along the Naivasha – Mai Mahiu Road, whose actual acreage and valuation could not be confirmed at the time of audit, were grabbed by private developers in 2000. Further, another piece of land in Katumani Centre measuring over 100 ha and excluded from financial statements has been occupied by private developers since in 2000. In addition, Property, Plant and Equipment net book value of Kshs. 8,117,915,000 as at 30 June, 2008 is overstated by Kshs. 81,650,080, being the value of buildings and site works transferred in 1998 to Kenya Plant Health Inspectorate Service, but which are still included in the books of the Institute. In the circumstances, it is not possible to confirm that property, plant and equipment balance of Kshs. 8,117,915,000 as at 30 June, 2008 is fairly stated.

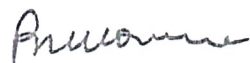
#### 2. Debtors

The balance sheet debtors balance of Kshs. 279,547,000 includes long outstanding trade debtors of Kshs. 101,173,000 which have remained outstanding for long and whose chances of recovery are doubtful. The Institute has not produced evidence to show any efforts being made to recover these long outstanding debts. Although the Institute has made a provision of KShs.958,000 in the financial statements, this appears inadequate to cover these long outstanding debts. Consequently, the recoverability and validity of the debtors balance of Kshs. 279,547,000 as at 30 June 2008 could not be confirmed.

#### Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Institute as at 30 June, 2008 and of its surplus and cash flows for the year then ended in accordance with the

International Financial Reporting Standards and comply with the Science and Technology Act, Cap 250 of Laws of Kenya.



P. N. KOMORA, CBS.  
CONTROLLER AND AUDITOR GENERAL

Nairobi

06 January 2009

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Income and Expenditure Account - Year Ended 30 June 2008

		2008	2007
	Notes	Ksh '000	Ksh '000
<b>Income</b>			
AIA	2(a)		
Goods		264,011	441,586
Services		6,056	5,835
Interest Received	2(b)	10,456	9,650
Other receipts	2(c)	184,086	127,346
<b>Recurrent Funds</b>			
Personal Emoluments	3(a)	1,614,000	1,334,000
Operational		36,000	36,000
<b>Development Funds</b>			
GoK	3(b)	320,293	316,670
IDA		956,414	1,006,888
Other donors		341,322	195,965
<b>Total Income</b>		<b><u>3,732,638</u></b>	<b><u>3,473,940</u></b>
<b>Expenditure</b>		<b><u>3,262,560</u></b>	<b><u>(3,147,307)</u></b>
<b>Surplus / (Deficit)</b>		<b>470,078</b>	<b>326,633</b>



## KENYA AGRICULTURAL RESEARCH INSTITUTE

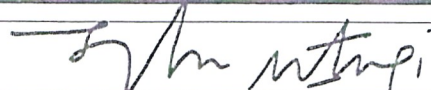

### Income and Expenditure Account Cont.

Expenditure	Notes	2008	2007
	4	Ksh'000	Ksh'000
Personnel Emoluments		1,086,473	950,661
Casual Wages		90,775	97,408
Gratuity and Pension Contribution		211,324	160,187
House Allowance		286,942	282,636
Other Personal Allowances		26,870	20,799
Medical Allowance		39,554	39,208
Passage and Leave Expenses		11,214	9,196
Medical Expenses		5,317	6,541
Transport Operating Expenses		117,014	134,920
Traveling and Accommodation		198,314	282,454
External Travel and Accommodation		11,782	9,165
Postage and Telegram Expenses		2,339	2,291
Telephone Expenses		19,346	21,023
Official Entertainment		2,344	2,248
Cost of Conferences and Seminars		57,311	39,804
Electricity, Water and Conservancy		48,570	50,933
Purchase of Supplies for Production		111,033	188,018
Purchase of Experimental Animals		2,245	3,307
Farm Development		43,228	43,210
Fungicides, Insecticides and Sprays		10,125	10,527
Purchase of Laboratory Stores		29,902	48,748
Purchase of Food and rations		10,446	9,960
Publishing and Printing Expenses		6,959	11,450
Purchase of Uniforms and Clothing		455	718
Library Expenses		934	2,098
Purchase of Stationery		20,183	27,531
Advertising and Publicity		8,312	12,511
Show Expenses		7,822	5,242
Payment of Rents and Residential Rates		1,821	2,271
Contracted Professional Services		130,239	161,236
Computer Charges		16,702	12,024
Hire of Transport, Plant and Machinery		4,979	2,677
Insurance of Property		2,163	2,395
Hire of Security Services		19,245	19,073
Miscellaneous and Other Charges		27,782	38,466
Vehicles, Insurance and Road Tax		10,873	19,148
Fees, Commission and Honoraria		19,523	42,764
Training		33,640	47,226
Compensation and Ex-gratia Payment		97	49
Maintenance of Plant, Machinery and Equipment		11,499	11,967
Maintenance of Buildings/Stations		29,275	34,018
Minor Alterations and Maintenance		438	256
Farmer Grants		201,263	
<b>Total</b>		<b>2,976,671</b>	<b>2,866,364</b>
Provision for Depreciation		285,889	280,943
<b>Grand Total</b>		<b>3,262,560</b>	<b>3,147,307</b>
Excess of Income over Expenditure		470,078	326,633

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Balance Sheet As At 30 June 2008

		2008	2007
	Notes	Ksh' 000	Ksh' 000
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	8,117,915	8,236,665
Investments		409	409
<b>Current Assets</b>			
Cash and bank	6 (a)	1,071,960	618,390
Deposits	6 (b)	198,938	142,823
Debtors	7	279,547	273,693
Prepayments		6,207	9,541
Stock	8	271,625	201,369
Grants receivable	9	7,306	125,348
<b>Total Current assets</b>		<b>1,835,522</b>	<b>1,371,164</b>
<b>Total Assets</b>		<b>9,953,907</b>	<b>9,608,237</b>
<b>Current Liabilities</b>			
Overdraft		65	69,879
Trade and Other Payables	10	469,096	565,676
<b>Total Current liabilities</b>		<b>469,161</b>	<b>635,555</b>
<b>Net Current Assets</b>		<b>1,366,422</b>	<b>735,609</b>
<b>Non-Current Liability</b>			-
<b>Net Assets</b>		<b>9,484,746</b>	<b>8,972,683</b>
<b>Represented By</b>			
General Reserve	11	1,842,015	1,365,318
Capital Fund	12	2,985,936	2,950,571
Revaluation Reserve	13	4,656,795	4,656,794
<b>Total</b>		<b>9,484,746</b>	<b>8,972,683</b>

  
 \_\_\_\_\_  
 Chairman, Board of Management of KARI  
  
 \_\_\_\_\_  
 Director, KARI

29<sup>th</sup> September 2008  
 \_\_\_\_\_  
 Date  
 29<sup>th</sup> September 2008  
 \_\_\_\_\_  
 Date

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Statement of Changes in Capital Funds and Reserves as at 30<sup>th</sup> June 2008

	Capital Fund	Revaluation Reserve	General Reserve	Totals
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
<b>Balance B/F: 01/07/2007</b>	2,950,570	4,656,795	1,365,318	8,972,683
<b>Adjustment</b>			6,619	6,619
<b>Additions</b>	35,366		470,078	505,444
<b>Balance C/F: 30/06/2008</b>	2,985,936	4,656,795	1,842,015	9,484,746
<b>Statement as at 30<sup>th</sup> June 2007</b>				
<b>Balance B/F: 01/07/2006</b>	2,943,441	4,656,795	1,031,862	8,632,098
<b>Adjustment</b>			6,826	6,826
<b>Additions</b>	7,129		326,630	329,702
<b>Balance C/F: 30/06/2007</b>	2,950,570	4,656,795	1,365,318	8,972,683

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Cash Flow Statement As At 30<sup>th</sup> June 2008

	Notes	2008 Ksh' 000	2007 Ksh' 000
Cash Flow From Operating Activities			
Surplus for the year		470,078	326,633
Adjustment for items not involving movement of cash:			
Depreciation on Assets		285,889	280,943
Prior year adjustments:		6,619	6,826
Surplus on sale of fixed assets		(3,555)	
<b>Cash flow from operating activities before increase/decrease in working capital</b>		<b>759,031</b>	<b>614,402</b>
<b>Working Capital</b>			
(Increase)/Decrease in Stocks		(70,256)	(63,551)
(Increase)/Decrease in Debtors		(5,854)	(47,299)
Increase/ Decrease in Grants Receivable		118,042	(76,092)
(Increase)/Decrease in Prepayments		3,334	1,706
Increase/Decrease in Creditors		(96,580)	(25,830)
<b>Cash flow from operating activities</b>		<b>707,717</b>	<b>403,336</b>
<b>Investment Activities</b>			
Purchase of fixed Assets		(170,953)	(58,302)
Adjustment for Disposed Assets		7,370	7,239
<b>Cash outflow Before Financing</b>		<b>544,134</b>	<b>352,273</b>
<b>Financing</b>			
Capital grant		35,365	7,129
<b>Increase IN Cash and Cash equivalent for the year</b>		<b>579,499</b>	<b>359,402</b>
<b>Cash &amp; cash Equivalent at the Beginning of the year</b>		<b>691,334</b>	<b>331,932</b>
<b>Cash &amp; cash Equivalent at the End of the year</b>		<b>1,270,833</b>	<b>691,281</b>

# KENYA AGRICULTURAL RESEARCH INSTITUTE

## 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 18.8% respectively, on basis of Basic Salary.

## 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

### 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 TH JUNE 2008

	LAND	BUILDINGS	WIP	M/VEHICLES	PLANT & MACHINERY	OFFICE EQUIP.	FURNITURE & FITTINGS	LAB. EQUIPMENT	M/ CYCLES & BICYCLES	TOTAL
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
cost value 1 / 7 / 07	4,628,110	2,770,777	42,213	433,765	214,805	208,852	77,072	407,450	14,292	8,797,336
Disposals				6,692	520				158	7,370
Addition for the period		49,119	65,542	4,842	29,092	12,932	1,968	7,459		170,954
Totals	4,628,110	2,819,896	107,755	431,915	243,377	221,784	79,040	414,909	14,134	8,960,920
Accumulated Depreciation	0	110,583	0	218,847	53,176	50,844	18,960	101,115	7,146	560,671
Acc Depr W/OFF				3,346	130				79	3,555
Charge for the period		56,331		107,015	30,134	27,744	9,778	51,353	3,534	285,889
Accumulated Depreciation	0	166,914	0	322,516	83,180	78,588	28,738	152,468	10,601	843,005
Net Book Value (NBV) at 30/06/08	4,628,110	2,652,982	107,755	109,399	160,197	143,196	50,302	262,441	3,533	8,117,915
Net Book Value (NBV) at 30/06/07	4,628,110	2,660,194	42,213	214,919	161,629	158,008	58,112	306,334	7,146	8,236,665

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### 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.

	2008	2007
	Ksh'000	Ksh'000
Bank Balance	1,071,960	572,715
Cash in Transit	-	45,675
<b>Total</b>	<b>1,071,960</b>	<b>618,390</b>

### 6. (b) Deposits

	2008	2007
	Ksh'000	Ksh'000
Deposits held on call	196,853	140,738
Deposits	2,085	2,085
<b>Total</b>	<b>198,938</b>	<b>142,823</b>

### 7. Debtors

	2008	2007
	Ksh'000	Ksh'000
Trade debtors	101,173	115,246
Imprest	140,194	113,920
Other debtors	4,407	10,999
Salary advances	1,444	1,199
Provision for Bad Debts	(958)	(958)
Kenya Seed	33,287	33,287
<b>Total</b>	<b>279,547</b>	<b>273,693</b>

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 2008 of Kshs. 271.6 millions. Stocks are stated at the lower of cost and net realizable value.

### 9. Grants Receivables

	2008	2007
	Ksh'000	Ksh'000
Receivables	7,306	125,348
<b>Total</b>	<b>7,306</b>	<b>125,348</b>

Grants receivable expected to be received in the financial year 2008/9.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### 10. Creditors

	2008	2007
	KSh '000	Ksh '000
(a) Overdraft	65	69,879
(b) Trade Creditors		
Trade Creditors	233,738	229,119
(c) Other Creditors		
Statutory deductions	181,524	272,535
Service charge	16,195	16,195
Insurance	-	-
Returned salary	824	1,587
Accruals	6,175	8,907
Conference Center	-	-
Other creditors	30,636	37,333
<b>Sub Total</b>	<b>235,354</b>	<b>336,557</b>
<b>Total Creditors</b>	<b>469,161</b>	<b>635,555</b>

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

Other creditors represent payroll deductions outstanding as at 30 June 2008 as per the table above.

### 11. General Reserve

	2008	2007
	Ksh'000	Ksh'000
Balance Brought Forward	1,365,318	1,031,862
Adjustment	6,619	6,826
Surplus for the year	470,078	326,633
Balance Carried Forward	1,842,015	1,365,318

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



## KENYA AGRICULTURAL RESEARCH INSTITUTE

### 12. Capital Funds

	2008	2007
	Ksh'000	Ksh'000
Capital Funds Brought Forward 1 <sup>st</sup> July	2,950,571	2,943,441
Additions for the year	35,365	7,130
Balance Carried Forward	<b>2,985,936</b>	<b>2,950,571</b>

This represents revenue of capital nature.

### 13. Revaluation Reserves

	2008	2007
	Ksh'000	Ksh'000
Revaluation Reserves Brought Forward 1 <sup>st</sup> July	<b>4,656,795</b>	4,656,795
Revaluation Surplus for the year		
Balance Carried Forward	<b>4,656,795</b>	<b>4,656,795</b>

This represents Revaluation Surplus on Non Current Assets.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Expenditure by Treasury Line Items

Expenditure	Notes	2008	2007
		Ksh'000	Ksh'000
	4		
Personnel Emoluments			
Casual Wages		1,086,473	950,661
Gratuity and Pension Contribution		90,775	97,408
House Allowance		211,324	160,187
Other Personal Allowances		286,942	282,636
Medical Allowance		26,870	20,799
Passage and Leave Expenses		39,554	39,208
Medical Expenses		11,214	9,196
Transport Operating Expenses		5,317	6,541
Traveling and Accommodation		117,014	134,920
External Travel and Accommodation		198,314	282,454
Postage and Telegram Expenses		11,782	9,165
Telephone Expenses		2,339	2,291
Official Entertainment		19,346	21,023
Cost of Conferences and Seminars		2,344	2,248
Electricity, Water and Conservancy		57,311	39,804
Purchase of Supplies for Production		48,570	50,933
Purchase of Experimental Animals		111,033	188,018
Farm Development		2,245	3,307
Fungicides, Insecticides and Sprays		43,228	43,210
Purchase of Laboratory Stores		10,125	10,527
Purchase of Food and rations		29,902	48,748
Publishing and Printing Expenses		10,446	9,960
Purchase of Uniforms and Clothing		6,959	11,450
Library Expenses		445	718
Purchase of Stationery		934	2098
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Show Expenses		8,312	12,511
Payment of Rents and Residential Rates		7,822	5,242
Contracted Professional Services		1,821	2,271
Computer Charges		130,239	161,236
Hire of Transport, Plant and Machinery		16,702	12,024
Insurance of Property		4,979	2,677
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Vehicles, Insurance and Road Tax		27,782	38,466
Fees, Commission and Honoraria		10,873	19,148
Training		19,523	42,764
Compensation and Ex-gratia Payment		33,640	47,226
Maintenance of Plant, Machinery and Equipment		97	49
Maintenance of Buildings/Stations		11,499	11,967
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Farmer Grants		438	256
<b>Total</b>		<b>201,263</b>	
Provision for Depreciation		2,976,671	2,866,364
<b>Grand Total</b>		<b>285,889</b>	<b>280,943</b>
		<b>3,262,560</b>	<b>3,147,307</b>

# KENYA AGRICULTURAL RESEARCH INSTITUTE

## 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

### Oi Joro Orok

Agricultural Research Sub-Centre  
Private Bag, Oi 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