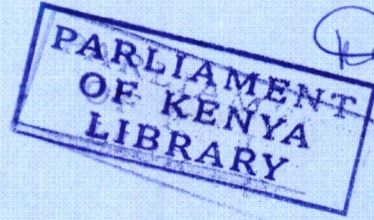


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

Paper Laid
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the table of the
House by ~~Chairman~~
Finance ~~leader of~~
Leader of
Opposition majority
Party
Wednesday 17/6/2015



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
KENYA ANIMAL GENETIC
RESOURCES CENTRE

FOR THE YEAR ENDED
30 JUNE 2014



KENYA ANIMAL GENETIC RESOURCES CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Animal Genetic Resources Centre (KAGRC) formally, CAIS was established in 1946 through a Gazette Notice No. 557 as a semen production and distribution Centre. The centre has been given full autonomy as a State Corporation, through a Gazette Notice No. L.N. 110 of 5th September 2011. The new mandate of the centre includes production, preservation, distribution and conservation of animal genetic material as well as rearing of breeding bulls for provision of high quality disease free semen to meet National demand and for export.

KAGRC is situated 15 km from City Centre (West of the Nairobi City), and has its Headquarters in Lower Kabete in Nairobi and has land capacity of about 358 Acres, 124 bulls in the stud (February 2012), Two administration Blocks, A Laboratory, Reticulated water system, Electrical installations, and other infrastructure.

The Centre works in close collaboration with other breeding organizations such as Kenya Stud Book, Dairy Recording Services of Kenya and Livestock Recording Centre, Research Organizations, Universities, community Based Organizations (CBOs) and individual farmers. Together, we implement the Contract Mating Program through which breeding bulls are recruited to the centre for semen production and Progeny Testing Program (PTP). The PTP provides a basis against which the approximate value of the bulls at the centre is calculated. In addition to this, the Centre is scheduled to enter into a memorandum of understanding with CRV of Netherlands, in a bid to have them Undertake GENOMIC Selection of our Bull Dams, the Bulls themselves and their heifers for efficient performance of the Centre. Four 4 dairy breed are kept in the Centre, namely Friesian, Artier, Jersey and Guernsey and 2 beef breeds of bovine species.

(a) Principal Activities

The Centre's principal activity is the production and sale of bull semen. The other mandates as stated in the legal notice 110 of September 2011 include the following;

1. Establish a national livestock resources gene bank for conservation of livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species for posterity in Kenya.
2. Conserve for posterity and avail livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species in Kenya for both research and Breeding
3. Engage in strategic semen production
4. Serve as a reference laboratory for certification, testing of semen, embryos and related livestock productive materials for purpose of import and export
5. Either alone or in collaboration with other institutions, develop and produce chemicals and laboratory products for use in the production of semen

6. Either alone or in collaboration with others institutions, provide information on the suitability and effectiveness of animal breeding products
7. Provide training in animal resource conservation procedures, semen, in-vitro embryo production and transfer and related technology transfer.

(b) Key Management

The centre’s day-to-day management is under the following key organs:

- Office of the Managing Director
- Finance Human Resource and Administration
- Technical Services

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

Name:	Designation:
Dr. Wekesa Nyongesa	- Managing Director
Dr. Herbert Atsiaya	- Director Finance Human Resource and Administration
Dr. Samuel Mugo	- Director Technical Services
Dr. Paul Egesa	- Manager Germplasm Production and Quality Assurance
Dr. James Mbuchu	- Manager Animal Health
Dr. Roseline Wambugu	- Manager Sales and Marketing
Ms. Faith Aciita	- Manager Finance
Ms. Esther Gacheru	- Manager Internal Audit

(d) Fiduciary Oversight Arrangements

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board so as to ensure that the board plays the oversight role.

(e) Entity Headquarters

Kenya Animal Genetic Resources Centre
P.O. Box 23070-00604
Lower Kabete
Nairobi, Kenya

(f) Entity Contacts

Telephone: 020-2064018, 4181325/6 DL: 020-4180024, Fax: 4181328/2064017
E-mail: info@kagrc.co.ke
Website: [www.kenya animal genetic resources centre](http://www.kenyaanimalgeneticresourcescentre.org)

(g) Entity Bankers

Barclays Bank of Kenya
Westlands Branch
P.O. Box 14403-00800
Nairobi, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

• II. THE BOARD OF DIRECTORS

The Board is responsible for drawing and implementing strategies for the success of the Centre, establishing and maintaining the Centre's system of internal controls so that the objectives of profitability and sustainable growth are fully realized.

The day-to-day running of the business of the Centre is delegated to the Managing Director but the notices and agenda for all board meetings are circulated on timely basis to all directors together with other relevant reports for discussions.

The Board is made up of the following 6 independent non-executive directors.

1. Dr. J.J Mutugi	Chairman
2. Mrs. Faith Kiarie	Director
3. Dr. Joseph Musaa	Director
4. Dr. David Lenemiria	Director
5. Engineer Mini Patel	Director
6. Mr. Ole Sinkeet	KARI representative
7. Mr. Joseph Kiarri	Representative to the PS the National Treasury
8. Mrs. Philomena Koech Fisheries	Representative to the PS Ministry of Agriculture Livestock and Fisheries
9. Dr. Wekesa Nyongesa	MD and secretary to the board

BOARD MEETINGS

The Board of Directors meets on quarterly basis to monitor the implementation of the Centre's planned strategy, review it in conjunction with its financial and budgetary performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. The Board held various meeting during the period under review.

BOARD COMMITTEES

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board.

(a) Audit Committee

The Committee comprises 3 non-executive members of the Board who are independent of the day-to-day management of the Company's operations. The Head of Internal Audit is the secretary to the committee.

The Committee's responsibilities include;

- a) Considers the appropriateness of the centre's accounting policies and procedures.
- b) Monitors and assess the role and effectiveness of the internal audit function.
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of external auditors.

(b) Human Resource and Finance Committee



The Committee comprises 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Review and approve the Centre's budget
- b) Reviews and monitors the integrity of the centre's annual and interim financial statements
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of staff

(c) Technical Committee

The Committee comprises 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

<u>PICTURE</u>	<u>PROFILE</u>
 Dr. J.J.M. Mutugi Chairman	<p>Dr. J.J Mutugi the Kenya Animal Genetic Resources Centre chairman having been appointed to the office in November 2011. A veterinary Surgeon with BVM, MVSC and PhD Degrees. Dr. J.J.M.Mutugiwas appointed Chairman of Kenya Animal Genetic Resources Centre in November, 2011.</p> <p>Has a Professional work experience in livestock Agricultural Development spanning for over 30years in the region. He has worked in both fields, Veterinary Services and was Director, National Veterinary Research Centre, Muguga.</p> <p>In addition to working in Kenya, Dr.Mutugi worked as an International Expert with the Food and Agriculture Organisation (FAO) of united Nations as Chief Technical Advisor (CTA) to project in Uganda, Zimbabwe, Malawi and Rwanda.</p> <p>Previous appointments by Kenya Government include Chairman – KARI (2003-2009), Government appointed council member Kenyatta University (2003 – 2010) and commissioner, Higher Education (now University Education (2010-2013).</p>
 Engineer Mini Patel	<p>Engineer Patel is an independent board director representing the jersey breeders association. He holds a Bsc in Agricultural Engineering. A sole proprietor ofKigwa Estate, an arable coffee and dairy farm that practices the production of Bio energy to be partially self sustained in its operations. Kigwa Estate is privately owned family business running a zero grazing herd of 300 heads of jersey Cattle and Organic coffee plantation for the last 50 years.</p>

 <p>Mrs. Faith N. Kiarie</p>	<p>Mrs. Faith Kiarie is an independent director representing dairy farmers. She holds a B.E.D Educationist (Finance). Worked with Teachers Service Commission.</p>
 <p>Dr. Joseph Musaa</p>	<p>Dr Musaa is an independent director of the board. He holds a Bachelor of Veterinary Medicine-Veterinary Surgeon. Former Director of Veterinary Services (DVS). Holds a Master Degree.</p>
<p>Mr. Samuel Ole Sinkeet</p>	<p>Masters in Animal Science. Assistant Director, KARI.</p>
 <p>Mr. David Lenemiria</p>	<p>Mr. Lenemiria is an independent director of the board. He holds a MSc. Tropical Animal Production and Health. Previously worked with Ministry of Livestock Development.</p>
 <p>Mr. Joseph Kiarri</p>	<p>Mr. Kiarri is a representative of the principal secretary of the National Treasury to the board. He is an economist and holds a Master of Business Administration.</p>
<p>Mrs. Philomena Koech</p>	<p>Madam Koech is the representative of the principal secretary ministry of Agriculture, Livestock and Fisheries state department of livestock.</p>



Dr. Wekesa Nyongesa

Dr. D. Wekesa Nyongesa is the Managing Director and is responsible for the day-to-day running of the centre and the implementation of the board of director's decisions. He is responsible for developing and recommending long term strategies to the board adoption and ensuring that continuous achievement of the centre's overall goals and objectives. He holds a bachelor's degree in veterinary medicine.

111. MANAGEMENT TEAM



Dr. D. Wekesa Nyongesa

Dr. D. Wekesa Nyongesa is the Managing Director and is responsible for the day-to-day running of the centre and the implementation of the board of director's decisions. He is responsible for developing and recommending long term strategies to the board adoption and ensuring that continuous achievement of the centre's overall goals and objectives. He holds a bachelor's degree in veterinary medicine.



Dr. Herbert Atsiaya

Dr. Atsiaya is the Director Finance and Administration. He is responsible for providing strategic leadership on all matters pertaining to financial and administrative management. He holds a bachelor's degree in veterinary medicine and a master's of science in the same field.



Dr. Samuel G. Mugo

Dr Mugo is the Director Technical Services. His duties involves coordinating the design and management of current and upcoming breeding technologies, semen production and quality control. He holds a bachelor's degree in veterinary medicine and a master's of science in clinical studies.



Dr. Paul Egesa

Dr. Egesa is the Manager, Germplasm and Quality Assurance. This function entails semen collection, evaluation, processing, packaging and certifying germplasm. He holds a bachelor's degree in Veterinary Medicine



Dr. James Mbuchi

Dr. Mbuchi is the Manager, Animal Health. Animal health and farm management function entail rearing of breeding animal maintenance their health. He holds a bachelor's degree in Veterinary Medicine and is currently pursuing a master of science degree.



Dr. Roseline Wambugu

Dr. Wambugu is the Manager Sales and Marketing. She is responsible for disseminating market information to relevant stakeholders, establishing and managing database on market information and development partners. The officer also participates in designing and development of promotional materials. She holds a bachelor's in veterinary medicine and currently pursuing a master of science degree.



Ms. Faith K. Aciita

Ms. Aciita is the Manager Finance. She is responsible for the prioritization of projects and activities for the purpose of financial reporting, preparation of annual budgets and overseeing expenditure monitoring. She holds a bachelor's degree in accounting, a post graduate diploma in financial management, **CPA (K)** and is currently pursuing an MBA finance option.



Ms. Esther Gacheru

Ms. Gacheru is the Manager Internal Audit. She is responsible for reviewing the internal control systems, verifying operations and activities on the utilisation of centre's resources. Preparation of audit reports and follow up on the implementation of audit recommendations. She holds a bachelor's degree in finance and is a **CPA(K)**.

IV. CHAIRMAN'S STATEMENT

The Kenya Animal Genetic Resources Centre (KAGRC) is the former Central Artificial Insemination Station (CAIS). The entity has been the hub of cattle genetic improvement through Artificial Insemination (A.I) since 1946 and is largely responsible for Kenya having one of the most vibrant Dairy Industry in Africa. Its elevation in State Corporation on 5th September, 2011 through a presidential Gazette Notice No. 110 is an affirmation of the strategic role the Centre is expected to make in genetic improvement of livestock in the Country.

Strategic role and expanded mandate notwithstanding the Centre has continued to experience serious budgetary constraints. To meet the Centre's expanded mandates as per the Legal Notice and the Centre's Strategic Plan and demands of vision 2030 inter alia the necessary GoK support is needed even as the Board of management seek to strategize to helping source funds through a Kshs. 4.2 Billion five years (5) Development Plan. In the 2014 – 2015 financial year, the management submitted a budget of Kshs. 643,000,000 but approved budget was Kshs. 311,963,000. To improve internally generated revenue, it is imperative that the GoK support by up-scaled substantially.

Despite some hitches and change of the Chief Executive Officer, the year under review ended well and the Board (in line with the Development Plan) sanctioned the purchase of a Liquid Nitrogen Plant with the support of the World Bank. A critical function of the Centre's activity, the plant will be installed and commissioned early 2015.

To meet the expanded mandate in regard to essential laboratory and other infrastructure as well as development and sourcing necessary human capital, it is important to have a budget that is commensurate with these key functions.

In regard to Strategic Semen Production the Centre has performed well and as the Chairman, I wish to commend both the Board and the management for being focussed on the very important national function.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year ending June 30th, 2014 had the management institute austerity financial measures so as to maximise efficiency and have value for money. We had a breakdown of Liquid Nitrogen Plant at the station and the heightened cost of feeds for bulls leading overstretching in sourcing of the inputs. However, other areas went on smoothly and the management was committed and delivery of services within the financial target set. We also pledge to adopt similar measures in the coming year as we seek to normalise the production of feeds internally and set up a Liquid Nitrogen Plant so as to minimise the cost of delivery of services. We have maintained the same costs for semen produced per straw and similarly for Liquid Nitrogen produced per litre, in order to maintain lower cost of service to the farmers.

However, this needs to be reviewed in line with the escalating cost of energy and other ingredients involved in the production. Otherwise the support we had from the Ministry, our suppliers and the Board of Directors was the source of strength and we pledge to build on the same for the future financial growth.

VI. CORPORATE GOVERNANCE STATEMENT

At the Centre we are committed to the highest level of corporate governance which is critical to our business philosophy and to maintaining stakeholders trust. Our corporate governance policy functions as an inbuilt self-regulating mechanism, which provides the framework to monitor and ensure statutory compliance, foster a culture that values rewards the highest level of ethical standards and personal integrity. The centre strives to ensure that the board, management and staff act with integrity, honesty and professionalism at all times.

The board is comprised of six independent members and two representatives of the permanent secretary ministry of Agriculture Livestock and Fisheries and the permanent secretary National Treasury respectively. The board comprise of representatives of various organisations who contribute

expertise and judgement, based on their professional qualifications and business expertise. The board reflects a diversity of background and experience.

Conduct of Business Operations, Performance

The Centre's operations are carried out within an established framework of processes, procedures, systems and in line with the strategic plan.

The centre practises equal opportunity recruitment of qualified persons but ensures compliance in its hiring practises with policies guided by the constitution of Kenya (2010) in recognising regional and ethnic balance, gender balance and affirmative action to persons with disabilities where possible.

The centre recognises its human capital as strategic to the achievement of its strategic goals and objectives. To ensure that staff wellbeing is taken care of, the centre has undertaken a comprehensive medical scheme for all its staff and dependants.

Risk Management and Internal Controls

The board has the overall responsibility for the establishment and oversight of the centre's risk management frameworks. Risk management policies are established to identify and analyse risks and set mitigation mechanisms to reduce occurrence. This is achieved through in-house risk review enhanced by internal and external audits.

ISO 9001:2008 Certification

The centre has a functioning and continuously monitored Quality Management System (QMS). The QMS is monitored through quarterly management review meetings, internal and external audits aimed at ensuring that it satisfies all customer requirements.

Compliance

The is satisfied that the Centre has to the best of its knowledge complied with all the relevant laws and conducted its affairs in accordance with law in particular the State Corporation Act and the Legal Notice No.110. Further disclosures on compliance are set out in the statement of the board of directors responsibilities and notes to the financial statements.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The centre recognises that the institution's social, environmental and ethical conduct has an impact on its reputation. The centre's relationship with its stakeholders is guided by its commitment to integrity, professionalism and inclusiveness. Accordingly, we are committed to ensuring that each person and entity collaborating with the Centre is treated with dignity and respect, and is given an opportunity to contribute to the Centre's success.

We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities. We conduct regular customer satisfaction surveys, monitor suppliers and customers performance and actively encourage feedback from our employees using a variety of methods including employee satisfaction survey.

Diversity in our workforce and supply base helps foster the kind of innovation, sensitivity and vitality that enables us to effectively deliver our services. We embrace diversity across all levels of our collaborations and act on any feedback that improves our service delivery.

During the financial year under review, the centre recognized the responsibility to act responsibly and constructively as a member of the surrounding communities, through donations to the nearby Nairobi Children's Home, Kabete Rehabilitation Centre and created awareness on drug and substance abuse to the youths and the families. To conserve the environment, the Centre participated in planting of five hundred trees.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2013 which show the state of the Centre's affairs.

Principal activities

The principal activities of the Centre are contained in page two.

Results

The results of the entity for the year ended June 30th, 2013 are included in this years statements.

Directors

The members of the Board of Directors who served during the year are shown on page five

Auditors

The Auditor General is responsible for the statutory audit of the Centre in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 12 of the Public Finance Management Act, 2012 and section 14 (3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *Centre's* financial statements, which give a true and fair view of the state of affairs of the *Centre* for and as at the end of the financial year (period) ended on June 30, 2013. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Centre*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Centre's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *Centre's* financial statements give a true and fair view of the state of *Centre's* transactions during the financial year ended June 30, 2013, and of the *Centre's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Centre*, which have been relied upon in the preparation of the *Centre's* financial statements as well as the adequacy of the systems of internal financial control.

The members of the Board of Directors who served during the year are shown on page five

Auditors

The Auditor General is responsible for the statutory audit of the Centre in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.


V. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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


.....
Managing Director


.....
Chairman Board of Director

Date: 29/9/2014
.....

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Animal Genetic Resources Centre set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

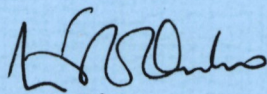
As reported in previous years, and as disclosed in Note 15 to the financial statements, property, plant and equipment balance of Kshs.182,081,229.00 excludes the cost of seven (7) unvalued parcels of land measuring a total of 168.082 hectares, as detailed below, for which the Centre has not obtained ownership documents.

<u>Registration Number</u>	<u>Size</u>	<u>Location/Use(r)</u>
L.R. No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R. No. 23362	47.47 hectares	Artificial Insemination
L.R. No. 2337515	22.65 hectares	Hayfield
L.R. No. 23943	0.030 hectares	Borehole
L.R. No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	AHITI Kabete

In addition, the Centre's property, plant and equipment had not been valued as at 30 June 2014, contrary to International Public Sector Accounting Standard No. 17. Consequently, it has not been possible to confirm that the property, plant and equipment balance as at 30 June 2014 is fairly stated.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Animal Genetic Resources Centre as at 30 June 2014 and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Legal Notice No. 110 of Kenya Genetic Resources Centre Order of 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 May 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
GoK Grants	1	208,487,028.00	57,431,309.00
		208,487,028.00	57,431,309.00
Revenue from exchange transactions			
Revenues	2	116,374,647.00	118,115,280.00
Other income	3	6,964,732.00	3,448,416.00
Total revenue		331,826,407.00	178,995,005.00
Expenses:			
Bull Recruitment and Maintenance	7	31,065,512.00	27,590,059.80
Employee Costs	4	88,209,641.00	71,637,031.00
Remuneration of Directors	6	5,053,691.00	4,674,664.00
Depreciation and Amortization Expenses	15	32,803,256.00	26,593,902.00
Repairs and Maintenance	13	7,351,565.00	8,686,112.00
Marketing and Advertising	14	5,477,368.00	6,696,920.00
Administrative Expenses	5	32,727,400.00	55,915,162.20
Total expenses		202,688,434.00	201,793,850.80
Surplus(deficit) for the period		129,137,974.00	(22,798,845.80)

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	149,739,350.00	8,301,546.00
Receivables from non-exchange transactions	12	18,116,223.00	37,235,800.00
Inventories	10	59,263,000.00	18,176,661.00
		227,118,573.00	63,713,007.00
Non-current assets			
Property, plant and equipment	15	182,081,229.00	176,042,765.00
Biological Assets	16	7,175,811.00	6,445,585.00
		189,257,040.00	182,488,350.00
Total assets		416,375,613.00	246,202,357.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	62,124,768.00	69,378,722.00
Staff Gratuity	17	40,555,737.00	
Refundable deposits from customers	8	5,619,920.00	5,419,920.00
		108,300,425.00	74,798,642.00
Net assets			
Reserves		185,872,025.00	185,872,025.00
Accumulated surplus		103,294,664.00	(25,843,310.00)
EAAPP Donation		18,908,500.00	11,375,000.00
		308,075,189.00	171,403,715.00
Total net assets and liabilities		416,375,613.00	246,202,357.00

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Capital Reserve Kshs	Reserves Revenue Reserve Kshs	EAAPP Grant Kshs
Balance b/forward 1st July 2013	185,872,025.00	(25,843,310.00)	11,375,000.00
EAAPP Donation			7,533,500.00
Surplus/(deficit) for the period		129,137,974.00	
Transfers to/from accumulated surplus			
Balance as at 30 JUNE 2014	185,872,025.00	103,294,664.00	18,908,500.00

XIV. STATEMENT OF CASHFLOWS

Surplus/(Deficit) for the year		129,137,974.00	(22,798,845.00)
Adjustments for:-			
Annual Depreciation	15	32,706,631.00	26,593,902.00
PPA Decrease in Provision for Gratuity		-	65,132,242.00
Surplus before working capital changes		161,941,230.00	68,927,299.00
(Increase)/decrease in stocks		(22,027,200.00)	17,342,335.00
(Increase)/decrease in Receivables		60,438.00	(3,932,604.00)
(Decrease)/increase in Payables		33,501,783.00	(59,375,613.00)
Net cash flows from operating activities		173,476,250.00	22,961,417.00
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property and Equipment	15	(31,308,219.00)	(14,548,121.00)
Net Acquisition of biological assets	16	(730,227.00)	(1,030,461.00)
		(32,038,446.00)	(15,578,582.00)
Net cash flows after investing activities		141,437,804.00	7,382,835.00
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash flow after Financing Activities		141,437,804.00	7,382,835.00
Net Increase in Cash and Cash Equivalents		141,437,804.00	7,382,835.00
Cash and Cash Equivalents at beginning of the period		8,301,546.00	918,711.00
Cash and Cash Equivalents at end of the period	11	149,739,350.00	8,301,546.00

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

IPSAS24.14(a)(b)

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Revenue	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000
Grants:					
Recurrent Grant	13,608,028.00	-	13,608,028.00	13,608,028.00	-
Development Grant	19,000,000.00	-	19,000,000.00	16,000,000.00	(3,000,000.00)
EAAPP	2,879,000.00	-	2,879,000.00	2,879,000.00	-
KAPAP	-	176,000,000.00	176,000,000.00	176,000,000.00	-
Sale of goods and services	167,117,000.00	-	167,117,000.00	123,339,379.00	(43,777,621.00)
Total income	202,604,028.00	176,000,000.00	378,604,028.00	331,826,407.00	(46,777,621.00)
Expenses					
Bull Recruitment and Maintenance	28,000,000.00	-	28,000,000.00	31,065,512.00	(3,065,512.00)
Compensation of employees	82,305,722.00	-	82,305,722.00	88,209,641.75	(5,903,919.25)
Administrative expenses	23,621,128.00	-	26,121,128.00	32,727,399.86	(6,606,271.86)
Board expenses	4,760,000.00	-	4,760,000.00	5,053,691.00	(293,691.00)
Repairs and maintenance	-	-	2,800,000.00	7,351,565.05	(4,551,565.05)
Depreciation	-	-	-	32,803,256.00	-
Marketing and advertisement	8,000,000.00	-	8,000,000.00	5,477,368.27	2,522,631.73
Total expenditure	121,286,850.00	-	151,986,850.00	202,688,434.00	(17,898,327.93)
Surplus for the period				129,137,974.00	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Summary of significant accounting policies

a) Revenue recognition

Revenue represents proceeds from sale of semen liquid nitrogen and Artificial insemination equipment. Income is recognised in the period in which it is earned and Government funding is recognised on receipt. Grants related to property, equipment and other assets are presented in the reserves. Grants for recurrent expenditure are dealt with in the income statement in the year it is received.

b) Receivables

Receivables are recognized and carried at original invoice amounts less any uncollectable amounts. An estimate for doubtful debts is made if the debt remains unrecovered and Bad debts are written off as incurred.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, held with Barclays bank at the end of the financial year.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. All the repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation on Property, plant and equipment is charged on reducing balance with a full years charge on acquisition and none on disposal. The rates used are as follows;

Buildings	2%
Computer Accessories	33.3%
Motor Vehicles	25.0%
Machinery	20.0%
Loose tools	33%
Furniture and Fittings	12.5%

(e) Inventory

Stocks of consumables are valued at the lower of cost and net realisable value. The carrying value for livestock is at cost.

(f) Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid for goods and services received whether or not billed to the Commission.

(g) Land

All the land currently in use by the Centre belongs to the Ministry of Agriculture, Livestock and Fisheries. Land is not disclosed in the financial statement because the Centre does not have ownership documents

(h) Employee benefits

Retirement benefit obligations

The Centre and all its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. Such contributions to the defined contribution schemes are charged to the statement of profit and loss account in the year in which they fall due.

(i) Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Provisions are recognised when the Centre has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will arise.

(j) Gratuity

All employees are entitled to gratuity. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

(k) Related Parties

The centre regards a related party as a person or an entity with the ability to exert control individually or jointly exercise significant influence over the entity. Members of key management are regarded as related parties and comprise the board of directors, the Acting Managing Director and senior officers of the Centre. The total aggregate remuneration of key management personnel amounted to **Kshs. 9,551,400.00** this amount is included in the total staff costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2014

	30 th June 2014	30 th June, 2013
	Kshs.	Kshs.
1. GOK GRANTS		
Recurrent Grant from Parent Ministry	13,608,028.00	9,431,309.00
Development Grant from Parent Ministry	16,000,000.00	48,000,000.00
EAAP	2,879,000.00	-
KAPAP	176,000,000.00	-
	208,487,028.00	57,431,309.00
2. REVENUE		
Ordinary Deep Frozen Semen	116,329,920.00	114,887,321.00
Room Temperature Semen	113,400.00	69,490.00
Liquid Nitrogen-External	22,266,705.20	43,426,955.00
Cost of sales	(22,335,378.21)	(40,268,485.50)
Total	116,374,646.99	118,115,280.50
3. OTHER INCOME		
Liquid Nitrogen Containers	4,321,430.75	339,988.00
A.I Equipment	1,192,630.00	251,521.00
Miscellaneous Income	581,721.50	1,970,707.85
House Rent	868,950.00	866,200.00
Total	6,964,732.25	3,448,416.85
4. STAFF COSTS		
Salaries & Wages	65,828,351.00	59,453,619.00
Staff Medical Cover	15,831,383.25	12,183,412.00
Staff Gratuity	6,549,907.00	
Total	88,209,641.25	71,637,031.00
5. ADMINISTRATION EXPENSES		
Travelling and Subsistence	8,205,052.50	12,183,412.00
Telephone and Postage	1,612,538.58	3,054,064.15
Electricity & Water	2,703,375.00	1,867,998.65
Printing Stationery & computer Expenses	3,588,332.00	2,865,708.80
Training and ISO	815,202.00	9,023,472.00
Uniform & Protective clothing	1,726,278.00	1,851,314.00
Bank Charges	513,375.15	499,997.15
Subscriptions	136,440.00	427,864.00
Property Insurance	785,599.00	843,780.00
Motor Vehicle Insurance	1,621,399.00	800,258.00

	Catering Services	370,231.00	1,005,619.00
	Transport Operating Costs	5,214,638.04	3,907,988.52
	Rehabilitation of Motor vehicles	706,956.60	
	Transport operating expenses		1,137,788.00
	M. V fuel and diesel		853,200.00
	Miscellaneous & other charges	4,147,982.99	667,613.25
	Liquid Nitrogen expenses		13,915,876.00
	Audit fees	580,000.00	580,000.00
	Total	32,727,399.86	55,915,162.20
<hr/> <hr/>			
6	BOARD EXPENSES		
	Sitting Allowance	4,093,691.00	3,714,664.00
	Honoraria-Chairman	960,000.00	960,000.00
	Total	5,053,691.00	4,674,664.00
<hr/> <hr/>			
7	BULL RECRUITMENT & MAINTENANCE		
	Bull Purchasing Committee Expense	1,466,415.00	1,916,654.00
	Contract Mating Semen	254,313.00	150,460.00
	Vaccines Drugs & Acaricides	662,305.00	1,659,766.00
	Farming Expenses	1,086,952.00	803,756.00
	Fodder and Feeds	27,595,527.00	23,059,423.80
	Total	31,065,512.00	27,590,059.80
<hr/> <hr/>			
8.	CUSTOMER DEPOSITS		
	Carrying amount as at 1 st July 2013	5,419,920.00	5,119,920.00
	Recruitments during the year	200,000.00	300,000.00
	Carrying amount as at 30th June 2014	5,619,620.00	5,419,920.00
<hr/> <hr/>			
9.	PAYABLES & ACCRUALS		
	Accounts Payable	41,443,063.10	35,383,190.57
	KAGRC Agents	19,601,704.50	45,795.05
	Provision for Audit Fees	1,080,000.00	1,080,000.00
	Total	62,124,767.60	69,378,721.00
<hr/> <hr/>			

10. INVENTORY**Semen:**

Freishian	13,604,000.00	2,316,800.00
Guersey	296,000.00	220,600.00
Jersey	21,425,000.00	20,689,800.00
Ayshire	13,134,000.00	1,692,400.00
Boran	2,244,000.00	2,180,000.00
Sahiwal	24,000.00	45,800.00
Charolais	3,509,000.00	3,570,400.00
Simmental	2,288,000.00	2,752,000.00
Hereford	1,233,000.00	1,520,000.00
Mixed semen		880,000.00
Unspecified Breed	1,506,000.00	60,000.00
Galloway		1,308,000.00

Total

59,263,000.00	37,235,000.00
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11. CASH AND BANK

Account No.0731056080	434,966.05	3,274,309.45
Account No.0731082928	137,239,673.75	4,259,683.95
Account No.0731082901	11,991,355.05	670,247.15
Account No.731035458	-	34,532.50
Cash in Hand	73,355.00	62,773.00

149,739,349.85	8,301,546.05
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12. RECEIVABLES & PREPAYMENTS

Staff Imprest	136,767.00	169,622.00
Other Debtors	17,934,576.00	17,940,255.06
Salary Advance	44,880.00	66,784.00

Total

18,116,223.00	18,176,661.06
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13. REPAIRS & MAINTENANCE

Rehabilitation of Plant and Machinery	1,134,447.00	662,553.00
Maintenance of Office Machinery	153,240.00	104,100.00
Maintenance of Plant and Equipment	1,023,886.65	1,411,026.00
Maintenance of Buildings	3,597,918.00	4,567,279.20
Borehole	999,761.40	24,940.00
Maintenance of Fences	16,100.00	1,594,425.00
Repairs & Maintenance	351,212.00	206,789.00
Building materials – Timber	75,000.00	115,000.00

Total

7,351,565.05	8,686,112.20
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14. MARKETING & ADVERTISEMENT

Printing and Publishing	1,851,264.00	4,220,004.00
Farmers Field day/Mini Parade	1,248,603.00	914,761.00
Workshops and Seminars	108,000.00	-
ASK Show trade rent	286,500.00	486,125.00
Subsistence and Accommodation	1,086,260.00	660,930.00
Advertisements	228,288.00	383,500.00
Transport Operating	54,470.00	31,600.00
Distribution Expenses	612,993.27	-
Stationery	990.00	-
Total	5,477,368.27	6,696,920.00

17. GRATUITY

Balance brought forward	32,869,735.93	32,869,735.93
Gratuity accrued during the year	7,686,001.07	-
Balance carried forward	40,555,737.00	32,869,735.93

15. Property, plant and equipment

	Land and Buildings	Plant and Equipment	Farm Machinery	Motor vehicles	Computers	Loose Tools	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Cost							
At 1 July 2013	42,172,006	138,841,989	3,543,153	33,598,727	10,291,008	615,324	229,062,207
Additions	6,445,180	-	-	7,533,500	24,863,039	-	38,841,719
At 30 June 2014	42,172,006	145,287,169	3,543,153	41,132,227	35,154,047	615,324	267,903,926
Depreciation and impairment							
At 1 July 2013	(1,876,654)	(32,205,157)	(1,275,535)	(11,857,995)	(5,477,819)	(326,281)	(53,019,441)
Depreciation	(1,007,384)	(14,135,251)	(453,524)	(7,318,558)	(9,793,155)	(95,384)	(32,803,256)
At 30 June 2013	(2,884,038)	(46,340,408)	(1,729,059)	(19,176,553)	(15,270,974)	(421,665)	(85,822,697)
Net book values							
At 30 June 2014	39,287,968	98,946,761	1,814,094	21,955,764	19,883,073	193,659	182,081,229
At 30 June 2013	40,295,352	106,636,832	2,267,618	21,740,732	4,813,189	289,043	176,042,765

16. Biological Assets

Carrying amount at 1st July 2013
Increase due to purchases
Decrease due to sales
Carrying amount as at 30 June 2014

6,445,585.00
990,226.40
(260,000.00)
7,175,811.40

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

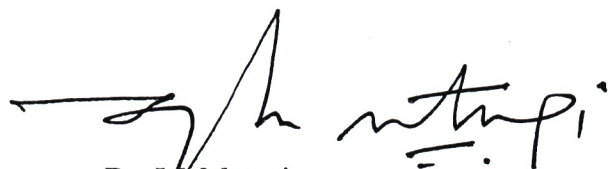
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Dr. Wekesa Nyongesa
Managing Director

Date 


Dr. J. Mutugi
Chairman of the Board

Date 29/9/2014



TOURISM FINANCE CORPORATION

Reports and Financial statements

For the year ended June 30,2014

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35. AUDITORS RENUMERATION

The Corporation's Financial Statements of the Corporation are audited by The Auditor General. The current applicable fees are accrued as at the end of each financial year and are invoiced and payable after the issuance of the Audit Certificate. They are currently based annually at KShs 406,000(KShs 350,000 plus 16% VAT KShs 56,000).

The VAT amount is recoverable as input VAT and offset against output VAT due.

The expenseable fees for current year KShs 350,000 have been netted against the input VAT of KShs 168,000 which was expensed in the previous three(3) financial years at KShs 56,000 each year to arrive at KShs 182,000.

The accrued amount for previous year was KShs 406,000 plus KShs 56,000 VAT omitted in the accrual for 2011/2012 financial year to total at KShs 462,000. The annual fees are as follows:

	2014	2013
	<u>KShs</u>	<u>KShs</u>
Auditors Remuneration	182,000	462,000
	<u>182,000</u>	<u>462,000</u>

36. BANK CHARGES

Currently the Corporation operates all its Bank Accounts at Kenya Commercial Bank Ltd along University Way in Nairobi. The total of the charges levied by the bank for current year compared to last year were as follows:

	2014	2013
	<u>KShs</u>	<u>KShs</u>
Bank Charges	391,166	251,695
	<u>391,166</u>	<u>251,695</u>

37. INSURANCES

These refer to the insurances for the corporation's buildings, motor vehicles and office equipment. The comparative amounts for the two years is as follows.

	2014	2013
	<u>KShs</u>	<u>KShs</u>
Insurances	1,740,960	1,528,047
	<u>1,740,960</u>	<u>1,528,047</u>

38. LEGAL, VALUATION & CONSULTANCY FEES

	2014	2013
	<u>KShs</u>	<u>KShs</u>
Legal Fees	5,065,135	4,405,364
Valuation Fees	1,430,089	1,948,880
Consultancy Fees	2,582,682	-
	<u>9,077,906</u>	<u>6,354,244</u>

Legal Fees

The Corporation involved its Legal Division to deal with most of its legal issues and contracted Lawyers' fees especially on Tenants and Loans are to be recovered from the clients. Legal fees are only expensed in exceptional cases where it was considered impossible to recover from the client or debtor. For current year, these legal costs were higher compared to previous year.

Valuation Fees

Valuation fees for current year were paid to Metrocosmo Ltd for valuing the Corporation's Moi Avenue Plot during the year(see note 3(A)(c)). Valuation Fees paid for previous year were for valuation of the Corporation's Mombasa Island plot.

Consultancy Fees

There were no Consultancy Fees expenses incurred during the previous 2012/2013 financial year. The main consultancy services for current year were from PKF Consulting Ltd for advice on the corporation's compliance with IFRSs and auctioneer services by Baseline Auctioneers with respect to sale of Lavington House the previous year.

39. RETIREMENT BENEFIT OBLIGATION

a) KTDC Staff Retirement Benefits Scheme

The Corporation operates a Defined Contribution Staff Retirement Benefits Scheme for its employees who are on Permanent & Pensionable Terms of Service. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions made by Employer at 15% and by Employee at 7.5% of Basic Salary. The Corporation's contributions to the scheme are charged to Statement of Comprehensive Income in the year in which they relate. All Employer and Employee contributions due for the current year 2013/2014 had fully been paid as at 30th June 2014.

b) KTDC Terminal Benefits Provision

The Corporation has provided in its Terms and Conditions of Service the payment of Terminal Benefits upon one's leaving. This is payable to eligible employees who serve a continuous term not less than two(2) years from the date of employment to date of leaving. Each employee earns twenty one(21) terminal leave days per every served year. The Benefits due for current staff as at 30th June 2014 based on their accumulated terminal leave days and also their Basic Salaries was KShs 43,216,648(2013: KShs 37,889,895) which reflects an increase of KShs 5,326,753 from the previous year. This increase is mainly because of the normal annual Salary increase to staff effected from 1st of July 2013 and also increase accumulated terminal leave days as at 30 June 2014 and also additional employees during the year. Employees who left within the year as shown in note 21, however, caused a slight reduction.