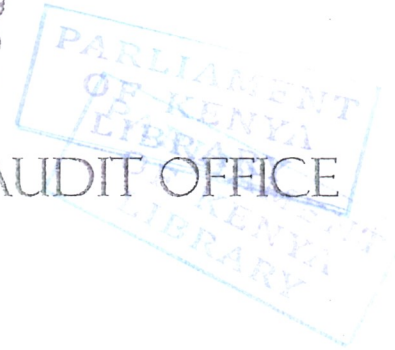


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL**

**ON**

**FINANCIAL STATEMENTS OF  
KENYA AGRICULTURAL  
RESEARCH INSTITUTE  
FOR THE YEAR ENDED  
30 JUNE 2009**

3 MAR 2010



PAPERS LAID No	
Speaker N. A.	Clerk Asses
D/Speaker	C. H Editor
Clerk N A	Reporters
D/Clerk	Library
P. C. A.	Press

# KENYA AGRICULTURAL RESEARCH INSTITUTE

## ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2009

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

**KENYA AGRICULTURAL RESEARCH INSTITUTE**  
**Accounts for the year ended 30 June 2009**

---

**CONTENTS**

DIRECTOR'S REPORT.....	PAGE 1- 2
STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES.....	PAGE 3- 3
RESEARCH PROGRAMMES ARCHIEVEMENTS.....	PAGE 4 -10
INCOME AND EXPENDITURE ACCOUNT .....	PAGE 11-12
BALANCE SHEET .....	PAGE 13 -13
STATEMENT OF CHNGES IN EQUITY.....	PAGE 14 -14
CASH FLOW STATEMENT.....	PAGE 15-15
NOTES TO THE ACCOUNTS .....	PAGE 16 -20
KARI CENTRES.....	PAGE 21 -21

## 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 2009

### 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 disseminates appropriate agricultural technologies in collaboration with stakeholders. In pursuit of this mission, KARI seeks to acquire and contribute knowledge and creative solutions that are participatory and client-oriented; holistic and system-oriented; gender-sensitive and affordable to its stakeholders.

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

### Board of Management

The current Board of Management comprises of:

#### (a) Appointed Members

- Dr. Jamleck J. M. Mutugi (Chairman)
- Prof. Mohamed S.Rajab
- Dr Eliud Kiplimo Kireger
- Dr. Robert Arunga
- Prof. Karwitha Kiugu
- Prof. Esther M. Kahang'i
- Prof. Silvery B Buluma Oteng'i
- Dr. E. A. Mukisira (Secretary)

#### (b) Ex-Officio Members

##### Ministry of Agriculture

- Permanent Secretary

##### Ministry of Finance

- Permanent Secretary

##### Ministry of Environment and Mineral Resources

- Permanent Secretary

##### Ministry of Livestock and Fisheries Development

- Permanent Secretary

##### Office of the President

- Inspectorate of State Corporations

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

**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**

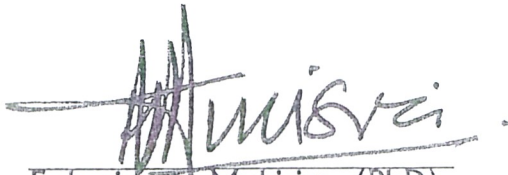
- KARI legal Office

**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

28/09/09  
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:

ROAUNGA

Director:

MWIGIZI

Date:

28/09/09

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### RESEARCH PROGRAMMES ACHIEVEMENTS 2008/2009

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-I, 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 Freemony 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)

## KENYA AGRICULTURAL RESEARCH INSTITUTE

- 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
- 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:

- An additional 7 forage suitability maps developed bringing the total to 16
- An indigenous birds breeding flock with 200 birds established and bio-security in the poultry unit in Naivasha improved
- Approximately 500,000 improved Napier grass cuttings availed to farmers in areas affected by Napier headsmut disease
- 83 Farmer training workshops held and a total of 14 animal production technologies disseminated
- 70 On-farm demonstrations held
- 14 Farmer field schools completed
- 6 animal breeding guidelines released
- 7 animal nutrition packages developed
- 2000 breeding animals availed to farmers
- 14 technical publications developed
- 65 papers presented in scientific conferences and 12 journal papers published

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### 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:

- The certification process of Animal Health diagnostic services laboratories at Muguga continued.
- Over 5,000 animal samples from Kenya and surrounding countries were processed at the Muguga regional laboratory.
- Preparation of annual workplans and budgets was accomplished.
- Work on commercialization of the CCPP penside diagnostic kit was completed and equipment is being procured for mass production.
- Negotiations with USDA-ARS were initiated on secured funding for the development of a new Rift valley fever vaccine
- An MoU was signed with RDA of the Republic of Korea for collaborative activities with KARI
- A stakeholder workshop on the commercialization of ECf vaccine was conducted in Nyeri.
- Divisional staff members participated in policy meetings on the national livestock policy
- Maintenance of mass rearing at TRC continued and a colony of over 25,000 female flies was achieved.
- Over 10 refereed papers were published while 20 were published in conference proceedings.
- Four dissemination messages were also produced for extension purposes.

### 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 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.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### Adaptive research Programme

The main programme thrust was promotion of technology adoption through stakeholders participatory for a both in the field and through meetings and workshops. Main achievements included:

- Holding of twelve (12) research priority setting fora that included 6 Pre-CRACs and 6 CRACs.
- Various stakeholders workshops across Adaptive research centres.
- Facilitated the holding of six (6) Field days in 6 Kari centres.
- Facilitated the conduction of Farmers Field Schools. Facilitated the conduction of adaptive on-farms trials and demonstrations.
- Facilitated the holding of farmers training workshops in the Adaptive research centres.
- Coordinated the process of materials packaging workshops in the Institute.
- Coordinated the production of 76 brochures through the materials of workshops.
- Participated in the process of the Institutes Strategic Plan Formulation and Implementation Framework thereof.
- Participated in various policy meetings.
- Actively participated in Management Meetings that guide the Adaptive Research Programme Implementation.

### 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.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

### 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

### Agricultural Research Investment Services (ARIS)

The ARIS was commercialization activities during the financial year 2008/09 were carried out at KARI Oljoro orok, Kiboko, Mariakani, Msabaha Molo, Kakamega, Kitale and Buchuma. The FY started fairly well with normal weather conditions, but the final part of the FY was characterized by poor weather (Low rainfall) conditions, which is continuing into the current financial year with some devastating consequences in productivity. The main achievements were:

**KARI Oljoro orok**, is still the leading commercial centre engaged in production of wheat, dairy cattle, wool sheep, HAC Maize, Seed potatoes, cabbages a number of fodder crops like napier, sorghum and oats

- A total of about 1700 bags of wheat were harvested from 135 acres of land, 5400 bales of wheat straw, 117 bags of oat grain, 220 bags of maize, 90 tons of silage.
- The dairy enterprise achievements include a herd size of 32 milking cows with an average milk production of 8 litres per cow per day, 15 in-calf heifers' and 10 weaner heifers. The dairy enterprise generated a total income of KES 1,156,171 mainly from sales of milk.
- The overall revenue generation achieved at the centre for the FY was KES 8,768,414.
- **KARI Kiboko ranch** continued with the beef cattle and goats production enterprise and the following achievements were made. A total herd of 1053 beef cattle and 386 galla goats were maintained at the ranch and sales worth KES 3,269,062.10 realized during the financial year.
- **KARI Msabaha** commercial activities included seedlings production of mango, citrus, cashew nuts and agro forestry trees.
- In the dairy enterprise the dairy herd size has increased from 24 animals in 2006 to 48 at the moment. Milk production has also increased to an average of 100 to 150ltrs per day from a herd of 15 lactating cows.
- The Cassava enterprise has contributed immensely to increased revenue generation through sale of cassava planting material to the orphan crop programme and other NGO's. Approximately 40,000 to 60,000 cassava cuttings are harvested annually and in addition cassava tubers have also provided us with additional revenue to this enterprise.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

- The centre also sold about 5000 Mango, Citrus, Cashew and Agro forestry seedlings within our nursery, which generate an income of slightly over KES 500,000.
- The Mango orchard that was planted 3 years ago has started flowering and very soon we shall sell high quality fruits in the market since the varieties in the orchard are the Florida type. The centre generated a total income of KES 2.303 million, which is a major achievement in the last few years compared to about KES 0.5 million before commercialization.

**KARI Buchuma** just like Kiboko ranch specializes in production of beef cattle and the main achievement during the period include;

- The beef cattle herd was maintained and grew from about 390 to 450 heads.
- The centre generated an income of KES 838,592.5 against a target of KES 800,000 and last year's KES 719,000.
- In the final part of the financial year however considerable challenges have been experienced due to the ongoing national drought conditions, which will have an adversely effect in the future.

**KARI Mariakani** specializes in commercialization of dual purpose Sahiwalx ayrshire cross caross cattle and alos production of Rhodes garss (ex-tozi variety). In the financial year 2009-09 the following achievements were made.

- The centre bush cleared, ploughed and established an additional 100 Acres of Ex-tozi Rhodes grass land and made 2,000 bales of hay valued at Kshs.240,000 from the earlier established 45 acres and produced 225kgs of Rhodes grass seeds valued at Kshs. 67,500.
- The dual purpose cattle herd produced 36,662kgs of milk valued at Kshs.1,099,860.00, while 18 steers and 8 cull cows all valued at Kshs 624,180 were sold.
- Revenue generation has also been enhanced after rehabilitation of five staff houses, which are now generating an monthly income of Kshs 38,000.
- The total revenue generation in the financial year was Kshs 1.37 million a 293% increase over the previous year 0.466 million.

**KARI Kitale, Molo and Kakamega** came into ARIS programme of activities later in the financial year and each made the following achievements;

- KARI Molo started production of Malting barley seed with Kenya Maltings Ltd on 100 acres of land at Maridas.
- KARI Kakamega started production of tissue culture bananas on a commercial bass, a process that is ongoing.
- KARI Kitale started production of Rhodes pasture for seed and hay.

### **KARI Seed Unit (KSU)**

The mandate of KSU is to produce, clean, package and market seed of various classes and to ordinate 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.

## KENYA AGRICULTURAL RESEARCH INSTITUTE

- 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)
  - 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 2009

I have audited the accompanying financial statements of Kenya Agricultural Research Institute set out at pages 11 to 20 which comprise the Balance Sheet as at 30 June 2009, the Income and Expenditure Account, the Statement of Changes in Capital Funds and Reserves and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information 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.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **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 the Management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

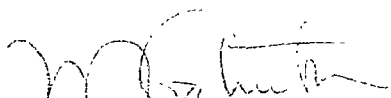
### 1. Property, Plant and Equipment

- (i) As previously reported, the Institute has so far managed to obtain title documents for thirty four (34) parcels of land out of the eighty four (84) it has been vested with. The land without documents includes land L.R. No. 5212 allocated to a private developer, even though the Institute holds an allotment letter for it. Further, a substantial acreage of the Institute's land at Manera and Olmagogo farms in Naivasha as well as the entire quarantine area along the Naivasha –Mai Mahiu Road, was illegally acquired by private developers in year 2000.
- (ii) Further, another piece of land in Katumani Centre measuring approximately 100 ha has been occupied by private developers since year 2000.
- (iii) The Property, Plant and Equipment net book value of Kshs.7,467,005,000 as at 30 June 2009 is overstated by a figure of Kshs.81,650,080, representing the value of buildings and site works transferred to Kenya Plant Health Inspectorate Service in 1998.

In the circumstances, it has not been possible to confirm that the carrying value of Property, Plant and Equipment value of Kshs.7,467,005,00 is fairly stated in the Balance Sheet as at 30 June 2009.

## Opinion

Except for the foregoing reservation, in my opinion, the financial statements present fairly, in all material respects, the financial position of the Institute as at 30 June 2009, and its financial performance and its 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 the Laws of Kenya.



**A. S. M. Gatumbu**

**CONTROLLER AND AUDITOR GENERAL**

Nairobi

15 March 2010

KENYA AGRICULTURAL RESEARCH INSTITUTE

Income and Expenditure Account - Year Ended 30 June 2009

		2009	2008
	Notes	Ksh '000	Ksh '000
<b>Income</b>			
<b>AIA</b>	2(a)		
Goods		68,971	264,011
Services		7,661	6,056
Interest Received	2(b)	15,740	10,456
Other receipts	2(c)	123,944	184,086
<b>Recurrent Funds</b>	3(a)		
Personal Emoluments		1,718,167	1,614,000
Operational		36,000	36,000
<b>Development Funds</b>	3(b)		
GoK		104,081	320,293
IDA		124,459	956,414
Other donors		311,439	341,322
<b>Total Income</b>		<b>2,510,462</b>	<b>3,732,638</b>
<b>Expenditure</b>	4	<b>3,289,475</b>	<b>3,262,560</b>
<b>Surplus / (Deficit)</b>		<b>(779,012)</b>	<b>470,078</b>

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

**Income and Expenditure Account Cont.**

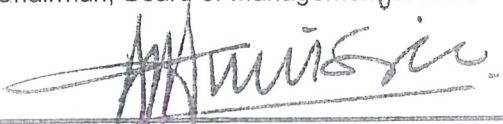
Expenditure	Notes	2009	2008
	4	Ksh'000	Ksh'000
Personnel Emoluments		1,186,138	1,086,473
Casual Wages		92,092	90,775
Gratuity and Pension Contribution		231,642	211,324
House Allowance		277,010	286,942
Other Personal Allowances		21,458	26,870
Medical Allowance		37,975	39,554
Passage and Leave Expenses		8,162	11,214
Medical Expenses		6,129	5,317
Transport Operating Expenses		121,153	117,014
Traveling and Accommodation		196,358	198,314
External Travel and Accommodation		8,758	11,782
Postage and Telegram Expenses		2,043	2,339
Telephone Expenses		18,178	19,346
Official Entertainment		3,670	2,344
Cost of Conferences and Seminars		93,541	57,311
Boards Expenses		13,977	-
Electricity, Water and Conservancy		61,819	48,570
Purchase of Supplies for Production		46,814	111,033
Purchase of Experimental Animals		1,960	2,245
Farm Development		58,782	43,228
Fungicides, Insecticides and Sprays		8,009	10,125
Purchase of Laboratory Stores		40,861	29,902
Purchase of Food and rations		18,595	10,446
Publishing and Printing Expenses		8,986	6,959
Purchase of Uniforms and Clothing		2,660	455
Library Expenses		1,762	934
Purchase of Stationery		19,229	20,183
Advertising and Publicity		9,137	8,312
Show Expenses		5,704	7,822
Payment of Rents and Residential Rates		2,162	1,821
Contracted Professional Services		115,771	130,239
Computer Charges		14,252	16,702
Hire of Transport, Plant and Machinery		4,741	4,979
Insurance of Property		16,394	2,163
Group Personal Insurance		14,684	
Hire of Security Services		22,061	19,245
Miscellaneous and Other Charges		19,863	27,782
Vehicles, Insurance and Road Tax		1,354	10,873
Fees, Commission and legal dues		20,970	19,523
Training		42,659	33,640
Compensation and Ex-gratia Payment		225	97
Maintenance of Plant, Machinery and Equipment		10,191	11,499
Maintenance of Buildings/Stations		39,532	29,275
Minor Alterations and Maintenance		895	438
Farmer Grants		82,938	201,263
<b>Total</b>		<b>3,011,298</b>	<b>2,976,671</b>
Provision for Depreciation		278,177	285,889
<b>Grand Total</b>		<b>3,289,475</b>	<b>3,262,560</b>
<b>Excess of Expenditure over Income</b>		<b>(779,012)</b>	<b>470,078</b>

KENYA AGRICULTURAL RESEARCH INSTITUTE

Balance Sheet As At 30 June 2009

		2009	2008
	Notes	Ksh' 000	Ksh' 000
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	7,467,005	8,117,915
Investments		409	409
<b>Current Assets</b>			
Cash and bank	6 (a)	401,627	1,071,960
Deposits	6 (b)	175,023	198,938
Debtors	7	133,455	279,547
Prepayments		-	6,207
Stock	8	122,835	271,625
Grants receivable	9	157,307	7,306
<b>Total current assets</b>		<b>990,247</b>	<b>1,835,522</b>
<b>Total Assets</b>		<b>8,457,661</b>	<b>9,953,907</b>
<b>Current Liabilities</b>			
Overdraft		99,538	65
Trade and Other Payables	10	358,527	469,096
		<b>458,065</b>	<b>469,161</b>
<b>Total Current liabilities</b>			
<b>Net Current Assets</b>		<b>532,182</b>	<b>1,366,422</b>
<b>Non-Current Liability</b>			
<b>Net Assets</b>		<b>7,999,596</b>	<b>9,484,746</b>
<b>Represented By</b>			
General Reserve	11	813,527	1,842,015
Capital Fund	12	2,529,274	2,985,936
Revaluation Reserve	13	4,656,795	4,656,795
<b>Totals</b>		<b>7,999,596</b>	<b>9,484,746</b>

  
 Chairman, Board of Management of KARI

  
 Director, KARI

28/09/09  
 /Date

28/09/09  
 /Date

KENYA AGRICULTURAL RESEARCH INSTITUTE

Statement of Changes in Capital Funds and Reserves For the Year Ended 30<sup>th</sup> June 2009

	Capital Fund	Revaluation Reserve	General Reserve	Totals
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Balance B/F: 01/07/2008	2,345,859	4,656,794	1,591,239	8,593,892
Adjustment	6,147		1301	7,448
Additions	177,268		(779,012)	(601,744)
Balance C/F: 30/06/2009	2,529,274	4,656,794	813,528	7,999,596
Statement as at 30 <sup>th</sup> June 2008				
Balance B/F: 01/07/2007	2,950,570	4,656,795	1,365,318	8,972,683
Adjustment			6,619	6,619
Additions	35,366		470,078	505,444
Balance C/F: 30/06/2008	2,985,936	4,656,795	1,842,015	9,484,746

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

**Cash Flow Statement for the Year Ended 30<sup>th</sup> June 2009**

	Notes	2009 Ksh' 000	2008 Ksh' 000
<b>Cash Flow From Operating Activities</b>			
Surplus for the year		(779,012)	470,078
Adjustment for items not involving movement of cash:			
Depreciation on Assets		278,177	285,889
Prior year adjustments:		7,448	6,619
Surplus on sale of fixed assets			(3,555)
<b>Cash flow from operating activities before increase/decrease in working capital</b>		<b>(493,387)</b>	<b>759,031</b>
<b>Working Capital</b>			
(Increase)/Decrease in Stocks		49,655	(70,256)
(Increase)/Decrease in Debtors		62,612	(5,854)
Increase/ Decrease in Grants Receivable		(150,000)	118,042
(Increase)/Decrease in Prepayments		-	3,334
Increase/Decrease in Creditors		(94,797)	(96,580)
<b>Cash flow from operating activities</b>		<b>(625,917)</b>	<b>707,717</b>
<b>Investment Activities</b>			
Purchase of fixed Assets		(183,416)	170,953
Adjustment for Disposed Assets		-	7,370
<b>Cash flow Before Financing Activities</b>		<b>(809,333)</b>	<b>544,134</b>
<b>Financing Activities</b>			
Capital grant		177,268	35,365
<b>Increase in Cash and Cash equivalent for the year</b>		<b>(632,065)</b>	<b>579,499</b>
<b>Cash &amp; Cash Equivalent at the Beginning of the year</b>		<b>1,109,177</b>	<b>691,334</b>
<b>Cash &amp; Cash Equivalent at the End of the year</b>		<b>477,112</b>	<b>1,270,833</b>

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDEND 30<sup>TH</sup> JUNE 2009

**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.

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDEND 30<sup>TH</sup> JUNE 2009

**(c) Other Receipts**

These include proceeds from sale of tender documents.

**3. Grants**

**(a) Recurrent Grants**

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

**(b) Development Grants**

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

**4. Recurrent and Development Expenditure**

The expenditure is financed by both recurrent and development funds.

**5. Property, Plant and Equipment**

**Fixed Assets Schedule as At 30<sup>th</sup> June 2009**

	Land	Buildings	W I P	Motor Vehicles	Plant and Machinery	Office Equip.	Furniture and 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 / 7 / 08	4,285,110	2,686,602	107,755	428,060	110,214	218,953	76,580	410,827	14,134	8,338,234
Disposals										
Addition/ Transfer for the period		191,939	(61,540)	10,456	6,390	17,584	10,272	7,900	413	183,416
Totals	4,285,110	2,878,541	46,216	438,516	116,604	236,537	86,852	418,727	14,545	8,521,649
Accumulated Depreciation	-	155,232	-	318,700	38,867	77,336	27,344	148,387	10,601	776,467
Acc Depr W/OFF										
Charge for the period	-	57,570	-	109,629	14,575	29,567	10,856	52,341	3,637	278,177
Accumulated Depreciation		212,803	-	428,329	53,442	106,903	38,201	200,728	14,237	1,054,644
Net Book Value (NBV) at 30/06/09	4,285,110	2,665,737	46,216	10,187	63,163	129,633	48,651	217,999	310	7,467,005
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

## 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.

	2009	2008
	Ksh'000	Ksh'000
Bank Balance	401,627	1,071,960
Cash in Transit	-	-
<b>Total</b>	<b>401,627</b>	<b>1,071,960</b>

### 6. (b) Deposits

	2009	2008
	Ksh'000	Ksh'000
Deposits held on call	153,624	196,853
Deposits	21,399	2,085
<b>Total</b>	<b>175,023</b>	<b>198,938</b>

### 7. Debtors

	2009	2008
	Ksh'000	Ksh'000
Trade debtors	17,602	101,173
Imprests	76,743	140,194
Other debtors	4,410	4,407
Salary advances	1,413	1,444
Provision for Bad Debts	-	(958)
Kenya Seed	33,287	33,287
<b>Total</b>	<b>133,455</b>	<b>279,547</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 2009 of Kshs.122.8 million. Stocks are stated at the lower of cost or net realizable value.

### 9. Grants Receivables

	2009	2008
	Ksh'000	Ksh'000
Receivables	157,307	7,307
<b>Total</b>	<b>157,307</b>	<b>7,307</b>

Grants receivable are expected to be received in the financial year 2009/2010.

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

**10. Creditors**

	2009	2008
	KSh '000	Ksh '000
(a) Overdraft	99,538	65
(b) Trade Creditors		
Trade Creditors	245,051	233,738
(c) Other Creditors		
Statutory deductions	73,849	181,524
Service charge	16,195	16,195
Insurance	709	-
Returned salary	887	824
Accruals	9,180	6,175
Other creditors	12,656	30,636
<b>Sub Total</b>	<b>113,476</b>	<b>235,354</b>
<b>Total Creditors</b>	<b>358,527</b>	<b>469,161</b>

Trade creditors represent amount owing to suppliers for goods and services rendered. Other creditors represent payroll deductions outstanding as at 30 June 2009 as per the Table above.

**11. General Reserve**

	2009	2008
	Ksh'000	Ksh'000
Balance Brought Forward	1,591,239	1,365,318
Adjustment	1,301	6,619
Deficit for the year	<b>(779,012)</b>	<b>470,078</b>
Balance Carried Forward	<b>813,528</b>	<b>1,842,015</b>

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

**12. Capital Funds**

	2009	2008
	Ksh'000	Ksh'000
Capital Funds Brought Forward 1 <sup>st</sup> July	2,345,859	2,950,571
Adjustments	6,147	
Capital funds during the year.	177,268	35,365
Balance Carried Forward	<b>2,529,274</b>	<b>2,985,936</b>

This represents revenue of capital nature, and revaluation surplus on non current assets. Prior year adjustment of KES 6.1 million was un-captured direct payments for asset for financial year 2007/8 captured in this financial year 2008/9

**KENYA AGRICULTURAL RESEARCH INSTITUTE**

**13. Revaluation Reserves**

	2009	2008
	Ksh'000	Ksh'000
Revaluation Reserves Brought Forward 1 <sup>st</sup> July	4,656,795	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.

**14. The Financial Statements and Schedules Accompanying the Accounts for the Financial**

The Financial Statements and Schedules accompanying the accounts for the financial year 2008/2009 excludes Asset for KEVEVAPI amounting to KES 890 million which is no Longer KARI Center. However the Comparative Columns for the Financial Year 2007/2008 includes KEVEVAPI Asset.

The opening balances used in preparation of KARI's Financial Statement are for KARI only.

## 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

#### **Ol Joro Orok**

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

#### **Perkerra**

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

#### **Thika**

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

#### **Tigoni**

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

#### **Transmara**

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

#### **Muguga**

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