

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

PARLIAMENT
OF KENYA
LIBRARY

Paper laid
By Hon. A. Suka (Com)
On Thurs. 20.08.2015 (Pm)
Mmmmm

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA INDUSTRIAL RESEARCH AND
DEVELOPMENT INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2014**

2

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



KIRDI

Your Industrial Technology Partner...



KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

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)



KIRDI

Your Industrial Technology Partner...



Table of Content	Page
I. KEY INSTITUTE INFORMATION AND MANAGEMENT.....	1
II. THE BOARD OF DIRECTORS.....	5
MANAGEMENT TEAM.....	10
III. CHAIRMAN'S STATEMENT.....	13
IV. REPORT OF THE DIRECTORS.....	22
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	23
V. REPORT OF THE INDEPENDENT AUDITORS ON THE INSTITUTE.....	25
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2014....	27
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014.....	28
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2014.....	30
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014.....	34
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014.....	35
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014.....	36

NAMES AND ACRONYMS

OTA	Coffee Ochratoxin A project funded by European Union
UNIDO	United nations Industrial development Organization
KAPP	Kenya Agricultural productivity project of KARI
IFS	International Foundation for science
WIFIP	Development of fertilizer from water hyacinth in lake region Project
ATPS	Africa Technology policy studies Network
ADB	Africa Development Bank
DANIDA	Danish Industrial development agency
MOIED	Ministry of industrialization and enterprise development
G.O.K	Government of Kenya
R & D	Research and Development



KIRDI

Your Industrial Technology Partner...

KENYA



I. KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Industrial Research and Development Institute (KIRDI) is a statutory research organization established under the Science and Technology Act Cap 250, 1979 (now repealed and replaced by the Science, Technology and Innovation Act 2013). KIRDI is the country's principal national institution responsible for industrial research and development. It falls under the Ministry of Industrialization and Enterprise Development. The Institute is domiciled in Kenya. KIRDI is mandated to carry out Research and Development in industrial and allied technologies including, Civil Engineering, Mechanical Engineering, Textile Technology, Electrical Engineering, Mining, Power Resources, Chemical Engineering, Industrial Chemistry, Food Technology, Ceramics, Information and Communications Technologies (ICT) and Clay Technology. The Institute's mission is to undertake Industrial Research, Technology and Innovation and disseminate findings that will have a positive impact on national development and its vision is to be a centre of Excellence in Industrial Research, Technology & Innovation

(b) Principal Activities

The principal activity of the Institute is to undertake Industrial Research Technology and Innovation and disseminate findings that will have a positive impact on the national development.

(c) Key Management

The Institute's day-to-day management is under the following key organs:

- The Office of Director and Chief Executive Officer;
- Research Technology and Innovation Department
- Finance and Administration Department
- KIRDI Enterprise Services Department
- Corporate Services Department

(d) Fiduciary Management

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



KIRDI

Your Industrial Technology Partner...

KENYA



S.N	Designation	Name
1	Director , Chief Executive Officer	Dr. M.C.Z Moturi
2	Deputy Director, Research Technology And Innovation	Dr. Kenneth Chelule
3	Ag. Head KIRDI Enterprise Services & Chief Research Scientist	Dr. Moses Makayoto (OGW)
4	Deputy Director - Corporate Services	Mr. James Nyagah
5	Assistant Director- Finance	Ms. Floice Mukabana
6	Assistant Director - Human Resource and Administration	Mr. Jairus Ombui
7	Principal Internal Auditor	Mr. John Kahura

(e) Fiduciary Oversight Arrangements

The Board works through various sub-committees which include; The research technology and innovation committee, Finance Committee, Audit Committee, Human Resources and Administration Committee and Management Committee.

Research Technology and innovation Committee

This committee consisted of six members. The committee was chaired by Prof. W. Kogi Makau. It had a responsibility to oversee the institutes research project plans, Technology and Research. It also reviews projects proposals. Other members of the committee include Prof. Jacob Midiwo, Dr. David Njubi, Prof Micheal Lokoruka, Ms. Muya, and Dr. M.C.Z. Moturi.

The committee held regular meetings during the year.

Finance committee

This committee consisted of six members. The committee was chaired by David Githendu. This Committee had oversight on all financial issues including budgets, financial reporting process and controls, and procurement. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for recommendation to the Board. Other members of the committee include Prof. Tuikong Serem, Mr. Elema Isako Fila, Mr. David Gichuhi, Mrs. Margaret Onyimbo and Ms. Nancy Muya. The committee held regular meetings during the year.

Audit Committee

This committee consisted of eight members. The committee was chaired by Mr. John Migiro. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of the financial statements. Other members of the committee include Prof. Kogi-Makau, Mr. David Gichuhi, Ms. Margaret Onyimbo, and Ms. Nancy Muya.



KIRDI

Your Industrial Technology Partner...

KENYA



The committee held regular meetings during the year.

Human Resources and Administration Committee

This committee consisted of nine members. The committee was chaired by Prof. Tuikong Serem. It was responsible for human resource matters including recruitment, succession management, monitoring and appraising the performance of senior management, including the Managing Director, review of the HR policies, review of general administrative and procurement policies and oversight of corporate communication policies. Other members of the Committee of the committee include Prof. Jacob Midiwo, Mr. John Migiro, Elema Isako Fila, David Githendu, David Gichuhi, Prof. Micheal Lokuruka, Ms. Nancy Muya and Dr. M. C. Z Moturi. The committee held regular meetings during the year.

Management Committee

The Management Committee is the link between the Board and management. The committee assists the Managing Director in giving overall direction to the institute. The Committee is responsible for the implementation of operational plans and the annual budgets. It is also responsible for the periodic review of operations, strategic plans, proposals, identification and management of key risk and opportunities. The Committee also reviews and approves guidelines for employees' remuneration.

(f) Institute's Headquarters

P.O. Box 30650 00200
KIRDI South C Campus
Popo Road, off Mombasa Rd
NAIROBI, KENYA

(g) Institute's Contacts

Telephone: (254) (020) 6000011
E-mail: dir@kirdi.go.ke
Website: www.go.ke

(h) Institute 's Bankers

1. National Bank of Kenya
Harambee Avenue
NAIROBI
2. Barclays Bank of Kenya
N I C Branch
NAIROBI



KIRDI

Your Industrial Technology Partner...

KENYA

VISION 2030

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

(j) Principal Legal Adviser

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

Guserwa and Co. Advocates
P. O. Box 8384 - 00200,
NAIROBI

Maangi Kitonga & Co Advocates
P. O. Box 41880 - 00100,
NAIROBI



KIRDI



Your Industrial Technology Partner...

KENYA

VISION

2030

II. THE BOARD OF DIRECTORS

DIRECTOR	PROFILE
 <p>Eng. Dr Siphila Wanjiku Mumenya (57) Chairperson of the Board of Directors</p>	<p>Eng. Dr. Mumenya holds PhD (Civil Eng.) from the University of Cape Town, MSc. (Civil Eng. Structures) from the City University, London and BSc. Civil Eng. Hons) from the University of Nairobi. She has more than 30 years of experience in mentorship, administration, management and leadership in the field of civil engineering, in the public and private sector. She has more than 20 years of experience in research, consultancy and university teaching and has managed a wide range of civil engineering projects. She has published several articles in international journals and is currently Senior Lecturer, Department of Civil and Construction Engineering, University of Nairobi.</p>
 <p>Prof. Tuikong D. K. Serem, OGW (63) Member of the Board of Directors</p>	<p>Prof. Serem holds a Ed.D degree from the University of Wyoming, U.S.A, M.A in Education Administration and B. A. in Social Studies and Education. He has had a long career in University Education, Administration and Management and has previously served as Principal and Deputy Vice Chancellor (Maseno University) and Principal and Ag. Vice Chancellor (Maasai Mara University), among others. Prof. Serem is a Charter member of the East African Chapter of the Association of Third World Studies (ATWS), and is currently a Professor of Education, at Moi University.</p>



KIRDI

Your Industrial Technology Partner...

KENYA

WISDOM

2030



Prof. Michael Lokuruka (59)
Member of the Board of
Directors.

Prof. Lokuruka holds Ph.D (Food Science) degree from Cornell University, USA and MSc (Food Science) from the University of Reading, UK. He has several years of experience in research and university teaching and has published several articles in refereed journals. He is an Associate Professor of Food Science at Karatina University and a professional member and honorary secretary, Kenya Institute of Food Science and Technology. Prof. Lokuruka currently serves as a Commissioner of the Public Service Commission of Kenya.



Mr. Elema Isako Fila (53)
Member of the Board of
Directors.

Mr. Fila holds BSc (Hons) degree in Applied & Environmental Geology, and a Certificate in water supply technology. He has had several years of experience in public and private sector in the areas of water resource management and oil & gas exploration. He is currently the Country Community Relation Coordinator at Tullow Kenya B.V., and Community Development Consultant (Africa Oil Kenya Ltd.) on oil exploration in Northern Kenya.



Mr. John M. Migiro (67)
Member of the Board of
Directors.

Mr. Migiro holds a M.Ed (Administration) degree from Queen's University, Kingston, Ontario, Canada, M.A. (Curriculum Development) and B.Ed. from University of Nairobi. He has more than 30 years of experience in education and private sector, offering expertise in strategy development, capacity building, monitoring and evaluation and business management skills, among others. He is a member of the Association of African Public Administrators and Managers (AAPAM), Institute of Management Consultancy and an Associate Consultant (on need basis) at Federation of Kenya Employers (FKE). Mr Migiro is currently the Director and Principal Managing Consultant, Likia Consulting Ltd.



KIRDI

Your Industrial Technology Partner...

KENYA

VISION



Prof. Wambui Kogi-Makau (62)
Member of the Board of Directors.

Prof. Kogi-Makau holds a PhD (Human Nutrition) from the University of London, M.Sc. (Community Health) and B.Ed. from University of Nairobi. She has more than 30 years of professional experience in the fields of human nutrition and social development. She has mentored, supervised, and undertaken administrative, management and leadership assignments while in the service of the University of Nairobi. She has several years of experience in research and university teaching and has published several articles in international journals. Prof. Kogi-Makau is currently an Associate Professor, Department of Food Technology and Nutrition, University of Nairobi.



Prof. Jacob Ogweni Midiwo (61)
Member of the Board of Directors.

Prof. Midiwo has a PhD in Organic Chemistry from the University of Maryland, USA and B.Sc (Hons) in Chemistry from University of Nairobi. He has more than 30 years of experience in research, university teaching and management, and has published several articles in international journals. He is a Member of the Kenya Chemical Society and has received several international awards for his contribution to innovative research and development. Prof Midiwo is currently a Professor of Chemistry at the University of Nairobi.



Mr. David M. Githendu (44)
Member of the Board of Directors.

Mr. Githendu holds MBA (Operations Management) and BSc, (Hons) Civil Eng. from the University of Nairobi. He has held various senior management positions in various organizations and he is currently the Regional Manager Grundfos Pumps, where he is involved in business development and establishment of distributors and service partners in East, West and Central Africa. He is a member of the Institute of Engineers of Kenya (IEK) and the Marketing Society of Kenya (MSK).



KIRDI

Your Industrial Technology Partner...

KENYA



Ms Nancy Muya (52)
Alternate Member of the Board
of Directors.

Ms. Muya holds BSc (Maths/Chem) degree from Kenyatta University and is pursuing MSc (Entrepreneurship) degree at Jomo Kenyatta University of Agriculture and Technology. She has over 20 years of experience in civil service, offering her expertise in industrial development both at the Ministry and in the field. She has undergone several short term training programmes in industrial development, management and leadership, locally, internationally and has served in various boards. She is currently serving as Senior Assistant Director, Ministry of Industrialization and Enterprise Development.



Dr.

David Njubi (50)
Alternate Member of the Board
of Directors.

Dr. Njubi holds Ph.D. (Animal Science, MSc (Animal Breeding Genetics), MSc in Information Systems and BSc in Agriculture) from the University of Nairobi. He has several years of experience in research and development activities supporting sustainable smallholder programmes. He has previously worked for various organizations including; ILRI, ILCA, KARI and has authored and co-authored several research papers relevant to national development.

Dr. Njubi currently serves as Principal Science Secretary at the National Council of Science Technology and Innovation (NACOSTI).



Mrs. M. Onyimbo (58)
Alternate Member of the Board
of Directors.

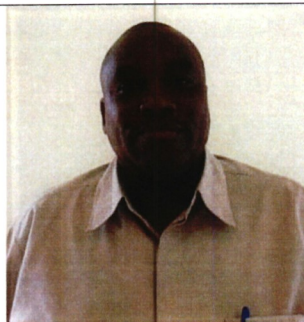
Mrs Onyimbo, holds a B.A. (Sociol. and Govern.) degree from the University of Nairobi and has undertaken various administrative, management and leadership courses. She has vast experience in management and administration and project coordination and has served in boards of various public institutions. She is currently a Senior Deputy Secretary, at The National Treasury.



KIRDI

Your Industrial Technology Partner...

KENYA



Mr.

David Gichuhi (54)
Alternate Member of the Board
of Directors.

David M. Gichuhi holds a B.Ed (Hons) degree in mathematics and Business Studies from University of Nairobi and Executive Master of Business Administration. He has undertaken Courses in Corporate Governance, Finance, Strategic Leadership Development and Project Development and Management. He has several years of experience in public sector on corporate governance matters and has represented the Inspector General (Corporations) in Boards of various public organizations. He currently serves as Senior Assistant Inspector General (Corporations).



Dr. M.C.Z. Moturi (61)
Director / Secretary to the
Board

Dr. Moturi holds PhD degree (Environ. Sc), from Jawaharlal Nehru University, MSc (Chemistry) from Queen's University, Kingston, Ontario, Canada and BSc (Hons) Chemistry, from the Polytechnic of North London, UK. He has more than 30 years of experience in public service and has held various senior positions in research, technology and innovations programmes. He has served in various government task forces responsible for developing specialized policies and in the Boards of; Kenya Industrial Property Institute (KIPI) as Chairman of the HR Committee; COMESA- Leather and Leather Products Institute (COMSEA-LLPI, Addis Ababa) as Director and Chairman of the Board and Member of the Board (representing E. Africa) in the World Association of Industrial and Technological Research Organizations (WAITRO). He is currently the Director/CEO of the Kenya Industrial Research and Development Institute (KIRDI).




KIRDI

Your Industrial Technology Partner...

KENYA



MANAGEMENT TEAM

MEMBER	PROFILE
 <p>Dr. M. Charles Moturi Director / Secretary to the Board</p>	<p>DR. M. CHARLES MOTURI (61) holds PhD degree (Environ. Sc), from Jawaharlal Nehru University, MSc (Chemistry) from Queen’s University, Kingston, Ontario, Canada and BSc (Hons) Chemistry, from the Polytechnic of North London, UK. He has more than 30 years of experience in public service and has held various senior positions in research, technology and innovations programmes.</p>
 <p>Dr. Kenneth Chelule Deputy Director Research Technology and Innovation</p>	<p>DR. KENNETH CHELULE (44) holds B.Ed (Tech) from Moi University, MSc (CAE) and PhD (Mechanical Engineering/Bioengineering) from Staffordshire University, UK. He has over 10 years’ international experience in Product Development (R&D), Product Certification (CE Marking) and Product Commercialisation. He is a Member of the International Society for Biomechanics (ISB).</p>
 <p>Dr. Moses Makayoto (OGW) Chief Research Scientist/ Ag. Head KIRDI Enterprise Services</p>	<p>DR. MOSES MAKAYOTO (61) is a holder of PhD degree in Chemical Engineering from the Norwegian University of Science and Technology, MSc degree, Chemical Engineering, Dar-Es-Salaam University, Tanzania, and a BSc (Hons), Chemistry, University of Nairobi. He is a Chartered Chemical Engineer and Fellow of the Institution of Chemical Engineers, United Kingdom. He has over 30 years’ experience in research, academia, policy and management in the areas in Chemical Engineering and Biotechnology</p>



KIRDI

Your Industrial Technology Partner...

KENYA



Mr James Nyagah
Deputy Director Corporate Services

MR. JAMES NYAGAH (60) holds a bachelor of Textiles Degree from University of Bombay in India and is a member of various Professional Bodies including The Quality Management Association of Kenya and Kenya Institute of Management (KIM).

He has over 30 years experience in textile engineering and quality Systems Management, gained in various public and private organisations.



Ms. Floice Mukabana
Assitant Director - Finance

MS. FLOICE MUKABANA (39) holds a law degree from the University of Nairobi and an MBA from Jomo Kenyatta University and is a member of several professional bodies including the Institute of Certified Public Accountants (ICPAK), Institute of Certified Public Secretaries (ICPSK) and the Law Society of Kenya(LSK). She has over 10 years experience in finance and accounting gained in telecommunications and in the Public Sector.



Mr. Jairus Ombui
Assistant Director - Human Resource Management and Administration

MR. JAIRUS OMBUI (53) holds a Bachelor of Commerce Degree (Business Administration) from University of Poona, India and an MBA from the Management University of Africa . He is a member of the Institute of Human Resource Management, Kenya (IHRM) and has over 20 years experience in the Public Service.



KIRDI

Your Industrial Technology Partner...

KENYA



2030



Mr. John Kahura
Principal Internal Auditor

MR. JOHN KAHURA (56) holds a Bachelor of Business Administration (Accounting Option) from St. Pauls University and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 30 years' experience in Finance and Accounting gained in the Public Service.



KIRDI

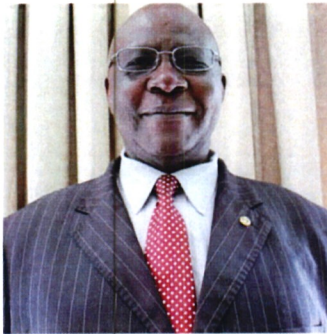
Your Industrial Technology Partner...

KENYA

VISION

2030

III. CHAIRMAN'S STATEMENT



Vision 2030 calls for intensified application of Science, Technology & Innovation (ST&I) to raise productivity and efficiency levels across the economic, social and political pillars of national development. As a result, the ST&I policy framework has continued to be implemented through the identification, acquisition, transfer, diffusion and application of relevant ST&I knowledge in all sectors of the economy. KIRDI has a major role to play in identification, acquisition, transfer and application of ST&I

that will drive the industrialization of the country which has been well captured in the the Medium Term Plan II.

To this end the institute continued to implement various infrastructural projects under the vision 2030 flagship project - "transformation of KIRDI into a globally competitive research institution" during the year under review. In particular the institute continued the construction of ultra-modern Research, Technology and Innovation laboratories in Kisumu and Nairobi, South B. These research laboratories once completed are expected to transform tremendously the scope and quality of the institute's research, technology and innovation outputs.

During the 2013/2014 financial year the institute continued to develop value addition technologies and transfer of these technologies to Micro Small and Medium Enterprises (MSMEs) through establishment and operationalization of technology demonstration and training pilot plants, common manufacturing facilities and Incubation facilities aimed at contributing to employment and wealth creation for the nation.

Signature: 
Ag. Chairperson: PROF. T.D.K SEREM, OGW

Date: 18th March, 2015.



KIRDI

Your Industrial Technology Partner...

KENYA



REPORT OF THE CHIEF EXECUTIVE OFFICER



Background

I am honoured to present the KIRDI Financial Report for the year ended 30th June 2014. It is with great pleasure that we present the major strides made by this great organization as we support the National Industrialization agenda. KIRDI is a national industrial research institute whose mandate is to undertake industrial research, technology and innovation and disseminate findings that will have a positive impact on national development. The history of KIRDI dates back to 1942

when the colonial government set up a central laboratory in Kabete Nairobi, the laboratory expanded its mandate and was taken up by the East Africa Community (EAC) and renamed East Africa Industrial Research Organization (EAIRO). After the collapse of the EAC in 1977 the National Industrial Research Complex under the Ministry of Commerce & Industry took up its operations and in 1979, an Act of Parliament establishing the National Council for Science & Technology (NCST) was amended to establish five Research Institutions, KIRDI being one of them.

Our Operating Environment

KIRDI's Mandate is currently governed by the Science, Technology and Innovation (STI) Act No. 28 of 2013. The Institutes undertakes its mandate in conjunction with its parent Ministry - The Ministry of Industrialization and Enterprise Development. The institute also collaborates with development partners including UNIDO; Government of Japan; DANIDA as well as Universities, other research institutions and private companies.

Key Development Programmes

(a) Vision 2030 Flagship Project

During the 1st Medium Term Plan for Vision 2030, the Government of Kenya adopted the transformation of KIRDI as a flagship project within the Manufacturing Sector.

Thus, the transformation of KIRDI into a World Class Industrial Research Institution focuses on: deliberate capacity building initiatives, attracting and retaining high calibre professionals, upgrading of research equipment and facilities, modernization of the Institutes infrastructure, enhancing collaboration, upgrading the quality and scope of research, technology and innovation programmes and activities, benchmarking the Institute with other similar research organizations and improving the financial sustainability of the Institute, among others.

During the financial year, the Institute continued to focus on the transformation activities and programmes and is in the process of establishing state of the art Research Technology, and Innovation Laboratories in Nairobi and Kisumu. As at the



KIRDI

Your Industrial Technology Partner...

KENYA

VISION



end of the financial year, the facilities completions were Kisumu 96% and Nairobi 34%.

It is envisaged that the facilities will serve as a model Research Technology and Innovation Center nationally, regionally and internationally in areas such as Nano-technology, Energy, Material testing, Chemical technology, Biosciences, Leather technology, Textile technology, Natural products technology, Ceramics and Building materials, Electrical and Electronics engineering, Bio-medical engineering, Environmental sciences, Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM), Metrology, Food technology among others.

(b) Value addition through Agro-processing

This programme seeks to promote value addition of local raw material through establishment of pilot plants in areas where these raw materials exist. The pilot plants offer opportunities for technology transfer through technology demonstrations, training, common manufacturing and business incubation. During the year under review the institute operationalized agro-processing pilot plants in different parts of the country: Banana Processing Pilot Plant in Kisii County, Pineapple Processing Pilot Plant, Leather Tannery in Wamunyu, Machakos County and Soya processing pilot plants in Malakisi- Kakamega County, Migori County and Kisumu County.

(c) Research Technology and Innovation Programme

Core to the Institute's mandate is the continued implementation of research, technology and innovation to generate new technologies and products. This is implemented through the following divisions; Energy; Environment; Chemical engineering; Food Technology; ICT; Leather; Textile technology division; Mechanical engineering; electrical engineering and; ceramics and building material division. During the period, the Institute completed 17 research projects on industrial and allied technologies.

(d) Common Manufacturing Training and Incubation Programme

Whereas the Institute has a mandate to build the technical capacity of entrepreneurs in the area of value addition to agro-produce and other raw materials, experience has demonstrated that entrepreneurs are unable to translate these technologies to sustainable growth oriented enterprises due to lack of business skills and or basic equipment. Further it has been observed that enterprises that go through the business incubation process have an 80% chance of surviving the first two years of startup whereas those that do not have only a 20% chance. To address this, the Institute offers common manufacturing, training and business incubation services that allow SMEs to gain the necessary technical and business skills while having access to production machinery and equipment that would otherwise be too costly for them. This reduces the learning curve of the startup and thus the cost of the business start-up.



KIRDI

Your Industrial Technology Partner...

KENYA



Operational Systems

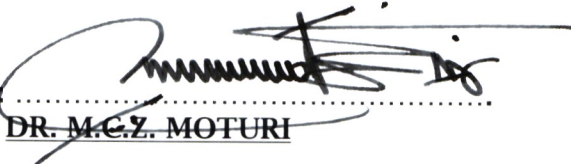
The Institute has maintained ISO 9001:2008 certification during the period under review. Our quality management system ensures efficiency and effectiveness of the institute's operations and improved service delivery to citizens.

Challenges

During the year under review, the Institute faced challenges relating to delayed disbursements and budgetary cuts. The development budget was cut to the tune of Kshs.145,275,000, while the first quarter releases for both development and recurrent were received in the second quarter. Some fourth quarter releases to the amount of Kshs.178,255,000 were made in the month of July, thus, after the financial year was over. The above challenges led to delayed execution of some programmes. However, despite the above challenges, the Institute managed to achieve a compliance budgetary level of 90.4% against a target of 100% for the year under performance contracting.

Outlook 2014/15

In the forthcoming financial year (2014/15) period, the Institute has planned to undertake equipping of the newly establishment Research Technology and Innovation Laboratories in Kisumu with state of the art equipment, Complete the construction of a state of the art research facility in Nairobi, South B and undertake Research, Technology and innovation projects that in the identified government priority areas namely: Leather, Textile and Agribusiness.

Signature: 
Director: DR. M.C.Z. MOTURI

Date: 18th March 2015



KIRDI

Your Industrial Technology Partner...

KENYA



STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2014

The Board of the institute is responsible and accountable to the Government of Kenya, through the Ministry of Industrialization and Enterprise Development, in ensuring that the institute complies with the law and the highest standards of corporate governance.

Corporate governance deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. The directors are ultimately accountable to all stakeholders for ensuring that the institutes business is conducted with high standards of corporate governance.

The Board

There are fourteen members of the Board all of whom are non-executive except for the Chief Executive who is also the secretary to the board.

The principal responsibility of the Board is to establish the long term goals of the institute and to ensure that effective plans are developed and implemented. The members of the Board exercise their best judgment to act in what they reasonably believe to be in the best interests of the institute and its stakeholders. In discharging that obligation, Members rely on the honesty and integrity of the institute's management, senior staff and its external advisors and auditors.

All directors are appointed by the cabinet secretary who at the time is in charge of the parent ministry through a gazette notice for a term of three years from the date of gazettement which is renewable once. The chairperson of the board is appointed by the President of the Republic, similarly, through a gazette notice for a renewable term of three years.

On appointment, the board of directors receive an induction covering the company's operations. The directors are advised of the legal, regulatory and other obligations of a director of state owned corporations. All of the directors have access to chief executive officer who also is the secretary to the board. He is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with.

The main responsibilities of the board of directors include:

- ✓ Reviewing the institute's vision, mission, values and developing and adopting appropriate policy and strategy;
- ✓ Putting in place management structures [organization, systems and people] to achieve those objectives;
- ✓ Setting targets and monitoring performance;
- ✓ Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- ✓ The review and adoption of annual budgets for the financial performance of the institute and monitoring the institute's performance and results;



KIRDI

Your Industrial Technology Partner...

KENYA



- ✓ Management of risk, overseeing the implementation of adequate control systems and relevant compliance with the law, governance, accounting and auditing standards;
- ✓ Ensuring the preparation of annual financial statements and reports, communication, and disclosure of information to stakeholders; and
- ✓ Delegating authority to the head of the institution, as Chief Executive Officer, for the corporate, financial and personnel management of the institution; and to establish and keep under regular review the policies, procedures and limits within which such management functions shall be undertaken by and under the authority of the head of the institution.

BOARD MEETINGS

Board and its committees meet regularly in accordance with institutional requirements. Notice of board meetings is given in advance in accordance with the institutional statutes and general by-laws and is distributed together with the agenda and board papers to all the directors beforehand. During the year, the board convened and held three ordinary meetings and seven special board meetings.

Delegation of Authority

Board Sub Committees

The Board works through various sub-committees which include; The Research Technology and Innovation committee, Finance Committee, Audit Committee, Human Resources and Administration Committee and Management. The Board conducts a Board evaluation annually to determine its strengths and effectiveness as a Board, as well as the effectiveness of individual directors. The Board committees assist the Board in discharging its responsibilities. The committees have clear defined roles and terms of reference and charters that have been approved by the Board. The committees are chaired by nonexecutive directors.

Details of these committees and membership are shown below.

Research Technology and Innovation (RTI) Committee

This committee consisted of six members. The committee was chaired by Prof. W. Kogi Makau. It had a responsibility to oversee the institutes research project plans, Technology and Research. It also reviews projects proposals. The committee has four scheduled meetings each year and held two meetings during the year.

The members of the committee are:

Prof. W. Kogi-Makau - Chairperson, RTI Committee

Prof. Jacob O. Midiwo

Dr. David Njubi

Prof. M. Lokuruka

Ms. Nancy Muya

Dr. M.C.Z. Moturi



KIRDI

Your Industrial Technology Partner...

KENYA



VISION 2030

Finance committee

This committee consisted of six members, and was chaired by Mr. David Githendu. This Committee had oversight on all financial issues including budgets, financial reporting process and controls, and procurement. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for recommendation to the Board. The committee has four scheduled meetings each year.

The members of the committee:

Mr. David Githendu - Chairperson, Finance committee
Prof. T.D.K. Serem
Mr. Elema Isako Fila
Mr. David Gichuhi
Ms. Margaret Onyimbo
Ms. Nancy Muya
Dr. M.C.Z. Moturi

Audit Committee

This committee consisted of eight members. The committee was chaired by Mr. John Migiro. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of the financial statements. The Committee has four scheduled meetings a year and held three meetings during the year.

The members of the Committee:

Mr. John Migiro -Chairperson, Audit committee
Prof. W. Kogi-Makau
Mr. David Gichuhi
Ms. Margaret Onyimbo
Dr. David Njubi
Ms. Nancy Muya
Mr. John Kahura / Secretary of the Audit Committee

Human Resources and Administration Committee

This committee consisted of nine members. The committee was chaired by Prof. T.D.K. Serem. It was responsible for human resource matters including recruitment, succession management, monitoring and appraising the performance of senior management, including the Managing Director, review of the HR policies, review of general administrative and procurement policies and oversight of corporate communication policies. The committee has four scheduled meetings during the year and held four meetings during the year.



KIRDI

Your Industrial Technology Partner...

KENYA



The Members of the Committee:

Prof. T.D.K. Serem (OGW) – Chairperson, HR&A Committee
Prf. Jacob O Midiwo
Mr. John Migiro
Mr. Elema Isako Fila
Mr. David Githendu
Mr. David Gichuhi
Ms. Nancy Muya
Prof M. Lokuruka
Dr. M.C.Z. Moturi

Management Committee

The Management Committee is the link between the Board and management. The committee assists the Managing Director in giving overall direction to the institute. The Committee is responsible for the implementation of operational plans and the annual budgets. It is also responsible for the periodic review of operations, strategic plans, proposals, identification and management of key risk and opportunities. The Committee also reviews and approves guidelines for employees' remuneration. The committee meets regularly.

Directors' remuneration

The aggregate amount of emoluments paid to Directors is disclosed in **Note 17** to the financial statements for the year ended 30th June 2014.

Board Performance Evaluation

Under the guidelines issued by the State Corporations Advisory Committee Board charter, the Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors. The evaluation is conducted annually and the results of the evaluation are provided to the Ministry of Industrialization and Enterprise Development and State Corporations Advisory Committee (SCAC).

Risk Management and Internal Control

Management in consultation with the board committees is responsible for the institute's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the board is responsible for the institutes system of internal control and for reviewing its effectiveness. The institute has an ongoing process of identifying, evaluating and managing significant risk inherent in its business, by risk management department. This process is also reviewed by the internal auditor. The internal auditor reports administratively to the Managing Director and functionally to the Audit Committee. As part of the independency required, the internal Audit annual work program and budgets are separately approved by Audit committee, which also reviews and approves Audit reports and internal audit annual report. The Institute has in place a chain of controls which include, but are not limited to, an annual budgeting



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

process, a regular review of strategic initiatives, a well-defined organizational structure which is kept under regular review by the Board and a review of quarterly financial and operating information by management and the board.

Code of Conduct

The Board has approved a Code of Ethics, which sets out the institute's core values relating to the lawful and ethical conduct of services provided.

Stakeholder Relations

We Endeavour to engage stakeholders clearly, honestly and respectfully, and are committed to timely and meaningful dialogue with all of them.

Corporate Social Responsibility Statement

The institute recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. To this end the institute minimizes health and safety risks to staff and visitors through the implementation and management of a management of safety requirements. The institute has a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment through its environment divisions. The Institute as well donates management time to promote sustainability both within the industry and within the environmental management profession.



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

IV. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Institute's affairs.

Principal activities

The principal activity of the Institute is to undertake Industrial Research Technology and Innovation and disseminate findings that will have a positive impact on the national development.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 24 of this report

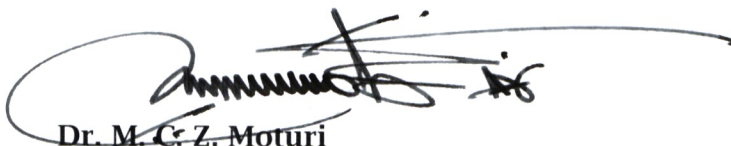
Directors

The members of the Board of Directors who served during the year are shown on page on 5.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with the provisions of Public Finance Management (PFM) Act, 2012.

By Order of the Board


Dr. M. C. Z. Moturi
CEO and Secretary to the Board
Nairobi

Date: 18th March 2015



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute 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 Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30th, 2014, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Signature: 
Ag. Chairperson: PROF. T.D.K SEREM, OGW

Date: 18th March, 2015.

Signature: 
Director/CEO: DR. M.C.Z MOTURI

Date: 18th March 2015



KIRDI

Your Industrial Technology Partner...

KENYA

VISION



2030

V. REPORT OF THE INDEPENDENT AUDITORS ON THE INSTITUTE

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Industrial Research and Development Institute set out on pages 25 to 40, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free 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 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. 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 Institute'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.

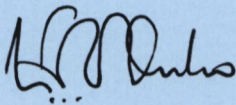
Basis of Qualified Opinion

Financial Performance

The Institute recorded a loss of Kshs.101,629,256 against a loss of Kshs.33,923,910 during the previous period which translates to a substantial decline of Kshs.67,345,346 or about 198.52% drop in financial performance for the year ended 30 June 2014. Further, the current liabilities of Kshs.456,784,985 exceeded the current assets of Kshs.212,081,168 leading to a negative working capital of Kshs.244,703,817 (2013 – negative working capital of Kshs.33,914,085). The Institute's going concern status is doubtful problem and its continued existence is dependent on Government and creditors support.

Qualified Opinion

In my opinion, except for 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 the Institute as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Science and Technology Act, Cap 250 of the Laws of Kenya.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 April 2015



KIRDI

Your Industrial Technology Partner ...

KENYA



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2014

	NOTES	2013/2014 KSHS.	2012/2013 KSHS. Restated
REVENUE			
Income from non-exchange transactions			
Re-Current Grants	12	581,300,000	541,600,000
Development grants	13	<u>84,685,376</u>	<u>224,324,144</u>
		<u>665,985,376</u>	<u>765,924,144</u>
Income from exchange transactions			
Rendering of services	14	29,883,508	33,935,410
Others	15	<u>191,972</u>	<u>-</u>
		<u>30,075,480</u>	<u>33,935,410</u>
Total revenue		<u>696,060,856</u>	<u>799,859,554</u>
EXPENSES			
Staff Cost	16	493,086,668	446,091,677 *
Board Exp. & Director's remuneration	17	19,084,743	24,834,660
Administrative Expense	18	143,533,388	129,610,667 *
Insurance Expense	19	3,549,133	3,842,375
Research feasibility studies and projects	20	40,091,261	128,523,572 *
Traveling And Subsistence Expenses	21	45,853,295	44,299,005
Depreciation Expenses	2	47,981,340	48,275,841
Decrease in stock	6	<u>4,150,284</u>	<u>8,305,667</u>
		<u>797,330,112</u>	<u>833,783,464</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>(101,269,256)</u>	<u>(33,923,910)</u> *



KIRDI

Your Industrial Technology Partner...





KIRDI

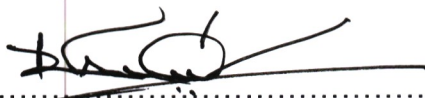
Your Industrial Technology Partner...

KENYA

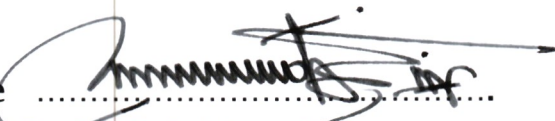


STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

ASSETS	NOTES	2013/2014	2012/2013
			Restated
Property, Plant and Equipment	2	2,327,163,529	1,235,533,075
R & D projects	3	<u>132,395,771</u>	<u>132,395,771</u>
		<u>2,459,559,300</u>	<u>1,367,928,846</u>
CURRENT ASSETS			
Accounts Receivable	4	184,719,189	76,609,714
Cash and Cash Equivalents	5	10,022,175	31,634,362 *
Stores and inventories	6	17,339,804	21,298,116
Total		<u>212,081,168</u>	<u>129,542,192</u>
TOTAL ASSETS		<u>2,671,640,468</u>	<u>1,497,471,038</u>
ACCUMULATED FUNDS & LIABILITIES			
Capital funds G.O.K	7	1,976,370,474	1,014,312,190 *
Revenue Reserves	8	<u>238,485,009</u>	<u>291,772,925</u> *
Accumulated Funds		<u>2,214,855,483</u>	<u>1,306,085,115</u>
CURRENT LIABILITIES			
Accounts payable	9	438,761,221	159,724,900 *
Unused Project Funds	10	16,793,764	30,931,023
Provisions	11	1,230,000	730,000
Total		<u>456,784,985</u>	<u>191,385,923</u>
TOTAL ACCUMULATED FUNDS & LIABILITIES		<u>2,671,640,468</u>	<u>1,497,471,038</u>

Signature 
 Ag. Chairperson: Prof. T.D.K Serem

Date: 18th March, 2015.

Signature 
 Director: Dr. M. C. Z. Moturi

Date: 18th March 2015



KIRDI

Your Industrial Technology Partner...

KENYA



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2014

	Capital Funds Ksh	Revenue Reserve Ksh	Total Ksh
As at 30th June 2012	865,810,376	53,993,390	919,803,766
G.O.K Grants net increase	421,675,856		421,675,856
Decrease due to assets impairment	(14,691,740)		(14,691,740)
W.I.P expenditure adjustment		13,221,143	13,221,143
Surplus/(Deficit) for the year		(33,923,910)	(33,923,910)
Transfer of accumulated depreciation	<u>(258,482,302)</u>	<u>258,482,302</u>	<u>0</u>
As at 30th June 2013	<u>1,014,312,190</u>	<u>291,772,925</u>	<u>1,306,085,115</u>
G.O.K Grants net increase	1,010,039,624		1,010,039,624
Surplus/(Deficit) for the year		(101,269,256)	(101,269,256)
Transfer of depreciation	<u>(47,981,340)</u>	<u>47,981,340</u>	<u>0</u>
As at 30th June 2014	<u>1,976,370,474</u>	<u>238,485,009</u>	<u>2,214,855,483</u>



KIRDI

Your Industrial Technology Partner...

KENYA



STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	Note	2013/2014 KSHS.	2012/2013 KSHS.
CASH FLOW FROM OPERATING ACTIVITIES			Restated
Operating surplus/(deficit)		(101,269,256)	(33,923,910) *
Adjustment for items not involving movements of cash:			
Depreciation expenses	2	<u>47,981,340</u>	<u>48,275,841</u>
Surplus/Deficits before working capital changes		<u>(53,287,916)</u>	<u>14,351,931</u>
WORKING CAPITAL CHANGES			
Decrease in inventories		3,958,312	8,305,667
Increase in accounts receivable		(108,109,475)	(69,638,342) *
Charge for provisions		500,000	-
Creditors and Accruals		279,036,321	129,317,379
Changes in Working capital		<u>175,385,158</u>	<u>67,984,704</u>
Net cashflow generated from Operating Activities		<u>122,097,242</u>	<u>82,336,635</u>
Cash Flow in Investing Activities:			
Purchase of Property and Equipment		(1,139,611,794)	(545,410,628)
Cashflow from financing:			
Capital grants		1,010,039,624	421,675,856
Changes from Donor project funding		<u>(14,137,259)</u>	<u>(7,981,020)</u>
Net cash generated from financing activities		<u>995,902,365</u>	<u>413,694,836</u>
Net Decrease in cash and cash equivalents		<u>(21,612,187)</u>	<u>(49,379,157)</u> *
Cash at the beginning of the year		31,634,362	81,013,519
Cash at the end of the year	5	10,022,175	31,634,362 *



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

Notes to the Accounts

1. Principal accounting policies

Basis of Preparation

(a) The financial Statements have been prepared in accordance with International Public Sector Reporting standards (IPSAS-first year adoption) under the historical cost convention except where otherwise stated in the Accounting policies below. In compliance with Public Finance Management Act 2014, the established Public sector accounting standards Board, PSASB published the Standards which took effect for the financial year ended 30th June 2014. The Financial Statements are prepared on accrual basis. Where necessary, comparative figures for the previous financial year have been reconfigured to conform to required changes in presentation.

(b) Currency

The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency.

(c) Property, Plant and Equipment

The fixed assets are stated at cost or as revalued on existing use basis from when the institute started self accounting, i.e. 1st July, 1980.

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Gains and losses on disposal of property, plant and Equipment are determined by reference to their carrying amount in determining operating profit. On disposal of revalued assets, the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Depreciation

Provision is made for depreciation on the straight-line method designed to write off the original cost or valuation of fixed assets other than land, and work in progress over the actual life of the asset. A whole year's depreciation is charged on assets acquired nine months or more prior to the closure of the financial year and none to those acquired three months or less to the end of the financial year. The annual rates for this purpose are: -



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

1. Building	2%				
2. Machines	12.5%	or	as	per	valuer's recommendation
3. Motor vehicles	25%				
4. Office furniture & equipment ...	12.5%	or	as	per	valuer's recommendation
5. Computers	30%				

(e) Revenue

The major source of income of this institute are the grants from the Government and the nominal charges of analysis fees from industrial manufacturers, potential entrepreneurs who need laboratory reports on their products and charge services offered to micro, small and medium enterprises. Income is recognized on an accrual basis.

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

(f) Bad Debts

Bad debts are written-off after all efforts to collect them have been exhausted.

(g) Stores and Inventory

Stock is valued at cost with the exception of donations which is reported at revaluation. Loose tools acquired as donation are amortized annually at a uniform rate over the period of their expected useful life.

(h) Retirement Benefits/Gratuity

The Institute operates a Retirement Benefit Scheme which is managed by Trustee Board under the Retirement Benefits Regulations (RBA) regulations. Further monthly remittances are made to a custodian for staff serving on Contract Terms which is eventually paid as gratuity at the expiry of the Contract.

(i) Government grants

Recurrent and Development grants have been accounted for in the Statement of Financial Performance in the year received. Capital grants are



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

accounted for over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

(j) Accounts receivable

Accounts receivable are stated at anticipated realizable value.

(k) Accounts payable

Accounts payable are stated at nominal value.

(l) Budget information

The annual budget is prepared on accrual basis, that is all planned costs and income are presented in a single statement to determine the needs of the Institute.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances includes amounts held at commercial banks at the end of the financial year.



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

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

Note 2

PROPERTY, PLANT AND EQUIPMENT

	LAND	WORK IN PROGRESS	BUILDINGS	MACHINERY & EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS & EQUIPMENT	TOTAL
	SHS	SHS	SHS	SHS	SHS	SHS	SHS	SHS
VALUE/COST as at 1/7/2013	26,865,000	802,851,599	317,535,400	197,027,143	76,180,232	28,696,635	44,859,368	1,494,015,377
Additions during the year	-	1,135,093,958	-	4,003,169	-	-	514,667	1,139,611,794
TOTAL 30th June 2014	26,865,000	1,937,945,557	317,535,400	201,030,312	76,180,232	28,696,635	45,374,035	2,633,627,171
Depreciation for previous year	-	-	6,350,708	15,946,305	16,851,589	1,893,414	7,233,825	48,275,841
Accumulated Depreciation b/f	-	-	45,822,348	114,014,817	44,377,085	22,372,693	31,895,359	258,482,302
Depreciation for this year	-	-	6,350,708	16,650,942	16,851,589	1,501,256	6,626,845	47,981,340
Total Dep.	-	-	52,173,056	130,665,759	61,228,674	23,873,949	38,522,204	306,463,642
Net Book Value 30:06:2014	26,865,000	1,937,945,557	265,362,344	70,364,553	14,951,558	4,822,686	6,851,831	2,327,163,529
Net Book Value 30:06:2013	26,865,000	802,851,599	271,713,052	83,012,326	31,803,147	6,323,942	12,964,009	1,235,533,075

The capital work in progress relates mainly to ongoing construction projects in Nairobi and Kisumu stations.



KIRDI

Your Industrial Technology Partner...

KENYA



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

Note 3 R & D Projects

These is composed of expenditure amounting Kshs.132,395,771 transferred from Development vote to R & D on recognition that R & D projects will generate future economic benefits. The Institute intends to patent its research discoveries which include prototype development, designs and pilot plants.

	2013/2014	2012/2013
	KSHS.	KSHS.
		Restated

Note 4

Accounts Receivable

M.O.I & ent dev- Development Grants	178,255,000	70,000,000
National Industrial Training Authority	2,460,000	2,460,000
Traveling imprest(local)	173,321	260,205
Traveling imprest(overseas)	170,240	0
Temporary imprest	706,406	613,500
Standing imprest	1,101,452	601,340
Salary advance	615,593	700,316
Excess medical	339,320	1,076,496 *
Plot scheme	133,719	133,719
Fuel deposit	366,000	366,000
Oxygen deposit	30,000	30,000
Hospital deposit	10,000	10,000
Electricity deposit-Kisumu	308,138	308,138
Electricity deposit-South C & Eldoret	<u>50,000</u>	<u>50,000</u>
TOTAL	<u>184,719,189</u>	<u>76,609,714</u>

Note 5

Cash and Bank balance

HQ(main Account)	689,875	5,029,049 *
LDC A/c	1,574,057	323,889
EDSC A/c	1,037,405	427,510
Danida BSPS cashbook	1,853,856	6,842,033 *
Kisumu imprest A/c	71,774	1,035,977
LSC A/c	620,016	1,011,679
BBK A/c	419,496	13,535,854 *
NIIC/Projects Account	<u>3,755,696</u>	<u>3,428,371</u>
TOTAL	<u>10,022,175</u>	<u>31,634,362</u>



KIRDI

Your Industrial Technology Partner...

KENYA



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

Note 6 Stores and Inventories

	2013/2014 (Kshs.)	2012/2013 (Kshs.)
General Stores	3,505,521	3,313,549
Loose tools	<u>13,834,283</u>	<u>17,984,567</u>
Total	<u>17,339,804</u>	<u>21,298,116</u>

Stock Adjustment	General stores	Loose-tools
Opening stock.....	3,313,549	17,984,567
Net increase/ (decrease)	<u>191,972</u>	<u>(4,150,284)</u>
Closing stock	<u>3,505,521</u>	<u>13,834,283</u>

Note 7 Capital funds G.O.K

The Ksh 1,976,330,474 stated as Capital funds is the net capitalization of Development releases going way back to 1980 when the Institute began Self-Accounting.

Note 8 Revenue Reserves

These represent the Institute's accumulated funds Account as balances brought forward for revaluation reserves and the surplus/deficit arising from the income and expenditure account.



KIRDI

Your Industrial Technology Partner...

KENYA



	2013/2014 KSH	2012/2013 KSH Restated
Note 9		
Accounts Payable		
Payroll deductions	3,308,540	2,525,692 *
Retention money	151,548,354	56,601,515
Other Creditors	283,904,327	99,856,035
Miscellaneous deposits	-	741,658
TOTAL	<u>438,761,221</u>	<u>159,724,900</u>
Note 10		
Project funds		
WIFIP hyacinth project	546,500	546,500
ATPS-ICT project	158,891	158,891
Horticultural ADB	55,803	55,803
GTZ-Mini-hydro project	84,813	84,813
DANIDA-Fish leather/Arc welding	7,628,315	7,628,315
KAPP/ ILRI-Mushroom project	3,062,175	3,062,175
DANIDA-MOI	5,167,357	19,304,616
Lake and sea resources	89,910	89,910
TOTAL	<u>16,793,764</u>	<u>30,931,023</u>
Note 11		
Provisions		
Provision for Audit fee	1,230,000	730,000

Note 12 Recurrent grants

The institute receives grants from exchequer for personnel emoluments, operations and maintenance costs.

Note 13 Development grants

These represents grants received from the exchequer to finance acquisition of assets and expenses related to Institute's mandate to undertake research, technology and innovation activities. The total amount allocated for the year was Ksh 1,094,725 out of which Ksh 84,685,376 has been attributed to the statement of financial performance. This relates to R & D expenses incurred under development vote that are non-capital in nature.



KIRDI

Your Industrial Technology Partner...

KENYA

VISION

2030

Note 14	2013/2014	2012/2013
Rendering services	KSHS.	KSHS
Service fees	29,883,508	33,935,410
Note 15		
Other Income		
Increase in stock-General stores (Note 6)	<u>191,972</u>	-
TOTAL	<u>191,972</u>	-
Note 16. Staff Costs		
Basic salary	251,753,166	228,593,225 *
House allowance	90,724,677	78,622,759
Other personal allowance	39,648,350	32,688,729
Medical Allowance	13,107,702	12,009,592
Medical Expenses	22,610,228	19,482,663 *
Passage and Leave	5,759,000	4,765,088
Training expenses	10,081,225	15,394,583
Group life, GPA	5,083,925	3,692,019
Fees commission and Honoraria	2,350,141	8,343,832
Gratuity, Pension and NSSF	<u>51,968,254</u>	<u>42,499,190</u>
TOTAL	<u>493,086,668</u>	<u>446,091,677</u>



KIRDI

Your Industrial Technology Partner...

KENYA



Note 17 Board expenses

Expenses of conferences and Board amounting Ksh.19,084,743 includes the Director's remuneration of Ksh.6,477,600, Board sitting allowances Ksh.8,111,704 and other expenses totalling Ksh 4,495,439.

In the previous year the expenditure was Kshs.24,834,660 comprising Directors' remuneration Ksh.5,895,600, sitting allowances Kshs.9,469,530, seminars & conferences Kshs.3,156,510 and hospitality Kshs.6,313,020

	2013/2014	2012/2013
	KSHS.	KSHS
Note 18 Administrative Costs		
Transport operation expenses	4,717,457	4,271,919
Postal and telecom expenses	10,098,922	2,409,601
Telephone expenses	712,842	1,077,282
Official entertainment	13,593,720	12,587,078
Electricity	6,985,741	6,887,059
Gas purchase	3,497,803	2,207,476
Water and conservancy	1,143,865	1,627,604
Publishing and printing	5,823,428	8,694,386
Purchase of consumables	7,565,468	6,654,272
Uniform and clothing	1,105,865	47,265
Library expenses	3,650,325	2,229,046
Purchase of stationery	9,544,976	10,480,629
Advertising and publicity	8,428,013	6,560,647
Show expenses and market research	6,908,952	6,131,349
Rent and rate(non-residential)	3,518,237	2,119,584
Computer expenses	10,700,669	7,445,317
Misc. and other charges	1,782,617	3,532,451
Contribution to other bodies	1,321,367	1,105,121
Contracted guards & cleaning services	8,640,212	10,061,279
Provision for audit fee	500,000	500,000
Laboratory chemicals	7,362,568	8,448,169
Contracted professional services	5,113,886	6,544,381
Rental of gas cylinders	10,000	5,220



KIRDI

Your Industrial Technology Partner...

KENYA

VISION



Refined fuels & lubricants-production	420,280	895,695
Maint. of office, furniture & equip.	7,049,525	6,072,622
Maint. of build. & stations-non res.	2,762,343	3,605,994
Maint. of plant machinery & equip.	6,813,799	5,050,733
Maint. exp-motor vehicles	3,760,508	3,390,614
TOTAL	143,533,388	129,610,667

Note 19

Insurance Expenses

Insurance of properties	3,549,133	3,842,375
-------------------------	-----------	-----------

Note 20 R & D Expenses

Research feasibility studies & projects	40,091,261	128,523,572 *
---	------------	---------------

The expenditure on R& D projects amounting Ksh 40,091,261 includes travel expenses related to feasibility studies, project preparation and designs.

	2013/2014 KSHS.	2012/2013 KSHS
Note 21		
Traveling and subsistence		
Traveling and accommodation	45,853,295	44,299,005

Note 22 Recurrent and Development expenditure

The expenditure is financed by both recurrent and development funds received from G.o.K.

Note 23 Related party transactions

At the closing of the financial year grants amounting Ksh 178,255,000 was awaiting the release by the Ministry of Industrialization and Enterprise Dev. recorded as receivables under Note 4.

Note 24 Contingent liabilities and subsequent events

At the year end there were no contingent liabilities foreseeable.

The outstanding Grants of Ksh 178,255,000 from the Ministry were received in July after closure of the financial year. The amount received however was in excess by Ksh.20,000,000 that was erroneously released by the Ministry. The excess amount was refunded in September.



KIRDI

Your Industrial Technology Partner...

KENYA

VISION



Note 25 Financial risk management

The Institute has no significant risk attributed to accounts receivable. Services offered to clients are primarily on cash basis. Advances and prepayments are managed within approved policy parameters.

Note 26 Restatements

Prior year comparatives restated are attributed the following variations:

- 1) Technical and maintenance expenses have been reclassified to administrative expense (note 18) to conform to changes in presentation. The technical expenses comprise laboratory chemicals, Contracted professional services, Rental of gas cylinders, Refined fuel and lubricants. Maintenance expenses comprise maintenance of furniture, buildings and stations, plant and machinery and motor vehicles.
- 2) Excess medical expenses amounting Kshs 3,200,000 that formed part of Accounts receivables was written off and has been charged under staff medical expense (note 3).
- 3) Accumulated depreciation of Ksh 258,482,302 written down on Property Plant and Equipment (note 2) and charged to revenue reserves has been appropriated to capital reserves.
- 4) Donation related to inventory grant of loose-tools amounting Ksh 83,515,167 that was received from UNIDO was reclassified to revenue reserves.
- 5) Excess medical insurance balance totaling Ksh 890,991 previously recorded as receivables was credited by Ksh 384,180 recovery of payroll deductions (note 9) and Ksh 506,811 being charged to medical expenses (note 16).
- 6) Cash and cash equivalents was increased by Ksh 6,708,188 following the reversal of unpaid cheques in various accounts thus, Ksh 3,826,894 HQ-Main Account, Ksh 1,993,712 Danida A/c and Ksh 887,582 BBK A/c relative to the reduction of Staff cost by Ksh 241,203 and administrative expenses by Ksh 1,032,126 and research feasibility studies and projects by Ksh 5,434,859.