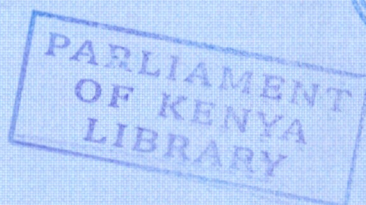


REPUBLIC OF KENYA



Paper laid
By Hon A. Siale,
Leader of Majority
on Wed 29/4/15
[Signature]

KENYA NATIONAL AUDIT OFFICE



REPORT

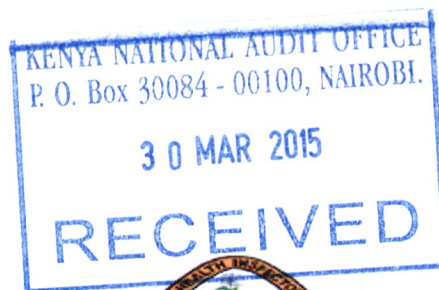
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA
PLANT HEALTH INSPECTORATE SERVICE

FOR THE YEAR ENDED
30 JUNE 2014



KENYA PLANT HEALTH INSPECTORATE SERVICE (KEPHIS)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY CORPORATION INFORMATION AND MANAGEMENT

(a) Background information

Kenya Plant Health Inspectorate Service (KEPHIS) was established in 1996 through Legal Notice No. 305 until the enactment of Kenya Plant Health Inspectorate Service Bill, 2011 in December 2012. The Corporation is regulatory body for the protection of plants, seeds and plant varieties.

(b) Principal Activities

The functions of the Corporation are:

- (a) regulate matters relating to plant protection, seeds and plant varieties;
- (b) administer and enforce sanitary and phytosanitary measures;
- (c) support the administration and enforcement of food safety measures;
- (d) establish service laboratories to monitor the quality and levels of toxic residues in agro-inputs, irrigation water, plants, soils and produce;
- (e) be the principal advisor to the Government on issues relating to seeds and planting material;
- (f) implement plant variety protection in Kenya, administer plant breeders' rights and maintain the Plant Breeders' Rights Register;
- (g) undertake plant variety testing and description, seed certification and plant quarantine control;
- (h) undertake inspection and grading of plants and plant produce at the ports of entry and exit;
- (i) in consultation with other relevant agencies, develop and implement standards for seed and plant materials;
- (j) implement and enforce national bio-safety regulations on the introduction and use of genetically or living modified species of plants, insects and micro-organisms, plant products and other related species;
- (k) regulate import and export of plants and plant materials;
- (l) in consultation with other relevant agencies, regulate the commercial exploitation of naturally occurring plants and plant-related micro-organisms;
- (m) register and license seed merchants, seed growers, agents and any other person who may be required to be registered under the provisions of this Act or any of the laws specified in the First Schedule;
- (n) enter into association with such other bodies or organizations or authorized persons as the Board may consider desirable or appropriate in furtherance of the purposes for which the Service is established, and
- (o) be the liaison office for international conventions relating to plant variety protection, plant protection, seed certification and dealing with endangered species or any other related conventions.

Key Management

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

- Board of Directors;
- Managing Director; and
- General Managers.

(c) Fiduciary Management

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

No.	Designation	Name
1.	Managing Director	- Dr. James Micah Onsando
2.	General Manager Finance and Administration	- Mr. Stephen Kubai Ithili
3.	General Manager Phytosanitary Services	- Dr. Esther Wandia Kimani
4.	General Manager Quality Assurance	- Mr. Simeon Kibet Kogo

(d) Fiduciary Oversight Arrangements

The Corporation has the following fiduciary oversight structures:

- Non-executive Chairman of the Board
- Board of Directors comprising independent non-executive directors
- Board Audit Committee
- Board Finance and Administration Committee
- Board Technical Committee

(e) KEPHIS Headquarters

P.O. Box 49592 -00100
KEPHIS Building
Oololua Ridge
Nairobi, KENYA

(f) Corporation Contacts

Telephone: (254) 020-3597201/2/3: 020-3536171/2
E-mail: director@kephis.org
Website: www.kephis.org

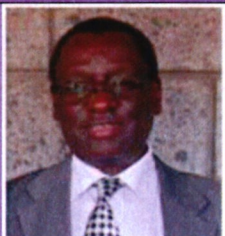
(g) Corporation Bankers

1. Kenya Commercial Bank Ltd
P.O Box 7206-00100
NAIROBI
2. Commercial Bank of Africa
P. O Box 30437 00100
NAIROBI

(h) Independent Auditors

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

II. THE BOARD OF DIRECTORS

Passport-size photo	Name	Date of birth	Designation in board	Key profession/ Academic qualifications	Work experience	On the board since
	Prof. Daniel M. Mukunya	1944	Chairperson	Professor, Plant Pathology (University of Nairobi)	Professor, Plant Pathology, University of Nairobi (1973 to date)	2011
	Mrs. Serah N. Kinyua	1956	Member	Commissioner, Salaries and Remuneration Commission & Human resource management specialist	- Chief Human Resource Manager, Teacher Service Commission - Principal Personnel Officer at Teachers Service Commission	2009
	Mr. Joseph K. Nthiwa	1949	Member	Engineering and Construction specialist	2005: Supervised construction of Yatta Star Girls high school at Katangi - Designed a completed aviation depot at Rumbek, South Sudan 1999-2004: Area Manager – Kenya Pipeline Company 1980-1983: Iowa Beef Processors USA	2009
	Mr. Reuben K. Yegon	1951	Member	Accounting expert (CPA and CPS)	- Group Financial Controller Brooke Bond Kenya - Human Resource & Corporate Affairs Director, Brooke Bond Kenya - Corporate Relations Director, Unilever in East Africa - Member of statutory Board of Unilever Tea Kenya Limited (1995 – 2006) 1996 to 2003 Chairman, Board of Governors, Kericho Teachers' College 1996 to 2003 Presidential appointment to the Board of Investment Promotion Centre	2013
	Mr. Joseph Kariuki		Alternate Director to Principal Secretary, National Treasury	Economist, National Treasury	Wide experience in Public Sector Management, having worked for more than 26 years in various senior positions in Government	2012

	Mr. Patrick K.B. Afwande	1960	Member	Governance Specialist	- College Principal/Administrator St. Mary's Teachers College, Taita, Coast - Honorary National Chairman, Kenya Teacher's Colleges Sports Association	2009
	Mr. Joseph Ngetich	1958	Alternate Director to Principal Secretary, State Dept of Agriculture (Ministry of Agriculture Livestock and Fisheries)	Director of Agriculture from State Department of Agriculture		2013
	Dr. James M. Onsando	1956	Managing Director & Secretary to the Board	Managing Director, KEPHIS & Plant Pathologist	- Feb 2010 appointed Chief Executive Officer – Kenya Plant Health Inspectorate Service (KEPHIS) - Feb 2006 to Dec 2009: Director Technical Programmes, Africa Harvest, Biotech Foundation International/African Bio-fortified Sorghum Project Manager 2005:2006 Unilever Tea Kenya Limited. Head of Lipton Ltd, Global Tea Sustainable Agriculture	2010

III. MANAGEMENT TEAM

Designation

Managing Director
General Manager Finance and Administration
General Manager Phytosanitary Services
General Manager Quality Assurance

Name

- Dr. James Micah Onsando
- Mr. Stephen Kubai Ithili
- Dr. Esther Wandia Kimani
- Mr. Simeon Kibet Kogo

IV. CHAIRMAN'S STATEMENT

The government recognizes the importance of agriculture in enhancing Kenya's economic growth and development. Agriculture contributes directly 26 per cent of the Gross Domestic Product (GDP) and provides over 60 per cent of all employment in Kenya. The New Partnership for Africa's Development (NEPAD) in 2001, made clear the critical role agriculture plays in pursuing real and sustainable growth and further emphasized by the Maputo declaration that requires governments to increase the budgetary allocation to the agricultural sector to 10 % of GDP. Agriculture is not only important to economic growth but is also the determinant of equity in development and fundamental to reducing poverty and hunger. This has been put in Kenya's key policy documents like The Constitution of Kenya, Kenya Vision 2030 and the Agriculture Sector Development Strategy (ASDS); KEPHIS continues to implement these national goals through its Strategic Plan 2012/2013-2017/2018.

The period under review ushers policies of the new government and the Jubilee manifesto that focuses on marginalized sections of the society like women, youth, disabled and other marginalized groups. The Corporation has ensured that it takes care of these members of society by incorporating them in a number of activities like procurements; in the next financial year more will be done to support this group through deliberate recruitment of qualified persons and focused procurements.

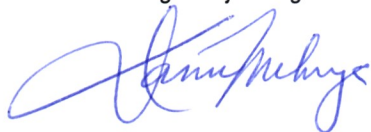
In the past year KEPHIS has continued to grow despite challenges noted in the horticulture sub-sector; this has been made possible by the guidance and vision provided by the Board of Directors and implemented by the KEPHIS Management. The massive contribution by all staff member through the year in all KEPHIS stations is noted and commended.

Release of new varieties continues to a pillar of KEPHIS work; during the year a total of 45 varieties were released into the market. The varieties included Maize, Irish potatoes, Wheat, Paddy rice, Soya beans and Common beans. In particular the maize variety will try to address the Maize Lethal Necrosis Disease (MLND).

I am aware of the role that KEPHIS plays in facilitating trade of agricultural commodities locally and internationally. In the period under review, the Corporation ensured support to the horticultural industry through rigorous inspection of plant material at points of entry and exit. Overall, Kenya's trade in agricultural commodities managed to go over KShs. 200 billion in foreign exchange in the period under review and this is expected to increase with the government's implementation of a number of key strategic projects.

KEPHIS still remains a centre of phytosanitary (plant health) excellence in the region. Through its COPE program and in collaboration with other stakeholders, 130 sanitary and phytosanitary experts were trained from Kenya and the greater EAC region. This is expected to improve the capacity of other regulatory agencies in the region and raise agricultural market standards of plant material produced and traded within the East, Central and Southern African markets.

In conclusion, on behalf of the KEPHIS Board, I take this opportunity to recognize the support given by the Ministry of Agriculture, Livestock and Fisheries, stakeholders in the sector and other partners. The input given by these entities has enabled the Corporation deliver its duty and quality service to the Kenyan people and the International community in general. The Corporation will continue to endeavour with the same spirit of 'Protecting Kenya's Agriculture.'



Prof. Daniel Mukunya
Chairperson, Board of Directors
Kenya Plant Health Inspectorate Service (KEPHIS)

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Corporation fully supports efforts by the national government through the Ministry of Agriculture, Livestock and Fisheries of fully implementing its key strategic thrusts that encompass protection of Kenya's plant resources, agricultural productivity and agricultural trade facilitation. All these are contained in KEPHIS strategic plan 2013/2018 and the approved annual work plan. During the 2013/2014 financial year, KEPHIS achieved most of the targets set in the delivery of its mandate to clients, stakeholders and Kenya as a whole.

KEPHIS takes into cognizance the importance of ensuring quality of agricultural inputs for the Kenyan farmer. During the period under review, the Corporation undertook activities on plant variety protection that led to the issuance of Twenty-nine (29) Plant Breeder's Rights. Out of Eighty five (85) applications received during the year, thirty-five (35) were roses followed by Sixteen (16) for Irish potatoes. This clearly indicates the underlying importance of the horticulture industry that is a major contributor to the country's economic growth, earning the country approximately Kshs. 90 billion yearly in foreign exchange.

A total of Three hundred and seventy eight (378) crop varieties went through the National Performance trials to test for suitability and economic viability. During the period the Corporation released and gazetted a total of forty-five (45) varieties for various crops. The varieties included Maize, Irish potatoes, Wheat, Paddy rice, Soya beans and Common beans. KEPHIS shall continue to work with stakeholders in the seed industry towards increased production of quality seed material for farmers. A total of ten (10) drought tolerant varieties were released in the year.

Seed certification always plays a significant part in Kenya's food security needs. In 2013/2014, there were 25,749.92 Ha inspected as compared to 39,047 in 2012/2013. The drop was mainly due to drought and carry-over seed stocks leading to cutbacks in production by seed merchants. Despite this there was an increase in hectares of seed crop inspected under irrigation to a total of 7,125.27 Ha. This indicates a growing interest for irrigated seed production systems by seed merchants especially in Tana River, Taita Taveta, West Pokot, Baringo, Mwea and Ahero regions 28,988,690.50 kilograms of seed was inspected for processing in the year.

The National Seed policy launched in 2010/2011 continues to be implemented and this has contributed positively to the steady growth of the seed sector. In the current year, seed sellers licenses issued were 5,142. Twenty (20) new seed merchants were registered bringing the total number of merchants registered by KEPHIS to one hundred and twenty-nine (129)

This growth is expected to spur the seed market further. In the EAC region, Kenya takes the lead in terms of seed production with 1,777,169.885 kilograms of seed exported during the year. Seed exports were mainly to EAC members states.

Apart from ensuring quality inputs to farmers, KEPHIS also ensures quality produce for the market. This is made possible through our laboratories spread around the country. In the current year, the PQBS lab was assessed and accredited by KENAS to the ISO/IEC 17025:2005 standard. This means services offered at the laboratory are world class and designed to meet the needs of assuring high quality of inputs and produce destined for all markets.

A total of 3,177 samples were analyzed by the Analytical Chemistry Laboratory during the year as compared to 3,162 in 2012/2013. The Corporation continues to implement the national residue monitoring program for MRLs. to ensure that Kenyan fresh produce meets minimum standards.

During the period, the Corporation facilitated trade of plant produce to all markets. This was made possible by KEPHIS active participation in a number of trade pacts and membership to international bodies. These included OECD Fruit and Vegetable Schemes; OECD Seed and OECD Forestry Seed Schemes. In addition, KEPHIS has been involved in standard-setting work under WTO-SPS, CPM, Codex Alimentarius Commission, COMESA, OECD and EAC meetings.

In terms of facilitation for import of plant material KEPHIS inspected consignments at points of entry and issued a total of 23, 313 Plant Import Permits (PIPs) during the period as compared to 15,225 in 2012/2013. The Corporation also facilitated export of plant produce by inspecting consignments at exit points and issuing 293,431 Phytosanitary certificates in the current year as compared to 223,427 last year.

The Corporation continues to embrace ICT and it expanded the Electronic Export Certification System (ECS) to include carnations; the system can also support export of other commodities like fruits and vegetables. This totaled to three (3) commodity groups added. The ASSIP-Kenya which will add electronic import certification is on course to bring in efficiencies in the import of plant and plant products by the end of 2014. KEPHIS wholly supports the integration process of KEPHIS ICT systems and Kenya National Single Window System (KENASWS); this has generally been successful and is expected to provide a superior trading transaction platform for clients.

KEPHIS managed through the year to increase networks with stakeholders. Our gratitude goes to the government through the Ministry of Agriculture, Livestock and Fisheries, other government bodies, international partners that included EU, USAID, CABI, CIP, COMESA, FANRPAN just to mention a few. Support given by the private sector through STAK, KFC and FPEAK continues to be a major boost in ensuring that KEPHIS serves its clients better.

KEPHIS recognizes the role played by staff and therefore a survey on the work environment done showed the Corporation achieved a score of 80%. While on employee satisfaction i.e. promotions, career advancement, increased opportunities for training and recognition for performance; an exit survey showed the Corporation achieved a score of 64%. I commend all staff for ensuring that the Corporation achieves its mandate. The KEPHIS management highly appreciates the efforts of each and every member of the KEPHIS team for their tireless efforts and commitment to duty which saw it possible to make all the achievements for the year. The KEPHIS management shall continue to ensure its highly valued resource is rewarded where appropriate to ensure sustained motivation.

Finally, on behalf of the staff, management and KEPHIS Board of Directors, I take this opportunity to thank all our customers for the support given during the year. As we embark on the 2014/2015 financial year KEPHIS shall strive to work hand-in-hand with all local and international stakeholders in the agricultural sector with the view of providing top notch regulatory service towards the common goal of promoting food security and sustained economic development for Kenya and the international community.



Ag. Managing Director and Secretary to the Board, KEPHIS

VI. CORPORATE GOVERNANCE STATEMENT

The Board of Directors and Management of the Corporation recognize the importance of adopting best practice in corporate governance. To achieve this, the Board has developed policies and created structures aimed at ensuring accountability at all levels of the organization. The Board provides leadership and oversight by working with management to formulate strategy, set corporate values and monitor performance of the Corporation.

The Corporation derives its mandate from the KEPHIS Act No. 54 of 2012 [precursor to Order L.N. 305/1996, Corr. No. 50/1997, L.N. 124/1997], the constitution of Kenya, various acts and regulations, KEPHIS 2013/2017 strategic plan and approved annual work plans *inter alia*. The headquarters of KEPHIS is situated in Kenya in line with the Act. KEPHIS has a Board of Directors (BoD); The BoD and the management ensure that corporate action in KEPHIS is well directed, controlled and held accountable. In accordance with good corporate governance, KEPHIS conducted a corporate governance audit between 22nd and 30th May 2014.

Board Charter and Corporate Governance Guidelines

The Board has developed a charter which provides in detail the following:

1. The duties and responsibilities of the Board;
2. The role of the Board Chair;
3. Operations of the Board including evaluation of performance;
4. Conduct of Individual Directors;
5. Board Committees i.e. Finance and Administration, Technical, and Audit Committee.

The Corporation also provides continuous updating of the Board on Board processes, technical issues as well as local and international requirements touching on its mandate.

Board Committees

Three standing committees exist and operate in accordance with written terms of reference to facilitate efficient decision making of the Board in accomplishing its mandate.

Finance and Administration Committee

The committee is mandated to undertake the following:

- Review budget proposals and recommend budget for approval by the board;
- Evaluate financial and administrative reports and ensure the Board receives timely reports.
- Ensure the Corporation has appropriate financial and administrative policies on ICT, Training, Career Progression, Ethics and Values, Fraud and Corruption, Procurement, Financial Management and others;
- Handle staff welfare and dismissal issues in line with Human Resource Policies;
- Undertake responsibilities assigned to it in other policies;
- General administration of the institution;
- Any other issues assigned by the Board.

The committee met four times during this financial year.

Technical Committee

The duties and responsibilities of this committee include the following:

- Review of technical operations of the institution;
- Ensure enforcement of laws pertaining to plant health;
- Evaluate and approve annual work plans and projects;
- Evaluate performance reports and ensure the Board receives timely reports;
- Interview and hire staff as per the Human Resource Policy;
- Undertake responsibilities assigned to it in other policies;
- Any other issues assigned by the Board.

During the year the committee met five times.

Audit Committee

Audit Committee is responsible for the following:

- Reviewing and approving the internal audit charter and internal audit plans.
- Reviewing the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- Initiating special audit / investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer / Managing Director.

During the year under review the Audit Committee held four meetings.

Board and Committees Meetings

During the period, the Board and its Committees met severally to deliberate on various issues as per set out mandate. The frequency of the meetings was determined by the requirements of business.

The Board and its Committees held a total of twelve meetings during the year (full board – four; finance & administration committee – four; technical committee – four), which were attended as shown below:

Member	F&A Committee Meetings	Technical Committee Meetings	Audit Committee	Full Board Meetings
Prof. Daniel M Mukunya	-	-	-	5
Mrs. Serah Kinyua	4	-	-	4
Mr Joseph K. Nthiwa	4	5	-	5
Mr. Reuben K. Yegon	4	-	4	5
Mr. Joseph Kariuki –Representing PS Finance	4	-	3	5
Mr. Patrick K.B. Afwande	-	5	4	5
Mr. Joseph Ngetich –Representing PS Agriculture	-	3	2	2
Mr. John Mwaniki-Alternate to Mr Joseph Ngetich	-	-	1	-
Mr. Joseph Mwaura- Alternate to Mr Joseph Ngetich	-	-	1	-
Dr. James Onsando	4	5	4	5

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Corporation has put in place a policy to guide its responsibilities as a Corporate Citizen of this country. During the year under review gave back to the community through its annual Corporate Social Responsibility (CSR) activity at Eldama Ravine Children's Home in Baringo County on March 31, 2014. The home is run by Bishop (rtd) Wilson Kigen and his son Benjamin Kigen. The 2013-2014 Performance Contract stipulated that the year's CSR activity be targeted at children affected and/or infected by HIV/AIDS. The home, which houses approximately 30 children, has cases of children affected with the disease. There are also those who come from poverty stricken and single parent families. The children live in mud huts and depend on well-wishers for their schooling, maintenance and upkeep.

Of particular concern to KEPHIS was that the children slept on broken beds which had torn bedding. They also had insufficient food and milk. We noted that the home has an old cow which does not provide sufficient milk.



Bishop (rtd) Wilson Kigen (right) Founder and Manager of Eldama Ravine Children's Home with some Children and KEPHIS staff during the advance party visit to the home before the CSR activity



The calf (centre) that will in future supply the Eldama Ravine Children's Home with sufficient milk for their growth and development.



KEPHIS management provided the children's home with beds, mattresses, sheets and bed covers

VIII. REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the Corporation are as expounded in the KEPHIS legal framework i.e. Plant Variety Protection, Seed Certification, Analytical Chemistry Laboratory Services and Phytosanitary Services; others include Corporate Nature Activities, Projects and Support services (including financial).

Results

The results of the corporation for the year ended June 30th, 2014 are set out on pages 1 to 4.

Directors

The members of the board of directors who served during the year are shown on page V and VI In accordance with section 6 (1) (a) of the State Corporations Act (Cap. 446), the President appoints a chairperson for three years. The current Chairperson Professor Daniel M. Mukunya term ends on 23rd September 2014. The other directors' terms are secure for the period of the next financial year (1st July 2014 to 30th June 2015).

Auditors

KEPHIS prepared and submitted accounts for the financial year in accordance with (Public Audit Act - CAP 412b) for audit to the Controller and Auditor-General. The Auditor General is responsible for the statutory audit of the corporation in accordance with Chapter 12, Part 6, Article 229 of the Constitution of Kenya for accounts of all authorities of the national governments; that have to be audited and reports prepared by the Auditor-General within six months after the end of the financial year.



Secretary to the Board of Directors, KEPHIS

Date.....27/3/2015.....

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE 2014

REPORT OF THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Plant Health Inspectorate Service set out on pages 1 to 23 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 period 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 the International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Auditing (ISA). 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 Inspectorate's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

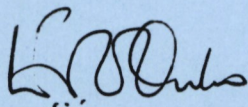
Land

As previously reported, property, plant and equipment balance of Kshs.1,158,925,000 as at 30 June, 2014 includes eleven (11) parcels of land valued Kshs.264,666,000 situated in Nakuru, Muguga in Kiambu, Kitale in Trans Nzoia, Kabete, Embu, Karen in Nairobi and Kisumu. However, and except for the land in Karen, Embu, Kabete and Kisumu, the Inspectorate does not possess ownership documents for the others. Further, out of the 125.30 hectares of land in Kitale held by third parties, the Inspectorate has so far recovered 34.09 hectares while the balance of 91.21 hectares is still held by private developers or occupied by squatters.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.1,158,925,000 as at 30 June 2014, is fairly stated.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Inspectorate as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS-Accrual Basis) and comply with the Kenya Plant Health Inspectorate Service Order, 1996.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 April 2015

IX. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Notes	2013-14 Kshs '000	2012-13 Kshs '000
			Restated
Revenue from non-exchange transactions			
Public Contributions and Donations	3	66,561	43,815
Transfers from other governments – gifts and services-in-kind	4	392,174	393,714
		458,735	437,529
Revenue from exchange transactions			
Rendering of services	5(a)	538,782	471,069
Hire of Facilities	5(b)	7,560	12,017
Finance income - external investments	5(c)	1,393	1,193
Other income	6	2,516	1,140
		550,250	485,419
Total revenue		1,008,985	922,949
Expenses			
Employee costs	7	447,131	434,088
Board Expenses	8	3,008	3,997
Depreciation and amortization expense	9	84,609	71,978
Repairs and maintenance	10	42,761	43,283
Grants and subsidies	11	53,202	43,815
General expenses	12	304,614	310,268
		935,325	907,430
Total expenses			
Other gains/(losses)			
Gain on sale of assets		600	(4,256)
Gain on foreign exchange transactions		492	(564)
Reduction in provision for doubtful debts	20	478	112
Foreign currency translation		126	3
		75,356	10,814
Surplus for the period		75,356	10,814
Attributable to:			
Surplus attributable to Government of Kenya		75,356	10,814

The notes set out on pages 6 to 23 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		2013-14 Kshs '000	2012-13 Kshs '000 Restated
Assets			
Current assets			
Cash and cash equivalents	13	158,521	161,678
Receivables from exchange transactions	14	77,370	86,444
Receivables from non-exchange transactions	15	3,791	1,308
Prepayments	15	32,929	22,991
		272,611	272,421
Non-current assets			
Property, plant and equipment	17	1,158,925	1,147,144
Investments	16	60,000	60,000
		1,218,925	1,207,144
Total assets		1,491,536	1,479,564
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	38,036	77,218
Provisions	20	500	6,100
Deferred income	21	24,320	41,860
Payments received in advance		2,247	2,347
Other Payables	19	4,676	5,028
		69,779	132,553
Total liabilities		69,778	132,553
Net assets		1,421,757	1,347,012
Reserves		451,194	451,198
Accumulated surplus		970,563	895,814
Total net assets and liabilities		1,421,757	1,347,012

The Financial Statements set out on pages 1 to 21 were signed on behalf of the Board of Directors by:

Ag. Managing Director

Date 27/3/2015

Chairman of the Board

Date 27/3/2015

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

	Revaluation Reserve Kshs '000	Accumulated surplus Kshs '000	Translation Reserve Kshs '000	Total Kshs '000
Balance as at 30 JUNE 2012	451,194	885,797		1,336,991
				-
Surplus/(deficit) for the period	-	10,811		10,811
Transfers to/from accumulated surplus	-	(794)		(794)
Currency translation differences			3	3
Balance as at 30 JUNE 2013	451,194	895,814	3	1,347,012
				-
Surplus for the period	-	75,230		75,230
Transfers to/from accumulated surplus	-	(610)		(610)
Currency translation differences			126	126
Balance as at 30 JUNE 2014	451,194	970,433	130	1,421,757

XIV. STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Notes	2013-14 Kshs '000	2012-13 Kshs '000 Restated
Cash flows from operating activities			
Receipts			
Public contributions and donations		45,020	76,317
Government grants and subsidies		382,816	403,072
Rendering of services		535,433	479,538
		1,393	1,193
Other income, rentals and agency fees		11,172	12,708
		975,834	972,829
Payments			
Compensation of employees		447,131	434,088
Goods and services		444,554	363,068
Rent paid		4,265	2,243
Grants and subsidies paid		610	794
		896,560	800,193
Net cash flows from operating activities	22	79,274	172,636
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(83,731)	(130,993)
Proceeds from sale of property, plant and equipment		1,300	1,916
Net cash flows used in investing activities		(82,431)	(129,077)
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(3,157)	43,559
Cash and cash equivalents at 1 July 2013		161,678	118,119
Cash and cash equivalents at 30 JUNE	13	158,521	161,678

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2013-2014 Kshs '000	Adjustments 2013-2014 Kshs '000	Final budget 2013-2014 Kshs '000	Actual on comparable basis 2013-2014 Kshs '000	Performance difference 2013-2014 Kshs '000
Revenue					
Public contributions and donations	91,078	6,319.60	97,398	66,561	(30,387)
Government grants and subsidies	430,800	(43,728)	387,072	392,174	5,102
Rendoring of services	452,200	42,4223	494,623	538,782	44,159
Finance Income	1,300	(100)	1,200	1,393	193
Rental income and Hire of Facilities	8,000	4,617	12,617	7,560	(5,057)
Gain on disposal of assets	-	-	-	600	600
Other income	3,000	(687)	2,313	2,516	203
Total income	986,378	8,845	995,223	1,009,584.93	14,393
Expenses					
Employee costs	459,600	(2,710)	456,890	447,131	(9,759)
Board Expenses	5,630	(829)	4,801	3,008	(1,793)
Depreciation and amortization expense	73,415	8,961	82,376	84,609	2,233
Repairs and maintenance	64,961	(21,522)	43,439	42,761	(678)
Grants and subsidies	91,078	(945)	90,133	53,202	(36,931)
General expenses	291,694	25,905	317,599	304,614	(12,985)
Total expenditure	986,378	8,860	995,238	935,325	(59,913)
Surplus for the period	-	(15)	(15)	74,261	74,276

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

The Corporation's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

The Corporation which has hitherto been preparing its financial statements based on IFRS, has in these statements adopted IPSAS. This follows guidelines issued by the Public Sector Accounting Standards Board (PASB). PASB was established on 28th February, 2014 through Gazette Notice No. 1199 issued by the Cabinet Secretary National Treasury. The Board in its 4th Board meeting approved adoption of the IFRS, IPSAS and IPPF. The Board subsequently developed templates for financial reporting on the basis of the aforementioned standards.

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

The Corporation recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Corporation and the fair value of the asset can be measured reliably.

Transfers from other government entities

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 Corporation and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Corporation recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Corporation.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Corporation. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Corporation differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciable amounts of assets (cost or valuation amount less residual value) are allocated over the estimated useful life of the assets. Depreciation is calculated on the straight-line method. Depreciation is applied on pro rata basis for assets acquired i.e. from month of acquisition. Assets disposed of during the year are not depreciated.

The Corporation applies the following rates of depreciation:

- Freehold land - nil
- Buildings 2%
- Plant and Machinery 12.5%
- Motor Vehicles 25%
- Office Equipment 12.5%
- Furniture and fixtures 12.5%
- Laboratory Equipment 12.5%
- Computers & Accessories 33.33%

The following residual values have been adopted:

- Plant and Machinery 10%
- Motor Vehicles 10%
- Furniture and Fixtures 5%
- Laboratory Equipment 5%
- Computers and Accessories 5%

d) Leases – IPSAS 13

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a Corporation of financial assets is impaired. A financial asset or a Corporation of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Corporation of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Corporation of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method

- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Corporation.

j) Provisions – IPSAS 19

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Corporation does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Corporation does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements. Corporation to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

The Corporation recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Corporation provides defined contribution plan under which it pays fixed contributions into a separate Corporation (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June was KShs. 87.6269. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Corporation's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Corporation
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are

Rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

v) Related Parties – IPSAS 20.4

The Corporation regards a related party as a person or an entity with the ability to exert control individually or jointly or exercise significant influence over it, or vice versa. Members of the Board or Directors are regarded as parties.

w) Taxation

Government grant is not subject to tax. The Corporation just like the Ministries of Government, operates on non-commercial basis. Surpluses are necessarily already utilized on purchase of assets. In addition surplus relates to GOK grant.

x) Financial Risk Management

The Corporation is exposed to financial risks relating to changing environmental factors such legal, economic and industry/ business conditions. The risks include credit risk, foreign currency exchange rate risk and liquidity risk. The Board provides direction in terms of policies and advice on risk management. Risk management assessments are undertaken periodically and risk mitigation measures are developed. Implemented measures form part of the internal controls which are subsequently evaluated through an internal audit mechanism.

Fair Values

The following is the fair value assessment of carrying amounts versus fair value amounts:

Financial Assets

	Carrying Amount	Fair Value
2014	KShs 000	KShs 000
Investments	60,000	60,000
Receivables from Exchange Transactions	77,370	77,370
Cash and Cash Equivalents	156,426	156,426
	293,797	293,797
2013	KShs 000	KShs 000
Investments	60,000	60,000
Receivables from Exchange Transactions	86,444	86,444
Cash and Cash Equivalents	161,678	161,678
	308,122	308,122

Financial Liabilities

	Carrying Amount	Fair Value
2014	KShs 000	KShs 000
Trade Payables from Exchange Transactions	38,036	38,036
	38,036	38,036
2013	KShs 000	KShs 000
Trade Payables from Exchange Transactions	77,218	77,218
	77,218	77,218

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions are used to estimate the fair values:

- Cash, trade payables and trade receivables have short term maturities and are assessed as such.
- Investments are held to maturity.

Credit Risk

This is risk of loss from defaulting clients. The carrying amount in the financial statements represents the maximum credit exposure.

	2014	2013
	KShs 000	KShs 000
Receivables from Exchange Transactions	77,370	86,444
Maximum Exposure to Credit Risk	77,370	86,444

The credit quality of the balance of receivables is as follows:

2013	KShs 000	KShs 000
High	33,997	49,247
Medium	3,482	2,369
Low	39,892	34,828
	77,370	86,444

Investments

The investment has no significant exposure to credit risk.

Receivables

Receivables are amounts owed by clients, and are presented net of impairment losses. The Corporation has credit policy in place, and exposure to credit risk is monitored. The Corporation is mandated by law to provide services to farmers whose creditworthiness may not be fully assessable.

Cash and Cash Equivalents

The Corporation's cash and cash equivalents are domiciled in reputable financial institutions that meet stringent Central Bank of Kenya requirements.

Liquidity Risk

This is the risk of not being able to meet obligations as they fall due. The Corporation endeavours to maintain sufficient liquidity to meet its liabilities when due. This is achieved by ensuring conversion into cash of amount equivalent to 100% of annual total invoiced value credit sales.

Foreign Currency Risk

The Corporation is exposed to currency fluctuation risk in relation to amounts held in dollars. The exposure is relatively small due to the amounts involved. The risk is managed by use of the dollars to pay dollar invoices and converting surplus into KShs. only when the exchange rate is favourable.

3. Public contributions and donations

	2014	2013
	Shs 000	Shs 000
EAAPP - World Bank	2,059	750
COPE	9,159	20,080
CIP -PQS	-	121
FAO Somali	260	1,034
ASSIP Kenya - Netherlands Embassy	23,401	47,434
HCDFA Fruit Fly	-	324
ASARECA	-	3,231
IITA BGMF	1,604	3,344
Potato Project - Netherlands	4,691	-
IITA COMPRO II	1,626	-
KARI KAPAP	2,221	-
Netherlands - Equipment Donation	13,359	-
Total transfers and sponsorships	58,379	76,317

	2014 Shs 000	2013 Shs 000
Reconciliation of public contributions and donations		
Balance unspent at beginning of year	32,502	-
Current year receipts	58,379	76,317
Conditions met - transferred to revenue	(66,561)	(43,815)
Conditions to be met - remain liabilities (see note 37)	24,320	32,502

4. Transfers from other governments – gifts and services-in-kind

	2014 Shs 000	2013 Shs 000
Unconditional grants		
Operational grant from Ministry of Agriculture	354,816	387,072
Other	-	-
	354,816	387,072
Conditional grants		
Development Grant from Ministry of Agriculture	37,358	6,642
	37,358	6,642
Total government grants and subsidies	392,174	393,714

Reconciliation of conditional grants

Balance unspent at the beginning of the year	9,358	-
Current year receipts	28,000	16,000
Conditions met-transferred to revenue	(37,358)	(6,642)
Conditions to be met-liabilities	0.00	9,358

5. Revenue

a. Rendering of services

	2014 Shs 000	2013 Shs 000
Phytosanitary Services	264,664	223,301
Seed Certification	224,766	211,683
Plant Variety Services	39,888	28,131
Analytical Laboratory Services	8,527	5,888
Other	935	2,067
Total revenue from the rendering of services	538,782	471,069

b. Hire of Facilities

	2014	2013
	Shs 000	Shs 000
Hire of Facilities	7,560	12,017

This is revenue internally generated from hire of accommodation and conference facilities.

c. Finance Income

	2014	2013
	Shs 000	Shs 000
Finance Income	1,393	1,193

This is revenue from staff mortgage fund.

6. Other income

	2014	2013
	Shs 000	Shs 000
Other income-Miscellaneous receipts	2,516	1,140
Total other income	2,516	1,140

7. Employee costs

	2014	2013
	Shs 000	Shs 000
Employee related costs - salaries and wages	234,925	219,172
Employee related costs - contributions to pensions and medical aid	66,941	87,010
Travel, motor car, accommodation, subsistence and other allowances	58,365	48,634
Housing benefits and allowances	73,547	68,887
Overtime payments	3,645	3,957
Performance and other bonuses	1,615	-
Staff Training	8,093	6,429
Expenditure recharged to capital projects	-	-
Employee costs	447,131	434,088

8. Related Party and Related Party Transactions**Board Expenses**

	2014	2013
	Shs 000	Shs 000
Allowances and Subsistence	1,949	3,249
Medical Premium	15	-
Honoraria	1,044	748
Total Board Remuneration	3,008	3,997

9. Depreciation and amortization expense

	2014	2013
	Shs 000	Shs 000
Property, plant and equipment	84,609	71,978
Total depreciation and amortization	84,609	71,978

10. Repairs and maintenance

	2014	2013
	Shs 000	Shs 000
Property	9,914	12,398
Equipment	10,631	10,283
Vehicles	22,216	20,602
Total repairs and maintenance	42,761	43,283

11. Grants and subsidies

	2014	2013
	Shs. 000	Shs. 000
EAAPP - World Bank	1,667	750
COPE	8,229	20,080
CIP - PQS	83	121
FAO Somali	329	1,034
ASSIP Kenya - Netherlands Embassy	34,041	47,434
HCDA Fruit Fly	514	324
ASARECA	2,219	323
IITA BGMF	1,920	3,344
Potato Project - Netherlands	2,618	-
IITA COMPRO II	1,452	-
KARI KAPAP	132	-
Total grants and subsidies	53,202	75,642

12. General expenses

The following are included in general expenses:

	2014	2013
	Shs 000	Shs 000
Advertising	3,435	9,685
Audit fees	1,029	1,926
Consumables	19,115	23,053
Electricity	16,211	14,196
Fuel and oil	28,359	25,641
Insurance - Assets	5,733	6,773
Chemicals	16,032	23,349
Water cost	796	430
Postage	3,946	3,107
Printing of Security Documents and Other Materials	71,558	86,609
Hire charges	868	1,453
Rental	4,265	2,243
Security and cleaning costs	19,442	16,455
Telecommunication	16,912	13,193
Training farmers and other stakeholders	2,814	3,197
Trade Shows and Exhibitions	7,022	6,613
Traveling and Accommodation -Local	53,419	41,238
Traveling and Accommodation -External	12,994	18,700
Contracted Services	7,865	2,493
Other	12,798	9,914
Total general expenses	304,614	310,268

13. Cash and cash equivalents

	2014	2013
	Shs 000	Shs 000
Bank	155,895	161,221
Cash-on-hand and in transit	2,626	457
Total cash and cash equivalents	158,521	161,678

14. Receivables from exchange transactions

	2014	2013
	Shs 000	Shs 000
Current receivables		
Service debtors	81,442	90,993
Less: impairment allowance	(4,072)	(4,550)
Total current receivables	77,370	86,443

15. Receivables from non-exchange contracts

Current receivables	2014	2013
	Shs 000	Shs 000
Staff pension and group life	384	-
Staff advances	706	17
Interest receivable	2,701	1,308
Total current receivables	3,791	1,325

Prepayments

	2014	2013
	Shs 000	Shs 000
Prepayments - Supplies	27,411	16,234
Travel Imprests	1,940	3,369
Deposits -Suppliers	3,578	3,388
	32,929	22,991

16. Investments

	Carrying amount Shs 000	Fair value Shs 000
Held-to-maturity financial instruments		
Fixed Deposits-		
Opening balance at 1 July 2012	60,000.00	60,000.00
Additional investments made	-	-
Interest capitalized	-	-
At 30 June 2013	60,000.00	60,000.00
Additional investments made	-	-
Interest capitalized	-	-
At 30 June 2014	60,000.00	60,000.00
	2014	2013
	Shs 000	Shs 000
Total current investments	-	-
Total non-current investments	60,000.00	60,000.00
Total investments	60,000.00	60,000.00

17. Property plant and equipment

COST OR VALUATION	LAND	BUILDINGS	W.I.P	PLANT AND MACHINERY	MOTOR VEHICLES	COMPUTERS AND ACCESSORIES	OFFICE EQUIPMENT	FURNITURE AND FITTINGS	LABORATORY EQUIPMENTS	TOTALS
Cost:- Shs. '000'										
July 1st 2012	248,900	374,683	234,772	30,223	145,322	28,754	14,499	9,953	120,444	1,207,550
Additions	9,726	256,933	37,518	1,357	16,498	6,763	1,881	758	56,236	130,993
Transfer	-	258,305	(258,305)	-	-	-	-	-	-	-
Disposal	-	-	-	(4,305)	4,745	(474)	(74)	-	-	(9,597)
At 30th June 2013	258,626	633,245	13,984	27,275	157,074	35,043	16,307	10,711	176,679	1,328,946
July 1st 2013	258,626	633,245	13,984	27,275	157,074	35,043	16,307	10,711	176,679	1,328,946
Additions	-	724	44,981	803	20,731	11,043	797	1,182	16,826	97,090
Transfer	6,040	5,729	(52,441)	40,674	-	-	-	-	-	-
Disposal	-	-	-	-	(1,900)	(85)	-	-	-	(1,985)
At 30th June 2014	264,666	639,699	6,525	68,753	175,905	46,002	17,103	11,893	193,505	1,424,051
Depreciation:-										
July 1st 2012	-	14,280	-	6,190	52,772	14,339	2,643	2,257	20,768	113,249
Charge for the year, 2012	-	8,359	-	2,987	32,248	10,137	1,785	1,228	15,234	71,978
Disposal	-	-	-	(969)	(2,139)	(300)	(18)	-	-	(3,425)
Accumulated at 30th June 2013	-	22,639	-	8,208	82,881	24,176	4,411	3,485	36,002	181,801
July 1st 2013	-	22,639	-	8,208	82,881	24,176	4,411	3,485	36,002	181,801
Charge for the year	-	12,763	-	3,457	35,918	7,500	1,978	1,412	21,581	84,609
Disposal	-	-	-	-	(1,284)	-	-	-	-	(1,284)
Accumulated at 30th June 2014	0	35,402	0	11,666	117,514	31,676	6,389	4,897	57,583	265,126
Net Book Value at 30th June 2014	264,666	604,297	6,525	57,087	58,392	14,326	10,714	6,996	135,922	1,158,925
Net Book Value at 30th June 2013	258,626	610,607	13,984	19,067	74,194	10,867	11,896	7,226	140,678	1,147,144

18. Trade and other payables from exchange transactions

	2014 Shs 000	2013 Shs 000
Trade payables	38,036	77,218
Total trade and other payables	38,036	77,218

19. Other Payables

	2014 Shs 000	2013 Shs 000
Staff Payments	233	30
Tax	3,563	4,465
Regional Offices –Overdrawn Accounts	5	-
Sundry Payables	875	534
Total deposits	4,676	5,029

20. Current provisions**Statement of Financial Position:**

	Audit Fee Shs 000
Balance at the beginning of the year	500
Additional provisions raised	-
Provision utilized	-
Change in provision due to change in discount factor and time value of money	-
Transferred from non-current provisions	-
Balance as at 30 June 2014	500

Statement of Financial Performance:

	Debtors Shs 000
Balance at the beginning of the year	4,550
Additional provisions raised	0
Provision utilized	(478)
Change in provision due to change in discount factor and time value of money	0
Transferred from non-current provisions	0
	4,072

21. Deferred income

	2014	2013
	Shs 000	Shs 000
National government	-	9,358
International funders	24,320	
Total deferred income	24,320	9,358

22. Cash generated from operations

	2014	2013
	Shs 000	Shs 000
Surplus for the year before tax	73,356	10,814
Adjusted for:		
Depreciation	84,609	71,978
Non-cash grants received	(13,359)	-
Gains and losses on disposal of assets	(600)	4,256
Contribution to provision		
Grants and subsidies paid	(610)	(794)
	145,396	86,255
Working capital adjustments:		
Increase in inventory		-
Increase in receivables	(3,348)	8,469
Increase in deferred income	(17,540)	41,860
Increase in payables	(45,134)	36,052
Increase in payments received in advance	(100)	
Net cash flows from operating activities	79,274	172,636

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2012/13	Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers	- Muguga and Nakuru land titles which are under KARI are being pursued administratively. The Corporation having obtained letters of no objection from KARI, has appointed surveyors and lawyer to facilitate the process of sub-division and title. - In regard to Kitale land, the Corporation has appointed a lawyer to process title deed for the whole parcel of land. The grabbers will be evicted once the title deed is obtained. The Corporation has also sought the assistance of the Parent Ministry.	Dr. Esther Kimani, Ag. Managing Director	Not resolved	June 2015
	Payment to Inspectorate of State Corporation	The Corporation is now compliant with the Government directive stopping payments to representative of Inspectorate.	Dr. Esther Kimani, Ag. Managing Director	Resolved	-



Ag. Managing Director

Date.....27/3/2015



Chairman of the Board

Date.....27/3/2015