

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

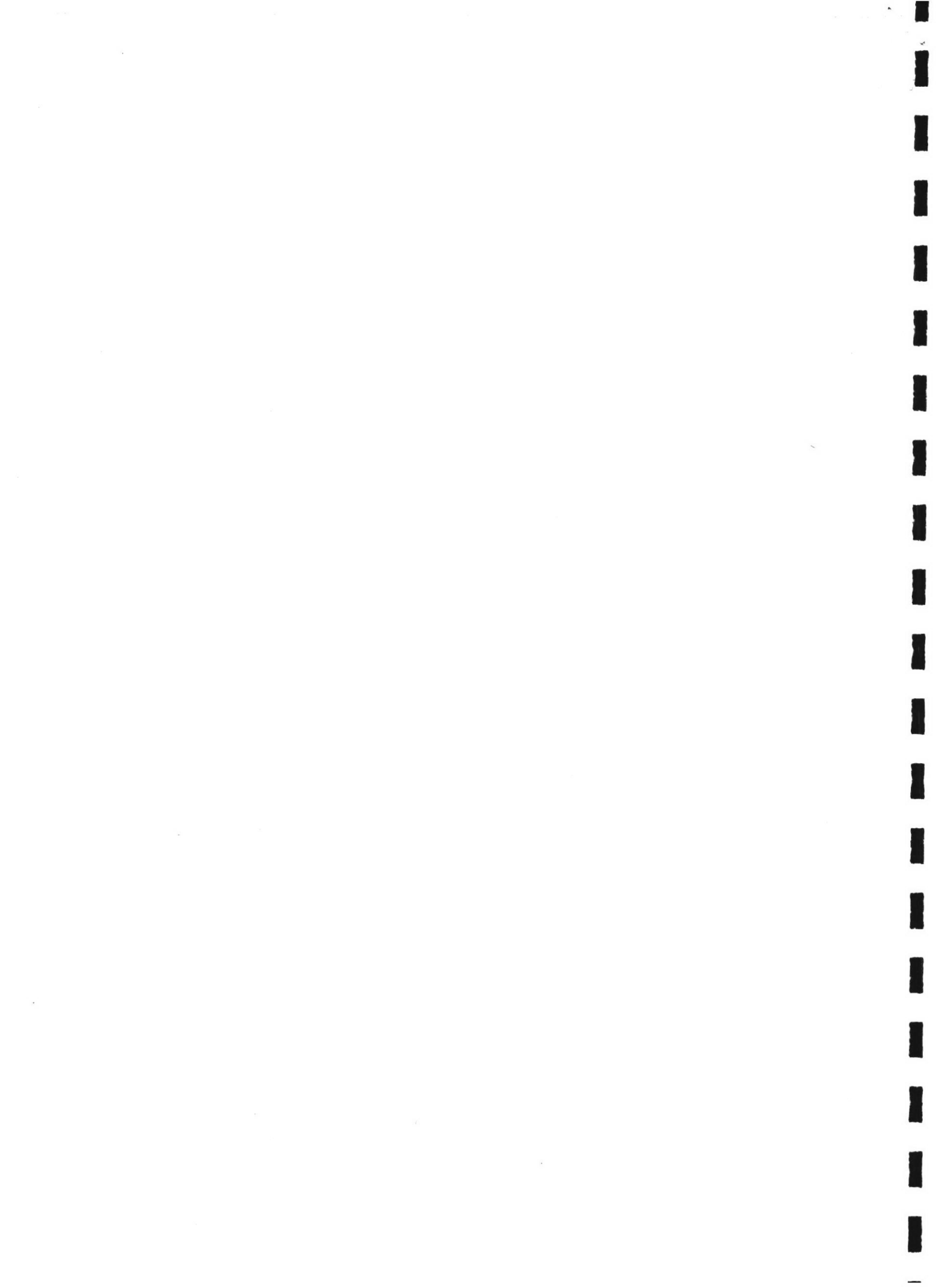
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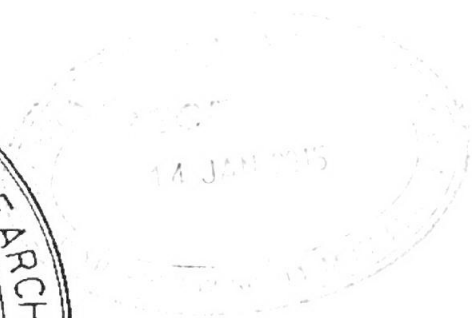
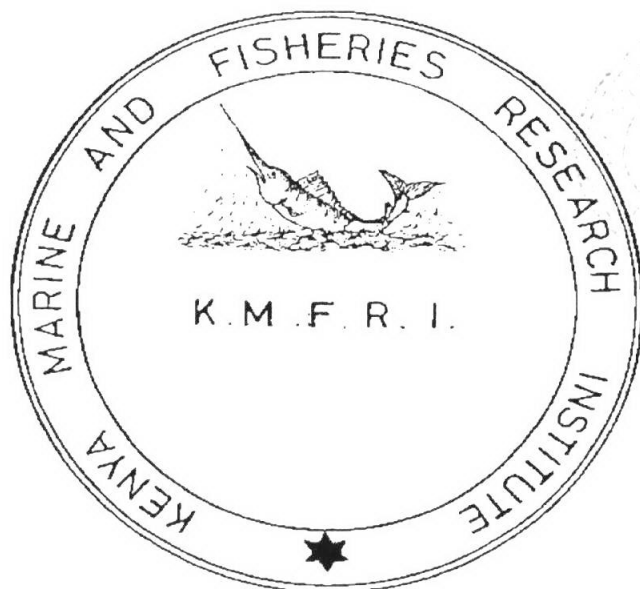
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA MARINE AND FISHERIES
RESEARCH INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2013**





**KENYA MARINE AND
FISHERIES RESEARCH
INSTITUTE**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30
JUNE 2013**





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KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

CORPORATE INFORMATION

BOARD OF MANAGEMENT:-

Prof. Peninah Aloo Obudho	Chairman	(Term Expired 30.5.2014)
Prof. James H.P. Kahindi	Member	”
Prof. Evans Aosa	Member	”
Dr. John M. Onyari	Member	”
Dr. Ahmed Yassin	Member	”
Dr. Mary Ciambaka Mwiandi	Member	”
Mr. Bernard Mubinja Wamalwa	Member	”
Mrs. Santina Mwangi	PS Representative, Ministry of Fisheries Dev.	”
Prof. Shaukat A. Abdulrazak	Secretary, National Council for Science & Tech.	”
Mr. Godfrey Monor	Director, Fisheries Department	”
Dr. Johnson Kazungu	Director, Kenya Marine & Fisheries Res. Inst.	(Term Expired 30.6.2014)
Dr. Renison Ruwa	Ag. Director, Kenya Marine & Fisheries Res. Inst.	(In office w.e.f 1.7.2014)

PARENT MINISTRY:-

- Ministry of Agriculture, Livestock & Fisheries Development.

OFFICES:-

- KMFRI HEADQUARTERS,
English Point – Mkomani,
P.O. Box 81651 – 80100
MOMBASA.
Telephone Nos. 020802160/1 Fax: 02023533226 Email: director@kmfri.co.ke

AUDITORS:-

- Auditor-General – Kenya National Audit Office
P.O Box 30084-00100
NAIROBI

LAWYERS:-

- Omondi Waweru & Co. Advocates,
Cannon Towers, 11th Floor,
Moi Avenue,
P.O. Box 1606 – 80100,
MOMBASA.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

BANKERS:-

- National Bank of Kenya,
Nkrumah Road Branch,
P.O. Box 90363 – 80100,
MOMBASA.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

MANDATE OF THE INSTITUTE

The mandate of Kenya Marine and Fisheries Research Institute (KMFRI) was established by an Act of Parliament (**Science and Technology Act, Cap 250 of the Laws of Kenya**) in 1979 after the collapse of the East African Community.

KMFRI's main role is to undertake research in "marine and freshwater fisheries, aquaculture, environmental and ecological studies", in order to provide scientific data and information for sustainable exploitation, management and conservation of Kenya's fisheries resources and aquatic resources, and contribute to National strategies of food security, poverty alleviation, clean environment and creation of employment as provided for under Vision 2030. Elaborately, the roles of KMFRI include;

- (a) To conduct multidisciplinary and collaborative research of fish ecology, population dynamics, stock assessment and general aquatic ecology.
- (b) To collect and disseminate scientific information on fisheries and other aquatic resources and related natural products.
- (c) To study and identify suitable species for culture including development, adoption and transfer of rearing technology and procedure.
- (d) To study chemical and physical processes that affect productivity of aquatic ecosystems.
- (e) To monitor water quality and pollution in fresh and marine water environments.
- (f) To carry out socio-economic research on aspects relevant to fisheries, environment and other aquatic resources.
- (g) To establish a marine and freshwater collection for research and training purposes.
- (h) To offer training facilities to aquatic scientists.
- (i) To conduct research on fish quality control, post harvest preservation and value addition technologies.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Government Financial Regulations requires that the Institute management prepares financial statements for each financial year which give a true and fair view of the state of affairs of the corporation at the end of the financial year and of the income and expenditure for the period. In preparing those financial statements, the management is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable standards have been followed; and
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the corporation will continue in operation in the foreseeable future.

The Institute management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the corporation and to ensure that the financial statements comply with the Government Financial Regulations. The management is also responsible for safeguarding the assets of the organization and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards and the requirements of the Government Financial Regulations. The management is of the opinion that the financial statements give a true and fair view of the state of the corporation's financial affairs and of its surplus/deficit for the financial year ending 30th June 2013. The management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial controls.

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

Prof. Micheni Japhet Ntiba, CBS

PRINCIPAL SECRETARY/STATE DEPARTMENT OF FISHERIES



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

DIRECTOR'S STATEMENT

I have the pleasure to present the financial statements and Accounts for the Kenya Marine and Fisheries Research Institute (KMFRI) as at 30th June 2013 covering the 2012/2013 financial year.

The Institute made important progress during the 2012/2013 financial year. The Institute achieved a series of milestones and remained on course with its Strategic Plan 2010/2015. KMFRI continued to conduct innovative and collaborative research in marine and freshwater systems and contributed to sustainable management and exploitation of aquatic resources under the Agriculture and Rural Development (ARD) sector. The institute also continued to focus on its areas of strength in research in order to alleviate poverty and enhance food security for the Country.

During the period under review, the research activities undertaken were aligned to the national development priorities as contained in the Government's Medium Term Plan (MTP) 2008-2012, the Kenya Vision 2030, and the Sector Performance Standards for Agriculture and Rural development and the Research, Innovations and Technology Sectors. KMFRI scientists have been working systematically to collect and disseminate scientific information on fisheries, other aquatic resources and related natural products. The scientists have been enhancing applied research by identifying suitable species for culture including development, adoption and transfer of rearing technology. The scientists further carried out socio-economic research in order to promote and drive aquaculture under the government's stimulus programme. The scientists released many peer reviewed scientific publications and recorded increased percentage in the number of funded research proposal. The institute also launched a book co-authored by a KMFRI scientist on Fish taxonomy. KMFRI has also previously held successful National scientific conferences and the management has been organizing for an inter-National Scientific Conference.

The year 2013 was the general election year which ushered in the new governance system as contained under the new Constitution promulgated in 2010. It's noted that the new Constitution stipulated change of governance within public institutions and especially demanded gender equity and regional balance in employment opportunities. KMFRI complied with the Constitutional requirement while employing the last batch of 25 scientists of whom 13 were of different gender. The year 2013 was also full of other activities. The Institute has also been addressing other emerging issues.

During the year 2012-2013, KMFRI continued with implementation of major projects including Kenya Coastal Development Project (KCDP). This project which is being implemented in collaboration with other six implementing agencies focuses on the whole ecosystem of the coastal region with a view to improving the livelihood of communities living around the ocean and other water catchment areas within the region. The Institute also implemented the final phase of other major regional projects including the SWIOFP, ASARECA, KAPAP and the Artemia project based at the Kenyan Coast.

In the period 2012-2013, KMFRI continued collaboration with Government Agencies and other international Development partners in areas of research. KMFRI signed a number of new memoranda of understanding (MoUs) including with the Flanders Institute of Marine Sciences, VLIZ; a Marine Institute of Belgium which outlines Kenya -Belgium collaboration in aquatic sciences. The MOU between KMFRI and the Flanders Institute of Marine Sciences (VLIZ) also led to donation of a modern Research Vessel to KMFRI by the Belgium government. KMFRI also signed other key



MOUs including with the, First Institute of Oceanography- State Oceanic Administration- China, East African Marine Transect Expedition (EAMT), International Ocean Institute (IOI)- Eastern Africa, the Court of Edinburgh Napier University and University of Rahuna and LTS International Ltd and the University of Birmingham, and the Jomo Kenyatta University of Agriculture and Technology (JKUAT).

KMFRI's greatest challenge during the financial year was on how to cope with reduced Grants from the GoK. KMFRI's budget for 2012/2013 FY was reduced by 10% through government's supplementary **budget** estimates. Although the 10% budget applied to all government ministries and agencies, the 10% budget cut on KMFRI's recurrent budget amounted to approximately Kshs 50 million and adversely affected the institute operations. The institute could not fund the Performance Contract targets and undertake quality research meant to tackle emerging national priorities of food security, employment creation and poverty reduction. Despite reduction in grants from GoK, Development partners continued to assist the institute with research grants for various strategic research activities. However, a number of very important areas of research including maximizing sustainable exploitation of fisheries resources at the Kenya EEZ and inland water bodies including lake's Victoria and Turkana need additional government support. Additionally, with dwindling of fisheries stocks in most of our aquatic systems, special attention needs to be placed on popularizing aquaculture including production of quality seeds and feeds.

During the year 2012-2013, the Institute complied with the set budgetary levels for the year. The Government through supplementary budget estimates allocated KMFRI a total of KShs.445.8 million to finance KMFRI's recurrent expenditure while KShs.724.1 million was allocated for development expenditure. KMFRI received the total of KShs.445.8 allocated funds for recurrent expenditure and Kshs. 78.8 million allocated for GoK Development Expenditure. During the year, only Ksh.139.9 million was released to KMFRI as funds from Development partners for implementation of the the Kenya Coastal Development Project (KCDP) and the South West Indian Ocean Fisheries Project (SWIOFP) which ended in March 2013. KMFRI also received Ksh. 44.6 million allocated for the GoK for counterpart funding for the Kenya Coastal development Project. All the funds released by the Government to the Institute were expended towards the intended and approved core activities during the financial year. In addition, KMFRI enhanced monitoring and evaluation to ensure compliance with the budget for all sections. In the coming year the Institute will continue contributing to the national development agenda by implementing its core mandate focused on raising standards of living and alleviating poverty in the country.

Dr. Renison Ruwa, PhD MBS
Ag. DIRECTOR/KMFRI



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

AUDITOR'S CERTIFICATE

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 MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute set out on pages 10 to 27, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity 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 Articles 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained 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 Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 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 misstatements.

The 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 for Qualified Opinion

1. Property Plant and Equipment

- i) As previously reported, the Institute owns four (4) parcels of unsurveyed lands located in Turkana, Baringo, Sangoro and Mtwapa which have not been valued nor included in the property, plant and equipment figure of Kshs.403,430,401 as at 30 June 2013.
- ii) The Institute does not have titles for land measuring 1.8 and 6.0 hectares in Sangoro and Shimoni respectively.
- iii) The property plant and equipments balance of Kshs. 403,430,401 as at 30 June 2013 has not been reconciled with the amounts reflected in fixed assets register.

Consequently, and in light of the above paragraphs, I am unable to confirm the amount of Kshs.403,430,401.00 as representing the fair values of the property plant and equipment as at 30 June 2013.

2. Sale of the Kongowea Land

As reported in prior year, the Institute on 26 January 2007 sold the Kongowea parcel of land LR No. 6034/1/MN-Kongowea Mombasa, measuring approximately 1.998 hectares valued at Kshs. 22.8 million to a Kongowea Market Estate Limited at a selling price of Kshs. 15,020,000 and the title transferred to the purchaser before the Institute received full amount of the sale price and which is yet to be received. In addition, the lawyer who received the money on behalf of the Institute on 26 March 2009 did not remit the same to the Institute until 2010/2011 financial year when he transmitted Kshs. 13,444,923 leaving a balance of Kshs. 1,575,077.00 excluding interest accrued which is yet to be remitted. No explanation/reason was provided for the transfer of the property before receiving consideration and also for the sale of the property below market value.

3. Grabbed Institute's Land

(i) Land at Mtwapa

Information and records available indicate that the institute owns land measuring 13.42 acres in Mtwapa ceded to it by Kenya Agricultural Research Institute that is not surveyed and does not have a title. Information available also indicates that the land has been encroached by a private developer who has subdivided it unlawfully. Although the matter is under litigation, there is no documentary evidence to show that there has been adequate follow-ups to evict the private developer from the land or to repossess that land.

(ii) Land at Baringo

The Institute's records indicate that it owns 2.35 hectares of land in Baringo (plot number PDP R/B/355/97/4). Although the Institute holds the allotment letter from the Commissioner of Lands, they do not hold title to the land. Information available indicate that a private developer who claims to have title to the land has taken over the land. No documentary evidence was provided to show that there has been adequate follow up by the management to acquire ownership documents from the ministry of lands.

4. Trade and Other Payables

(i) Unreconciled Suppliers Balances

Included in the trade and other payables balance of Kshs.50,791,682 are amounts of Kshs.143,630 and Kshs.1,151,880 owed to Kaayim Stationers and Boma Travel Ltd respectively, but whose confirmed balances are Kshs.70,333 and Kshs.987,240. The difference of Kshs.73,297 and Kshs.164,640 have not be reconciled or explained.

(ii) Unexplained Adjustments to Other Liabilities

The other liabilities balance of Kshs. 22,159,902 as at 30 June 2013 include adjustments amounting to Kshs. 1,385,285 to the statutory deductions which have not been supported with documentary evidence.

Consequently, the accuracy of the trade and other payables and other liabilities balance of Kshs.50,791,682.00 and Kshs.22,159,902 respectively as at 30 June 2013 could not be ascertained.

5. Donor Grants

The statement of comprehensive income indicates Kshs.114,372,358 as funds from donors. However, our review of the projects' cash book indicated a variance of Kshs.3,741,538 and Kshs.543,748 between the amount as per projects' cash book and balances as per financial statements for CAMARV and Micro projects

respectively. The total variance of Kshs.4,285,286 was not explained. In addition, financing agreements and accountability documents were not availed to support Grants received from International Organizations amounting to Kshs.74,652,048. In the circumstances, the completeness and validity of grants income totalling Kshs.114,372,358 received from Development Partners for the year ended 30 June 2013 could not be confirmed.

6. Long Outstanding Staff imprest

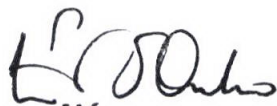
Included in the trade and other receivables balance of Kshs.6,149,099 are long outstanding staff imprest amounts of Kshs.809,444 out of which, Kshs.221,215 relate to former staff of the Institute. There is no documentary evidence availed to support efforts to recover these amounts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

7. Interest Income

The Institute's statement of comprehensive income includes a balance of interest income on fixed deposit account amounting to Kshs.503,098 that is not supported with information on the recorded interest. Consequently, I am unable to confirm completeness and accuracy of interest income as reported in the financial statements.

Qualified Opinion

In my opinion, except for the effect of the matters 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 2013, 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 law of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 December 2014




KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

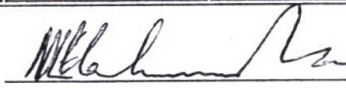
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2012/2013		2011/2012	
ASSETS					
Non Current Assets					
Property, Plant and Equipment	[2]	403,430,401		233,059,916	
Work-in-Progress	[3]	-		99,947,725	
			403,430,401		333,007,641
Current Assets					
Prepayments	[4]	291,665		2,818,646	
Trade & Other Receivables	[5]	6,149,099		8,443,414	
Cash & Bank Balance	[6]	167,530,767		119,571,096	
			173,971,532		130,833,156
TOTAL ASSETS			577,401,933		463,840,796
EQUITY AND LIABILITIES					
Capital Reserve	[7]	426,684,431		363,884,431	
Donations Reserve	[8]	128,275,246		102,054,648	
Revaluations Reserve	[9]	112,890,535		114,914,661	
Accumulated Deficit	[10]	(193,546,129)		(190,134,812)	
			474,304,083		390,718,929
Non Current Liabilities					
Retirement Benefits Obligation	[11]	30,146,666		45,346,666	
			30,146,666		45,346,666
Current Liabilities					
Trade & Other Payables	[12]	50,791,682		21,287,305	
Other Liabilities	[13]	22,159,502		6,487,895	
			72,951,184		27,775,201
TOTAL EQUITY & LIABILITIES			577,401,933		463,840,796

Signed: _____


 Prof. Micheni Japhet Ntiba, CBS
 PRINCIPAL SEC./STATE DEPT. OF FISHERIES


Signed: _____



 Dr. Renison Ruwa, PhD MBS
 Ag. DIRECTOR/KMFRI



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

PARTICULARS	NOTE	2012/2013	2011/2012
REVENUE			
Exchequer Grants For The Year	[14]	445,824,000	473,500,000
Other Incomes (A-I-A)	[15]	4,364,772	3,636,103
Interest Income on Fixed Deposit A/c	[16]	503,098	685,930
Funds From Development Partners	[17]	114,372,358	87,556,672
Total Income		565,064,227	565,378,705
EXPENDITURE			
Personnel Costs	[18]	369,271,856	344,954,551
Operating Costs	[19]	173,469,922	227,150,803
Audit Fee	[20]	500,000	900,000
Board Expenses	[21]	3,976,700	5,132,437
Depreciation charge for the year	[2]	21,257,065	15,811,374
Total Expenditure		568,475,543	593,949,165
Deficit for the year		(3,411,316)	(28,570,460)

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE						
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012						
	Note	Capital Reserve	Donations Reserve	Reval. Reserve	Accum. Deficit	TOTAL
		Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2011		302,784,431	111,307,267	115,314,661	(161,564,351)	367,842,007
Development Grants/Donations		38,000,000	406,999	-	-	38,406,999
GOK Counterpart Funding		23,100,000	-	-	-	23,100,000
Amortization		-	(9,659,618)	(400,000)	-	(10,059,618)
Deficit for the period		-	-	-	(28,570,460)	(28,570,460)
Balance as at 30 June 2012		363,884,431	102,054,648	114,914,661	(190,134,812)	390,718,928

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE						
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013						
	Note	Capital Reserve	Donations Reserve	Reval. Reserve	Accum. Deficit	TOTAL
		Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2012		363,884,431	102,054,648	114,914,661	(190,134,812)	390,718,928
Development Grants/Donations		38,000,000	46,756,956	-	-	84,756,956
GOK Counterpart Funding		24,800,000	-	-	-	24,800,000
Amortization		-	(20,536,358)	(2,024,126)	-	(22,560,484)
Deficit for the period		-	-	-	(3,411,317)	(3,411,317)
Balance as at 30 June 2013		426,684,431	128,275,246	112,890,535	(193,546,129)	474,304,083



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2012/2013		2011/2012	
Cash flow from Operating Activities					
Deficit for the Year		(3,411,317)		(28,570,460)	
Adjustments for:					
Depreciation charge for the year		21,257,065		15,811,374	
Gain/Loss on sale of assets		-		249,107	
Funds from operations before working capital changes		17,845,749		(12,509,980)	
Increase/Decrease in Trade & Other Receivables		2,294,314		(2,668,521)	
Increase/Decrease in Trade & Other Payables		29,504,377		(7,963,104)	
Increase/Decrease in Other Liabilities		15,671,607		6,073,492	
Increase/Decrease in Prepayments		2,526,980		276,510	
Gain on disposal of assets		-		(387,100)	
Loss on sale of Kongowea Plot		-		-	
Increase/Decrease in Retirement Benefits Obligation		(15,200,000)		(15,453,334)	
Cash Flow from Investing Activities			52,643,027		(32,632,036)
Development Grants		62,800,000		61,100,000	
Proceeds from sale of Fixed Assets		-		879,550	
Increase/Decrease in Work-in-Progress		99,947,724		(24,226,722)	
Purchase of Fixed Assets		(167,431,079)		(21,524,225)	
Cash Flow from Financing Activities			(4,683,355)		16,228,603
Net Increase/Decrease in Cash			47,959,671		(16,403,433)
Cash at the beginning of the period			119,571,096		135,974,528
Cash and Bank Balance at the period	[6]		167,530,767		119,571,096



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2013

Kenya Marine and Fisheries Research Institute (KMFRI) is a Corporate Body constituted as per the Science and Technology Act Cap.250 (20).

1.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are set out below:-

(a) Basis of preparation and form of presentation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Kshs) and are prepared under the historical cost convention except for measurement at fair value of certain assets.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the managements' best knowledge of current events and actions, actual results of events may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the e period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Consolidation Principle

The financial statements include the operations of the Institute and its satellite centres/stations which are spread across the country.

(c) Revenue Recognition

Income is recognized in the period in which it is earned. Income is not accrued if its recoverability is considered doubtful.

(d) Government Grants and Donations

Grants from the National Government are recognized in the year in which the Institute actually receives such grants. Donor grants are recognized in the Institute books of account to the extent that it is probable that future economic benefits will flow to the Institute and the grants can be reliably measured.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE ACCOUNTS CONTINUED

(e) Foreign Currency

(i) Translation of Foreign Currencies

Foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognized in the income statement for the year.

(ii) Functional and Presentation of Currencies

Items included in the financial statements of the Institute are measured using Kenya Shillings which is the currency of the primary economic environment in which the Institute operates ('functional currency'). The financial statements are therefore presented in Kenya Shillings.

(f) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost or as professionally revalued less accumulated depreciation.

- i. Depreciation on property, plant and equipment is calculated on the straight-line basis to write down the cost of the assets to their residual values over their estimated useful life.
- ii. Full depreciation is charged on assets in the year of purchase and none is made in the year the assets are disposed. Depreciation charge for leasehold land is apportioned evenly over the lease period. No depreciation is charged on freehold land and as it is deemed to have an indefinite life.
- iii. Property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment whose value can be measured reliably, such an item shall be carried at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.
- iv. Motor vehicles that have a book value of less than Kshs. 100,000 are not depreciated.
- v. Depreciation rates are as below:-

a) Leasehold Land	-	Apportioned over the
lease		period.
b) Buildings	-	2.5%
c) Plant & Lab Equipment	-	12.5%
d) Motor Vehicles	-	25.0%
e) Research Vessels	-	12.5%
f) Furniture, Fittings & Office Equipment	-	12.5%



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NOTES TO THE ACCOUNTS CONTINUED

g) Loose Tools	-	25.0%
h) Library Books	-	20.0%
i) Computers	-	30.0%

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NOTES TO THE ACCOUNTS CONTINUED

2. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computer Software	Computers	Total
Cost 1 July 2012	3,292,000	39,408,000	138,910,451	11,078,990	15,893,119	6,979,724	13,571,759	41,836	15,113,157	-	13,042,296	257,331,332
Additions	-	-	152,883,396	1,554,434	4,035,507	-	320,226	-	-	7,347,560	1,289,956	167,431,078
Donations B/Fwd	-	-	-	-	2,900,000	69,870,038	-	-	1,004,315	-	-	73,774,353
Additions	-	-	-	-	46,029,459	-	-	-	727,497	-	-	46,756,956
Disposals	-	-	-	-	(1,571,479)	-	-	-	-	-	-	(1,571,479)
Adjustments- Assets fully depreciated	-	-	-	-	-	(1,459,126)	-	-	-	-	-	(1,459,126)
Revaluations B/Fwd	-	-	-	-	1,600,000	-	-	-	-	-	-	1,600,00
30 June 2013	3,292,000	39,408,000	291,793,847	12,633,424	68,886,606	75,390,636	13,891,985	41,836	16,844,969	7,347,560	14,332,252	543,863,114
Accumulated Depreciation:												
1 July 2012:- For additions B/Fwd	-	1,992,835	20,937,806	5,063,872	5,501,820	5,729,955	6,376,019	37,445	14,848,044	-	10,328,718	70,816,514
For Donations B/Fwd	-	-	-	-	1,450,000	26,201,264	-	-	377,990	-	-	28,029,254
Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computer Software	Computers	Total
For Rev. B/Fwd	-	-	-	-	800,000	-	-	-	-	-	-	800,000
Depreciation Grand Total B/Fwd	-	1,992,835	20,937,806	5,063,872	7,751,820	31,931,219	6,376,019	-	15,226,034	-	10,328,718	99,645,768

Charge for the year: Purchased Assets	-	456,428	7,294,846	1,579,178	3,793,544	872,466	1,736,498	-	-	2,204,268	3,319,837	21,257,045
Donated Assets	-	-	-	-	11,839,495	8,551,364	-	-	145,499	-	-	20,536,358
Depreciation write-off on disposals	-	-	-	-	(1,406,479)	-	-	-	-	-	-	(1,406,479)
Revalued Assets	-	-	-	-	400,000	-	-	-	-	-	-	400,000
Depreciation Grand Total as at 30 June 2013	-	2,449,263	28,232,652	6,643,050	22,378,380	41,355,049	8,112,517	37,445	15,371,533	2,204,268	13,648,555	140,825,582
Net Book Value												
B/fwd 1 July 2012: Purchased Assets	3,292,000	37,415,165	117,972,645	6,015,118	10,391,300	1,249,770	7,195,740	4,391	265,113	-	2,713,578	186,514,820
Donated Assets	-	-	-	-	1,450,000	43,668,773	-	-	626,325	-	-	45,745,098
Revalued Assets	-	-	-	-	800,000	-	-	-	-	-	-	800,000
Grand Total of Net Book Values 30 June 2012	3,292,000	37,415,165	117,972,645	6,015,118	12,641,300	44,918,544	7,195,740	4,391	891,438	-	2,713,578	233,059,917
Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computer Software	Computers	Total
As at 30 June 2013 Net Book Values:- Purchased Assets	3,292,000	36,958,737	263,561,195	5,990,374	10,633,262	377,303	5,779,468	4,391	265,113	5,143,292	683,696	332,688,830
Donated Assets	-	-	-	-	35,474,964	33,658,284	-	-	1,208,323	-	-	70,341,571
Revalued Assets	-	-	-	-	400,000	-	-	-	-	-	-	400,000
Grand Total of Net Book Values as at 30 June 2013	3,292,000	36,958,737	263,561,195	5,990,374	46,508,226	34,035,587	5,779,468	4,391	1,473,436	5,143,292	683,697	403,430,403



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE ACCOUNTS CONTINUED

2. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computers	Total
Cost 1 July 2011	3,292,000	39,408,000	138,910,451	8,947,551	5,118,100	6,026,726	10,357,153	41,836	15,104,157	9,821,601	237,027,575
Additions	-	-	-	2,311,239	11,375,019	952,998	3,569,539	-	9,000	3,306,430	21,524,225
Donations B/Fwd	-	-	-	-	2,900,000	69,870,038	-	-	597,315	-	73,367,353
Additions	-	-	-	-	-	-	-	-	406,999	-	406,999
Revaluations B/Fwd	-	-	-	-	1,600,000	-	-	-	-	-	1,600,000
Disposals	-	-	-	(179,800)	(600,000)	-	(354,933)	-	-	(85,735)	(1,220,468)
30 June 2012	3,292,000	39,408,000	138,910,451	11,078,990	20,393,119	76,849,762	13,571,759	41,836	16,117,472	13,042,296	332,705,685
Accumulated Depreciation:											
1 July 2011:- For additions B/Fwd	-	1,494,000	17,465,045	3,791,373	1,678,540	4,857,489	4,810,351	37,445	14,848,044	6,501,765	55,484,052
For Donations B/Fwd	-	-	-	-	725,000	17,467,509	-	-	177,127	-	18,369,636
For Rev. B/Fwd	-	-	-	-	400,000	-	-	-	-	-	400,000
Charge for the year: Purchased Assets	-	498,835	3,472,761	1,384,874	3,973,280	872,466	1,696,470	-	-	3,912,689	15,811,375
Donated Assets	-	-	-	-	725,000	8,733,755	-	-	200,863	-	9,659,618
Revalued Assets	-	-	-	-	400,000	-	-	-	-	-	400,000
Depreciation write-off on disposals	-	-	-	(112,375)	(150,000)	-	(130,802)	-	-	(85,735)	(478,912)

As at 30 June 2012	-	1,992,835	20,937,806	5,063,872	7,751,820	31,931,218	6,376,019	37,445	15,226,034	10,328,718	99,645,768
Net Book Value											
B/fwd 1 July 2011:	3,292,000	37,914,000	121,445,406	5,156,178	3,439,560	1,169,237	5,546,802	4,391	256,113	3,319,837	181,543,523
Purchased Assets	-	-	-	-	2,175,000	52,402,528	-	-	420,188	-	54,997,716
Donated Assets	-	-	-	-	1,200,000	-	-	-	-	-	1,200,000
Revalued Assets	-	-	-	-	10,391,300	1,249,770	7,195,740	4,391	265,113	2,713,578	186,514,818
As at 30 June 2012:-	3,292,000	37,415,165	117,972,645	6,015,118	10,391,300	1,249,770	7,195,740	4,391	265,113	2,713,578	186,514,818
Purchased Assets	-	-	-	-	1,450,000	43,668,773	-	-	626,325	-	45,745,098
Donated Assets	-	-	-	-	800,000	-	-	-	-	-	800,000
Revalued Assets	-	-	-	-	12,641,300	44,918,544	7,195,740	4,391	891,438	2,713,578	233,059,917
Grand Total of Net Book Values	3,292,000	37,415,165	117,972,645	6,015,118	12,641,300	44,918,544	7,195,740	4,391	891,438	2,713,578	233,059,917



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NOTES TO THE ACCOUNTS CONTINUED

3. WORK-IN-PROGRESS (W-I-P)

	<u>2012/2013</u>	<u>2011/2012</u>
	Kshs.	Kshs.
W-I-P	-	<u>99,947,725</u>

The cumulative amount of W-I-P totalling Kshs. 149,500,865 has been capitalized thus increasing the original cost of KMFRI buildings. The W-I-P was capitalized upon certification by the Ministry of Public Works, the appointed Project Managers.

4. PREPAYMENTS

	Kshs.	Kshs.
Motor Vehicle Insurance Cover	291,665	314,801
Group Personal Accident Cover	-	904,425
Research Vessels Insurance Cover	-	-
Staff Pension Arrears	-	253,333
Group Life Insurance Cover	-	<u>1,346,087</u>
Total	<u>291,665</u>	<u>2,818,646</u>

5. TRADE AND OTHER RECEIVABLES

	Kshs.	Kshs.
Medical Advance	3,568,579	2,307,869
Salary Advance	1,549,861	1,686,383
Temporary Imprest	809,444	1,218,681
Westcon Construction Co. Ltd.	-	3,009,266
Other Debtors	<u>221,215</u>	<u>221,215</u>
Total	<u>6,149,099</u>	<u>8,443,414</u>

CONTINGENCY

- (i) A further sum of Sh. 4,500,000 is due from a formerly contracted KMFRI legal firm, Ms Momanyi & Co. Advocates. The amount was meant for the payment of the then outstanding Mombasa Municipal Council land rates arrears, something which the law firm never did. The Institute has filed a civil case against the lawyer for the recovery of the money owed and the court is yet to give its verdict. For that reason, the debt has not been recognized in the financial statements as the court's ruling on the matter is awaited.
- (ii) On 14th June 2012 some Institute offices at the headquarters were broken into and some property was stolen. The estimated cost of damages and stolen property is Sh. 713,209. KMFRI has written to her contracted Security Firm seeking compensation for the losses suffered.



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NOTES TO THE ACCOUNTS CONTINUED

6. CASH & BANK BALANCE

	<u>2012/2013</u>	<u>2011/2012</u>
	Kshs.	Kshs.
Recurrent A/c's	36,964,162	4,532,810
Development A/c	79,474,075	76,018,484
Revenue A/c's	1,588,165	1,441,096
Seed A/c's	554,189	3,199,657
Cash A/c's	222,302	209,145
Fixed Deposit A/c	-	14,130,853
Projects A/c's	<u>48,727,873</u>	<u>20,039,051</u>
Total Cash & Bank Balance	<u>167,530,767</u>	<u>119,571,096</u>

7. CAPITAL RESERVE

	Kshs.	Kshs.
Balance b/fwd	363,884,431	302,784,431
Additional funds	<u>62,800,000</u>	<u>61,100,000</u>
Development Funds	<u>426,684,431</u>	<u>363,884,431</u>

In the year ended 30th June 2013, the government disbursed an additional Ksh.62.8 million for development expenditure.

8. DONATIONS

	Kshs.	Kshs.
Balance b/fwd	102,054,648	111,307,267
Additional	<u>46,756,956</u>	<u>406,999</u>
Total	148,811,604	111,714,266
Less: Depreciation	<u>20,536,358</u>	<u>9,659,618</u>
Donations – Balance C/Fwd	<u>128,275,246</u>	<u>102,054,648</u>

9. REVALUATIONS

	Kshs.	Kshs.
Balance b/fwd	114,914,661	115,314,661
Additional	-	-
	114,914,661	115,314,661
Less: Depreciation	<u>2,024,126</u>	<u>400,000</u>
Revaluation Reserve	<u>112,890,535</u>	<u>114,914,661</u>



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NOTES TO THE ACCOUNTS CONTINUED

21. BOARD EXPENSES

	<u>2012/2013</u> Kshs.	<u>2011/2012</u> Kshs.
Board Allowances	2,464,800	3,241,833
Travel Costs	767,543	259,560
Other Board related expenses	744,357	1,631,044
Total	<u>3,976,700</u>	<u>5,132,437</u>