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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

ANNUAL REPORT AND FINANCIAL STATEMENTS

PARLIAMENT
OF KENYA
LIBRARY

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)
POPO ROAD, NAIROBI SOUTH C, P.O. BOX 30650 - 00100, NAIROBI, KENYA
TELEPHONE: 0202388216/0202393466. Website: www.kirdi.go.ke
Email: dir@kirdi.go.ke



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NAMES AND ACRONYMS

OTA	Coffee Ochratoxin A project funded by European Union
UNIDO	United Nations Industrial Development Organization
KAPP	Kenya Agricultural Productivity Project of KARI
IFS	International Foundation for Science
WIFIP	Development of fertilizer from water hyacinth in lake region Project
ATPS	Africa Technology Policy Studies Network
ADB	Africa Development Bank
DANIDA	Danish Industrial Development Agency
MOIED	Ministry of Industrialization and Enterprise Development
G.O.K	Government of Kenya
R & D	Research and Development

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KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background information

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(KIRDI) is a statutory research organization established under the Science and Technology Act Cap 250, 1979 (now repealed and replaced by the Science, Technology and Innovation Act 2013).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

(b) Principal Activities

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

Research Technology and innovation Committee

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

Finance committee

This committee consisted of six members. The committee was chaired by David Githendu. This Committee had oversight on all financial issues including budgets, financial reporting process and controls, and procurement. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for recommendation to the Board. Other members of the committee include Prof. TuikongSerem, Mr.ElemasakoFila, Mr. David Gichuhi, Mrs.MargaretOnyimbo and Ms.NancyMuya.

Audit Committee

This committee consisted of eight members. The committee was chaired by Mr. John Migiro. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit

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reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of the financial statements. Other members of the committee include Prof. Kogi-Makau, Mr. David Gichuhi, Ms. Margaret Onyimbo, and Ms. Nancy Muya.

Human Resources and Administration Committee

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

(f) Institute's Headquarters

P.O. Box 30650 00100
KIRDI South C Campus
Popo Road, off Mombasa Rd
NAIROBI, KENYA

(g) Institute's Contacts

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

(h) Institute 's Bankers

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

(i) Independent Auditors

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



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(j) Principal Legal Advisor

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

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

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






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1. THE BOARD OF DIRECTORS

DIRECTOR	PROFILE
 <p>Dr. Nathan Kitio Psiwa (49) Chairperson Board of Directors</p>	<p>Dr.Psiwa holds MSc (Dent) from the University of Western Cape South Africa and BDS from the University of Nairobi. He is a Council Member of Rongo University College. Dr.Psiwa is a founder member and Honorary Secretary of the Orthodontic Society of Kenya (OSK) and a Registered Member of the Kenya Medical Practitioner’s board, among others. He has held various positions in the Public Service and currently practises as Consultant Orthodontist at the Nairobi orthodontic and Dentistry Centre.</p>
 <p>Prof. Tuikong D. K. Serem, OGW (64) Member of the Board of Directors</p>	<p>Prof. Serem holds aEd.D degree from the University of Wyoming, U.S.A, M.A in Education Administration and B. A. in Social Studies and Education. He has had a long career in University Education, Administration and Management and has previously served as Principal and Deputy Vice Chancellor (Maseno University) and Principal and Ag. Vice Chancellor (Maasai Mara University), among others. Prof. Serem is a Charter member of the East African Chapter of the Association of Third World Studies (ATWS), and is currently a Professor of Education, at Moi University.</p>
 <p>Prof. Michael Lokuruka (60) Member of the Board of Directors.</p>	<p>Prof. Lokuruka holds Ph.D (Food Science) degree from Cornell University, USA and MSc (Food Science) from the University of Reading, UK. He has several years of experience in research and university teaching and has published several articles in refereed journals. He is an Associate Professor of Food Science at Karatina University and a professional member and honorary secretary, Kenya Institute of Food Science and Technology. Prof. Lokuruka currently serves as a Commissioner of the Public Service Commission of Kenya.</p>

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Mr. Elema Isako Fila (54)
Member of the Board of Directors.

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



Mr. John M. Migiro (68)
Member of the Board of Directors.

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



Prof. Wambui Kogi-Makau (63)
Member of the Board of Directors.

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



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Prof. Jacob Ogwenomidiwo (62)
Member of the Board of Directors.

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



Ms Nancy Muya (53)
Alternate Member of the Board of Directors.

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



Dr. David Njubi (51)
Alternate Member of the Board of Directors.

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

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



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Mrs. M. Onyimbo (59)
Alternate Member of the
Board of Directors.

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



Mr. David Gichuhi (55)
Alternate Member of the
Board of Directors.

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



Prof. Christopher G. Nyagah (66)
Member of the Board of
Directors.

Prof. Nyagah holds a Ph.D degree in Chemistry, MSC and BSc hons from the University of Nairobi. He has more than 30 years in research, university teaching and management and has published several articles in referred journals. Prof. Nyagah is currently a professor of Chemistry at Jomo Kenyatta University of Agriculture and Technology.



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Dr. M.C.Z. Moturi (62)
Director / Secretary to the Board

Dr.Moturi holds PhD degree (Environ. Sc), from Jawaharlal Nehru University, MSc (Chemistry) from Queen's University, Kingston, Ontario, Canada and BSc (Hons) Chemistry, from the Polytechnic of North London, UK. He has more than 30 years of experience in public service and has held various senior positions in research, technology and innovations programmes. He has served in various government task forces responsible for developing specialized policies and in the Boards of; Kenya Industrial Property Institute (KIPI) as Chairman of the HR Committee; COMESA- Leather and Leather Products Institute (COMESA-LLPI, Addis Ababa) as Director and Chairman of the Board of Directors as well as a Member of the Board (representing E. Africa) of the World Association of Industrial and Technological Research Organizations (WAITRO). He was the Director/CEO of the Kenya Industrial Research and Development Institute (KIRDI) up to November 2015.

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II MANAGEMENT TEAM

MEMBER	PROFILE
 <p>Dr. M. Charles Moturi Director / Secretary to the Board</p>	<p>DR. M. C. Z. MOTURI (62) holds PhD degree (Environ. Sc), from Jawaharlal Nehru University, MSc (Chemistry) from Queen's University, Kingston, Ontario, Canada and BSc (Hons) Chemistry, from the Polytechnic of North London, UK. He has more than 30 years of experience in public service and has held various senior positions in research, technology and innovations programmes.</p>
 <p>Dr. Kenneth Chelule Deputy Director Research Technology and Innovation</p>	<p>DR. KENNETH CHELULE (45) holds B.Ed (Tech) from Moi University, MSc (CAE) and PhD (Mechanical Engineering/Bioengineering) from Staffordshire University, UK. He has over 10 years' international experience in Product Development (R&D), Product Certification (CE Marking) and Product Commercialisation. He is a Member of the International Society for Biomechanics (ISB).</p>
 <p>Dr. Moses Makayoto (OGW) Chief Research Scientist/ Ag. Head KIRDI Enterprise Services</p>	<p>DR. MOSES MAKAYOTO (62) holds Ph.D degree in Chemical Engineering from the Norwegian University of Science and Technology, MSc degree, Chemical Engineering, Dar-es-Salaam University, Tanzania, and a BSc (Hons), Chemistry, University of Nairobi. He is a Chartered Chemical Engineer and Fellow of the Institution of Chemical Engineers, United Kingdom. He has over 30 years' experience in research, academia, policy and management in the areas in Chemical Engineering and Biotechnology</p>



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Mr. James Nyagah
Deputy Director Corporate
Services

MR. JAMES NYAGAH (61) holds a bachelor of Textiles Degree from University of Bombay in India and is a member of various Professional Bodies including The Quality Management Association of Kenya and Kenya Institute of Management (KIM). He has over 30 years experience in textile engineering and quality Systems Management, gained in various public and private organisations.



Ms. Floice Mukabana
Assistant Director - Finance

MS. FLOICE MUKABANA (40) holds LLB degree from the University of Nairobi and an MBA from Jomo Kenyatta University. She is a member of several professional bodies including the Institute of Certified Public Accountants (ICPAK), Institute of Certified Public Secretaries (ICPSK) and the Law Society of Kenya (LSK). She has over 10 years' experience in finance and accounting gained in telecommunications and in the Public Sector.



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

MR. JAIRUSOMBUI (54) holds a Bachelor of Commerce Degree (Business Administration) from University of Poona, India and an MBA from the Management University of Africa. He is a member of the Institute of Human Resource Management, Kenya (IHRM) and has over 20 years' experience in the Public Service.



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Mr. John Kahura
Principal Internal Auditor

MR. JOHN KAHURA (57) holds a Bachelor of Business Administration (Accounting Option) from St. Pauls University and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 30 years' experience in Finance and Accounting gained in the Public Service.



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CHAIRMAN'S STATEMENT



Transformation of KIRDI into a world class research organization is a Vision 2030 flagship project that is aimed at upgrading the institute's quality of Research, Technology and Innovation programmes and activities. This will enable the institute to attract and retain high calibre professionals and facilitate collaborations with other organizations develop and transfer technologies and innovations to industry and thus contribute to economic transformation as envisaged in the vision 2030.

This explains the continued Government support to the institutions in terms of funding and favourable policy environment. In the year under review the government dispersed a total of Ksh.2.2 billion to the institution out of which 1.5 billion was to support development programmes. This Financial support has enabled the institute to undertake major infrastructural projects and upgrading of research equipment and facilities. In particular during the year under review the Institute completed the construction of ultra-modern Research, Technology and Innovation laboratories in Kisumu. This infrastructure is expected to play a leading in the economic transformation of Western Kenya region through provision of capacity building, technology and incubation, manufacturing facilities and business development services to SMEs among others. The Institute also continued to develop a similar and state of the art Research, Technology and Innovation infrastructure in Nairobi, South B which stood at 52% completion rate at the end of the financial year.

During the 2014/2015 financial year the Institute aligned its programmes to the Government's priority sectors of Leather, Textile, Agro-processing and Capacity building. These programmes are expected to contribute to the country's industrialization agenda as well as employment and wealth creation.

As well, during the 2014/2015 financial year the Institute initiated a process to review and align its policies and programmes with the constitution, Mwongozo Code of Governance for State Corporations and Implementation of The Executive Order No. 7 of 2015.

Signature: 

Date: 13/04/2016

Chairperson: DR. NATHAN KITIO PSIWA

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REPORT OF THE ACTING DIRECTOR

Background



I am delighted to present the KIRDI financial report for the 2014/2015 financial year. The Institute has continued to undertake its mandate as stipulated in the Science Technology and Innovation Act (2013) as well as play its role in the country's industrialization agenda as envisaged in the Vision 2030. KIRDI itself is a Vision 2030 Flagship project (transformation of KIRDI into a world class research organization) and therefore the Institute has intensified its developmental and operational programmes towards global competitiveness status.

The major thrust during the year under review was teamwork as well as Performance Contracting. This saw the Institute achieve a very good performance rating during the performance contracting evaluation. The institution also undertook to implement the Government's industrialization priority sectors of Leather, Textile, Agro-processing and Capacity building.

Major Achievements during the 2014/2015 financial year

(a) Infrastructure Development

Under the transformation of KIRDI into a world class research organization programme, the Institute completed the construction of Research Technology and Innovation Laboratories at Kisumu and initiated its operationalization by commencing the procurement of modern leather processing and leather goods production equipment. The institute also continued the development of the Research, Technology and Innovation laboratories and related infrastructure at Nairobi South B which stood at 52% completion rate at the close of the financial year.

(b) Leather Sector programme

During the 2014/2015 financial year the instituted supported the operations of the Training and Production Centre for the Shoes Industry (TPCSI) in Thika, and also commenced the establishment of Leather Processing and Leather Goods production centre at the newly developed Research, Technology and Innovation Laboratories in Kisumu. As well the Institute continued to provide common manufacturing services in Leather Processing and Leather Goods Production to MSMEs at The Leather Development Centre at KIRDI South C and established a mini tannery in Wamunyu, Machakos County.

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(c) Textile Sector Programme

During the 2014/2015 financial year the institute adopted and transferred to MSMEs Textile Carpet Production Technology with majority of the beneficiaries being youth and Women.

(d) Agro-processing programme

During the 2014/2015 financial year the institute supported the operations of six (6) agro-processing pilot plants. These include: Kisii Banana Processing Pilot Plant in Kisii County, Eldoret Fruit Processing Pilot Plant in UasinGishu County, Malindi Mango Processing Pilot Plant in Malindi County, Fruit Processing Pilot Plant at KIRDI South C campus, Chemical Engineering Pilot Plant in KIRDI south C campus and Mushroom Spawn Production Pilot Plant at KIRDI South C campus. These Agro-processing pilot plants are means of transferring value addition technologies through training and capacity building, Business and Technology incubation and provision of common manufacturing facilities.

(e) Capacity Building Programme

During the 2014/2015 financial year the institute provided capacity building opportunities to 286 MSMEs through training, common manufacturing services, business and technology incubation, and laboratory testing services. These services enabled MSMEs gain the necessary technical and business skills while having access to production machinery and equipment that would otherwise be too costly for them.

(f) Research Technology and Innovation Programme

Core to the Institute's mandate is to undertake Research, Technology and Innovation to generate new technologies and products. This was implemented through the following divisions; Energy; Environment; Chemical engineering; Food Technology; ICT; Leather; Textile technology division; Mechanical engineering; electrical engineering and; ceramics and building material division. During the year under review the Institute undertook three (3) feasibility study projects towards policy improvement. The Institute also developed and commercialized six (6) technologies: These included Baking Technology, Soya Beans Processing Technology, Banana Processing Technology, Essential oil Extraction Technology, Fruit Juice Processing Technology and Soap and Detergent Technology. During the 2014/2015 the Institute did application for four (4) industrial patent rights, two (2) industrial design/utility models and two (2) trademarks.



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(g) Challenges

Besides other operational challenges, the Institute was also faced with financial constraints as a result of reduced budgetary allocation for the year.

At the beginning of the financial year the institute received a budgetary allocation of Kshs.466,824,000 towards its recurrent expenditure which was 19.7% short of the previous year's Kshs.581,300,000. Essentially, this was to cater for established staff costs alone. However, an additional kshs.55.0 million for the recurrent expenditure under supplementary budget was released in the third quarter to support operations. By end of the financial year a net deficit of Kshs.41,995,920 before depreciation and provisions was realized.

Signature: Date: 8/07/2016

Acting Director: ENG.JOSEPH KAMAU

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STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2015

At KIRDI, we are committed to the highest standards of corporate governance and ethics. Recognizing that good corporate governance is key to the enhancement of our performance, the Board of Directors seeks to discharge its duties and responsibilities in the best interest of the Institute and its stakeholders. Our corporate values and ethics are entrenched in our strategic and Institutional objectives and are focused on transforming and accelerating growth in value chain for the benefit of all our stakeholders.

The Board

The Board consisted of fourteen members up to 7th July 2014, thirteen up to 25th May 2015, eleven up to 7th June 2015 and ten by the end of the financial year. All non-executive directors on KIRDI board are independent of management and have diverse skills, experience and competencies appropriate for effective management of the institutional business.

The Board sets the strategic policy direction of the Institute, its objectives, and values. It ensures that procedures and practices are in place to protect the Institutional assets and reputation. The Board reviews the strategic direction and adopts business plans proposed by Management, reviews processes for the identification and management of Institutional risks and compliance with key regulatory and legal issues. It reviews succession planning for the management team and endorses senior executive appointments, organizational changes and remuneration issues. It also provides oversight of performance against targets and objectives.

INSTITUTION OF ETHICS

The directors attach great importance to the need to conduct the business and operations of the Institute with integrity and in accordance with internationally developed principles on good governance. The Institute adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the Institute. The Institute has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good corporate governance principles of full compliance with the law and application of best accounting practices.

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BOARD MEETINGS

Board members devote such time as is necessary for the proper performance of their duties including attendance of all board and committee meetings.

It has delegated the detailed discussions to four committees: The research technology and innovation committee, Finance Committee, Audit Committee, Human Resources and Administration Committee which have specific and detailed terms of reference as summarized below:

Research Technology and innovation Committee

The members of the committee were:

Prof. W. Kogi Makau - Chair RTI Committee

Prof. Jacob O Midiwo

Dr. David Njubi

Prof. M. Lokuruka

Ms. Nancy Muya

Mr. David Gichuhi

Dr. M.C.Z. Moturi

It had a responsibility to oversee the institutes research project plans, Technology and Research. It also reviews projects proposals.

Finance committee

The members of the committee were:

Prof. T. D. K. Serem

Mr. Elema I. Fila

Prof. Jacob O Midiwo

Prof. Christopher G. Nyagah

Dr. David Njubi

Mr. David Gichuhi

Mrs. Margaret Onyimbo

Ms. Nancy Muya

DR. M.C.Z. Moturi

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

This Committee had oversight on all financial issues including budgets, financial reporting process and controls, and procurement. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for recommendation to the Board.

Audit Committee

Its primary responsibilities are to assist the Board in ensuring integrity of the Institute financial statements, review the Institute internal control systems, monitor and review the effectiveness of the internal audit function, and ensuring the Institute compliance with legal and regulatory requirements. It has authority to conduct or authorize investigations into any matters within its scope of responsibility.

The Audit Committee regularly reports to the Board about committee activities and issues that arise with respect to the quality or integrity of the Institute financial statements, compliance with legal requirements, performance and independence of the Institute Statement of Corporate Governance.

The members of the Committee were:

- Prof. Jacob O Midiwo - Chair audit committee
- Prof. W. KogiMakau
- Prof. Christopher G. Nyagah
- Mr. David Gichuhi
- Mrs. Margaret Onyimbo
- Dr. David Njubi
- Ms. Nancy Muya
- Mr. John Kahura - PIA/Secretary to the committee

Human Resources and Administration Committee

The Committee's primary role is to support the Institutes strategic plan of ensuring that there is an empowered, motivated and productive workforce in a 'one Institute one culture' environment. Further, it will recommend the remuneration for non-executive directors, appraise the performance of senior management and determine their remuneration as well as establish the overall staff remuneration budget.

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The committee also ensures implementation and compliance with the Human Resources Policies and Procedures and recommend to the Board relevant reviews.

The Members of the Committee were

Prof. T. D. K. Serem

Prof. Jacob O Midiwo - Chair HR&A Committee

Prof. Christopher G. Nyagah

Prof. M. Lokuruka

Dr. David Njubi

Mr. David Gichuhi

Ms. Nancy Muya

Mrs. Margaret Onyimbo

Dr. M.C.Z. Moturi

Directors' Emoluments

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 30th June 2015 are disclosed in the financial statements (**See note7**).

Board Performance Evaluation

Under the guidelines issued by the Ministry of Industrialization Board charter. The Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors. The evaluation is conducted annually and the results of the evaluation are provided to the Ministry of Industrialization and office of the President on Performance contracting.

Risk Management and Internal Control

The board recognizes that managing risk to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. The board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the Institutes objectives are achieved and risks mitigated. The Institute has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. They cover systems for

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. The Board approves Institutes policies and procedures whereas the management implements the Board's risk management policy.

A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Regular senior management meetings are held to monitor performance and to agree on measures to drive improvement.

Code of Conduct

The Institute core values of integrity, professionalism, team spirit and emphasis on safety culture to steer our Institution organizational health and decision-making processes. The Institute believe good corporate governance is about creating the right culture throughout the organization. It contributes to the long-term success of the Institute. The Institute conducts its business in compliance with relevant legal principles and high ethical standards. All Directors, Management and employees are required to observe the code and high standards of integrity. The Institute also apply these standards in all dealings with employees, customers, suppliers and other stakeholders

Going Concern

The Board confirms that the Institute has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

Corporate Social Responsibility Statement

As an Institute we acknowledge our responsibility to the environment and to our local communities in which we exist. The Institute actively encourages its staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function. Below are a few examples of how the Institute and its staff have shown their commitment to practice responsible corporate behavior.

Environment

The institute has a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment through its environment divisions.



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Employees

The success as a research Institution is based on our people and we seek to recruit, retain, reward and develop the best creative talent in the organization. We continually seek to improve through training the skills of our employees.

Compliance

KIRDI is conscious of its obligations to comply with all relevant legislation affecting its operations. It has implemented compliance policies, procedures and programmes, including an education and training program for employees on areas relevant to their area of expertise. All other compliance matters are reported to and monitored by the Audit and Risk Management Committee.

Fair Practices

KIRDI ensures that proper processes for tendering of services are followed. Employees are sensitized about the regulations to this end. They are required to deal with stakeholders honestly and professionally at arm's length.

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2015 are set out on page 1 of this report

Directors

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

Auditors

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

By Order of the Board



ENG. JOSEPH KAMAU

Acting Director

Date: 8/04/2016

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30th, 2015, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.



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

Signature:  Date: 13/04/2016

Chairperson: DR. NATHAN PSIWA

Signature:  Date: 8/04/2016

Acting Director: ENG. JOSEPH KAMAU

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

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Industrial Research and Development Institute set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

Kenya Industrial Research and Development Institute - Annual Report and Financial Statements for the year ended 30 June 2015

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.

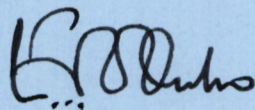
Basis for Qualified Opinion

Financial Performance

During the year under review, the Institute realized a deficit of Kshs.89,702,325 (2014: deficit of Kshs.101,269,256) in its operation. Further, the current liabilities of Kshs.508,649,553 exceeds current assets of Kshs.421,804,677 leading to a negative working capital of Kshs.86,844,876. The Institute's going concern is dependent upon the continued Government assistance.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Industrial Research and Development Institute as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Science, Technology and Innovation Act, 2013.



FCPA Edward R O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

01 September 2016

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2015

	NOTES	2014/2015 KSHS.	2013/2014 KSHS.
REVENUE			
Income from non-exchange transactions			
Re-Current Grants	2	521,824,000	581,300,000
Development grants	3	<u>205,790,820</u>	<u>84,685,376</u>
		<u>727,614,820</u>	<u>665,985,376</u>
Income from exchange transactions			
Rendering of services	4	17,706,483	29,883,508
Others	5	<u>793,927</u>	<u>191,972</u>
		<u>18,500,410</u>	<u>30,075,480</u>
Total revenue		<u>746,115,230</u>	<u>696,060,856</u>
EXPENSES			
Staff Cost	6	483,251,688	493,086,668
Board Exp. & Director's remuneration	7	17,265,730	19,084,743
Administrative Expense	8& 9	189,595,168	147,082,521
Research feasibility studies and projects	10	42,353,417	40,091,261
Traveling And Subsistence Expenses	11	56,245,147	45,853,295
Depreciation Expenses	12	39,956,121	47,981,340
Decrease in stock	16	<u>4,150,284</u>	<u>4,150,284</u>
		<u>832,817,555</u>	<u>797,330,112</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>(86,702,325)</u>	<u>(101,269,256)</u>



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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2015

ASSETS	NOTES	2014/2015	2013/2014
NON CURRENT ASSETS			
Property, Plant and Equipment	12	3,377,056,464	2,327,163,529
R & D projects	13	<u>132,395,771</u>	<u>132,395,771</u>
		<u>3,509,452,235</u>	<u>2,459,559,300</u>
CURRENT ASSETS			
Accounts Receivable	14	6,378,357	184,719,189
Cash and Cash Equivalents	15	401,442,873	10,022,175
Stores and inventories	16	13,983,447	17,339,804
Total		<u>421,804,677</u>	<u>212,081,168</u>
TOTAL ASSETS		<u>3,931,256,912</u>	<u>2,671,640,468</u>
ACCUMULATED FUNDS & LIABILITIES			
Capital fund and reserves	17	3,230,868,554	1,976,370,474
Revenue Reserves	18	<u>191,738,805</u>	<u>238,485,009</u>
Accumulated Funds		<u>3,422,607,359</u>	<u>2,214,855,483</u>
CURRENT LIABILITIES			
Accounts payable	19	495,773,146	438,761,221
Unused Project Funds	20	11,626,407	16,793,764
Provisions	21	1,250,000	1,230,000
Total		<u>508,649,553</u>	<u>456,784,985</u>
TOTAL ACCUMULATED FUNDS & LIABILITIES		<u>3,931,256,912</u>	<u>2,671,640,468</u>

Signature
Chairperson: DR. NATHAN PSIWA

Date: 13/04/2016

Signature
Director: ENG. JOSEPH KAMAU

Date: 8/04/2016

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2015

	Capital Funds	Revenue Reserve	Total
	<u>Ksh</u>	<u>Ksh</u>	<u>Ksh</u>
As at 30th June 2013	1,014,312,190	291,772,925	1,306,085,115
G.O.K Grants net increase	1,010,039,624		1,010,039,624
Surplus/(Deficit) for the year		(101,269,256)	(101,269,256)
Transfer of depreciation	<u>(47,981,340)</u>	<u>47,981,340</u>	<u>0</u>
As at 30th June 2014	<u>1,976,370,474</u>	<u>238,485,009</u>	<u>2,214,855,483</u>
G.O.K Grants net increase	1,294,209,180		1,294,209,180
Surplus/(Deficit) for the year		(86,702,325)	(86,702,325)
Capital Assets-donation	3,823,886	0	3,823,886
Capital assets-net decrease	(3,578,865)	0	(3,578,865)
Transfer of depreciation	<u>(39,956,121)</u>	<u>39,956,121</u>	<u>0</u>
As at 30th June 2015	<u>3,230,868,554</u>	<u>191,738,805</u>	<u>3,422,607,359</u>

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2014/2015 KSHS.	2013/2014 KSHS.
CASH FLOW FROM OPERATING ACTIVITIES			
Operating surplus/(deficit)		(86,702,325)	(101,269,256)
Adjustment for items not involving movements of cash:			
Depreciation expenses	12	<u>39,956,121</u>	<u>47,981,340</u>
Surplus/Deficits before working capital changes		<u>(46,746,204)</u>	<u>(53,287,916)</u>
WORKING CAPITAL CHANGES			
Decrease in inventories		3,356,357	3,958,312
Accounts receivable		178,340,832	(108,109,475)
Charge for provisions		20,000	500,000
Creditors and Accruals		59,013,060	279,036,321
Changes in Working capital		<u>240,730,249</u>	<u>175,385,158</u>
Net cashflow generated from Operating Activities		<u>193,984,045</u>	<u>122,097,242</u>
Cash Flow in Investing Activities:			
Additions to Property, plant and Equipment		(1,091,605,170)	(1,139,611,794)
Cashflow from financing:			
Capital grants and reserves		1,294,209,180	1,010,039,624
Changes from Donor project funding		<u>(5,167,357)</u>	<u>(14,137,259)</u>
Net cash generated from financing activities		<u>1,289,041,823</u>	<u>995,902,365</u>
Net increase/ decrease in cash and cash equivalents		<u>391,420,698</u>	<u>(21,612,187)</u>
Cash at the beginning of the year		10,022,175	31,634,362
Cash at the end of the year	15	401,442,873	10,022,175



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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS -
RECURRENT BUDGET 2014/2015**

ITEM	VOTE HEAD	Approved Estimates	Actual received	Variance
	Appropriation in Aid			
3540400	Receipts from the Sale of Non- Produced Asset Collected as AIA	20,000,000	18,500,410	(1,499,590)
1330300	Recurrent grants	466,824,000	521,824,000	55,000,000
	Total income	486,824,000	540,324,410	53,500,410
	VOTE HEAD	Approved budget	Actual expenditure	Variance
		Kshs	Kshs	Kshs
2110100	Basic Salaries - Permanent Employees	254,422,824	244,757,854	9,664,970
2110200	Basic Wages - Temporary Employees	2,500,000	9,366,378	(6,866,378)
2110300	Personal Allowance Paid as Part of Salary	141,255,000	140,464,309	790,691
2110400	Personal Allowance Paid as Reimbursements	15,100,000	5,955,700	9,144,300
2120100	Employer Contributions to Compulsory National Social Security Schemes	53,300,000	52,641,805	658,195
	Sub-total	466,577,824	453,186,046	13,391,778
2210100	Utilities, Supplies and Services	7,000,000	13,611,567	(6,611,567)
2210200	Communication Supplies and Services	5,000,000	10,815,776	(5,815,776)
2210300	Domestic Travel and Subsistence and Other Transport costs	5,700,000	5,505,779	194,221
2210400	Foreign Travel and Subsistence and Other Transport Costs	2,200,000	6,759,246	(4,559,246)
2210500	Printing, Advertising and Information Supplies and Services	5,000,000		5,000,000
2210600	Rental of Produced Assets	1,500,000	1,894,713	(394,713)
2210700	Training Expenses (including capacity building)	2,000,000	17,944,692	(15,944,692)
2210800	Hospitality Supplies and Services	15,000,000	10,210,930	4,789,070
2210900	Insurance Costs	28,000,000	27,531,357	468,643
2211000	Specialized Materials and Supplies	1,500,000		1,500,000
2211100	Office and General Supplies and Services	4,000,000	13,087,326	(9,087,326)
2211200	Fuel Oil and Lubricants	2,500,000	4,804,645	(2,304,645)
2211300	Other Operating Expenses	10,000,000	16,968,253	(6,968,253)
2220100	Routine Maintenance - Vehicles and Other Transport Equip.	3,115,000	-	3,115,000
2220200	Routine Maintenance - Other Assets	2,115,000	-	2,115,000
3111400	Research, Feasibility Studies, Preparation, design & Supervision	-	-	-
	Sub-total	94,630,000	129,134,284	(34,504,284)
	Grand total	561,207,824	582,320,330	(21,112,506)

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS -
DEVELOPMENT BUDGET**

ITEM	VOTE HEAD	Original budget	Actual received	Variance
1330304	Development grants	1,500,000,000	1,500,000,000	-
	VOTE HEAD	Original budget	Actual expenditure	Variance
3110200	Construction of Buildings	845,000,000	969,552,909	(124,552,909)
3111000	Purchase of Furniture & General Equipment	20,000,000	3,879,323	16,120,677
3111100	Purchase of specialized equipment, plant and machinery	545,000,000	36,036,584	508,963,416
3111200	Rehabilitation and Renovation of plant Equipment/machinery	50,000,000	41,220,382	8,779,618
3111400	Research, Feasibility Studies, Preparation, design & Supervision	40,000,000	151,611,042	(111,611,042)
	Total	1,500,000,000	1,202,300,240	297,699,760

**STATEMENT OF RECONCILIATION BETWEEN THE COMPARISON OF
BUDGETED AND ACTUAL AMOUNTS AND STATEMENT OF FINANCIAL
PERFORMANCE AS AT 30TH JUNE 2015**

RECURRENT BUDGET

PARTICULARS	AMOUNT Kshs.	AMOUNT Kshs.
Deficit as per Statement of Comparisons on budgeted and actual amounts		(41,995,920)
Less Non Cash expenditure included in the SFP not in the SCBA		
Depreciation expense	(39,956,121)	
Provision for audit fees	(600,000)	
Decrease in stock-Amortization	(4,150,284)	(44,706,405)
Deficit as per Statement of financial performance		(86,702,325)

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

DEVELOPMENT BUDGET

PARTICULARS	AMOUNT (Ksh)
Total expenditure as per Development budget	1,202,300,240
Less operating expenditure charged to development budget (Note 26)	(205,790,820)
Net increase in assets financed from Development budget	996,509,420
Add increase in assets financed by creditors - retention money (Note 19)	98,297,301
Increase in net assets as per statement of financial position (Note 12)	1,094,806,721

Variances

- a) The over-expenditure reflected in recurrent and development budget vote-lines was due to underfunding of the programmes that led to unmatched operating costs in the budget and the actual amounts.
- b) The under-expenditure reflected in the development budget was a result of delay in the completion of construction projects at Kisumu. The activities of procurement that were planned to equip the facility stretched to the following financial year.

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Notes to the Accounts

1. Principal accounting policies

Basis of Preparation

- (a) The financial Statements have been prepared in accordance with International Public Sector Reporting standards (IPSAS) under the historical cost convention except where otherwise stated in the Accounting policies below. In compliance with Public Finance Management Act 2014, the established Public sector accounting standards Board, PSASB published the Standards which took effect for the financial year ended 30th June 2014. The Financial Statements are prepared on accrual basis. Where necessary, comparative figures for the previous financial year have been reconfigured to conform to required changes in presentation.
- (b) **Currency**
The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency.
- (c) **Property, Plant and Equipment**
The fixed assets are stated at cost or as revalued on existing use basis from when the institute started self accounting, i.e. 1st July, 1980.
All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.
Gains and losses on disposal of property, plant and Equipment are determined by reference to their carrying amount in determining operating profit. On disposal of revalued assets, the revaluation surplus relating to that asset are transferred to retained earnings.
- (d) **Depreciation**
Provision is made for depreciation on the straight-line method designed to write off the original cost or valuation of fixed assets other than land, and work in progress over the actual life of the asset. A whole year's depreciation is charged on assets acquired

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

nine months or more prior to the closure of the financial year and none to those acquired three months or less to the end of the financial year. The annual rates for this purpose are: -

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

(e) Revenue

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

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

(f) Bad Debts

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

(g) Stores and Inventory

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

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

(h) Retirement Benefits/Gratuity

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

(i) Government grants

Recurrent and Development grants have been accounted for in the Statement of Financial Performance in the year received. Capital grants are accounted for over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

(j) Accounts receivable

Accounts receivable are stated at anticipated realizable value.

(k) Accounts payable

Accounts payable are stated at nominal value.

(l) Budget information

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

(m) Cash and cash equivalents

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

Note 2: Recurrent grants

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

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Note 3: Development grants

These represent grants received from the exchequer to finance acquisition of assets and other expenses related to research and development activities. The total amount allocated for the year was Ksh.1,500,000,000 out of which Ksh.205,790,820 has been attributed to the statement of financial performance. This relates to R & D expenses incurred under development vote that are non-capital in nature.

	2014/2015 KSHS.	2013/2014 KSHS.
Note 4: Rendering services		
Service fees	17,706,483	29,883,508
Note 5: Other Income		
Increase in stock-General stores	793,927	191,972
Note 6. Staff Costs		
Basic salary	250,044,233	251,753,166
House allowance	86,979,318	90,724,677
Other personal allowance	37,545,104	39,648,350
Medical Allowance	12,666,882	13,107,702
Medical Expenses	20,196,447	22,610,228
Passage and Leave	5,570,846	5,759,000
Training expenses	13,052,285	10,081,225
Group life,GPA	3,871,710	5,083,925
Fees commission and Honoraria	1,947,859	2,350,141
Gratuity,Pension and NSSF	51,377,004	51,968,254
TOTAL	<u>483,251,688</u>	<u>493,086,668</u>

Note 7: Board expenses and hospitality of Ksh. 17,265,730

Expenses of conferences and Board amounting Ksh 17,265,730 includes the Director's remuneration of Ksh 7,054,800, Board sitting allowances Ksh9,339,283 and seminars & hospitality of Ksh 871,647. In the previous year the total expenditure was Ksh.19,084,743 comprising Directors remuneration of Ksh. 6,477,600, sitting allowances Ksh.8,11,704 and other expenses relating to seminars, conferences and hospitality of Ksh.4,495,439.

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

	2014/2015 KSHS.	2013/2014 KSHS.
Note 8 Administrative Costs		
Transport operation expenses	4,757,248	4,717,457
Postal and telecom expenses	9,396,122	10,098,922
Telephone expenses	1,419,654	712,842
Official entertainment	16,299,527	13,593,720
Electricity	6,677,932	6,985,741
Gas purchase	4,447,907	3,497,803
Water and conservancy	2,485,728	1,143,865
Publishing and printing	14,255,718	5,823,428
Purchase of consumables	9,943,060	7,565,468
Uniform and clothing	0	1,105,865
Library expenses	6,320,665	3,650,325
Purchase of stationery	13,087,326	9,544,976
Advertising and publicity	7,223,733	8,428,013
Show expenses and market research	3,464,629	6,908,952
Rent and rate(non-residential)	1,894,713	3,518,237
Computer expenses	13,503,624	10,700,669
Misc. and other charges	1,476,666	1,782,617
Contribution to other bodies	1,713,867	1,321,367
Contracted guards & cleaning services	11,214,268	8,640,212
Provision for audit fee	600,000	500,000
Laboratory chemicals	12,959,396	7,362,568
Contracted professional services	1,722,406	5,113,886
Rental of gas cylinders	0	10,000
Refined fuels & lubricants-production	47,396	420,280
Maint. of office, furniture & equip.	12,569,652	7,049,525
Maint. of build. & stations-non res.	8,143,203	2,762,343
Maint. of plant machinery & equip.	18,206,780	6,813,799
Maint. exp-motor vehicles	2,300,748	3,760,508
TOTAL	186,131,968	143,533,388

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

	2014/2015 KSHS.	2013/2014 KSHS.
Note 9		
Insurance Expenses		
Insurance of properties	3,463,200	3,549,133
Note 10 R & D Expenses		
Research feasibility studies & projects	42,353,417	40,091,261

The expenditure on R& D projects amounting Ksh 42,353,417 includes travel expenses related to feasibility studies, project preparation, designs and supervision.

Note 11
Traveling and subsistence

Traveling and accommodation	56,245,147	45,853,295
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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Note 12

FIXED ASSETS SCHEDULE

	LAND	WORK IN PROGRESS	BUILDINGS	MACHINERY & EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTER & EQUIPMENT	TOTAL
	KSHS	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
VALUE/COST as at 1/7/2014	26,865,000	1,937,945,557	317,535,400	201,030,312	76,180,232	28,696,635	45,374,035	2,633,627,171
Additions during the year	-	1,067,850,210	-	23,077,188	-	2,802,630	1,076,693	1,094,806,721
Transfer/reclassified	-	(831,288,216)	831,288,216	(155,250)	-	155,250	-	-
Impairment adjust.	-	-	(9,000,000)	-	-	-	-	(9,000,000)
TOTAL	26,865,000	2,174,507,551	1,139,823,616	223,952,250	76,180,232	31,654,515	46,450,728	3,719,433,892
30th June 2015								
Depreciation for previous year	-	-	6,350,708	16,650,942	16,851,589	1,501,256	6,626,845	47,981,340
Accumulated Depreciation b/f	-	-	52,173,056	130,665,759	61,228,674	23,873,949	38,522,204	306,463,642
Depreciation adjust.	-	-	-	(82,566)	-	(84,702)	(455,067)	(622,335)
Eliminated on impairment	-	-	(3,420,000)	-	-	-	-	(3,420,000)
Depreciation for this year	-	-	6,170,708	17,188,914	9,504,604	1,277,775	5,814,120	39,956,121
Total Depreciation	-	-	54,923,764	147,772,107	70,733,278	25,067,022	43,881,257	342,377,428
Net Book Value	26,865,000	2,174,507,551	1,084,899,852	76,180,143	5,446,954	6,587,493	2,569,471	3,377,056,464
30:06:2015								
Net Book Value	26,865,000	1,937,945,557	265,362,344	70,364,553	14,951,558	4,822,686	6,851,831	2,327,163,529
30:06:2014								

The capital work in progress relates mainly to ongoing construction projects at Nairobi South B.

An amount of Ksh 831,288,216 has been transferred from work in progress to buildings being total cost of construction projects completed at Kisumu and Nairobi south C in the year.

Old buildings at Kisumu with a book value of Ksh.5,580,000 were impaired to pave way for redevelopment.

KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Note 13: R & D Projects

These is composed of expenditure amounting Kshs.132,395,771 transferred from Development vote to R & D on recognition that R & D projects will generate future economic benefits.

The Institute intends to patent its research discoveries which include prototype development, designs and pilot plants.

	2014/2015 KSHS.	2013/2014 KSHS.
Note 14: Accounts Receivable		
M.O.I&entdev- Development Grants	0	178,255,000
National Industrial Training Authority	2,460,000	2,460,000
Traveling imprest(local)	0	173,321
Traveling imprest(overseas)	0	170,240
Temporary imprest	1,196,853	706,406
Standing imprest	0	1,101,452
Salary advance	610,789	615,593
Excess medical	362,858	339,320
Plot scheme	133,719	133,719
Fuel deposit	366,000	366,000
Oxygen deposit	30,000	30,000
Hospital deposit	10,000	10,000
Electricity deposit-Kisumu	308,138	308,138
Electricity deposit-South C & Eldoret	50,000	50,000
Miscellaneous deposits a/c	<u>850,000</u>	<u>0</u>
TOTAL	<u>6,378,357</u>	<u>184,719,189</u>

Note 15: Cash and Bank balance

HQ(main Account)	1,045,796	689,875
LDC A/c	2,294,818	1,574,057
EDSC A/c	1,266,030	1,037,405
Danida BSPS cashbook	219,846	1,853,856
Kisumu imprest A/c	1,317,740	71,774
LSC A/c	2,476,944	620,016
BBK A/c	262,247,211	419,496
NIIC/Projects Account	816,768	3,755,696
Bank guarantee-NBK	<u>129,757,720</u>	<u>0</u>
TOTAL	<u>401,442,873</u>	<u>10,022,175</u>



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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

Note 16: Stores and Inventories

	2014/2015 KSHS	2013/2014 KSHS
General Stores	4,299,448	3,505,521
Loose tools	<u>9,683,999</u>	<u>13,834,283</u>
Total	<u>13,983,447</u>	<u>17,339,804</u>
Stock Adjustment	General stores	Loose-tools
Opening stock.....	3,505,521	13,834,283
Net increase/ (decrease)	<u>793,927</u>	<u>(4,150,284)</u>
Closing stock	<u>4,299,448</u>	<u>9,683,999</u>

Note 17: Capital funds G.O.K

The Ksh 3,230,868,554 stated as Capital funds is the net accumulation of Development releases going way back to 1980 when the Institute began self-Accounting.

Note 18: Revenue Reserves

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

	2014/2015 KSH	2013/2014 KSH
Note 19: Accounts Payable		
Payroll deductions	3,417,878	3,308,540
Retention money	249,845,655	151,548,354
Other Creditors	<u>242,509,613</u>	<u>283,904,327</u>
TOTAL	<u>495,773,146</u>	<u>438,761,221</u>