

COFFEE RESEARCH FOUNDATION

Annual Report and Accounts 2001/2002

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**ANNUAL REPORT AND ACCOUNTS OF THE COFFEE RESEARCH FOUNDATION (CRF)
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**Registered Office: Coffee Research Foundation
P O Box 4, Ruiru – Kenya.**

STATEMENT BY THE CHAIRMAN OF THE BOARD

1.1 Introduction

The year 2001/2002 was very traumatic to the Foundation. The Board that was in place was removed in February 2002 and replaced with a caretaker Board. The caretaker Board was in place till May 2002. It is this Board that organized the first elections of Coffee Research Directors in line with the Coffee Act 2001 and the amended Memorandum and Articles of Association. The current Board was elected in May 2002 and gazetted on 4 June 2002 for a period of three years. Twelve Board meetings were held during the year (Four by the initial Board, five by the caretaker Board and three by the current Board). Only one Staff Committee was held during that year.

1.2 Capital Development

Construction of the Tissue Culture Facility being externally funded continued during the year and was expected to be completed and handed over to the Foundation in year's time

1.3 Research Activities

The main Research Activities for the year under review have been outlined in this report. Major emphasis continued to be laid on protection of the coffee crop against diseases, insect pests and reduction of production cost. In the year under review, CRF continued to put emphasis on Integrated Pest Management (IPM) strategy. Natural Enemies of the coffee insect pests were collected from coffee in the fields, reared in the CRS Laboratory and released into the farmers' fields. This project was given priority and the aim was to promote biological control of insect pests on Kenya coffee and minimize use of insecticides thereby reducing the cost of coffee growing and promoting a clean environment.

Breeding and selection work aimed at improving commercial coffee varieties for disease resistance, yield and quality continued. The idea was to obtain better yield targets and lower coffee production costs. Field performance assessment of Ruiru 11 in terms of yields and quality in all the coffee growing regions of the country continued to be undertaken through adaptation trials. Nursery experiments were conducted to compare different rooting media for the vegetative propagation.

Blind liquoring of cup quality of Ruiru 11 continued during the year and the results continued to confirm that the cup quality of Ruiru 11 is as good as that of the traditional varieties such as SL 28 and SL 34.

The Agricultural Economics Section undertook research geared towards the evaluation of the effects of coffee prices and liberal marketing policies on coffee production profitability and farm income; economics of coffee production; adoption of performance of Ruiru 11 and a review of input marketing and distribution. The unfavourable world prices resulted into lower producer prices. The average cost of production in the smallholder sector was Kshs.65,200 per metric tonne while the average cost in the Estate sector was Kshs.117,200 per tonne of clean' coffee.

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Provision of routine services to coffee growers in the areas of soil and leaf analysis, production of planting materials in form of seeds and seedlings as well as advisory work and training continued.

1.4 Staff Matters

Due to the serious financial status of the Foundation, a retrenchment programme was started. During the year funds were sourced from the Civil Service Sector Reform Programme. The programme was to be implemented during the first quarter of the 2002/3 year.

1.5 Finances

Total income generated during 2001/2 financial year totaled Kshs.206,391,103 of which Kshs.138,986,803 was the Coffee Board of Kenya contribution. The rest - Kshs.67,404,300 was generated internally through coffee proceeds.

Total expenditure for 2001/2 reduced from the previous year's expenditure of Kshs.315,987,651 to Kshs.263,488,437 a decline of 16.6 %. After the previous year adjustments a deficit of Kshs.46,139,569 was realized which increased the accumulated deficit (Revenue Reserve Fund) to Kshs.131,281,548.

1.6 Future Plans

The CRF is still continuing to search for ways and means of producing coffee at minimum cost. Vegetative propagation of Ruiru 11 variety and other important varieties will be intensified in addition to seed production. The CRF had approached external donors through the government for funding for the construction of a Tissue Culture facility at the Coffee Research Station (CRS). Work on the construction commenced during the year.

It is hoped that more funds will be availed for the planned activities mentioned in this report and for purchasing laboratory equipment for successful execution of the research programmes.

**KIONGO NJUGUNA
CHAIRMAN,
COFFEE RESEARCH FOUNDATION BOARD**

2.0 BOARD OF DIRECTORS

2.1 1 October 2001 – 4 March 2002

Mr Julius Riungu	-	Chairman
Mr G K Mwai	-	Chairman, CBK
Mr J Mugho	-	Member
Mr S K Nduati	-	Member
Mr H K Maingi	-	Member
Mr J T Karuri	-	Member
Mr J Kahata	-	Member
Mr P Mortensen	-	Member
Mr P Magut	-	Member
Mr L Kamenchu	-	Member
Mr J P Nduati	-	Rep. Director of Agriculture MOA
Mrs A Kyalo	-	Rep. Director of Research MOA
Dr R Kiome	-	Director KARI
Prof. J K Imungi	-	Dean, Faculty of Agriculture UoN
Mr A M Miriti	-	General Manager, CBK
Dr M P H Gathaara	-	Ag. Director of Research, CRF
Mr D K Wainaina	-	Ag. Chief Accountant/Co. Secretary

2.2 5 March 2002 – 3 June 2002

Mr J Wabuye	-	Chairman
Prof Karega Mutahi	-	Chairman, Coffee Board of Kenya
Mr David Wainaina	-	Member
Pastor Joseph Owuor	-	Member
Dr J K Wanjama	-	Director of Agriculture
Dr Romano Kiome	-	Director KARI
Prof. F K Lenga	-	Dean, Faculty of Agriculture, JKUAT
Mrs Esther Gicheru	-	Principal, Cooperative College of Kenya
Mrs M C Rotich	-	Kenya Bureau of Standards
Prof S E Migot Adholla	-	PS, Ministry of Agriculture & Rural Develop.
Mr M Mwachofi	-	PS, Ministry of Finance
Mr A M Miriti	-	General Manager, CBK
Mr J M Otenyo	-	Inspector General, State Corporations
Dr M P H Gathaara	-	Ag. Director of Research, CRF
Mr D K Wainaina	-	Ag Chief Accountant/Co. Sec. CRF

2.3 AS AT 30 SEPTEMBER 2002

Mr Kiongo Njuguna	-	Chairman
Mr Joseph T Karuri	-	Member
Mr Joseck C Sashandet	-	"
Mr Chrispinus S Sinokho	-	"
Mr Julius K Ndumbi	-	"
Mr P J Gituru Karuri	-	"
Mr Joseph K Kurui	-	"
Mr Peter A Nyachoti	-	"
Mr Dishon M Mutiso	-	"
Prof Florence K Lenga	-	Dean, Faculty of Agric. JKUAT
Dr Romano Kiome	-	Director, KARI
Dr Joseph K Wanjama	-	Director of Agriculture, MOA

Prof Shem E Migot Adholla	-	PS; MOA & Rural Development
Mr Simeon R Onchere	-	Managing Director, CBK
Mr Mwachazi Mwachofi	-	PS, Ministry of Finance
Dr M P H Gathaara	-	Director of Research, CRF

3.0 STAFF

3.1 Appointments

Dr M P H Gathaara BSc (Nairobi), MSc (Reading), PhD (K.U.), Deputy Director of Research was appointed acting Director of Research w.e.f. 1 November 2001.

Dr J W Kahia BSc & MSc (Lucknow), PhD (London), Senior Research Officer was appointed acting Head, Crop Physiology Section w.e.f. 1 December 2001.

Mr K T K Gitonga BSc (Egerton), MSc(London), Research Officer was appointed acting Head, Economics Section w.e.f. 1 April 2002.

Mr Edward Mwangi Gakuru Senior Accounts Assistant was appointed to look after the affairs of the Accounts Section w.e.f. 1 September 2002.

3.2 Recruitments

There were no senior staff recruitments during the year under review.

3.3 Promotions

There were no staff promotions during the year under review.

3.4 Departures

Dr D N Masaba, BSc & MSc (Makerere), PhD (Reading), Director of Research left the CRF services w.e.f. 8 January 2002 at the expiry of her contract.

Mrs Patricia Wanjira Kahura, Executive Officer, Administration Section left the CRF services w.e.f. 1 June 2002 after the expiry of her contract.

Ms Janet Nduta Ndario, Cateress, Kenya Coffee College left the CRF services w.e.f. 15 May 2002 after the expiry of her contract.

Mr D K Wainaina, Ag. Chief Accountant, Accounts Section retired from CRF services w.e.f. 31 August 2002 after attaining the mandatory retirement age.

Mr S K Kamau, Senior Field Officer, Agronomy Section, retired from CRF services w.e.f. 30 September 2002 after attaining the mandatory retirement age.

Mr N A Ngwaye, Purchasing Officer left CRF services w.e.f. 8 October 2002 on early retirement.

Mr C M S Nyangena, Senior Field Officer, Plant Pathology left CRF Services w.e.f. 31 October 2002 on early retirement.

Mr S J N Kanyanja, Chief Laboratory Technician, Chemistry Section left the CRF services w.e.f. 12 October 2001 on early retirement.

Mr J M Maina, Chief Estates Officer, Estates Section, left the CRF services w.e.f. 22 March 2002 on early retirement.

Mr S N Mbogo, BSc (University of Nairobi), Advisory Officer, Research Liaison & Advisory Section, resigned from CRF services w.e.f. 20 August 2002.

Mr John Njoroge, Ag. Chief Accountant, Accounts Section resigned from CRF services w.e.f. 12 October 2001.

Mr P N King'ori, BSc (University of Nairobi), MSc (Tokyo), Senior Research Officer, Plant Pathology Section resigned from CRF services w.e.f. 3 January 2002.

Mr E K Maina, Administrative Manager, Administration Section, left the CRF services w.e.f. 22 March 2002.

Mr C B Nyakeri, Chief Accountant, Accounts Section, left the CRF services w.e.f. 22 March 2002.

3.5 Training

There were no staff training during the year under review.

3.6 Part-time Lecturers

Dr J M Njoroge, BSc, MSc, PhD (Nairobi), Principal Research Officer and Head, Agronomy Section was appointed to part-time lecturer to teach Horticulture (wecos) at JKUAT.

Dr J K Kimemia, BSc (University of Nairobi), MSc (APAU), PhD (University of Nairobi) continued as an external Examiner Horticulture Department, JKUAT.

4.0 RESEARCH ACTIVITIES

4.1 Plant Pathology

The section continued to evaluate fungicides/bactericides in the laboratory and the field against Coffee Berry Disease (CBD), Leaf Rust and Bacterial Blight of Coffee (BBC). Routine services were provided in the inoculation of Breeders' materials with C, Kahawae and in identifying suspect fungicide samples from growers to facilitate analysis of active ingredients in collaboration with Chemistry Section.

4.2 Plant Breeding

During the period under review, maintenance of coffee germplasm, evaluation of existing breeding fields, programmes of crosses and selfings, cloning of coffee trees from Oaklands Breeding Station and production of seeds and seedlings formed the major activities of the section. The coffee variety collections were maintained as living germplasm to provide materials for further breeding. Data on growth characteristics, yield and disease resistance were recorded for some of the selection/ breeding fields. Adaptation trials with cultivar Ruiru 11 and selections of Arabusta hybrids continued to be maintained.

4.3 Experimental Agronomy Section

During the year under review research work was conducted on tree densities, fertilizers, intercropping, organic farming, effect of shade and weed control.

Experiments to determine the coffee yield response to different rates of nitrogen, phosphorus and potassium fertilizers continued in Ruiru, Koru, Kisii and Meru. Various economic fruit trees were screened as suitable intercrops with coffee in trials conducted in Ruiru and Kitale. The effect of green and other organic manure application on coffee growth and productivity was assessed. Trials to determine the effect of shading in coffee were carried out in Kitale. Several herbicides were also evaluated for the efficacy in weed management in coffee.

The Processing unit of the section continued to process coffee seeds of traditional varieties and experimental samples from the various scientific sections. The section also continued to record meteorological data for Coffee Research Station, Ruiru and its sub-stations in Mariene (Meru), Kisii and Koru.

The section continued to record meteorological data for Coffee Research Station (Ruiru) and its sub-stations in Mariene (Meru), Kisii and Koru.

4.4 Chemistry (Soil Fertility, Plant Nutrition, Coffee Quality, Processing and Residue Analysis)

The section carried out research on soil fertility management, enhancement of coffee quality, and coffee processing. Routine services continued to be provided to farmers in form of recommendations based on soil, leaf, fertilizer and pesticide analysis.

4.5 Crop Physiology

The section carried out research on irrigation methods for smallholder farmers in addition to investigations on in vitro propagation of Ruiru 11 and field performance micro propagated Ruiru 11 seedlings.

4.6 Entomology Section

The Entomology Section continued with field evaluation of insecticide formulations against major coffee insect pests. Studies on possible utilization of entomopathogenic nematodes as a component of biological control approach was also carried out.

The D-C Tron Plus, an oil formulated insecticide was also evaluated against Green Scales at Ngenia and Crops coffee estates. The treated plots had significantly higher mean scales larval mortality than the control.

Four insecticides namely Penncap M, indoxacarb (Avaunt EC), Rimon and Achook EC were evaluated against the Coffee Berry Borer (CBB), *Hypothenemus Hampei*, at Coffee Research Station (CRS) and Swahara coffee estate. All the products were comparable with standard in their efficacy.

Field evaluation of six insecticides; Encedan 720EC, Indoxacarb (Avaunt EC), Achook EC, Dimilin 250 WP, D-C Tron Plus and Actara 25 WG were evaluated against leaf-miners, *Leucoptera* spp. At Kwamaiko and Mukeu coffee estates. The six products controlled the leafminers and were significantly ($P=0.05$) better than the controlled plots.

The cyren 480 EC was evaluated against *Antesia* bugs, *Antestiopsis* spp; at Kirimiri and Kiboko coffee estates. The results indicated no significance difference between treated and controlled plots. This was a result of low *Antestia* population levels in both sites.

Avaunt SC, Dimilin 250 WP and Achook EC were tested for control of Giant loopers, *Ascotis selenaris reciprocaria*-at Kirimiri estate. The products effectively controlled the Giant loopers as compared with the controlled plots.

Two species of entomopathogenic nematodes (EPN), *Steinernema* spp and *Heterorhabditid* spp. were screened in the laboratory for their affectivity in the management of the Giant looper, *S. reciprocaria*. Results indicated that the two species of EPN while applied on 2nd and 3rd larval instars of Giant loopers had significantly higher mortalities than the standard (Dipel) and the control.

4.7 Economics

The section contained the review on the economics of coffee production and policy analysis of the coffee sector.

4.8 Research Liaison Training and Advisory Section

The RLTAS continued to provide, encourage and maintain a continuous contact between coffee farmers, researchers, coffee agencies and other interested people either individually or in groups.

To effectively reach the farmers, the Section continued to liaise with coffee extension staff in the Ministry of Agriculture, Livestock Development, the Co-operative Movement Managing Agencies and Coffee Board of Kenya (CBK) field services personnel in disseminating research information and receiving feedback from the field.

Information flow was effected through training, provision of publications, participation in Agricultural shows and coffee farmers' field days, making advisory visits to farms, visit by farmers to the station and demonstration sites located in all major coffee growing areas and through audio visual media.

CRF continued its co-operation with other local institutions in inter-library loaning of books particularly with the Kenya Agricultural Research Institute (KARI), the Universities, Kenya National Library Services (KLS) and Kilimo Library.

4.9 Kenya Coffee College

The Kenya Coffee College continued to communicate CRF research findings through training, development of training materials and offering hospitality services to all stakeholders and interested persons using the college facilities.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COFFEE RESEARCH FOUNDATION FOR THE YEAR ENDED 30 SEPTEMBER 2002

I have audited the financial statements of Coffee Research Foundation for the year ended 30 September 2002 in accordance with Section 29 of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations, which to the best of my knowledge and believe were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the Foundation's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view of obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors as well as an evaluation of the overall presentation of financial statements. I believe my audit provides a reasonable basis for the opinion.

1. Financial Position

During the year the Foundation recorded a deficit of Kshs.57,097,334 (2001-Kshs.45,026,554). The Foundation was unable to pay contributions to the Retirement Benefits Scheme and other statutory deductions which stood at Kshs.51,377,557 and Kshs.51,038,737 respectively. The operation of the Foundation as a going concern was therefore dependent upon increased subvention receipts from Coffee Board of Kenya and support from its creditors.

2. Fixed Assets

The property, plant and equipment account balance of Kshs.222,524,155 in the Balance Sheet excludes an undetermined value of eight parcels of land in Thika, Kitale, Kisii and Nyando districts with a total area of 298 hectares. Under the circumstances, it is not possible to quantify the overall impairment that should be incorporated in the financial statements in respect of these parcels of land.

3. Debtors and receivables

The debtors and receivables account balance of Kshs.43,763,579 includes amounts receivable from Coffee Board of Kenya on account of Coffee sales and subvention totaling Kshs.26,214,436 that are over one year old and no specific provision has been made in these financial statements to recognize amounts not collectable. The debtors, deposits and prepayments balance of Kshs.43,763,579 is apparently overstated by any provision that could have been made on account of unrecoverable portion of these receivables.

4. Budget

The Foundation operated without an approved budget during the year contrary to section 11 of the Corporations Act (Cap 446), which requires every state corporation to prepare and submit to the Minister of the parent Ministry and to the Treasury for approval of a budget. The Foundation was therefore in breach of the Law.

Opinion

Except for the forgoing reservations, in my opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of financial affairs of the Foundation as at 30 September 2002 and of its loss and cash flows for the year then ended and comply with the Companies Act, Cap 486 of the Laws of Kenya.

E. N. MWAI
CONTROLLER AND AUDITOR GENERAL
Nairobi
15th December 2005

COFFEE RESEARCH FOUNDATION
A COMPANY LIMITED BY GUARANTEE

BALANCE SHEET AS AT 30TH SEPTEMBER 2002

	NOTE	2001/2002 shs	2000/2001 shs
FIXED ASSETS			
Property, Plant, & Equipment	2(a)&(b)	222,524,155	186,324,925
INVESTMENTS			
Quoted Investments at cost	7	12,540	12,540
Other Investments Schedule 11		<u>1,966,990</u>	<u>1,966,990</u>
		<u>224,503,685</u>	<u>188,304,455</u>
CURRENT ASSETS			
Stocks	1(d)	1,875,937	16,397,512
Receivables and prepayments	5	43,763,579	39,864,061
Cash & Cash Equivalents	3	<u>120,017,506</u>	<u>(7,706,056)</u>
		<u>390,160,707</u>	<u>236,859,974</u>
CURRENT LIABILITIES			
Payables & Accruals	6	166,645,644	103,643,851
Taxation		<u>-</u>	<u>-</u>
		<u>166,645,644</u>	<u>103,643,851</u>
TOTAL NET CURRENT ASSETS		<u><u>223,515,063</u></u>	<u><u>133,216,121</u></u>
FINANCED BY:			
Revaluation Reserve		24,045,000	24,045,000
Coffee Research Reserve Fund		1,400,000	1,400,000
Capital Reserve Fund		194,351,611	194,351,611
Deferred income		135,000,000	
Revenue Reserve Fund		<u>(131,281,548)</u>	<u>(86,580,490)</u>
		<u><u>223,515,063</u></u>	<u><u>133,216,121</u></u>

Financial statements were approved by the Board of Directors and signed by:-

Mr. L. KIONGO NJUGUNA

Chairman, Board of Directors

Dr. J. K. KIMEMIA

Director of Research

COFFEE RESEARCH FOUNDATION
(A COMPANY LIMITED GUARANTEE)

Detailed Income and Expenditure Account for the Year ended 30th September 2002

INCOME		2001/2002	2000/2001
		KSh	Ksh
CBK Subvention	8	138,986,803	233,000,000
Other Income		49,398,851	37,961,097
Interest and dividends		18,005,449	
Total income		<u>206,391,103</u>	<u>270,961,097</u>
EXPENDITURE			
Recurrent Expenditure		252,854,604	304,733,414
Depreciation	2	9,965,833	10,954,237
Audit fees		668,000	300,000
Total Expenditure		<u>263,488,437</u>	<u>315,987,651</u>
Surplus/(Deficit) from the operation		(57,097,334)	(45,026,554)
Prior Year adjustment		10,957,765	0
Revenue reserve b/f		(85,141,979)	(41,553,936)
Surplus/(Deficit) for the Year		(131,281,548)	(86,580,490)

**COFFEE RESEARCH FOUNDATION
(A COMPANY LIMITED GUARANTEE)**

Cash flow Statement of the Year Ended 30th September 2002

	2001/2002 KSh	2000/2001 KSh
<u>Cash Flow From Operating Activities</u>		
Net Surplus from Operations	(57,097,334)	(45,026,554)
ADJUSTMENTS		
Depreciation	9,965,833	10,954,237
Profit on sale of m/vehicles	0	(801,742)
Dividends & interest on investments	(18,005,449)	(12,151)
Increase(decrease) in Creditors	63,001,793	46,086,135
(increase)Decrease in Debtors	(3,899,518)	(16,845,408)
(increase)Decrease in Stock	14,521,575	(2,504,845)
Tax Paid	0	0
Net Cash Flow from Operating Activities	<u>8,486,900</u>	<u>(8,150,329)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,372,527)	(6,847,371)
Sale of fixed assets	0	835,000
Dividend received		0
Dividends and Interest on investments	18,005,449	12,151
Development/Capital Expenditure	<u>(43,940,212)</u>	<u>(795,286)</u>
Net cash flow from investing activities	<u>(28,307,290)</u>	<u>(6,795,506)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Deferred income	135,000,000	0
Prior year adjustments	<u>12,543,951</u>	0
	147,543,951	0
Net increase/(decrease) in cash & cash equivalents	127,723,561	(14,947,834)
Cash & cash equivalent at the beginning of the year	(7,706,056)	7,241,779
Cash and Cash equivalent at end of the Year	120,017,506	(7,706,056)

COFFEE RESEARCH FOUNDATION
A COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENT FOR
THE YEAR ENDED 30TH JUNE 2002

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basic of Accounting

The financial statements are prepared on the historical cost basis of accounting.

(b) Property, equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis, at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

1.	Land developments and buildings	2.5%
2.	Farm Machinery	20%
3.	Vehicles & tractors	20%
4.	Farm equipment	15%
5.	Office, laboratory equipment and furniture	12.5%
6.	Miscellaneous equipment	7.5%

(c) Grants and Donations

(i) Capital

Grants and donations related to property, equipment and other assets are presented in the reserves as deferred income and utilized in the reduction of the carrying amount of the related asset during its useful life.

(ii) Income

Any grant or donations received to compensate expenses, losses or for the purpose of giving immediate operational support is dealt within the income and expenditure statement in the year it is received.

(d) Stocks

Stocks of consumables are valued at the lower of cost and net realisable value. Stocks of coffee parchment are valued at the price of clean coffee at the balance sheet date.

(e) Retirement Benefit Costs

The company contributes to a statutory defined contribution pension Scheme (NSSF). Contributions are defined by local statute and are currently limited to ksh.200 per employee per month.

The company also contributes 15.5% to a defined benefit pension scheme.

The company's contributions to the above schemes are charged to the income and expenditure account in the year to which they relate.

(f) Investments

Investments are stated at cost. Dividends received are credited to income for the year to which it relates.

- (g) The company is exempt from taxation for all income incidental to research, levy and coffee sales. Rent income is taxable at the corporate rate of 30%.

**COFFEE RESEARCH FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

2 (a) SCHEDULE OF PLANT MACHINERY AND EQUIPMENT

	Land & Buildings	Furniture Office Equip	Laboratory Equipment	Farm Equipment	Vehicles & Tractors	Farm Machinery	Miscellaneous Equipment	Totals
	12.50%	12.50%	12.50%	15%	20%	20%	7.50%	
Cost as at 1.10.2001	144,144,388	24,368,148	32,453,154	8,582,431	59,752,244	9,473,414	7,077,349	285,851,128
Additions	43,940,212	694,773	1,677,754	0	0	0	0	46,312,739
Disposals	0	0	0	0	0	0	0	0
Cost as at 30.9.2002	188,084,600	25,062,921	34,130,908	8,582,431	59,752,244	9,473,414	7,077,349	332,163,867
Depreciation as at 1.10.2001	2,903,266	14,198,125	22,024,764	6,482,986	46,031,168	4,946,536	3,087,034	99,673,879
Charge for the Year	2,830,684	1,358,099	1,513,268	314,917	2,744,215	905,376	299,274	9,965,833
Depreciation as at 30/9/2002	5,733,950	15,556,224	23,538,032	6,797,903	48,775,383	5,851,912	3,386,308	109,639,712
Value as at 30.9.2002	182,350,650	9,506,696	10,592,876	1,784,528	10,976,861	3,621,502	3,691,041	222,524,155
Value As at 1.10.2001	141,241,122	10,411,150	10,428,390	2,107,180	12,912,682	5,404,104	4,026,364	186,530,992

2 (b) SCHEDULE OF BUILDINGS

	WDV 1.10.2001	Additions	Disposals	Total	Depreciation 2.50%	WDV 30.9.2002
Farmhouse Workshop Coffee Factory and	1,879,100	0	0	1,879,100	46,978	1,832,123
Developments	1,095,032	0	0	1,095,032	27,376	1,067,656
Water Installation, Pump House & Electricity	13,202,436	0	0	13,202,436	330,061	12,872,375
Dairy Cattle sheds & Dips	28,628	0	0	28,628	716	27,912
Staff houses & Amenities Main Office, Library & Lecture Hall	42,898,312	0	0	42,898,312	1,072,458	41,825,854
Laboratories	16,823,820	0	0	16,823,820	420,596	16,403,225
Molecular labs	12,210,696	0	0	12,210,696	305,267	11,905,429
Coffee Developments	0	43,940,212	0	43,940,212	0	43,940,212
	5,731,614	0	0	5,731,614	143,290	5,588,324
Road Repairs	19,357,740	0	0	19,357,740	483,944	18,873,797
	113,227,378	43,940,212	0	157,167,590	2,830,684	154,336,906

COFFEE RESEARCH FOUNDATION
(A COMPANY LIMITED GUARANTEE)

Notes to the Accounts for the Year ended 30th September 2002

	2001/2002	2000/2001
	KSh	KSh
3. CASH AND BANK BALANCES		
Cash in hand and at bank	120,017,506	(7,706,056)
	<u>120,017,506</u>	<u>(7,706,056)</u>
4. CAPITAL RESERVE FUND		
Bal b/f 1st oct 2001	194,351,611	75,047,509
ADD: Land and building omitted		119,304,102
	<u>194,351,611</u>	<u>194,351,611</u>
5. SUNDRY DEBTORS		
	2001/2002	2000/2001
	Ksh	Ksh
Coffee Board of Kenya:Deposits	1,400,000	1,400,000
Main subvention	12,800,000	16,447,416
Coffee proceeds receivable	12,014,436	12,014,436
Williamson power	1,576,739	
Coffee seedlings	1,902,901	31,974
Deposits	850,320	850,320
ICIPE	43,901	43,901
Bungoma Union bank	843,307	218,390
Ministry of labour	142,060	142,060
KPCU	5,037,411	1,870,927
Socfinaf	4,297,305	
Thika coffee mills	424,068	
Station imprest	0	2,108,989
Staff Loans & Advances	506,365	2,770,149
Safari Imprests	1,924,766	1,965,499
	<u>43,763,579</u>	<u>39,864,061</u>
6. CREDITORS AND ACCRUALS		
	KSH	
Accrued Expenditure	13,762,853	23,825,520
Medical Bills	3,060,485	2,048,509
Subsistence	5,196,413	0
Accrued Payroll	51,038,737	33,963,418
Retirement Benefit Scheme	51,377,557	31,647,013
Salary & Wages Arrears	36,217,093	5,866,885
Audit Fees	1,400,000	1,200,000
Kenya Revenue Authority	4,592,506	5,092,506
	<u>166,645,644</u>	<u>103,643,851</u>

COFFEE RESEARCH FOUNDATION
A COMPANY LIMITED BY GUARANTEE

7. Schedule of Investments

Quoted Investments:

No. of shares	Nominal Value of Shares	At Cost Ksh
9254 shares B A T (Kenya Limited)	10/-	12,540

Other Investments:

KPCU Unsecured Loan Stock	10/-	39,830
KPCU Redeemable Ordinary Shares	10/-	1,895,070
Redeemable Loan Stock		<u>32,090</u>
		<u>1,966,990</u>

8. SUBVENTION INCOME

	2001/2002	2000/2001
Main subvention payments by CBK	134,656,167	173,538,986
Reimbursement of plant breeding expenses	4,330,636	28,357,008
Reimbursement of SCIP expenses	-	13,561,268
Reimbursement of FCBDRU expenses	-	<u>17,542,738</u>
	<u>138,986,803</u>	<u>233,000,000</u>

9. OTHER INCOME

Coffee proceeds	15,658,997	27,905,658
Dividends received		12,151
Sundry income	574,813	8,239,909
Kenya coffee college income	2,919,845	1,803,379
Coffee levy	21,665,676	-
Interest earned	-	-
Rent and furniture	37,500	-
Incidental income	4,954,411	-
CFC-OTA	<u>3,357,609</u>	-
	<u>49,168,851</u>	<u>37,961,097</u>

10. REVENUE RESERVE

Deficit for the year before tax	-57,097,334	-	45,026,554
Prior year adjustment	10,957,765		
Capital expenditure	-		
Revenue research b/f	-46,139,569	-	45,026,554
Revenue research c/f	<u>-85,141,979</u>	-	<u>41,553,936</u>
	<u>-131,281,548</u>	<u>-</u>	<u>86,580,490</u>

11. PRIOR YEAR ADJUSTMENT

Creditors double count	10,957,765
Reserves understatement	1,438,510
Fixed assets adjustment	<u>147,677</u>
	<u>12,543,952</u>

12. DEFERRED INCOME

Refers to EU funding	135,000,000
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13. REVALUATION RESERVE

The revaluation reserve relates to Kisii land whose valuation was done in the year 2000

14. RESERVE FUND

The reserve relates to accumulated funds set aside in the earlier years upto 1994 for research reserve.

OUR VISION

**To be the Centre of Excellence in Research for Development
and Sustainable Wealth Creation in the Coffee Industry**

OUR MISSION

**To Research, Develop and Disseminate appropriate Technologies for
Enhanced Coffee Productivity, Quality and Value Addition**

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