
*ANNUAL REPORT
AND
FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED
31 DECEMBER 2012*

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GOVERNING COUNCIL

The Governing Council members who served during the year and for the date in this report comprised:

Prof. John A. Pickett	Chair
Mr. Nicolas P. Retsinas	Chair, Audit and Finance Committee
Prof. Dr. Bill Hansson	Chair, Nominating Committee, term ended in November 2012
Mr. Donald W. Kaniaru	Member
Prof. Canute P.M. Khamala	Member
Dr. Janice Jiggins	Chair, Programme Committee
Dr. Lukas Bertschinger	Chair, Nominating Committee
Prof. Noboru Minakawa	Member
Prof. Kongming Wu	Member
Prof. Anthony Youdeowei	Member
Dr. Roberta L. Bondar	Member, term started in November 2012
HE Florence A. Chenoweth, Ph.D.	Member, term started in November 2012
Prof. Christian Borgemeister	Director General

MANAGEMENT

Prof. Christian Borgemeister - Director General
Mr. Roger Finan - Director of Finance and Administration

BANKERS

Standard Chartered Bank (Kenya) Limited
Harambee Avenue
P.O. Box 20063 - 00100
NAIROBI
KENYA

Commercial Bank of Africa Limited
Wabera Street
P.O Box 30437 - 00100
NAIROBI.
KENYA

Citibank, NA
P.O. Box 30711 - 00100
NAIROBI
KENYA

The Co-operative Bank of Kenya Limited
Homabay Branch
P.O Box 406 - 40300
HOMABAY
KENYA

Equity Bank
Mbita Branch
P.O. Box 101 -40305
MBITA
KENYA

AUDITORS

Ernst & Young
Certified Public Accountants
Kenya-Re Towers, Upperhill
Off Ragati Road
P.O Box 44286 - 00100
NAIROBI
KENYA

LAWYERS

Ndung'u Njoroge & Kwach
Advocates
International Life House
P.O Box 41546 - 00100
NAIROBI
KENYA

The Governing Council presents its annual report and audited financial statements for the year ended 31 December 2012 which shows the state of the Centre's affairs.

1. Principal Activities

The Centre carries out and promotes advanced research and training relating to insect science and its application.

2. Operating Results

During the year, *icipe* received grants amounting to US\$ 19,048,098 (2011: US\$ 18,961,107). The grant income, together with other income, totaled US\$ 20,718,845 (2011: US\$ 19,760,680). Expenditure for the year was US\$ 19,279,452 (2011: US\$ 17,876,718), resulting in a surplus of US\$ 1,439,393 (2011: US\$ 1,883,962).

3. Financial Statements

At the date of this report, the Governing Council was not aware of any circumstances, which would have rendered the values attributed to the assets and liabilities in the financial statements of the Centre misleading.

4. *icipe's* Environmental Friendly Initiatives Towards Life and General Environmental Sustainability

In 2006-2007, *icipe* subjected itself to a rigorous Environmental Audit, both at its headquarters in Nairobi as well as on its T.R. Odhiambo campus in Mbita Point on the shores of Lake Victoria that was undertaken by the National Environment Management Authority (NEMA), Kenya. *icipe* has a strong policy framework for addressing and prioritizing climate change and sustainable development. Climate change and environmental considerations are now integrated into all projects, and the Centre places a strong emphasis on regular monitoring of environmental impact of its research and development activities. *icipe's* projects have environmental sustainability and, increasingly, climate change as a policy priority, and several of *icipe's* current projects are having an impact on global policy debates, for example the African Fruit Fly Initiative with its emphasis on the disastrous effects of the introduction of alien invasive species to Africa and their adverse impact on agricultural productivity and intra- and inter-continental trade, or the Centre's research and lobbying efforts for integrated and environmental friendly vector management as a key intervention strategy for malaria control in Africa and as an effective alternative to the use of DDT for vector control; *icipe* is pursuing the latter objective as part of its mandate as a regional centre of the UN's Stockholm Convention.

icipe's principles of conserving natural variety and maintaining environmental integrity by promoting alternatives to destructive synthetic pesticides shall continue to promote the use of environmental friendly pest control strategies.

As a research Centre, *icipe's* main environmental impact arise from waste generation, water use and energy consumption. To minimise impact on the environment, *icipe* has a number of objectives, which include:

- To train, promote and encourage waste reduction, reuse, recycle and proper waste disposal;
- To ensure that its suppliers and contractors are compliant to environmental policies and standards;
- To monitor the implementation of the policy by carrying out internal periodic audits; and
- To make responsible use of energy and water.

In 2012, *icipe* contracted solar energy conservation specialists to provide a work plan for *icipe* to improve its carbon footprint and minimize its energy and water consumptions. We expect to identify an environmentally friendly action plan in early 2013 and trust to secure the implementation funds to execute the plan within one or two years.

icipe fully complies with all NEMA requirements, the Environmental Management and Co-ordination Act (EMCA); Local Government Act; Penal Act; Public Health Act, Traffic and Factories Act and other relevant national codes of practice by the Government of Kenya.

icipe has an Occupational Health and Safety (formerly the Laboratory Order and Safety - LOS) Committee which is responsible for overseeing the management of risk to the environment. This involves:

- Formulation of environmental policies;
- Ensure full complementation of the policy by means of monitoring and internal audits;
- Taking appropriate action where standards are not being met;
- Regular review of the effectiveness of existing policies.

icipe's legal office is responsible for ensuring that the rules and regulations laid out in the national laws governing the protection of the environment are adhered to.

As a strategy to reduce its carbon footprint, *icipe* has introduced a wide range of efficiency measures across its operations, from reducing air travel (for instance through the increased use of tools like video conferencing) to cutting electricity and paper use in its offices.

icipe is also engaged in key areas of environmental sustainability by addressing management of fragile ecosystems and maintenance of their bio-diversity through research and development work that support natural resource based community enterprises. This work is designed to achieve a paradigm shift in the thinking of local and community authorities towards conservation and utilization of natural resources and biodiversity on which rural livelihoods most often depend. *icipe* has identified the key entry points, in partnership with essential stakeholders that have potential for scaling up its research and development projects by:

- Providing science based working models of community enterprises that have potential to contribute to livelihood security and to change community and local authority approaches towards the management of fragile and threatened ecosystems.
- Increasing institutional, human resource and technological capacities in insect science and biodiversity to plan and implement policies, programmes and activities that contribute to environmental sustainability. This point to the need to increase joint programmes with key partners with a potential to leverage widespread change.
- Providing informed positions on the impact, opportunities and threats of climate change to communities in fragile and threatened ecosystems that the Centre's programs are working with.

5. Governing Council

The membership of the Governing Council during the year is detailed on page 1.

6. Auditors

Ernst & Young served as auditors during the year.

By order of the Governing Council



Prof. John A. Pickett
Chair of the Governing Council

19 March 2013

**The International Centre of Insect Physiology and Ecology (icipe)
Statement of Governing Council's Responsibilities
For The Year Ended 31 December 2012**

The Centre's Charter requires the Governing Council to prepare financial statements for each financial year that presents fairly the state of affairs of the Centre as at the end of the financial year and of its operating results for that year. It also requires the Governing Council to ensure that the Centre keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Centre. It is also responsible for safeguarding the assets of the Centre.

The Governing Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Centre's Charter. The Governing Council is of the opinion that the financial statements presents fairly the financial affairs of the Centre and of its operating results. The Governing Council further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the Centre will not remain a going concern for at least the next twelve months from the date of these financial statements.



Prof. John A. Pickett
Chair of the Governing Council



Prof. Christian Borgemeister
Director General

Date: 19 March 2013

Date: 19 March 2013

Report of the Independent Auditors

To the Members of
International Centre of Insect Physiology and Ecology (*Icipe*)

Report on the Financial Statements

We have audited the accompanying financial statements of the International Centre of Insect Physiology and Ecology (the Centre), set out on pages 9 to 30 which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in reserves and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Governing Council's Responsibility for the Financial Statements

The Governing Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Centre's Charter and for such internal control as the council determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 auditors' 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 auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Governing Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presently fairly, in all material respects, the financial position of the Centre as at 31 December 2012 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Centre's Charter.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

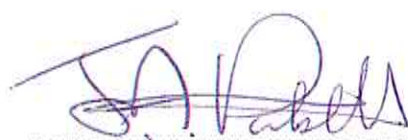
Nairobi

2 April, 2013

The International Centre of Insect Physiology and Ecology (*icipe*)
Statement of Financial Position
For The Year Ended 31 December 2012

Description	Note	2012 US\$	2011 US\$
<u>Non-Current Assets</u>			
Property and Equipment	4(b)	<u>950,559</u>	<u>799,855</u>
<u>Current Assets</u>			
Consumable Stores		49,355	31,600
Grants Receivable	17	801,740	463,481
Receivables and Prepayments	5	2,396,194	2,313,122
Bank and Cash Balances	6	<u>17,218,139</u>	<u>13,497,140</u>
Sub Total Current Assets		<u>20,465,428</u>	<u>16,305,343</u>
Total Assets		<u>21,415,987</u>	<u>17,105,198</u>
<u>Current Liabilities</u>			
Payables and Accruals	8	2,108,468	2,326,176
Unexpended Operating Grants	17	<u>11,515,752</u>	<u>8,438,615</u>
Sub Total Current Liabilities		<u>13,624,220</u>	<u>10,764,791</u>
<u>Long Term Liabilities</u>			
Provision for staff separation and Relocation pay	7	273,987	262,020
Total Liabilities		<u>13,898,207</u>	<u>11,026,811</u>
Net Assets		<u>7,517,780</u>	<u>6,078,387</u>
<u>Financed By:</u>			
Reserves	9	<u>7,517,780</u>	<u>6,078,387</u>

The financial statements were approved by the Governing Council on 19 March 2013 and signed on its behalf by:



Prof. John A. Pickett
Chair of the Governing Council



Prof. Christian Borgemeister
Director General

The International Centre of Insect Physiology and Ecology (*icipe*)
Statement of Comprehensive Income
For The Year Ended 31 December 2012

Description	Note	2012 US\$	2011 US\$
<u>Income</u>			
Unrestricted Core Grants	17	4,902,716	5,639,051
Restricted Projects Grants	17	14,145,382	13,322,056
Miscellaneous Income	10	1,355,129	710,711
Currency Translation gain/(loss)		<u>315,618</u>	<u>88,862</u>
Total Income		<u>20,718,845</u>	<u>19,760,680</u>
<u>Expenditure</u>			
Research costs			
Research and NRES Strengthening		14,724,823	12,687,442
Scientific Equipment		561,431	895,897
Office Equipment and Furniture		126,189	190,392
MLEID Lab		-	196,962
Vehicles		<u>188,699</u>	<u>120,173</u>
Sub Total Research Costs		<u>15,601,142</u>	<u>14,090,866</u>
Corporate costs			
Centre Management		864,087	808,686
Administration and Finance		1,171,117	1,023,098
Other Support Units		1,020,618	1,554,351
Utilities		1,475,093	1,117,309
Overhead Recovery		<u>(852,605)</u>	<u>(717,592)</u>
Sub Total Corporate Costs		<u>3,678,310</u>	<u>3,785,852</u>
Total Expenditure		<u>19,279,452</u>	<u>17,876,718</u>
Surplus for the year		<u>1,439,393</u>	<u>1,883,962</u>

The International Centre of Insect Physiology and Ecology (*icipe*)
Statement of Changes in Reserves
For The Year Ended 31 December 2012

	Accumulated surplus US\$	General reserve US\$	Total US\$
Year ended 31 December 2011:			
At 01 January	1,146,900	3,047,525	4,194,425
Surplus for the year	1,883,962	-	1,883,962
Transfer to general reserve	<u>(2,573,500)</u>	<u>2,573,500</u>	<u>-</u>
At 31 December	<u>457,362</u>	<u>5,621,025</u>	<u>6,078,387</u>
Year ended 31 December 2012:			
At 01 January	457,362	5,621,025	6,078,387
Surplus for the year	1,439,393	-	1,439,393
Transfer to general reserve	<u>(1,200,000)</u>	<u>1,200,000</u>	<u>-</u>
At 31 December	<u>696,755</u>	<u>6,821,025</u>	<u>7,517,780</u>

The International Centre of Insect Physiology and Ecology (*icipe*)
Statement of Cash Flows
For The Year Ended 31 December 2012

Description	Note	2012 US\$	2011 US\$
<u>Operating Activities:</u>			
Net surplus for the year		1,439,393	1,883,962
Adjustments for:			
Depreciation		321,415	234,179
Gain on disposal of assets		<u>(58,928)</u>	<u>(53,505)</u>
Adjusted surplus for the year		1,701,880	2,064,636
<u>Working Capital Adjustments:</u>			
Consumable stores		(17,755)	(3,337)
Grants receivable		(338,259)	1,283,663
Receivables and prepayments		(83,072)	(603,269)
Payables and accruals		(217,708)	1,024,987
Unexpended operating grants		3,077,137	(78,130)
Provision for relocation allowance	7	23,179	88,396
Staff separation payments	7	-	(5,136)
Relocation allowance payments	7	<u>(11,212)</u>	<u>(40,267)</u>
Net cash flows from operating activities		<u>4,134,190</u>	<u>3,731,543</u>
<u>Investing Activities:</u>			
Purchase of property and equipment		(472,814)	(185,603)
Proceeds from disposal of assets		<u>59,623</u>	<u>53,505</u>
Net cash flows used in investing activities		<u>(413,191)</u>	<u>(132,098)</u>
<u>Financing Activities:</u>			
Net movement in cash and cash equivalents		3,720,999	3,599,445
Cash and cash equivalents at the beginning of the year		<u>13,497,140</u>	<u>9,897,695</u>
Cash and cash equivalents at the end of the year	11	<u>17,218,139</u>	<u>13,497,140</u>

1. Organization Structure and Nature of Activities

The International Centre of Insect Physiology and Ecology (*icipe*), based in Nairobi, Kenya, is a unique international research organisation involved in developing technologies to alleviate world poverty and to ensure food security and good health for the peoples of the tropics through management of both harmful and useful arthropods. The Centre's current activities are focused around improving and promoting the 4Hs – Human, Animal, Plant and Environmental Health. Both Scientists and Integrated Pest Management practitioners benefit from the Centre's educational and training facilities and opportunities, from post-doctoral to farmer level.

icipe collaborates with many local and international institutions in delivering and testing its improved scientific management techniques.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).

The financial statements are prepared on a historical cost basis of accounting. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the centre's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 2(i).

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Centre:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets. The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Centre's financial position, performance or its disclosures.

2. Significant Accounting Policies (continued)

a) Basis of Accounting (continued)

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Centre.
- IFRS 7 Financial Instruments: Disclosures – Enhanced De-recognition Disclosure Requirements. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Centre does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

- IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Centre's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Centre's first annual report after becoming effective.
- IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Centre made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit

2. Significant Accounting Policies (continued)

a) Basis of Accounting (continued)

obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Centre's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.
- IFRS 1 Government Loans - Amendments to IFRS 1
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements

The Governing Council anticipate that the adoption of these standards, amendments and interpretations will have no material effect on the financial statements of the Centre in the period of initial application as they are not relevant.

2. Significant Accounting Policies (continued)

b) Income and Expenditure

The financial statements have been prepared on an accruals basis of accounting. The funds shown in the financial statements are described as follows:

- i) Restricted funds primarily include restricted purpose grants and cost reimbursement contracts for which the Centre has fiscal responsibility.
- ii) Unrestricted funds (core support) refer to donations received to fund the operations of the Centre, and for providing support, primarily for research and training activities.

Except as explained below, grants are accounted for as income in the year in which they are received.

- i) Unexpended restricted and special projects grants received during the year are recorded as deferred income and carried forward as current liabilities at the year end.
- ii) For cost reimbursement contracts, revenue is accrued when eligible expenditure is incurred, irrespective of the date of receipt of income.
- iii) Grant advances received during one year against the following year's commitments are treated as advances in the year of receipt and as income in the following year.

c) Property and Equipment

Assets purchased from restricted funds continue to be charged to the Income and Expenditure account in the year of purchase.

Assets capitalised in the year of purchase have been depreciated at annual rates estimated to write-off the assets over their expected useful life. The annual rates used are:

<u>Type of Asset</u>	<u>%</u>
Land and buildings	2.5
Scientific equipment	12.5
Furniture and office equipment	12.5
Motor vehicles	25.0
Computer equipment	25.0

d) Pension fund Contributions

The Centre makes regular pension contributions to an offshore fund (Zurich International) for professional staff and private individual pension funds for the support staff.

2. Significant Accounting Policies (continued)

e) Consumable Stores

The Centre has adopted the just in time purchasing system, and does not hold any consumable stock, except for fuel which is stated at the lower of cost and net realisable value.

f) Foreign Currencies

Balances denominated in foreign currencies at the year-end are translated into US dollars at the Central Bank exchange ruling at the year-end. Transactions during the year are converted at the rates ruling when transactions are effected. Gains and losses are dealt with in the Income and Expenditure Account.

g) Doubtful Debts

Allowances are made for doubtful debts in specific cases on the basis of their lack of recoverability. On the basis of Management's assessment, a 10% provision is also recorded on the remainder of Grants Receivable.

h) Impairment of assets

The carrying amounts of the Centre's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the applicable asset's recoverable amount is estimated and an impairment loss is recognised in the income and expenditure account.

i) Significant estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Centre's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are as follows:

i) Equipment and Intangible Assets

Critical estimates are made by the Governing Council in determining depreciation and amortisation rates for equipment and intangible assets. The rates used are set out in the accounting policy 2(c) above.

ii) Critical Judgement in applying the Centre's accounting policies

In the process of applying the Centre's accounting policies, management has made judgements in determining whether assets are impaired.

3. Financial Risk Management

The Centre's operations expose it to a variety of financial risks, including credit risk and the effects of foreign exchange risk. The Centre's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Finance Department under policies approved by the Governing Council. Finance Department identifies, evaluates and manages financial risks according to these policies. The policies lay down principles for overall risk management, as well as those covering specific areas such as foreign exchange risk, and investing excess liquidity.

Market risk

a) Foreign exchange risk

The Centre operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future transactions, recognised assets and liabilities.

The Centre manages foreign exchange risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements. As a result, the Centre does not hold large amounts of local currency deposits.

Sensitivity considerations with respect to the movement in the foreign exchange movement would not indicate any significant effect on the future results of the Centre owing to the multiplicity of currency amounts the Centre maintains.

The Centre, as a matter of practice transacts in the currency most favoured by the stability in exchange rates among the US Dollar, Euro and Kenya Shillings currency.

b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities due to the dynamic nature of the underlying businesses. Management monitors rolling forecasts of the Centre's liquidity reserve on the basis of expected cash flow.

The International Centre of Insect Physiology and Ecology (*icipe*)
Notes to the Financial Statements
For The Year Ended 31 December 2012

4. Property and Equipment

a) Expensed - Restricted Projects

	<u>Cost as at</u> <u>01.01.2012</u>	<u>Adjustments</u>	<u>Additions</u> <u>during the</u> <u>year</u>	<u>Disposals</u> <u>during the</u> <u>year</u>	<u>Cost as at</u> <u>31.12.2012</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Land & Buildings	3,773,175	-	-	-	3,773,175
Scientific equipment	1,528,622	-	561,431	(54,630)	2,035,423
Office equipment & Furniture	169,434	-	49,400	(9,429)	209,405
Computer equipment	350,982	-	76,789	(50,498)	377,273
Vehicles	1,398,855	-	188,699	(58,312)	1,529,242
Others	<u>115,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,972</u>
Total	<u>7,337,040</u>	<u>-</u>	<u>876,319</u>	<u>(172,869)</u>	<u>8,040,490</u>

Property and equipment, which have been written off to the Income and Expenditure account in the year of purchase, are shown in the financial statements at nominal value. The adjustment for the fully depreciated assets has been included. If these assets had not been written off in the year of purchase, the written down values at 31 December 2012, (where depreciation is calculated to eliminate the cost of the assets over their estimated useful lives at the rate indicated) would have been as follows:

Written down values

	<u>Depreciation</u> <u>Rates (%)</u>	<u>Year 2012</u> <u>US\$</u>	<u>Year 2011</u> <u>US\$</u>
Land and Buildings	2.5	1,544,336	1,638,665
Scientific Equipment	12.5	1,445,681	2,007,243
Office Equipment and Furniture	12.5	132,739	101,259
Computer Equipment	25.0	140,824	120,907
Vehicles	25.0	316,442	278,896
Others	12.5	27,928	42,332
Total		<u>3,607,950</u>	<u>4,189,302</u>

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4. Property and Equipment (continued)

b) Capitalised - Core (unrestricted) Assets

Assets purchased using unrestricted funds in 2012, have been capitalised.

(i) Year ended 31 December 2012:

	Riverside House	Arboretum Land	Arboretum House	Duduville Guest House	Scientific Equipment	Computer Equipment	Furniture & Office Equipment	Motor Vehicles	Totals
	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
COST									
At 01 January	310,949	3,077	164,067	2,333	595,943	799,361	223,199	435,823	2,534,752
Additions	-	-	-	-	67,776	349,913	25,125	30,000	472,814
Disposals	-	-	-	-	(34,786)	(359,627)	(27,552)	(23,918)	(445,883)
At 31 December	<u>310,949</u>	<u>3,077</u>	<u>164,067</u>	<u>2,333</u>	<u>628,933</u>	<u>789,647</u>	<u>220,772</u>	<u>441,905</u>	<u>2,561,683</u>
DEPRECIATION									
At 01 January	183,268	3,077	75,062	786	330,577	660,181	161,166	320,780	1,734,897
Disposals	-	-	-	-	(34,091)	(359,627)	(27,552)	(23,918)	(445,188)
Charge for the year	<u>9,120</u>	-	<u>4,102</u>	<u>58</u>	<u>65,232</u>	<u>165,666</u>	<u>16,427</u>	<u>60,810</u>	<u>321,415</u>
At 31 December	<u>192,388</u>	<u>3,077</u>	<u>79,164</u>	<u>844</u>	<u>361,718</u>	<u>466,220</u>	<u>150,041</u>	<u>357,672</u>	<u>1,611,124</u>
NET BOOK VALUE									
At 31 December	<u>118,561</u>	-	<u>84,903</u>	<u>1,489</u>	<u>267,215</u>	<u>323,427</u>	<u>70,731</u>	<u>84,233</u>	<u>950,559</u>

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(ii) Year ended 31 December 2011:

	<u>Riverside House</u>	<u>Arboretum Land</u>	<u>Arboretum House</u>	<u>Duduville Guest House</u>	<u>Scientific Equipment</u>	<u>Computer Equipment</u>	<u>Furniture & Office Equipment</u>	<u>Motor Vehicles</u>	<u>Totals</u>
	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
<u>COST</u>									
At 01 January	310,949	3,077	164,067	2,333	550,392	763,028	188,222	425,556	2,407,624
Additions	-	-	-	-	45,551	36,333	34,977	68,743	185,604
Disposals	-	-	-	-	-	-	-	(58,476)	(58,476)
At 31 December	<u>310,949</u>	<u>3,077</u>	<u>164,067</u>	<u>2,333</u>	<u>595,943</u>	<u>799,361</u>	<u>223,199</u>	<u>435,823</u>	<u>2,534,752</u>
<u>DEPRECIATION</u>									
At 01 January	174,148	3,077	70,960	728	274,128	575,026	145,259	315,866	1,559,192
Disposals	-	-	-	-	-	-	-	(58,476)	(58,476)
Charge for the year	<u>9,120</u>	<u>-</u>	<u>4,102</u>	<u>58</u>	<u>56,449</u>	<u>85,155</u>	<u>15,907</u>	<u>63,390</u>	<u>234,181</u>
At 31 December	<u>183,268</u>	<u>3,077</u>	<u>75,062</u>	<u>786</u>	<u>330,577</u>	<u>660,181</u>	<u>161,166</u>	<u>320,780</u>	<u>1,734,897</u>
<u>NET BOOK VALUE</u>									
At 31 December	<u>127,681</u>	<u>-</u>	<u>89,005</u>	<u>1,547</u>	<u>265,366</u>	<u>139,180</u>	<u>62,033</u>	<u>115,043</u>	<u>799,855</u>

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5. Receivables and Prepayments

Description	2012 US\$	2011 US\$
Staff debtors and accountable advances	111,475	141,267
Other debtors and Prepayments	909,811	1,227,739
Associated organisations	1,473,942	1,101,267
Allowance for bad debts	<u>(99,034)</u>	<u>(157,151)</u>
Total	<u>2,396,194</u>	<u>2,313,122</u>

6. Bank and Cash Balances

Cash at bank	17,162,997	13,462,027
Cash in hand	<u>55,142</u>	<u>35,113</u>
Total	<u>17,218,139</u>	<u>13,497,140</u>

7. Provisions for Staff Separation

Balance at 01 January	262,020	219,027
Provision for relocation allowance	23,179	88,396
Separation payments in the year	-	(5,136)
Relocation payments in the year	<u>(11,212)</u>	<u>(40,267)</u>
Total	<u>273,987</u>	<u>262,020</u>

8. Payables And Accruals

Leave passage	14,882	7,000
Leave liability	175,253	138,071
Other payables	1,377,501	1,666,375
Accruals	<u>540,832</u>	<u>514,730</u>
Total	<u>2,108,468</u>	<u>2,326,176</u>

9. Reserves

Accumulated surplus	696,755	457,362
General reserve	<u>6,821,025</u>	<u>5,621,025</u>
Total	<u>7,517,780</u>	<u>6,078,387</u>

In November 2011, the Governing Council revised the recommended level for the Strategic Reserves from three to six months of operational needs. In December 2012, US\$ 1.2M has been added to the Strategic Reserves to help achieve this objective.

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10. Miscellaneous Income

Description	2012 US\$	2011 US\$
Rental income	838,209	519,247
Proceeds from sale of assets	58,928	53,505
Interest on bank deposits	169,345	35,242
Lease income	57,276	12,400
Screen House income	19,200	52,450
Other income	133,889	37,867
Office & Lab space income	<u>78,282</u>	<u>-</u>
Total	<u>1,355,129</u>	<u>710,711</u>

11. Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flow comprise the following items:

Bank and cash balances (note 6)	<u>17,218,139</u>	<u>13,497,140</u>
Total	<u>17,218,139</u>	<u>13,497,140</u>

12. Personnel Costs

Personnel costs for the year amounted to US\$ 10,250,164 (2011: US \$ 8,888,399), including the salaries and benefits of the Centre's full-time employees. The total pension funds added in 2012 were US\$ 585,614 (2011: US\$ 490,134). There were a total of 479 (2011: 441) full-time employees and research students at year-end. The total amount of statutory deductions was US\$ 1,166,835 (2011: US\$ 995,714) during the year.

The key management compensation for the year amounted to US\$ 1,754,079 (2011: US\$ 1,626,296). Two staff joined the key Management team in 2012; explaining the variance with the comparative figure in the 2011 Financial Statements.

13. Taxation

Under the terms of the Headquarters Agreement with the Government of Kenya, the Centre is exempt from taxation.

14. Comparatives

Comparative figures, where necessary, conform to changes in presentation in the current year.

15. Currency

These financial statements are presented in United States of America dollars (US\$).

16. In Kind Contributions

In 2012 The French Government through IRD and CIRAD stationed four Scientists at *icipe* solidifying and expanding our research and development capacities. Similarly CIM, the German Centre for International Migration and Development, subsidized three scientists which also helped alleviate the financial responsibilities of *icipe*.

The latter is quantified in the Schedule of Grants (note 17) while the former is not as *icipe* was unable to quantify the contribution.

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17. Schedule of Grants

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
CORE FUNDING							
Kenya	-	-	11,728	-	-	-	11,728
Swedish International Development Cooperation Agency (SIDA)	-	-	2,165,256	-	-	-	2,165,256
Swiss Agency for Development and Cooperation (SDC)	-	-	1,689,189	-	-	-	1,689,189
Department for International Development (DFID)-UK	-	-	4,038,050	-	-	840,560	3,197,490
Federal Ministry for Economic Cooperation and Development (BMZ)	-	-	161,598	-	-	-	161,598
Sub-Total	-	-	8,065,821	-	-	840,560	7,225,261
Earmarked Core	-	-	-	(2,322,545)	-	-	(2,322,545)
Core Funding Total	-	-	8,065,821	(2,322,545)	-	840,560	4,902,716
RESTRICTED FUNDING							
CIM - The Centre for International Migration and Development- Germany	-	-	-	599,840	-	-	599,840
IRD/France	15,200	-	30,977	6,200	13,504	-	35,481
Swiss Agency for Development and Cooperation (SDC)	-	1,072,531	64,970	-	-	1,028,126	109,375
Swedish International Development Cooperation Agency (SIDA)	-	375,990	101,215	-	-	133,649	343,556
The Netherlands	-	472,883	-	35	56,083	-	529,001
European Union	129,962	500,756	1,779,111	450,166	307,958	387,591	2,520,438

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Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
Kilimo Trust	3,008	2,929	-	-	3,008	565	2,364
United States Department of Agriculture (USDA)	27,143	18,224	49,919	(5,559)	1,224	7,681	28,984
German Academic Exchange Service (DAAD)	-	190,879	349,050	-	-	193,075	346,854
Federal Ministry for Economic Cooperation and Development (BMZ-Germany)	404	665,576	1,967,628	1,104	28,366	699,281	1,962,989
International Development Research Centre (IDRC)-Canada	-	165,584	478,358	-	-	314,456	329,486
International Fund for Agricultural Development (IFAD)	-	41,502	800,576	-	-	415,146	426,932
Finland	-	1,445,532	1,491,750	-	-	1,772,381	1,164,901
The Rockefeller Foundation	-	11	-	-	-	11	-
Japan International Research Center for Agricultural Sciences (JIRCAS)	3,502	-	-	-	3,502	-	-
World Health Organization (WHO)	-	380	-	(380)	-	-	-
Department for International Development (DFID) - UK	-	6,639	-	-	-	6,639	-
University of California/National Institute of Health (NIH)	15,094	8,767	40,171	-	805	8,767	25,882
London School of Hygiene and Tropical Medicine (LSHTM) / NIH	-	131,963	-	183	-	15,127	117,019
Food and Agricultural Organization (FAO)	3,145	103,453	52,022	(7,544)	645	84,501	60,930

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Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
BioVision Foundation for Ecological Development	6,933	165,236	1,574,198	8,100	50,054	77,701	1,712,953
Research Institute for Organic Agriculture (FiBL)	-	74,925	191,757	14	67,526	74,926	259,296
World Federation of Scientists	-	13,108	9,619	-	-	694	22,033
DuPont	81,089	-	-	17,380	63,709	-	
Conservation International -CEPF	102	44,479	61,060	-	102	15,264	90,275
United Nations Environment Programme (UNEP)	2	-	38,225	-	2	6,373	31,852
Ford Foundation	58,197	328	-	-	58,197	328	
WWF/Ford Foundation	5,601	-	-	-	5,601	-	
African Development Bank (ADB)	-	1,039	-	-	-	1,039	
University of Florida/NIH	-	9,726	-	-	3,470	9,726	3,470
Wageningen University	942	261,306	138,511	16,000	942	74,359	341,458
Ohio State University /NIH	-	138	136,794	-	12,676	72	149,536
Biosciences Eastern and Central Africa Network (BecANet)	50	-	-	50	-	-	
The Global Fund	16,978	-	-	16,978	-	-	-
Liverpool School of Tropical Medicine (LSTM) / Gates Foundation	1	13,467	149,612	94	1	59,675	103,498
Makerere University/Gates Foundation	-	72,953	-	-	-	2,812	70,140
International Institute of Tropical Agriculture (IITA) / Gates Foundation	-	73,528	356,637	10	-	178,595	251,580

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Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
OPEC Fund for International Development, (OFID)	-	1,075	-	-	-	1,075	
Vanderbilt University /FNIH	337	-	38,812	(4,837)	-	14,902	18,736
Smithsonian Institute	-	14,558	-	-	-	13,163	1,395
Kenya Medical Research Institute (KEMRI)	1,241	-	-	1,241	-	-	
CordAid	-	8,680	-	-	-	6,392	2,288
Global Biodiversity Information Facility (GBIF)	1,858	-	-	-	1,858	-	
Rothamsted Research	-	4,605	-	-	-	4,605	
Google.org	-	1,049,987	-	6,387	-	557,730	498,644
Islamic Development Bank	-	29,165	-	-	-	29,165	
McKnight Foundation	-	209,609	120,000	-	-	120,144	209,465
LSHTM	1,420	680	-	-	1,420	680	
University of Leeds	-	58	-	-	-	58	
USAID Pact Kenya	6,478	-	52,708	-	608	-	46,838
National Museums of Kenya/IDRC	-	15,039	34,734	-	-	25,176	24,597
Pennsylvania State University/National Science Foundation	-	18,838	70,480	-	-	14,430	74,888
Université de Neuchâtel, Switzerland	-	1,168	7,011	-	1,464		9,643
Makerere University/Wellcome Trust	-	64,169	122,725	(15,338)	341	52,070	119,825
University of Glasgow/Wellcome Trust	-	18,582	65,144	-	-	19,728	63,998
Brazilian Agricultural Research	-	39,713	-	134	-	23,095	16,752

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Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
Corporation/ EMBRAPA and The Arthur Bernardes Foundation- FUNARBE							
Michigan State University/USAID	7,656	-	21,741	-	-	1,479	12,606
IITA/GIZ	-	90,738	88,684	-	-	86,226	93,196
CNHR- Consortium for National Health Research/Wellcome Trust	-	114,859	162,496	-	-	142,098	135,256
TWAS - the academy of sciences for the developing world	-	21,083	-	-	4		21,087
SLU - Swedish University of Agricultural Sciences	-	37,633	-	-	-	14,769	22,864
The Helmholtz Centre for Environmental Research - UFZ	-	1,857	39,593	1,627	-	5,916	37,161
Kenya Agricultural Research Institute (KARI)	-	15,890	-	-	-	3,327	12,562
African Union Commission	-	-	271,977	-	-	263,773	8,204
ETH Zurich, Dept. of Health Science & Technology- Switzerland	-	-	11,961	-	-	8,965	2,996
Imperial College London/Gates Foundation	-	-	24,955	-	-	21,955	3,000
Biovision Africa Trust(BvAT)	-	-	382,347	191,005	27,918	420,388	180,882
University of Greenwich-National Resources Institute (NRI)	-	-	22,876	-	-	22,876	
Rothamsted/Biotechnology and Biological Sciences Research Council (BBSRC)	-	-	39,432	-	-	39,432	

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Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year
	01.01.2012	01.01.2012			31.12.2012	31.12.2012	2012
		US \$	US \$	US \$		US \$	US \$
University of Hannover	-	23,214	6,138	1,995	-	916	30,431
Sundry Grants	77,138	723,583	231,767	3,081,080	90,752	3,192,099	857,945
Sub Total Restricted	463,481	8,438,615	11,677,741	4,365,965	801,740	10,675,192	14,145,382
Total Operating Grants Received During The Year	463,481	8,438,615	19,743,562	2,043,420	801,740	11,515,752	19,048,098