icipe
African Insect Science for Food and Health

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

icipe – African Insect Science for Food and Health
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An FAO Reference Centre and a Stockholm Convention Regional Centre

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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, term ended in November 2013
Prof. Dr. Bill Hansson	Chair, term started in November 2013
Mr. Nicolas P. Retsinas	Chair, Audit and Finance Committee
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
HE Florence A. Chenoweth, Ph.D.	Member
Prof. Christian Borgemeister	Director General, term ended in September 2013
Dr. Segenet Kelemu, Ph.D.	Director General, term started in November 2013

Management
Dr. Segenet Kelemu, Ph.D. - 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
Ndungu 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 2013 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$ 24,594,178 (2012: US$ 19,048,098). The grant income, together with other income, totaled US$ 26,966,108 (2012: US$ 20,718,845). Expenditure for the year was US$ 23,150,794 (2012: US$ 19,279,452), resulting in a surplus of US$ 3,815,314 (2012: US$ 1,439,393).

3. Financial Statements

At the date of this report, the Governing Council is 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 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. The funding has been secured from the Swiss Agency for Development and Cooperation (SDC) and the project will commence in 2014.

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. Dr. Bill Hansson
Chair

24 March 2014

The Centre's Charter requires the Governing Council to prepare financial statements for each financial year that give a true and fair view of 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 and in the manner required by the Centre's Charter. The Governing Council is of the opinion that the financial statements give a fair view of the state of 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 this statement.

....	....
Prof. Dr. Bill Hansson	Dr. Segenet Kelemu, Ph.D.
Chair of the Governing Council	**Director General**

Date: 24 March 2014

Building a better working world

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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 statement of financial position as at 31 December 2013, 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 2013 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.

The engagement partner responsible for the audit resulting in the independent auditor's report is CPA Peter Anchinga - P/No. 1426.

Certified Public Accountants of Kenya
Nairobi, Kenya.

Friday, March 28, 2014

Description	Note	2013 US$	2012 US$
Non-Current Assets			
Property and Equipment	4(b)	1,269,666	950,559
Current Assets			
Consumable Stores		36,783	49,355
Grants Receivable	17	961,476	801,740
Receivables and Prepayments	5	4,114,528	2,396,194
Bank and Cash Balances	6	30,482,774	17,218,139
Sub Total Current Assets		35,595,561	20,465,428
Total Assets		36,865,227	21,415,987
Current Liabilities			
Payables and Accruals	8	2,291,857	2,108,468
Unexpended Operating Grants	17	22,900,432	11,515,752
Sub Total Current Liabilities		25,192,289	13,624,220
Long Term Liabilities			
Provision for Relocation pay	7	339,844	273,987
Total Liabilities		25,532,133	13,898,207
Total Assets Less Total Liabilities		11,333,094	7,517,780
Financed By:			
Reserves	9	11,333,094	7,517,780

The financial statements were approved by the Governing Council on 24 March 2014 and signed on its behalf by:

Prof. Dr. Bill Hansson
Chair of the Governing Council

Segenet Kelemu

Dr. Segenet Kelemu, Ph.D.
Director General

Description	Note	2013 US$	2012 US$
Income			
Unrestricted Core Grants	17	6,767,396	4,902,716
Restricted Projects Grants	17	17,826,782	14,145,382
Miscellaneous Income	10	1,615,578	1,355,129
Currency Translation gain/(loss)		756,352	315,618
Total Income		**26,966,108**	**20,718,845**
Expenditure			
Research costs			
Research and NRES Strengthening		16,570,969	14,724,823
Scientific Equipment		527,831	561,431
Office Equipment and Furniture		187,823	126,189
Vehicles		129,581	188,699
MLEID Lab		171,746	-
Bee Health Lab		1,183,003	-
Mbita Apartments		45,207	-
Mosquito Insectary		29,902	-
Sub Total Research Costs		18,846,062	15,601,142
Corporate costs			
Centre Management		1,027,200	864,087
Administration and Finance		1,265,331	1,171,117
Other Support Units		1,714,592	1,020,618
Utilities		1,297,270	1,475,093
Overhead Recovery		(999,661)	(852,605)
Sub Total Corporate Costs		4,304,732	3,678,310
Total Expenditure		**23,150,794**	**19,279,452**
Surplus for the Year		**3,815,314**	**1,439,393**

	Accumulated surplus US$	General reserve US$	Total US$
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 (Note 9)	(1,200,000)	1,200,000	-
At 31 December	696,755	6,821,025	7,517,780
Year ended 31 December 2013:			
At 01 January	696,755	6,821,025	7,517,780
Surplus for the year	3,815,314	-	3,815,314
Transfer to general reserve (Note 9)	(1,788,000)	1,788,000	-
At 31 December	2,724,069	8,609,025	11,333,094

Description	Note	2013 US$	2012 US$
Operating Activities:			
Net surplus for the year		3,815,314	1,439,393
Adjustments for:			
Depreciation		313,564	321,415
Gain on disposal of assets		(81,616)	(58,928)
Operating surplus before working capital changes		4,047,262	1,701,880
Consumable stores		12,572	(17,755)
Grants receivable		(159,736)	(338,259)
Receivables and prepayments		(1,718,334)	(83,072)
Payables and accruals		183,389	(217,708)
Unexpended operating grants		11,384,680	3,077,137
Provision for relocation allowance	7	129,747	23,179
Relocation allowance payments	7	(63,890)	(11,212)
Net cash flows from operating activities		13,815,690	4,134,190
Investing Activities:			
Purchase of property and equipment		(632,671)	(472,814)
Proceeds from disposal of assets		81,616	59,623
Net cash flows used in investing activities		(551,055)	(413,191)
Financing Activities:			
Net movement in cash and cash equivalents		13,264,635	3,720,999
Cash and cash equivalents at the beginning of the year		17,218,139	13,497,140
Cash and cash equivalents at the end of the year	11	30,482,774	17,218,139

1. Organisation 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, interpretations 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:

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

It replaces IAS 31 and refers to IFRS 10 new definition of control when referring to joint control. A joint arrangement previously known as a joint venture under IAS 31 is accounted for either as

- a joint operation – by showing the investors interest/relative interest in the assets, liabilities, revenue and expenses of the joint arrangement
- Joint venture – by applying the equity method of accounting. Proportionate method is no longer required.

Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This amendment is not applicable to the Centre.

2. Significant Accounting Policies (Continued)

a) Basis of Accounting (Continued)

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS

12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The Centre did not have any unconsolidated entities.

IFRS 13 Fair Value Measurement

It was effective as and from 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Centre re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Centre. IFRS 13 requires an entity to disclose additional information that helps users of its financial statements assess both of the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;
- for fair value measurements using significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income for the period.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

This became effective from 1 July 2012. The amendments to IAS 1 require an allocation of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Centre's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Centre's 2013 financial year),

2. Significant Accounting Policies (Continued)

a) Basis of Accounting (Continued)

presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Centre has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Centre's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)

The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in Other Comprehensive Income when they occur. For defined benefit plans, the amounts recorded in profit or loss are limited to current and past service costs, gains and losses on non-routine settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified.

IAS 28 Investment in associate and joint ventures (revised)

This standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates and therefore does not have any impact on the financial performance and reporting for the Centre. .

IFRS 7 Financial Instrument Disclosures (revised)

The amendments require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Offsetting of financial assets and financial liabilities

Financial assets and financial liability are offset and the net amount presented in the statement of financial position when and only when, the entity:

a) has a legally enforceable right to set off the recognised amounts; and
b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

These amendments are applied retrospectively, in accordance with the requirements of IFRS 8 for changes in accounting policy. If an entity chooses to early adopt IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, it must make the disclosure required by IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

2. Significant Accounting Policies (Continued)

a) Basis of Accounting (Continued)

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

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.
In addition, the IASB added two disclosure requirements:

a. Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.

b. Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36.

These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

IFRS 10 consolidated financial statements-

The amendment provides an exception to the consolidation requirement for entities that meet the definition of an investment entity.

The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

IAS 32 financial instrument presentation

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

2. Significant Accounting Policies (Continued)

a) Basis of Accounting (Continued)

The following Standards have been issued or revised and will become effective after December 2014:

IFRS 9 Financial Instruments Classification and Measurement

In 2013 the standard was amended to include the new general hedge accounting model. IFRS 9 (2013) does not have a mandatory effective date, but it is available for adoption now. A new mandatory effective date will be set when the IASB completes the impairment phase of the project, but will be no earlier than 1 January 2017.

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.

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.

2. Significant Accounting Policies (continued)

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:

Type of Asset	%
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.

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.

2. Significant Accounting Policies (continued)

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(d) 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.

4. Property and Equipment

a) Expensed – Restricted Projects

	Cost as at 01.01.2013	Adjustments	Additions during the year	Disposals during the year	Cost as at 31.12.2013
	US$	US$	US$	US$	US$
Land & Buildings	3,773,175	-	171,746	-	3,944,921
Scientific equipment	2,035,423	22,040	527,831	-	2,585,295
Office equipment & Furniture	209,405	-	95,244	-	304,649
Computer equipment	377,273	-	92,579	-	469,852
Vehicles	1,529,242	-	129,581	-117,832	1,540,991
Others	115,972	-	-	-	115,972
Work-In-Progress	-	-	1,258,112	-	1,258,112
Total	**8,040,490**	**22,040**	**2,275,093**	**-117,832**	**10,219,792**

The adjustment of US$ 22,040 relates to consumables (C-Elisa Kits) previously recognized as assets.

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 2013, (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

	Depreciation Rates (%)	Year 2013 US$	Year 2012 US$
Land and Buildings	2.5	2,838,616	1,544,336
Scientific Equipment	12.5	1,686,217	1,445,681
Office Equipment and Furniture	12.5	197,891	132,739
Computer Equipment	25.0	139,081	140,824
Vehicles	25.0	278,679	316,442
Others	12.5	16,693	27,928
Total		**5,157,177**	**3,607,950**

4. PROPERTY AND EQUIPMENT (continued)

b) Capitalised - Core (unrestricted) Assets

Assets purchased using unrestricted funds in 2013, have been capitalised.

(i) Year ended 31 December 2013:

	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	628,933	789,647	220,772	441,905	2,561,683
Additions	-	-	-	-	428,672	129,390	14,267	60,342	632,671
At 31 December	310,949	3,077	164,067	2,333	1,057,605	919,037	235,039	502,247	3,194,354
Depreciation									
At 01 January	192,388	3,077	79,164	844	361,718	466,220	150,041	357,672	1,611,124
Charge for the year	9,120	-	4,102	58	91,594	145,520	16,153	47,017	313,564
At 31 December	201,508	3,077	83,266	902	453,312	611,740	166,194	404,689	1,924,688
Net Book Value									
At 31 December	**109,441**	**-**	**80,801**	**1,431**	**604,293**	**307,297**	**68,845**	**97,558**	**1,269,666**

(ii) 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	310,949	3,077	164,067	2,333	628,933	789,647	220,772	441,905	2,561,683
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	9,120	-	4,102	58	65,232	165,666	16,427	60,810	321,415
At 31 December	192,388	3,077	79,164	844	361,718	466,220	150,041	357,672	1,611,124
Net Book Value									
At 31 December	**118,561**	**-**	**84,903**	**1,489**	**267,215**	**323,427**	**70,731**	**84,233**	**950,559**

5. Receivables and Prepayments

Description	2013 US$	2012 US$
Staff debtors and accountable advances	236,728	111,475
Other debtors and Prepayments	2,376,953	909,811
Associated organisations	1,615,802	1,473,942
Allowance for bad debts	(114,955)	(99,034)
Total	**4,114,528**	**2,396,194**

6. Bank and Cash Balances

Cash at bank	30,463,621	17,162,997
Cash in hand	19,153	55,142
Total	**30,482,774**	**17,218,139**

7. Provisions for Staff Separation

Balance at 01 January	273,987	262,020
Provision for relocation allowance	129,747	23,179
Relocation payments in the year	(63,890)	(11,212)
Total	**339,844**	**273,987**

8. Payables and Accruals

Leave passage	12,743	14,882
Leave liability	213,976	175,253
Other payables	1,508,353	1,377,501
Accruals	556,785	540,832
Total	**2,291,857**	**2,108,468**

9. Reserves

Accumulated surplus	2,724,069	696,755
General reserve	8,609,025	6,821,025
Total	**11,333,094**	**7,517,780**

In September 2013, the Executive Board approved a revised level of operational needs of four months which was confirmed by the Governing Council in November 2013. In December 2013, US$ 1.788M has been transferred to the General Reserves to help achieve the objective of 2014 with a projected operational expenditure of US$27.7M.

10. Miscellaneous Income

Description	2013 US$	2012 US$
Rental income	901,422	838,209
Proceeds from sale of assets	81,616	58,928
Interest on bank deposits	377,576	169,345
Lease income	66,758	57,276
Screen House income	49,200	19,200
Other income	78,782	133,889
Office & Lab space income	49,912	78,282
Shared printer income	10,312	-
Total	**1,615,578**	**1,355,129**

11. Cash and Cash Equivalents

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

Bank and cash balances (note 6)	30,482,774	17,218,139

12. Personnel Costs

Personnel costs for the year amounted to US$ 11,422,920 (2012: US $ 10,250,164), including the salaries and benefits of the Centre's full-time employees. The total pension funds added in 2013 were US$ 686,292 (2012: US$ 585,614). There were a total of 545 (2012: 479) full-time employees and research students at year-end. The total amount of statutory deductions was US$ 1,409,710 (2012: US$ 1,166,835) during the year.

The key management compensation for the year amounted to US$ 1,903,903 (2012: US$ 1,754,079).

13. Taxation

Under the terms of the Headquarters Agreement with the Government of Kenya, the Centre is exempt from corporate 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 2013, 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 four scientists which also helped alleviate the financial responsibilities of *icipe.*

17. Schedule of Grants

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year	Income for the Year
	01.01.2013	01.01.2013	2013	2013	31.12.2013	31.12.2013	2013	2012
	US $	US $	US $	US $	US $	US $	US $	US $
Kenya Government	-	-	11,046	-	-	-	11,046	11,728
Swedish International Development Cooperation Agency (SIDA)	-	-	2,276,677	-	-	379,445	1,897,232	2,165,256
Swiss Agency for Development and Cooperation(SDC)	-	-	1,663,202	-	-	-	1,663,202	1,689,189
Aid for Africa	-	-	1,786	-	-	-	1,786	-
Department for Internal Development (DFID)- UK	-	840,560	8,447,094	-	-	1,323,889	7,963,765	3,197,490
Earmarked Core	-	-	-	(5,069,884)	-	-	(5,069,884)	(2,322,545)
Federal Ministry for Economic Cooperation and Development (BMZ)	-	-	300,146-	103	-	-	300,249	161,598
Sub- Total: Unrestricted Core Grants	**-**	**840,560**	**12,699,951**	**(5,069,781)**	**-**	**1,703,334**	**6,767,396**	**4,902,716**
CIM – The Centre for International Migration and Development - Germany	-	-	-	-	-	-	-	599,840
IRD/France	13,504	-	43,175	(12,500)	10,246	-	27,417	35,481
Swiss Agency for Development and Cooperation (SDC)	-	1,028,126	149,365	3,630	32,039	216	1,212,944	109,375
Swedish International Development Cooperation Agency (SIDA)	-	133,649	2,566,416	-	-	1,945,523	754,542	343,556
Department for Internal Development (DFID)- UK – Earmarked Core	-	-	-	2,951,080	-	2,629,852	321,228	-
CIRAD/France	-	-	13,586	-	1,729	-	15,315	-
The Netherlands Government	56,083	-	37,012	30	1	-	(19,040)	529,001
European Union	307,958	387,591	7,793,745	439,743	17	6,182,139	2,302,919	2,520,438
Kilimo Trust	3,008	565	-	-	3,008	565	-	2,364
United States Department of Agriculture (USDA)	1,224	7,681	-	28	12,025	7,656	10,854	28,984

17. Schedule of Grants (Continued)

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year	Income for the Year
	01.01.2013	01.01.2013	2013	2013	31.12.2013	31.12.2013	2013	2012
	US $	US $	US $	US $	US $	US $	US $	US $
German Academic Exchange Service (DAAD)	-	193,075	367,700	-	-	248,488	312,287	346,854
Federal Ministry of Economic Cooperation and Development (GIZ- Germany)	28,366	699,281	2,157,488	(4,190)	45,713	1,746,169	1,123,757	1,962,989
International Development Research Centre (IDRC - Canada)	-	314,456	294,072	-	15,345	118,469	505,404	329,486
International Fund for Agricultural Development (IFAD)	-	415,146	189,000	-	-	213,919	390,227	426,932
Government of Finland		1,772,381				445,966	1,326,415	1,164,901
The Rockfeller Foundation	-	11	-	(11)	-	-	-	-
Japan International Research Center for Agricultural Sciences (JIRCAS)	3,502	-	-	-	3,502	-	-	-
University of Califonia/NIH	805	8,767	-	-	805	8,767	-	25,882
London School of Hygiene and Tropical Medicine (LSHTM/NIH)	-	15,127	219,006	-	-	143,802	90,331	117,019
World Health Organization (WHO)	-	-	-	-	-	-	-	-
Food and Agricultural Organization (FAO)	645	84,501	94,375	136,585	645	163,155	152,306	60,930
Biovision Foundation for Ecological Development	50,054	77,701	1,958,780	(10,515)	76,299	336,057	1,716,154	1,712,953
Research for Organic Agriculture (FIBL)	67,526	74,926	248,630	20	91,573	93,658	253,965	259,296
World Trade Organization (WTO/UNOPS)	-	-	724,500	-	-	468,372	256,128	-
World Federation of Scientists	-	694	24,724	-	-	2,058	23,360	22,033
Dupont	63,709	-	-	-	63,709	-	-	-
Department for Internal Development (DFID)- UK	-	6,639	-	-	-	6,639	-	-
Conservation International (CEPF)	102	15,264	38,660	102	-	30,877	23,047	90,275

17. Schedule of Grants (Continued)

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year	Income for the Year
	01.01.2013	01.01.2013	2013	2013	31.12.2013	31.12.2013	2013	2012
	US $	US $	US $	US $	US $	US $	US $	US $
United Nations Environmental Programme (UNEP)	2	6,373	-	(3,305)	2	-	3,068	31,852
Ford Foundation	58,197	328	-	-	58,197	328	-	-
WWF/Ford Foundation	5,601	-	-	-	5,601	-	-	-
African Fund for Development (ADB)	-	1,039	-	-	-	1,039	-	-
University of Florida/NIH	3,470	9,726	37,500	-	-	12,639	31,117	3,470
Wageningen University	942	74,359	345,302	20,000	942	40,373	399,288	341,458
OHIO State University/NIH	12,676	72	81,499	-	100,166	72	168,989	149,536
London School of Hygiene and tropical medicine LSHTM/Gates Foundation	1	59,675	53,369	99	1	2,001	111,143	103,498
Makerere University/Gates foundatiom	-	2,812	-	-	-	2,812	-	70,140
International Institute of tropical Agriculture/IITA/Gates	-	178,595	319,566	-	-	135,193	362,968	251,580
OPEC Fund for International Development (OFD)	-	1,075	-	-	-	1,075	-	-
Vanderbilt University/NIH	-	14,902	-	-	-	367	14,535	18,736
International Centre for Tropical Agriculture (CIAT)	1	-	-	-	1	-	-	-
Smithsonian Institute	-	13,163	-	-	-	11,739	1,424	1,395
CordAid	-	6,392	-	-	-	6,372	20	2,288
Global Biodiversity Information (GBIF)	1,858	-	-	-	1,858	-	-	-
Rothamsted Research	-	4,605	-	-	-	4,605	-	-
Google.org	-	557,730	-	-	-	4,407	553,323	498,644
Islamic Development Bank	-	29,165	-	-	-	29,165	-	-
McKnight Foundation	-	120,144	278,000	-	47	271,768	126,423	209,465
London School of Hygiene and Tropical Medicine (LSHTM)	1,420	680	-	-	1,420	680	-	-

17. Schedule of Grants (Continued)

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year	Income for the Year
	01.01.2013	01.01.2013	2013	2013	31.12.2013	31.12.2013	2013	2012
	US $	US $	US $	US $	US $	US $	US $	US $
London School of Hygiene and Tropical Medicine (LSHTM/BMGF)	-	-	98,842	-	-	42,067	56,775	-
Pennsylvania State University/ National Science Foundation	1	-	-	-	1	-	-	-
University of Leads	-	58	-	(58)	-	-	-	-
USAID/PACK Kenya	608			608	-	-	-	46,838
National Museums of Kenya NMK/IDRC	-	25,176	-	-	1	-	25,177	24,597
National Science Foundation	-	14,430	40,000	-	-	5,233	49,197	74,888
Université de Neuchâtel	1,464	-	-	-	1,463	-	(1)	9,643
University of Glasgow/Makerere University	-	19,728	65,806	-	-	4,325	81,210	63,998
Welcome Trust/Makerere University	341	52,070	41,706	40	340	65,051	28,764	119,825
Brazilian Agricultural Research	-	23,095	-	-	-	-	23,095	16,752
Michigan State University/USAID	-	1,479	2,971	-	4,962	-	9,412	12,606
International Institute of Tropical Agriculture IITA/GIZ	-	86,226	89,679	-	-	86,553	89,352	93,196
International Institute of Tropical Agriculture IITA/CGIAR	-	-	955,421	-	88,192	-	1,043,613	-
CNHR/Welcome trust	-	142,097	19,696	11,992	-	60,426	113,360	135,256
Third World Academy of Science	4	-	-	4	-	-	-	21,087
Swedish University	-	14,769	-	-	-	2	14,767	22,864
The Helmhotz Centre for Environmental Research - UFZ	-	5,916	45,559	-	-	9,654	41,821	37,161
Kenya Agricultural Research Institute (KARI)	-	3,327	-	-	-	590	2,737	12,562

17. Schedule of Grants (Continued)

Donor	Receivable balance	Unused balance	Receipts during the Year	Adjustment/ Internal Transfers	Receivable balance	Unused balance	Income for the Year	Income for the Year
	01.01.2013	01.01.2013	2013	2013	31.12.2013	31.12.2013	2013	2012
	US $	US $	US $	US $	US $	US $	US $	US $
African Union (AU/EU)	-	263,773	249,225	20,249	-	337,973	195,274	8,204
ETH Zurich Dept. Health Sciences & Technology - Switzerland	-	8,965	-	-	-	626	8,339	2,996
Imperial College London	-	21,955	562,708	-	-	369,760	214,904	3,000
Biovision Africa Trust (BvAT)	27,918	420,388	153,761	(2,983)	26,375	66,618	503,005	180,882
University of GreenWich/NRI	-	22,876	-	-	-	1,768	21,108	-
Rothamsted/Biotechnology and Biological Sciences Research (BBRSC)	-	39,432	76,257	-	12,686	-	128,375	-
University of Hannover	-	916	16,585	-	-	1,422	16,080	30,431
University of Cape Town	-	-	76,133	-	55,559	-	131,692	-
Grand Challenges Canada	-	-	203,826	-	-	177,125	26,701	-
UMEA University /SIDA	-	-	46,062	-	-	9,503	36,559	-
Universite Laval/PEP	-	-	199,980	4,588	-	121,078	83,490	-
AWARD/ICRAF	-	-	54,256	-	2,419	37,475	19,200	-
Sundry Grants	90,750	3,192,099	775,480	2,824,289	72,667	4,482,867	2,290,919	857,945
Sub Total: Restricted Project Grants	**801,740**	**10,675,192**	**21,809,423**	**6,379,525**	**961,476**	**21,197,098**	**17,826,782**	**14,145,382**
Total Operating Grants Received During The Year	**801,740**	**11,515,752**	**34,509,374**	**1,309,744**	**961,476**	**22,900,432**	**24,594,178**	**19,048,098**