REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

FOR THE YEAR ENDED 30 JUNE 2018

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

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

Table of Content

I. KEY ENTITY INFORMATION AND MANAGEMENT

- **Background information**

The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established under Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990. The Institute was subsequently put under KARI management in July 2003 through Presidential Circular No. 3/2003 until July 2008 when it reverted back to its original status. It falls under the Ministry of Agriculture, Livestock and Fisheries, State Department of Livestock.

- **Principal Activities**

The vision of the Institute is to be an Institution of excellence and the preferred provider of high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans. Its mission is to develop safe, efficacious and affordable veterinary vaccines for the improvement of the livestock industry. It further strives to contribute complementary products and services in control of livestock diseases.

- **Key Management**

KEVEVAPI day to day management is under the Board of Directors. The management is composed of the Managing Director, who is the Chief Executive of the Institute and Secretary to the Board, two Deputy Directors responsible for Technical services and Finance, Human Resource and Administration departments and Heads of Divisions.

- **Fiduciary Management**

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

NO.	DESIGNATION	NAME
1	Chief Executive Officer (CEO)	Dr. Jane WanjuguWachira
2	Head of Marketing	Dr. Richard OdekArina
3	Head of Finance	Peter Macharia Gitau
4	Head of Procurement	Mr. Philly K. Ruttoh
5	Head of Human Resources and Administration	M/s. Rosaline Muema
6	Head of Production, Kabete	Mr. Nahshon Kinyaka Kyangu
7	Head of Production, Embakasi	M/S Nduta Mwangi
8	Head of Quality Control	Mr. Stephen Gitonga Njeu
9	Head of Research and Development	Dr. Benson Kibore
10	Head of Engineering	Mr. Benard Kuria

- **Fiduciary Oversight Arrangements**

  - Audit and finance committee activities-This are committees of the board holding meetings on Quarterly basis and help to monitor the activities of the institute.
  - Technical Committee- This is a technical committee of the board holding its meetings quarterly and any other time need arises and monitors the production and marketing activities of the institute.
  - Full board meetings- These are meetings of the board to give direction and monitor management activities in every quarter of a financial year.
  - Ministry of Agriculture, Livestock and Fisheries- Supervises operation of the Institute through the office of the PS and Director of Veterinary Services.

- **Headquarters**

  Kenya Veterinary Vaccine Production Institute
  Road 'A', Off Enterprise Road, Industrial Area
  P.O.Box 53260-00200
  Nairobi. Kenya

- **Contacts**

  Tel.No.536043/3540071;Fax No. 537744
  E-mail: vaccines@kevevapi.org
  Website: www.kevevapi.org

- **Bankers**

  Kenya Commercial Bank
  KICC Branch
  P.O.Box 46950-00100
  Nairobi.
  Tel.020214778, Fax 337650
  Account No. 1109016492
  Account No 1102301108

  Kenya Commercial Bank
  Moi Avenue Branch
  P.O.Box 30081-00100
  Nairobi.
  Tel: 20244939, Fax.20244939
  Account No.1107172764

- **Independent Auditors**

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

- **Principal Legal Adviser**

P.K. Mbabu & Company Advocates
Cannon House, 2nd Floor
P.O. Box 6728-0100
Nairobi.

The Attorney General
State law office
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya

II. THE BOARD OF DIRECTORS

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Prof. James K. Wabacha
Chairman Board of Directors
Key Qualification:
Ph.D. and a Bachelor of Veterinary Medicine degree from the University of Nairobi, Kenya, and a Master of Science degree from Free University of Brussels.
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Date of Birth: - 15th November 1961
Work Experience:

2009 to-date Technical Livestock Advisor at African Union Interafrican Bureau for Animal Resources (AU-IBAR) with a leave of absence from University of Nairobi
A veterinarian by profession with vast experience in research, teaching and public administration and management.
Previously he has held the position of the Chairman of the Department of Clinical Studies, Faculty of Veterinary Medicine, and University of Nairobi.
Has served in many committees and Boards at the University of Nairobi.
James is also a Board member in several secondary schools.
Has both local and international experience in livestock development having worked in Kenya for many years in livestock development and at African Union Interafrican Bureau for animal Resources (AU-IBAR), a technical office of the African Union Commission in charge of livestock development in Africafor over seven years.
He has vast knowledge, skills and experience in management and coordination of large livestock development projects and programmes

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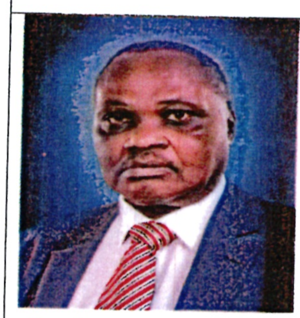
Prof. Isaac M. Mbeche
Key Qualification
Ph.D., Department of Management Science, Management School, University of Lancaster,U.K, Master of Arts from the University of Nairobi (UON), Bachelor of Education(Science) UON Kenya
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Date of Birth: -22nd August, 1952.
Work Experience:

Chairman of KEVEVAPI Audit Committee of the Board and an independent Director.
Feb.2011-Date Deputy Vice-Chancellor (Student Affairs) University of Nairobi
2002-Jan.2011 Principal, College of Humanities and Social Sciences, University of Nairobi.
Chairman and Member of Various Committees within and outside UON

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 Mr. Robert M. Mburu **Key Qualification**-Egerton University BSC. Agriculture education and Extension	Date of Birth: - **22 July 1965** **Work Experience**: • Chairman of KEVEVAPI Finance and Administration Board Committee and an independent Director • April 2010 to Date Operations Manager - Gicheha farm. • July 2007 to March 2010 Group Manager in charge of several estates managers at Tropical farm Management. • Mar.2002- Jun. 2007: Operations director in charge of all operations at Robert Flowers. • April 1997- May. 2002: Production Manager at Willam K. Ltd • 1990 to March 1997: Estate Manager at Tropical Farm Management.
 Mr. Abdi Adan Suleiman **Key Qualification**:- University of Nairobi B.E.D (Sc.) Honours	Date of Birth: - **30th June 1953** **Work Experience**: • July 2012 appointed KEVEVAPI Board member and an Independent Director. • Mar. 2009- Mar. 2012 Chairman Kenya Meat Commission. • Mar.2005- 30th Jun. 2008: General Manager Universal Postal Union Affairs. • Jul. 2004- Mar. 2005: General Manager/ Regional Coordination (Eight regions) Postal Corporation of Kenya. • Jul. 2003- Jul. 2004: General Manager Nairobi Region – Postal Corporation Of Kenya • Jul. 1999- Jul. 2003: General Manager/Operations - Postal Corporation Of Kenya
 Dr. Lagat Kiprono David **Key Qualification**: BVM (UON), Diploma in Animal Science (Egerton University)	Date of Birth: **29th December 1959** **Work Experience**: 2015 – To date Appointed KEVEVAPI Independent board member. 2010 to date – Dean Faculty of Animal health –Baraton College 2009- Sub-county Veterinary Officer (SCVO) 2005-Deputy district Veterinary Officer (DDVO). 2000-Veterinary Officer (VO)

 Dr. BoreyaLekenit **Key Qualification**:BVM (UON),	Date of Birth: **1975** **Work Experience**: • 2015-: Appointed as an Independent Board Member KEVEVAPI • July 2004-March 2005 Project Officer, VSF Germany • April 2005-September 2009; Head of Animal Health Department, Loita Development Foundation • Oct. 2009-June 2010-Field Veterinarian, VSF Germany. • July 2010-July 2012- Site Manager vsf Germany ICRD project • Aug. 2012-April 2013 Manager VETAID • May 2013 to Date Livestock productivity and Animal Health Specialist ACDI/VOCA's in Isiolo County
 Mr. Elijah Kabiru Key Qualification: PhD Candidate in Finance, (University of Nairobi), Masters in Finance (Kenyatta University), Bed Economics & Mathematics (Moi University), CPA (K).	Date of Birth: **1974** **Work Experience:** • July 2015: Appointed to KEVEVAPI Board as alternate to PS Treasury • 2014 to date: Senior Assistant Accountant General-National Treasury. • 2015: Head of Accountant Unit – Ministry of Commerce and Tourism. • 2010: Head office Accountant- Kenya Rural Roads Authority.
•  Prof. PhiliphNyaga **Key Qualification**: American language(Columbia University, PHD & MPVM (University of California, BVM (UON)	Date of Birth: **1948** **Work Experience:** • 2015 to date -appointed an Independent KEVEVAPI board member. • 1989-to Date Professor of Virology • 26 April 1985-Associate Professor • 26th April 1985- Senior Lecturer • 1/02/1976-Lecturer • 21/12/1975- Temporary Lecturer • March –September 1973-Clinician • March-June 1979-Junior Animal Health assistant

 Prof. Lilly Bebora **Key Qualification**: PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM	Date Of Birth: **18 April 1949** **Work Experience**: • 2015 to date -appointed as an Independent KEVEVAPI board member. • Present-Professor (Veterinary Microbiology and Immunology), UoN • May 2002-May 2013-Associate Professor • 16th 12/88-May 2002- Senior Lecturer • 29/11/79-16/12/88-Lecturer • 29/11/79-Assistant Lecturer
•  Dr. KisaToroitich **Key Qualification**: MSc (UoN),BVM	Date Of Birth:**15 September 1959** **Work Experience**: • KEVEVAPI Board member (alternate to PS Treasury) • 2011 to date: Kenya Camel Association (KCA) Veterinarian based in Nairobi Hqs/ Assistant Director Veterinary Service (ADVS) in the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries • 2004 to 2010:District Veterinary Officer / Assistant Director Veterinary Services (ADVS) in West Pokot County • 1991 to 2003: Deputy District Veterinary Officer Trans-Nzoia County/ Veterinary Officer One(VO I) • 1987 to 1990: Veterinary Officer II (VO II) in charge of Saboti division Trans-Nzoia County
 M/S Joan NaigeruaLetoyia **Key Qualification**: Bachelor of Science in Animal Production (Egerton University), Higher Diploma in Human Resource Management(Institute of Human Resource Mgt)	Date of Birth: **09th June 1982** **Work Experience**: • 2015 – To date: Appointed as an independent KEVEVAPI Board. • 2013 to date – Operations Manager Nkapune Ranch/Farmer • 2011-2012-Research Assistant at Vigdis Company • 2008-2010-HR Assistant –Lewa wildlife Conservancy • 2007-2008 Intern Lewa wildlife Conservancy • 2006-Attachee at Nomotio Livestock Improvement Centre • 2005-Deputy Presiding Officer during Referendum • 2002-Registration Clerk during General Election

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Dr. WanderaFoustine Peter (PhD)Letoyia

• **Key Qualification**:

PhD - Grassland Ecology - UNIVERSITY OF QUEENSLAND -AUSTRALIA (1994)
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<td>
Date of Birth: **24th January, 1957**

Work Experience:

• 2016 – To date: KEVEVAPI board member (Alternate to Director General Kalro)

▪ Director Livestock Systems - Assisting Deputy Director Livestock to Coordinate Livestock Research in KALRO

Selected responsibilities:-

• Member Of Kalro Management Advisory Committee

• 2008-2017-Alternate Director – Board of Management -Bukura Agricultural College

a. Member of Technical Committee (2009 – 2017)

b. Chairman of Audit Committee (2009 – 2017)

• 2009-2016-Member Of Tender Committee – Kari/Kalro

• 2009-2017-Member Of Corruption Prevention Committee – Kari/Kalro

• 2010-2015- National Focal Person – ASARECA Kenya
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Dr. Jane WanjuguWachira

Chief Executive Officer (CEO) and Secretary to the Board,

Key Qualification: MSC UK, BVM(UON), A, level
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Date Of Birth:**15 May 1961**

Work Experience:

• 2017 to date: Chief Executive Officer-KEVEVAPI

• 2015 to 2017: Ag. Chief Executive Officer-KEVEVAPI

• 2004-2015-Deputy Director Technical services

• 2003-2004-Acting MD KEVEVAPI

• 1993-2003-Production Manager Kabete

• 1992-1993-Assistant Quality Assurance Manager KEVEVAPI setting up quality assurance labs Kabete and Muguga
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III.MANAGEMENT TEAM

KEY MANAGER'S PASSPORT-SIZE PHOTO, NAME AND KEY PROFESSION/ACADEMIC QUALIFICATION	MAIN AREA OF RESPONSIBILITY
 Dr. Jane WanjuguWachira MSC UK,BVM(UON), A, level	Chief Executive Officer (CEO).
 Dr. Richard Odek Arina Pursuing MBA, BVM, KACE 3Ps, KCE DIV II	Head of Marketing
 Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, CPAK, KCSE, ,KCPE	Head of Finance
 M/s. Rosaline Muema MBA- Human Resource Management (UoN) MB-Sociology Moi University, Higher Diploma - HRM CPS 1 – KASNEB. Membership IHRM KACE-3 Principals, 1 sub. KCE Division II	Chief Human Resources and Administration Manager
 Mr. Nahshon Kinyaka Kyangu Dip.(Medical Lab), EAACE, EACE	Production Manager-Kabete

•  Dr. Jones Mutua MSc- Applied Microbiology BVM, KCSE	Senior Production Officer- Embakasi
•  M/s Andia A. Khaseke MBA-((UoN), BED-Business Studies & Economics, CPAK	Chief Internal Auditor
•  Mr. Stephen GitongaNjeu Pursuing MSc. Infectious Dis, Higher Dip. Applied BiologyDip. Applied Biology KACE 1P, 1SubKCE DIV I	Quality Assurance Manager
 Mr. Philly K. Ruttoh MSc-Procurement and Logistics Bachelor's degree 2nd class upper in Purchasing and Supplies Management Professional Diploma- Procurement and Supplies (CIPS UK) Diploma in Purchasing and Supplies Management. Certificate in Business Management. O' Level	Senior Procurement Officer

 • Mr. Peter KageraGitigi B. Philosophy-Mechanical Engineering Technology-2nd Class Upper. Higher Dip. Mechanical Engineering-Plant Option. Dip. Mechanical Engineering-Plant Option. KCSE-C+	Engineering Technician II
 • Dr. Benson Kibore MSc. (UoN)- Veterinary Surgeon, BVM, KCSE, KCPE	Research and Development Manager
 M/S Nduta Mwangi MSc. Biotechnology Health and Environment - (UoN) Bsc. Medical Microbiology from JKUAT	Senior Production Officer- Embakasi

IV. CHAIRMAN'S STATEMENT

The State Corporations Act (Cap.446) requires the Board of Management to prepare financial statements for each financial year, which include a statement of financial position showing in detail the assets and liabilities of the Institute, a statement of comprehensive income, and such other statements that the Board may deem necessary. It also requires the Board to ensure the Institute keeps proper books of account and other books and records in relation to the Institute and to all the undertakings, funds, activities, investments and property of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Board of Management accepts responsibility for the annual financial statements which have been prepared using appropriate accounting procedures supported by reasonable and prudent judgments and estimates in conformity within generally accepted accounting practice and in the manner required by the State Corporations Act Cap 446 and National Treasury circulars released from time to time. The Board of Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Board of Management further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal control.

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

For Chairman: Prof. Isaac M Mbeche **Sign____________**

Date__________ 25.|03|2019

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established by Government of Kenya as a parastatals Institution on 5th March 1990 by Legal Notice No.223 under Cap 446 of the Laws of Kenya. The Institute operates under the auspices of the Ministry of Agriculture, Livestock and Fisheries.

The Institute operated independently until 2003, when it was merged into the Kenya Agricultural Research Institute under the Ministry of Agriculture following implementation of Presidential Circular No.3/2003 of 31st July 2003. In July 2008, through the effort of the Ministry of Livestock Development, the Institute reverted to operations as an independent public state

The institute has the expertise and facilities to produce fifteen livestock vaccines that are considered to be important in the region. Currently we are producing 14 vaccines. Rinderpest vaccine is no longer produced because the disease has been eradicated. Our Laboratories at Embakasi in Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccine production Laboratory.
In order to meet emerging demands, the institute has embarked on production of three new products. These are an oil based Foot and Mouth disease vaccine, a thermostable Newcastle disease vaccine and Peste Petits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Tanzania, Rwanda, Burundi, UAE, Northern and Southern Sudan. Significant production increases have been for foot and mouth disease, contagious caprine pleuropneumonia, fowl typhoid and Newcastle disease. A rapid response enabled us to produce over 4 million doses of Rift Valley fever vaccine for the Kenyan and Tanzanian livestock industry. The institute now is in full capacity.

The mandate of KEVEVAPI

- To coordinate and undertake production of veterinary vaccines in the country
- To market and distribute veterinary vaccines locally and abroad
- To undertake research with respect to vaccine development and production alone or in collaboration with other institutions
- To develop and produce chemicals, media and laboratory materials for use in the production of vaccines and other veterinary products
- To provide information in the field on the suitability and effectiveness of veterinary vaccines.

BOARD OF DIRECTORS.

The first Board of Management was appointed on 8th may, 2009 by the Minister for Livestock Development through gazette notice No.4791. It was duly inaugurated by the Minster of Livestock Development on 21st June, 2010

KEVEVAPI is managed by a Board of Management, answerable to the Kenya Government, through the Minister for Agriculture, Livestock and Fisheries. The functions and responsibilities of the Board are provided in Legal Notice No. 223 and the State Corporations Act, Cap. 446, Revised 1987. Members of the Board include a non- executive chairman and eight other members appointed by the Minister responsible for Livestock.

The members include:

- Non – executive Chairman appointed by the President
- Managing Director
- The Permanent Secretary, State Department of livestock.
- The Permanent Secretary, National Treasury.
- Director, Kenya Agricultural Research Institute
- Not more than four other members not being employees of the Institute of whom not more than two shall be public officers appointed by the Minister.

COMMITTEES OF THE BOARD.

According to the State Corporation Act (Section 9), KEVEVAPI Board of Directors has three Committees namely:-

- Finance, Human Resource and Administration;
- Technical and Marketing Committee; and
- Audit Committee for the purposes of preliminarily discussing the business of the Board and preparing working minutes for the full Board meetings.

Current Members of the Board of Directors:

- Prof. Philip Nyaga - *Ag.* ***Chairman Board of Directors***
- Principal Secretary National Treasury;
- Principal Secretary, State Department of Livestock.
- Director, Kenya Agricultural Research Institute – K.A.L.R.O ;
- Prof. Isaac M. Mbeche-Board Director

- Mr. Robert M. Mburu - Board Director
- Dr. Kiprono Lagat David - Board Director
- Prof. Philip Nyaga - Board Director
- Mr. Abdi Aden Suleiman, HSC-Board Director
- Dr. Boreya Lekenit - Board Director
- Prof. Lily Bebora - Board Director
- M/S Joan Naigerua Letoyia-Board Director
- Dr. Jane W. Wachira—CEO, KEVEVAPI (***Secretary BOD)***

VACCINES PRODUCED BY KEVEVAPI:

The Institute commercially produces vaccines against the following livestock diseases for country and the regional market. Our Laboratories at Embakasi located at Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccines production Laboratory.

- Foot and Mouth Disease
- Contagious Bovine Pleuropneumonia
- Rift Valley Fever
- Lumpy Skin Disease
- Contagious Caprine Pleuropneumonia
- Sheep and Goat Pox
- Bluetongue
- Orf (Contagious echhyma)
- Peste Petits des Ruminants (PPR)
- Newcastle disease
- Fowl typhoid
- Fowl pox
- Turkey pox

CONSTRAINTS OF VACCINES PRODUCTION.

Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the Financial year 2017/18 budget period, we have requested Kshs. 450 Million grant from Government to enable the institute attain GMP/ISO standards which will enable the institute access outside market. We sincerely hope that this will be availed in 201/2018.

Chief Executive Officer Dr. Jane W. Wachira **Sign**____________

Date 25/03/19

VI.CORPORATE GOVERNANCE STATEMENT

Corporate governance refers to the principles, processes and practices by which an organization is operated, regulated and controlled so as to fulfill its goals and objectives in a manner that adds value and benefits to all its stakeholders.

The Kenya Veterinary Vaccines Production Institute's (KEVEVAPI) corporate governance statement shall contribute to clarify the roles between the stakeholders, the board of management and the management of KEVEVAPI.

Good and transparent management of and control over the business will provide the basis for creating long-term value for the institute, employees, other stakeholders and society in general and, thereby, sustainable and permanent value creation. The roles shall build trust among the stakeholders through predictability and credibility. Open and accessible communication will ensure that the institute maintains a good relationship with society in general and the stakeholders affected by the institute's activities in particular.

The institute's value base is described in KEVEVAPI's code of conduct, and the guidelines for ethics and corporate responsibility have been designed on the basis of the code.
KEVEVAPI adheres to the State's principles for sound corporate governance as described in the State Corporation act cap 446, The Constitution of Kenya 2010 and The Code of Governance for State Corporations (Mwongozo), and is subject to the reporting requirements relating to corporate governance pursuant to Public Finance Management Act.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

Kenya's livestock sector contributes about 12% of the country's Gross Domestic Product (GDP) and accounts for nearly 50% of the agricultural sector's GDP. It is the main source of livelihood to the people in the ASALs accounting for 90% employment and more than 95% of family incomes for the people in these areas. In the high potential areas, the sector provides employment and incomes through dairy production.

The rural-based nature of livestock activities makes livestock keeping a suitable enterprise to improve household incomes and contribute to sustainable livelihoods for many people in the rural areas. The sector therefore contributes significantly to poverty reduction in the country.

The 2009 population and housing census revealed that Kenya has a massive livestock resource comprising of 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels 25.8 indigenous chicken and 6.1 million exotic chicken. This is an important resource that if tapped could create more wealth and employment in the country thereby contributing significantly to poverty reduction.

The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) is mandated to protect this important resource. As the country gears up towards the realization of the goals of the Kenya Vision 2030, many challenges are bound to arise, key among them being the outbreak of livestock diseases. Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established by Government of Kenya as a parastatals Institution on 5th March 1990 by Legal Notice No.223 under Cap 446 of the Laws of Kenya. The Institute operates under the auspices of the Ministry of Agriculture, Livestock and Fisheries.

The institute has the expertise and facilities to produce fifteen livestock vaccines that are considered to be important in the region. Currently we are producing 14 vaccines. Rinderpest vaccine is no longer produced because the disease has been eradicated. Our Laboratories at Embakasi in Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccine production Laboratory.

In order to meet emerging demands, the institute has embarked on production of three new products. These are an oil based Foot and Mouth disease vaccine, a thermo stable Newcastle disease vaccine and PestePetits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased

steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Tanzania, Rwanda, Burundi, UAE, Northern and Southern Sudan. Significant production increases have been for foot and mouth disease, contagious caprinepleuropneumonia, fowl typhoid and Newcastle disease.

III. MANAGEMENT DISCUSSION AND ANALYSIS continued

The institute performance in terms of profitability for the year was not good because of unfavorable returns due to prolonged drought conditions in the country and prolonged election period. The dry spells weakened the animals. Weak animals cannot be vaccinated thus the low uptake of our vaccines.

The institute performance are as per the following indicators:

	RATIOS	Budget Per Quarter	2017/20/18	2016/2017
I	Gross Profit Margin	37%	27%	29.9%
Ii	Net Profit Margin	4.8%	2.87%	2.9%
Iii	Current Asset Ratio	22.0	10.67:1	9.3
Iv	Assets Turnover	25.9%	18.23%	22.3%
V	Return on Assets	1.2%	0.52%	0.65%

EXPLANATIONS ON RATIOS

I Gross Profit Margin- Gross profit margin is gross income (revenue less cost of goods sold) divided by net revenue. The ratio reflects pricing decisions and product costs. In this case our score is slightly low as compared to the budget because the Country has experienced drought in many parts leading to weak animals which could not withstand vaccination and prolonged election period

II Net Profit Margin- Net profit margin compares a company's net income to its net revenue. This ratio is calculated by dividing net income, or a company's bottom line, by net revenue. It measures a firm's ability to translate sales into earnings for shareholders. We are low on this because of low sales yet fixed costs are constant.

III Current Asset Ratio- The current ratio measures a company's current assets against its current liabilities. The current ratio indicates whether a company can pay off its short-term liabilities in an emergency by liquidating its current assets. The ideal is 1:1 and therefore 10.67:1 is good for the institute.

iv) Assets Turnover: Asset turnover measures how efficiently a company uses its total Assets to generate revenues. The formula to calculate this ratio is simply net revenues Divided by average total assets. We are low in this ratio because of low sales in year 2017/18.

v) Return on Assets

Return on assets is calculated as net income divided by total assets. It is a measure of how efficiently a firm utilizes its assets. The returns were low for the institute due to reduced sales in the year.

III. MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

SECTION B

Entity's compliance with statutory requirements

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied in all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is two parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows:-

i) HCC ELC No. 454 and 455 0f 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively.

ii) HCCC ELC Civil Suit No. 945 of 2012 Jasper Singh Birdi vs KEVEVAPI. Land measuring 0.4047 hectares or thereabout.

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the budget period, we had requested for Kshs. 450 Million to enable the institute attain GMP/ISO standards which will enable the institute access outside market. The Ministry allocated Kshs 450 Million of which Kshs 385.673 Million was received and fully committed. We also intend to plough back any Internally generated income to supplement the GOK grants available. We sincerely hope that the government will consider availing more grants in the 2018/19 financial year.

III. MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

SECTION D

Major Risks/Assumptions facing the entity

The institute does not have major risks, but the risks and assumptions made are as follows:

a) Vaccination of Livestock is basically under the County Governments and Director of Veterinary Services and KEVEVAPI is only a producer. The survival of the Institute is very much tied in with the activities of the Counties and DVS. We assume that the GOK will continue to facilitate the vaccination activities of the DVS and the County Governments in the coming years and especially the full activation of the disease free zones. Livestock Industry supports a lot of families in Kenya and is a big contributor to the National economy.

b) KEVEVAPI has court cases affecting its 77.67 hectares land in Embakasi and part of its 151.2 hectares at Limuru. Assumption is made that the institute will get favourable ruling and reclaim its land in full.

c) It is assumed that the political situation will remain stable especially in our neighboring countries as we endeavor to expand our export market. Somalia has a very huge population of livestock and would be a very big market for KEVEVAPI.

d) We also assume that economic performance within Kenya and the region will remain stable, so that our vaccines remain affordable to all farmers, big and small.

e) The assumption is also made that the development Grant requested will be approved

SECTION E

Material arrears in statutory/financial obligations

Though we expected to generate Pre-tax profits of Ksh. 26.24 million in the financial year 2017/2018, the drought and political instability became a hindrance to the institute achieving this target resulting to aKshs.11.23 million profit. We intend to plough back this profit because the current requirement for access to international markets is Good Manufacturing Practices (GMP) certification. The institute has come up with a five year plan to revamp KEVEVAPI and transform it into a modern bio-secure institution for production of high quality vaccines for both domestic and international markets in order to meet the Good Manufacturing Practices (GMP) requirements. The phased project cost will be approximately, Ksh. 1.75 billion, spread over 5 years. We sincerely hope that the government will continue to approve the required grant to enable the institute upgrade to attain GMP standards thereby accessing international markets and avoiding over-reliance on local market.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KEVEVAPI will be a good corporate citizen in all its activities. In brief, this means that the institute will produce and market veterinary vaccines based on environment-friendly sources of energy, use sustainable, safe and efficient production methods and behave in a responsible and ethical manner in the production, supply and marketing of veterinary vaccines.

KEVEVAPI shall be a safe place to work. All work shall be planned and executed so that the zero injuries objective is achieved. KEVEVAPI's safety culture shall be characterized by transparency and a desire to learn, both from own mistakes and from successful improvement measures. Biosafety and biosecurity will be a priority of the institute through an elaborate bio-risk management system.

As a veterinary vaccine producer, KEVEVAPI is involved in several corporate social responsibility activities in different parts of the country. These are mostly rural-based livestock activities geared to making livestock keeping a suitable enterprise to improve household incomes and contribute to sustainable livelihoods for many people in the rural areas.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the institute's affairs.

Principal activities

The principal activities of the entity continue to be preferred provider of high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1-5.

Directors

The members of the Board of Directors who served during the year are shown on page vi-xii & xvi

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Chief Executive Officer **Sign**__________

Date 25/03/19

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the institute, which give a true and fair view of the state of affairs of the institute at the end of the financial year/period and the operating results of the institute for that year/period. The Directors are also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The Directors are also responsible for safeguarding the assets of the institute.

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2018, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The institute's financial statements were approved by the Board on September 28, 2018 and signed on its behalf
by:

Director	Director

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2018, and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institute as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act, Cap 446 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1. Land

(a) As previously reported, the Government allocated the Institute 98.3 hectares of land registration L.R. No.209/11969 on which the Institute's Headquarters is located. In December 1994, the management applied to the Commissioner of Lands for consent to sub-divide the land into nine separate parcels, without the approval of the Treasury and the Parent Ministry as required by Section 13(c) of the State Corporations Act (Cap 446). Information available indicates that the irregularly sub-divided parcels were separately disposed to private developers without the approval of the Treasury and the Parent Ministry. A review of the position during the year under review indicated that the irregularly disposed parcels had not been recovered as at 30 June 2018.

(b) As similarly reported in previous years, the property, plant and equipment balance of Kshs. 621,739,000 as at 30 June 2018 excludes an undetermined value of land at the Kibiko holding group measuring 500 acres and in respect of which no title deed has been issued.

In addition, the Institute has not obtained a title deed for the land in Kabete, on which its production plant valued at Kshs.500 million stands. Therefore, it has not been possible to verify the ownership of these properties.

(c) In 1990, the Parent Ministry allowed the Institute to use land Ref. L.R.No.27628 measuring approximately 151.2 hectares, situated in Limuru. At the time of allocation, the management of the Institute was under Kenya Agricultural Research Institute (KARI). Consequently, the title deed for the land was processed and issued in the name of KARI. The Institute was subsequently separated from KARI and became a legally independent organization. Although the Institute has continued to use the land as initially allocated, the title deed still remains in the name of KARI.

1.2. Motor Vehicles

The property, plant and equipment balance of Kshs.621,739,000 as disclosed in Note 20 to the financial statements includes motor vehicles with a nil net book value. The Institute has twelve such motor vehicles and most of them are still in use. In addition, five of the motor vehicles are registered in the name of the defunct Kenya Agriculture Research Institute - (KARI). No reason has been given for the failure to have the vehicles transferred to the name of the Institute. Further, no efforts have been made to dispose of the old and unused vehicles that continue to be idle.

In view of the circumstances indicated above, the accuracy of property, plant and equipment balance of Kshs.621,739,000 as at 30 June 2018 can not be confirmed.

2. Trade Payables and Other Payables

As previously reported, trade payables balance of Kshs.25,001,000 reflected in the statement of financial position as at 30 June 2018 includes rates accruals amounting to Kshs.13,180,000 that have remained unpaid for periods going back to as far as 1998 and continues to attract interest and penalties. However, the amount of interest and penalties payable has not been determined and included in the trade and other payables balance of Kshs.25,001,000. In addition, the accrued rates are attributed to pieces of land that are disputed and whose matters are in court. Consequently, the accuracy and completeness of trade payables balance of Kshs.25,001,000 as at cannot be confirmed.

3. Receivables

The statement of financial position reflects a balance of Kshs.191,936,000 under receivables as at 30 June 2018, and as disclosed under Note 17 to the financial statements includes trade receivables totalling Kshs.192,159,000. Included in the trade receivables are long outstanding amounts totalling Kshs.26,134,000 that have remained uncollected for more than a year. The provision of Kshs.1,922,000 made against the long outstanding debt appear inadequate as the debts' collectability appear doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Veterinary Vaccines Production Institute in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Land under Legal Disputes

I wish to draw attention to Note 20 to the financial statements, which indicates that, included in the value of land of Kshs.343,000,000 under property, plant and equipment are three parcels of land with four civil cases in court as it is alleged that they had been grabbed. Three of the cases HCCC ELC No.454 and 455 both of 2009 and HCCC ELC No.1066 of 2016 involves land measuring 1.87, 2.023 and 0.4047 hectares, respectively while the fourth case HCCC No.1015 of 2016 involves a passage of 200 meters long.

No provision has been made in these financial statements regarding this material uncertainty as the cases have not been determined and concluded. My opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and under Emphasis of Matter sections, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Qualified Opinion and under Emphasis of Matter sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and under

Emphasis of Matter section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of Kenya Veterinary Vaccines Production Institute to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kenya Veterinary Vaccines Production Institute to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kenya Veterinary Vaccines Production Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

2 May 2019

XI. KEVEVAPI STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2018

	Notes	2017/18 Kshs'000	2016/17 Kshs'000
Revenue from exchange transactions			
Sale of Vaccines	5	390,999	383,999
Cost of production	6	(292,402)	(269,043)
Gross Profit		**98,597**	**114,956**
Finance income –Bank Interest earned	7	14,622	2,183
Other income-Sundry income	8	1,884	4,019
Total		**115,103**	**121,158**
Administrative Expenses			
Employee costs	9	58,346	54,907
Depreciation and amortization expense	10	6,255	5,486
Repairs and maintenance	11	2,371	701
Board Expenses	12	13,317	11,566
General expenses	13	23,160	45,249
Provision for bad & Doubtful Debts		676	(1,108)
Total Expenses		**104,125**	**116,801**
Gain/Loss on foreign transactions	15	(6,606)	6,750
Surplus before tax		**4,373**	**11,107**
Taxation		-	-
Surplus for the period		**4,372**	**11,107**

The notes set out on pages 6 to 25 form an integral part of the Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	2017-2018 Kshs 000	2016-2017 Kshs 000
Assets			
Current assets			
Cash and cash equivalents	16	909,284	552,271
Receivables	17	191,936	125,122
Inventories	18	403,405	380,336
Prepayment	19	11,296	18,081
		1,515,921	**1,075,810**
Non-current assets			
Property, plant and equipment	20	621,739	644,398
Total assets		**2,137,660**	**1,720,208**
Liabilities			
Current liabilities			
Trade and other payables	21	25,001	25,539
Payments received in advance	22	117,615	89,670
Total liabilities		**142,616**	**115,209**
Capital and Reserves			
Capital fund		367,249	367,249
Capital grant		773,274	387,601
Revaluation reserve		272,829	272,829
Accumulated surplus		581,692	577,320
Shareholders' funds		**1,995,044**	**1,604,999**
Total net assets and liabilities		**2,137,660**	**1,720,208**

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Chief Executive Officer

Date 25/03/19

Chairman of the Board

Date 25/03/2019

XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2018

	Attributable to the owners of the controlling entity				
	Capital Fund	Capital Grant	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 JUNE 2013	367,249	113,700	272,829	382,174	**1,135,952**
Surplus for the period	-	-	-	37,906	**37,906**
Additional GOK Grant	-	18,750	-	-	**18,750**
Balanceasat30 JUNE 2014	367,249	132,450	272,829	420,080	**1,192,608**
Surplus for the period	-	-	-	91,085	**91,085**
Additional GOK Grant	-	19,000	-	-	**19,000**
Balanceasat30 JUNE 2015	367,249	151,450	272,829	511,165	**1,302,693**
Surplus for the Period	-	-	-	55,048	**55,048**
Additional GOK Grant	-	217,100	-	-	**217,100**
Balance as at 30 June 2016	367,249	368,550	272,829	566,213	**1,574,841**
Surplus for the Period	-	-	-	55,048	**55,048**
Additional GOK Grant	-	217,100	-	-	**217,100**
Balance as at 30 June 2016	367,249	368,550	272,829	566,213	**1,574,841**
Surplus for the Period	-	-	-	11,107	**11,107**
Additional GOK Grant	-	19,051	-	-	**19,051**
Balance as at 30 June 2017	367,249	387,601	272,829	577,320	**1,604,999**
Surplus for the period	-	-	-	4,372	**11,231**
Additional GOK Grant	-	385,673	-	-	**385,673**
Balance as at 30 June 2018	367,249	773,274	272,829	581,692	**2,001,903**

See note 4(i)

XV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

Cash flows from operating activities

Profit for the period		4,372	11,107
Add Depreciation		65,139	61,702
Operating Profit	I	69,511	72,809
Working Capital Changes	Ii		
Increase in stocks		(23,069)	(46,398)
Decrease/Increase in Receivables		(66,814)	111,631
Increase/Decrease in Payables		27,407	(6,717)
Increase/decrease in prepayment		6,785	(1,383)
Net cash outflow from operating activities		**13,820**	**129,942**
Financing Activities			
GOK Capital Grant	Iii	385,673	19,051
Investing Activities			
Purchase of Fixed Assets and net cash used in			
Investing activities	Iv	(42,480)	(78,893)
Net decrease in cash & cash equivalents	V	357,013	70,100
Cash & cash equivalents at 01.07.2017	Vi	552,271	482,171
Cash & cash equivalents at 30.06.2018	Vii	**909,284**	**552,271**

Notes

i. Operating profit – represents income generated from operation plus depreciation which does not involve movement of cash.
ii. Working capital changes – represents the release or utilization of funds from operating activities.
iii. GOK Capital grant – This represents the amount of finances the institute received from the parent Ministry for Capital utilization.
iv Investing Activities – This is the amount the institute utilized in capital expenditure
v This is the cashflow in the year as compared to the previous year. This was as a result the institute aggressive collection of trade debtors
vi This is the cash and cash equivalent at the beginning of the Financial year
vii This represents cash and cash equivalent as at the end of the financial year

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	REF
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Revenue	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Government grants and subsides	**450,000**	-	**450,000**	**385,673**	**64,327**	1
Sale of vaccines	552,000	-	552,000	390,999	161,001	2.
Other Income	4,000	0	4,000	16,506	12,506	3
Gain on foreign Exchange	2000	0	2000	(6,606)	8,606	4
Total income	**558,000**	**(0)**	**558,000**	**400,899**	**157,101**	
Expenses						
Compensation of employees	78,100	-	78,100	58,346	19,754	5
Goods and services	347,760	0	347,760	292,402	55,358	6.
Provision for Bad Debts				676	676	7
& Depreciation	5,500	0	5,500	6,255	(755)	
Repair and Maintenance	1,500	-	1,500	2,371	(871)	8.
Board Expenses	15,000		15,000	13,317	1,683	9
General Expenses	83,900		83,900	23,160	60,740	10
Total expenditure	**531,760**	**(0)**	**531,760**	**396,527**	**135,233**	
Surplus for the period	**26,240**	**0**	**26,240**	**4,372**	**21,868**	
Capital Expenditure	**440,844**	**0**	**440,844**	**42,481**	398,364	11

References:-

1. Government grant-The institute had expected a government grant of Kshs 450 million but received Kshs. 385.673 million. The balance of Kshs. 64.327 was not received from our parent ministry as at 30/06/2018.
2. Sale of vaccines- This is market driven therefore if there is less demand from our customers we experienced less sales. Further Kenya experienced drought spells and prolonged election period which does not favour vaccination, leading to less orders of vaccine.
3. Other Income – The institute earned interest of Kshs 16.506 million bank interest from a call account it had opened and placed amounts received in advance from clients.
4. Foreign Exchange Loss – The dollar was weak compared to Kenya shilling therefore the rise in foreign exchange loss. (The rate of change of $.1 to Kenya shilling was 103.7117 30/06/2017 compared to 101.0500 on 30/06/2017.
5. Employees Costs- The institute recruited additional administration staffs on permanent basis hence the increase spending in compensation to employees.
6. Cost of Production - This cost was low because of the less demand leading to less production thus low production cost.
7. Provision for Bad Debts – The Institute incurred additional towards the end of financial year. There it brought increase of Kes 676 million on the provision of bad debts movement.
8. Repair and maintenance – The equipment are old, and broke down unexpected resulting to unplanned expenditure. The institute with the assistance of the Government is currently replacing the old equipment with new ones and putting control on repairs.
9. Board Expenses – This was less because of the cost cutting measures the Board instituted.
10. General Administrative Expenses -This was less because of the cost cutting measures the institute had put in place.
11. Capital expenditure -The Institute spend less on equipment and machinery due to an appeal by a supplier on supply of equipment and late release of exchequer.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Veterinary Vaccines Production Institute (KEVEVAPI) is established and derives its authority and accountability from Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990.The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans

2. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	The entity does not have investments in associates or joint ventures and therefore the standard does not apply
IPSAS 37: Joint Arrangements	The entity does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	The entity does not have an interests in other entities and therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	**Applicable: 1st January 2018** The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19.The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019:** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018

4. Summary of significant accounting policies

a) Revenue recognition

- **Revenue from non-exchange transactions**

Transfers from other government entities

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

- **Revenue from exchange transactions**

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.
In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xvi of these financial statements.

c) Property, plant and equipment

i)All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity

Recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

ii)The institute has contracted University of Nairobi Enterprises and Services Limited (UNES) to undertake valuation of its assets and when complete, the value of the institute Assets (Land, Building, Plant & Machinery, Office Equipment, Furniture and Fittings and Motor Vehicles will change.

d) Financial instruments
Financial assets
Receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current.
Such assets are carried at amortized cost using the effective interest method. Changes in the carrying amount are recognized in the profit or loss.
Impairment of financial assets

The institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one

or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ***Financial liabilities***

Initial recognition and measurement

- Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

f) Provisions

Provisions are recognized when the institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Where the institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The institute does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

g) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The reserves are:-

i) Capital fund-This is the initial capital the government used to set up the institute.
ii) Capital grants- This is accumulated government development grant given to the institute yearly.
iii) Accumulated Profits- This figure denotes the institute profits since inception
IV) Revaluation Surplus-This denotes amount arising from the revaluation of institute assets.

h) Changes in accounting policies and estimates

The institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Employee benefits

Retirement benefit plans

The institute provides retirement benefits for its employees and Directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. The institute's related parties include The National Government, The parent Ministry of Agriculture, Livestock and Fisheries, County Government, Board of Directors and Key Management.

I) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

m) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

n) Significant judgments and sources of estimation uncertainty

The preparation of the institute's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

- **Critical accounting judgments in applying the entity's accounting policies**

Impairment losses on trade and other receivables

The institute reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recognized through profit or loss, the institute makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables, before a decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the institute. Management uses estimates based on historical loss experience for assets with credit

NOTES TO THE FINANCIAL STATEMENTS (Continued)

risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Institute. Such changes are reflected in the assumptions when they occur.

- **Key sources of estimation uncertainty**

Impairment of assets

At the end of each reporting period, the institute reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any).

Plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Depreciation on fixed assets is provided on a straight line basis and is calculated on cost or valuation at the following rates which are consistent with prior years:-

Land	nil
Buildings	2%
Laboratory Equipment	12.5%
Plant and Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fair value estimation – financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5. Sales of vaccines (Exchange revenue)

	2018		2017	
Particulars	**Ksh'000**	**US $ '000**	**Kshs'000**	**US $'000**
Sales on Account	125,543	1,535.140	202,467	232.242
Cash Sales	61,481	454.130	57,985	972.380
		1,989.270		1,204.622
Rates		**Various**		**Various**
Total Kes	**187,024** -	**203,975**	**260,452**	**123,547**
Grand Total		**390,999**		**383,999**

6. Cost of Sales

	30.06.18 **Shs 000**	**30.06.17** **Shs 000**
Production Materials	23,802	22,170
Direct Labour	66,610	66,373
Other Staff Benefits	18,808	17,919
General Expenses attributable to production	80,568	67,271
Power, water, Fuel & Gases attributable to production	21,487	21,521
Maintenance, Repairs & Security attributable to Production	22,243	17,573
Depreciation attributable to production	58,884	56,216
Total production and Manufacturing Expenses	**292,402**	**269,043**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Finance Income.		
Interest earned from KCB MOI AVENUE Call Account	12,362	-
Interest earned from KCB Kes account (1107172764)	0	2
Interest earned from KCB KICC Kes account (1109016492)	21	13
Interest earned from KCB KICC USD account(1102301108)	2,239	2,168
Total	**14,622**	**2,183**
8. Other Income		
Limuru Farm	1,640	2,969
sundry income	244	1,050
Total	**1,884**	**4,019**
9.Employee Costs		
Salaries	31,051	30,000
Pensions & NSSF	4,929	4,628
Medical	16,074	13,132
Recruitment	-	6,147
Training	6,292	1,000
Grand Total Employee Costs	**58,346**	**54,907**
10.Depreciation	**2018**	**2017**
	Kes' 000	**Kes' 000**
Motor Vehicles	2,060	2,228
Office Equipment	2,443	2,109
Furniture& Fittings	1,752	1,149
Total	**6,255**	**5,486**
11.Repairs and Maintenance		
Office equipment	2,371	624
Furniture	-	77
Total	**2,371**	**701**
12.Board Expenses		
Sitting and subsistence allowances	12,212	11,566
	2018	**2017**
13.General Administration Expenses	**Kes 000**	**Kes 000**
Sales and marketing	3,848	16,371
Printing & stationery	2,438	2,309
Audit fees	580	580
Other professional charges	2,401	5,551

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Subscriptions	191	97
Donations	40	1,000
Penalties	-	-
Bank charges	924	779
Sundry off. Exps	2,887	2,854
Staff welfare	484	1,105
Telecommunication	2,802	2,900
Local travel	5,353	9,147
Overseas travel	364	1,455
Motor vehicles	848	1,101
Grand Total	**23,160**	**45,249**

14. Provision for Bad Debts

Trading debtors as at year end	192,159	124,551
Impairment at 1%	1,922	1,246
Provision as at 30/6/2017	1,246	2,354
Savings/Increase in provision	**676**	**(1,108)**

15. Gain on Foreign Exchange Transactions

On sales to MTK Uganda	-	262
On sales to Doctors Co.	(1,010)	430
On sales to Aggrotech Rwanda	(293)	581
On sales to Other clients	(211)	147
On Cash held in the Bank	(5,091)	5,330
Totals	**(6,605)**	**6,750**

16.Cash and cash equivalents

	2018	2017
	Kes 000	Kes 000
Bank	696,771	552,161
Cash-on-hand and in transit	151	110
Call on deposit (KCB Bank)	212,362	
Total cash and cash equivalents	**909,284**	**552,271**

NB: Bank Figure Breakdown

KCB Account No. 1109016492 Kshs	1,055,404.06	1,042,766.66
KCB Account No 1102301108 Kshs.(Foreign Exchange Account for inputs purchase)	356,243,700.09	337,036,555.70
Call on deposit (KCB Bank)	212,361,643.80	-
KCB Account No.1107172764 Kshs	339,471,898.18	214,082,062.53
Total	**909,132,646.13**	**552,161,384.89**

17.Receivables

	2018	2017
Current receivables(Exchange transactions)	KShs 000	KShs 000
Ministry of Livestock	105	105
MTK Uganda	109,968	51,813
Ministry of Agriculture Rwanda	26,029	26,029
Others	56,057	46,604
Total current receivables	**192,159**	**124,551**

Receivables from non – exchange contracts

	2018 KShs 000	2017 KShs 000
Staff advances and Imprest (non-exchange Transactions)	126	264
Deposits	1,573	1,553
Total Non-Trade receivables	**1,699**	**1,817**
Total Receivables	**193,858**	**126,368**
Less Impairment Allowance	- 1,922	- 1,246
	191,936	**125,122**
Interest Receivable	-	-
Total Receivables	**191,936**	**125,122**

18.Inventories

	2018 Kes 000	2017 Kes 000
Bulky and Filled vaccines	239,947	203,477
Chemicals, Glassware & Filtration	121,449	130,434
Engineering, livestock and lab Equip equipment	5,403	5,234
Fuel Oil	592	677
Others	36,014	40,514
Total inventories at the lower of cost and net realizable value	**403,405**	**380,336**

19. Prepayment

	2018 Kes'000	2017 Kes'000
Reagents	11,296	2,913
Medical scheme	-	15,168
Totals	**11,296**	**18,081**

20. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	Totals
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 30 June 2017	**343,000**	**188,303**	**383,419**	**16,870**	**9,194**	**27,003**	**967,789**
Additions	-	13,007	21,980	2,671	4,822.00	-	42,48C
Disposals							
As at 30 June 2018	**343,000**	**201,310**	**405,399**	**19,542**	**14,016**	**27,003**	**1,010,26**
Depreciation and impairment							
As at 30 June 2017	**Nil**	**26,896**	**261,747**	**7,982**	**6,006**	**20,760**	**323,391**
Depreciation	Nil	4,026	50,675	2,443	1,752	6,243	65,139
Disposals	Nil	-	-	-	-	-	
As at 30 June 2018	**-**	**30,922**	**312,422**	**10,425**	**7,758**	**27,003**	**388,530**
Net book values							
As at 30 June 2018	**343,000**	**170,388**	**92,977**	**9,118**	**6,258**	**-**	**621,739**
As At 30 June 2017	**343,000**	**161,407**	**121,672**	**8,888**	**3,188**	**6,243**	**644,398**

Note

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with civi cases in court that had been grabbed in prior years. The cases in court are as follows: -

i) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively

ii)ELC Civil Suit No. 1015 of 2016 Bangue Villa estate Management vs KEVEVAPI and Nairobi City County. Trespass and illegal demolition of KEVEVAPI perimeter wall.

iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.

21. Trade and other payables from exchange transactions

	2018	2017
	KShs 000	KShs 000
Trade payables	10,180	10,584
Accruals rates	13,180	13,180
Accruals production costs	-	-
Accruals-Electricity bill	911	1,034
Accruals-Water bill	149	161
Audit fee	580	580
Total Trade payables	**25,001**	**25,539**
22. Payment received in Advance		
Payments received in advance by counties	111,727	88,229
Galvmed Project	1,127	1,127
Kasal project	114	114
Asal project	200	200
University of Florida	4,446	-
Total payment in advance	**117,615**	**89,670**

23. Financial Risk Management

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the institute's operations. This note presents information about the institute's exposure to each of the above risks, policies and processes for measuring and managing risk, and the institute's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the institute's financial instruments.

Financial Assets	**Carrying amount**	**Fair value**
At 30 June 2018	**KShs,000**	**KShs,000**
Receivables from non-exchange transactions	1,699	1,817
Receivables exchange transactions	192,159	124,551
Cash and cash equivalents	909,284	552,271
	1,103,142	678,639

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Credit risk

Credit risk is the risk of financial loss to the institute if customers or counterparties to financial instruments fail to meet their contractual obligations. The institute's credit risk is primarily attributable to its receivables and cash and cash equivalents. The company`s management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2018 was:

	Fully performing	Past due	Impaired	Total
	KShs,000	Kshs,000	Kshs	Ksh,000
GOK grants receivable	-	-	-	-
Trade receivables	25,210	166,949	(1,922)	190,237
Cash and cash equivalents	909,284	-	-	909,284
Maximum exposure to credit risk	934,494	166,949	(1,922)	1,099,521

The average credit period on services rendered is 90 days from date of invoice. Debts above 90 days old are classified as past due. The customers under the fully performing category are paying their debts as they continue dealing with the institute. The default rate is low. Trade debtors are provided for impairment at the rate of 1% as approved by the Board of Directors.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the institute extends credit and also those parties with whom the institute invests. As such, the credit quality assessed extends to the customers, donors and banks of the institute. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The institute determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya.

The client base of the institute is diverse and consists mainly of counties and east African countries. For the purpose of determining the credit quality of clients, the institute applies its past experience with them in determining the risk of default they pose.

Receivables

Receivable amount s are owed by clients and the government of Kenya and are presented net of any impairment losses. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The institute's exposure to credit risk is monitored on an ongoing basis. The institute's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

Cash and cash equivalents

The institute limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the institute does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the institute not being able to meet its obligations as they fall due. The institute's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the institute's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the institute's obligations.

The table below analyses the institute's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month KShs 000	Between 1-3 months KShs 000	Over 3 months KShs 000	Total KShs 000
At 30 June 2017				
Trade payables from exchange transactions	10,180	113,368		**123,584**
Trade payables from Non exchange transactions			19,067	**19,067**
	10,180	**112,590**	**19,067**	**142,615**

Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the institute's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

(i) Price risk

The institute does not hold investments that would be subject to price risk; hence this risk is not relevant.

(ii) Interest rate risk

The institute does not hold any interest bearing liabilities or assets; hence this risk is not relevant.

(iii) Foreign currency risk

The institute is exposed to foreign-currency risk through foreign currency denominated bank balances. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are shown below.

Description	2018 USD	2017 USD	2018 Total in KShs	2017 Total in KShs
Assets	-	-	-	-
Bank and cash balances	3,525,420.09	3,249,744.78	356,243,700.09	337,036,555.70
Receivables	257,585.61	250,974.82	26,029,025.64	26,029,025.64
	3,783,005.7	**2,500,719.6**	**382,272,425.73**	**263,065,581.34**
	=======	=======	========	========

At 30 June 2017 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 38,227,242.6 (Shs420,499,668.33 – Shs382,272,425.73).

Capital risk management policies

The primary objective of managing the institute's capital is to ensure that there is sufficient cash available to support the institute's funding requirements, including capital expenditure, to ensure that the institute remains financially sound. The institute monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the institute had no debt.

The capital structure of the institute consists only of a general fund. The gearing ratio of the institute is therefore 0%.

24. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

i) The National Government;
ii) The Parent Ministry-Agriculture, Livestock and Fisheries;
iii) County Governments
iv) Key management;
v) Board of directors;

b) Related party transactions

	2018	2017
	Kshs'000	Kshs'000
Transfers from related parties'	385,673	19,051
Transfers to related parties (MOA, L&F, Deaprt of Livestock)	-	900
	=======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Related Party Balances (continued)

c) Key management remuneration

	2018	2017
	Kshs'000	Kshs'000
Directors'	12,212	11,566
Key management compensation	5,453	5,591
Chairman's Honoraria	960	960
	=====	====

d) Due from related parties

Due from Parent Ministry	105	105
Due from County Government	193	352
	----------	----------
	298	457
	=======	=======

e) Due to related parties

Due to the parent Ministry	-	-
Due to County Governments	110,949	88,229
	110,949	88,229
	=======	=======

25. Contingent assets and contingent liabilities

Contingent liabilities	2017-2018		2016-2017
	Kshs		Kshs
HCC ELC No. 454 and 455 0f 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued		Not Valued
ELC Civil Suit No. 1015 of 2016 Bangue Villa estate Management vs KEVEVAPI and Nairobi City County.	Not Valued		Not Valued
ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI	Not Valued		Not Valued
KVVPI/T/1/2017-18-This tender is in court awaiting determination	80 million		80 million
Total	Not Valued		Not Valued

(Give details)

__Note__

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows:-

i) HCC ELC No. 454 and 455 0f 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively

ii) ELC Civil Suit No. 1015 of 2016 Bangue Villa estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.

iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.

Included in Cash and Cash equivalent is an amount of Approximately Kshs. 80 million intended to purchase lot of machinery and equipment for modernizing KEVEVAPI. We have a dispute in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may loose money in buying a machine that does not conform to specifications.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Capital Commitments

Capital commitments	**2017-2018**	**2016-2017**
	KShs 'Millions	**Kshs' Millions**
Authorized for	440	540
Authorized and contracted for	386	478
Total	**826**	**990**

27. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

28. Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of Agriculture, Livestock and Fisheries. Its ultimate parent is the Government of Kenya.

29. Currency

The financial statements are presented in Kenya Shillings (Kshs).

30. Signatories

The Chairman, Board of Directors term expired on 17th April 2018. In his absence, an independent Board Director Mr. Robert M. Mburu and the CEO have signed the Annual Report and Financial Statements on behalf of the Board.

- **PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Focal Point person to resolve the issue** ***(Name & designation)***	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***
2016/1.1 (a,b,c)	Property, Plant and Equipment-Land	-The Land at Kibiko does not exist in our books. An inquiry at the Lands Registrar office in Ngong on 03/08/2017 revealed that we need a title deed to do a search and advised we refer the matter to the Ministry of Lands to establish the LR No. and to whom the land was apportioned. -We have a case in court concerning the illegal allocation of the Institute land awaiting judgment by the court -The land AT Limuru still has a court case. The case started when KEVEVAPI was under KARI and therefore the reason for delayed transfer. As at 30/06/2016, the institute had instructed the legal counsel to initiate transfer process.	Chief Executive Officer(CEO)	Ongoing	Awaiting Court decision.
2016/1.2	Property, Plant and Equipment-	The vehicles in question were given to the Institute for use when the Institute	Chief Executive Officer(CEO)	Ongoing	By end of 2018.

	Motor Vehicles	was given independent status from KARI. The Institute has continued to use the vehicles, maintaining them and insuring them. Correspondences have been going on between the two Institutions to identify all the assets that belong to KARI in order to facilitate formal transfer or other appropriate action. However, the assimilation of KARI into Kenya Agricultural Livestock Research Organizations (KALRO) in 2014 posed a new challenge since it deprived KARI of its legal autonomy			
2016/2	Trade and Other Payables	The rates of Kshs. 13, 180, 000 relates to land that has been grabbed and with a court case and therefore management deemed fit to stop paying for the rates until the issue was resolved.	CEO	Ongoing	Awaiting Court Ruling
2016/3	Kshs 124,551,000 worth of receivables were long outstanding	Management have initiated serious efforts in collecting these debts.	CEO	Resolved	Resolved

I. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	**1.5 Billion**	773,273,860	44.2.%	450 Million	385.6725 Million	G.O.K

I. Appendix 2: INTER-ENTITY TRANSFERS

	ENTITY NAME:	**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE**		
p	**Break down of Transfers from the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries**			
	FY 16/17			
a.	Recurrent Grants		Nil	N/A
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		19/10/2016	385,672,500.00	2017/18
		Total	**385,672,500.00**	
c.	Direct Payments		Nil	N/A
d.	Donor Receipts		Nil	N/A

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
KEVEVAPI

Head of Accounting Unit
Ministry of Agriculture, Livestock and Fisheries,
Department of Livestock.

Sign --------------

Sign-------------