

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

FOR THE YEAR ENDED 30 JUNE 2014



Paper Land
Leader of
PM majority party
Hon. Aken Oluoch
On Tuesday
25/8/2015





KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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- **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**

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 2014 and who had direct fiduciary responsibility were as per the table of management team on pages 10-13.

- **Fiduciary Oversight Arrangements**

- Audit and finance committee activities-This are board meetings held 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

Kenya Commercial Bank
Moi Avenue Branch
P.O.Box 30081-00100
Nairobi.
Tel: 20244939, Fax.20244939

- **Independent Auditors**



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

• **THE BOARD OF DIRECTORS**

 <p>Mr. Abdi Adan Suleiman Acting Chairman Key Qualification:- University of Nairobi B.ED (Sc.) Honours</p>	<p>Date of Birth: - 30th June 1953</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI board member. • 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
 <p>Dr. Geoffrey K. Muttai CEO/Secretary to the Board</p> <p>Key Qualification:</p> <ul style="list-style-type: none"> • Bio – Entrepreneurship (Executive) Strathmore Business School Nairobi. • Advanced Technology for Veterinary Diagnosis, National Institute of Animal Health Tsukuba Science City Japan. • Adapted Serological Techniques for the diagnosis of Livestock diseases and Zoonoses Maintenance of Laboratory Equipments, Animal Diseases Research Institute (ADRI) DAR-ES-SALAAM 	<p>Date of Birth: 9th November 1961</p> <p>Work Experience:</p> <p>1st March 2010 – To date</p> <ul style="list-style-type: none"> • Organization: Kenya Veterinary Vaccines Production Institute (KEVEVAPI). • Position: Ag. Managing Director <p>10th July 2009 - 1st March 2010.</p> <ul style="list-style-type: none"> • Organization: Ministry of Livestock Development. • Position: Chief Food and Hygiene Officer and OIE focal point for

<ul style="list-style-type: none"> • Bachelor of Veterinary Medicine University of Nairobi. 	<p>Animal Production and Food Safety).</p> <p>July 2006 - July 2009.</p> <ul style="list-style-type: none"> • Organisation: Ministry Livestock and Fisheries Development. • Position: Provincial Director of Veterinary Services – Rift Valley Province. <p>April 2001 - June 2005</p> <ul style="list-style-type: none"> • Organisation: Ministry Livestock and Fisheries Development. • Position: Officer In charge of the Regional Veterinary Investigation Laboratory – Nakuru <p>August 1994 - April 2001.</p> <ul style="list-style-type: none"> • Organization: Ministry of Agriculture and Rural Development • Position: Senior Veterinary Officer • Deputy Officer In charge of the Regional Veterinary Investigation Laboratory (Both Technical and Administrative services) <p>November 1990 - August 1994</p> <ul style="list-style-type: none"> • organization: Ministry of Agriculture, Livestock Development and Marketing • Position Veterinary Officer I • In Charge of technical and administrative duties of Protozoology and Serology section.
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	<ul style="list-style-type: none"> • In Charge of Dip testing and reporting of dip testing results. <p>August 1986 - November 1990</p> <ul style="list-style-type: none"> • Organization: Ministry of Agriculture • Position Veterinary Officer II • In Charge of technical and administrative duties of Protozoology and Serology section. • In Charge of Dip testing and reporting of dip testing results. • In-charge of experimental animals. • Routine disease diagnosis, disease investigation and disease Sero-surveillance.
<ul style="list-style-type: none"> •  <p>Mrs. Asli Halake Fayo Key Qualification:</p>	<p>Date of Birth: 1956</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2012 : Appointed as Board Member KEVEVAPI • 2010- 2013: Appointed to District Education Board Isiolo. • 2011: Appointed CDF committee member Isiolo North. • 2011: Appointed as District Youth and Women enterprise funds member.
<ul style="list-style-type: none"> •  <p>Dr. Leonard Wachira Wamae Key Qualification: PhD University of Edinburgh, M.V.Sc University of Liverpool, B.V.M (UoN)</p>	<p>Date of Birth: 18 August 1954</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2012 : Appointed as Board Member KEVEVAPI • 2001 To Date: Assistant Director, Animal Health and Production. • 1998-2001: Principal Research Officer/KARI. • 1996-1998:Senior Research Officer/KARI • 1983-1996: Research Officer I/KARI • 1979-1983: Research Officer II KARI

 <p>Mr. Paul Kiagu Key Qualification: M. Economics from Kenyatta University</p>	<p>Date of Birth: 04th July 1969</p> <p>Work Experience: July 2012: Appointed to KEVEVAPI Board as alternate to PS Treasury. 2014: Appointed to National Irrigation Board as alternate to PS Treasury. 2013: Appointed Representative Government Finance Statistics Committee. 2005-Date: Senior Economist-National Treasury (Public Investment) Monitoring and Supervision Division.</p>
 <p>Mr. Isacko Galgallo Mamo Key Qualification: B.ED (Arts)- Catholic University Of East Africa</p>	<p>Date of Birth: 1962</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI board member. • 2006- to date: Nomadic Action for Self-Improvement (NAFSI-CBO) Team Leader • 1996- to 2006: District Officer served in Makueni, Meru, Kitui, Nyeri and Kirinyaga Districts. • 1993 to 1996: Teachers Advisory Centre Tutor in charge of North Horr Division
 <p>Mr. Sospeter Nyongesa Key Qualification: Cert. Animal Health Cert Animal Health</p>	<p>Date of Birth: 1972</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI board member. • Private Animal Health and Artificial Insemination service Provider. • 2006 -2012 Chairman – Bungoma Association of Health Technicians



Mr. Aden Abdulla Hussein
Key Qualification: **M.ED** – University of Hull,
UK.

Date Of Birth: **15 April 1950**

Work Experience:

- Jan. 2006 – Apr. 2007: Assistant Director Of Education- deputizing for Deputy Director in charge of Inspection, Training and Evaluation (ITE) in his absence.
- Mar. 2003 – Dec. 2005: Senior Adult Education Officer at DAE Hqs.
- May 2000 – Dec. 2002 Provincial Adult Education Officer, North eastern Province
- Jan 1998- Apr. 2000: District Adult Education Officer Isiolo District.



Dr. Kisa Toroitich
Key Qualification: MSc (UoN),BVM

Date Of Birth: 15 September 1959





Work Experience: 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

• **MANAGEMENT TEAM**

• KEY MANAGER'S PASSPORT-SIZE PHOTO, NAME AND MAIN AREA OF RESPONSIBILITY	KEY PROFESSION/ACADEMIC QUALIFICATION
 <p>Dr. Geoffrey K. Muttai Chief Executive Officer (CEO).</p>	<p>Key Qualification:</p> <ul style="list-style-type: none"> • Bio – Entrepreneurship (Executive) Strathmore Business School Nairobi. • Advanced Technology for Veterinary Diagnosis, National Institute of Animal Health Tsukuba Science City Japan. • Adapted Serological Techniques for the diagnosis of Livestock diseases and Zoo noses Maintenance of Laboratory Equipments, Animal Diseases Research Institute (ADRI) DAR-ES-SALAAM • Bachelor of Veterinary Medicine University of Nairobi.
 <p>• Dr. Jane Wanjugu Wachira Deputy Director-Technical Services</p>	<p>MSC UK, BVM(UON), A, level, Level</p>
 <p>• Dr. Richard Odek Arina Marketing Manager</p>	<p>Pursuing MBA BVM KACE 3Ps KCE DIV II</p>
 <p>• Mr. Peter Macharia Gitau Chief Accountant</p>	<p>MBA-Finance ((UoN) BCOMM-Finance option, CPA,K KCSE B- KCPE</p>

 <ul style="list-style-type: none"> Mr. Geoffrey Simwa Human Resources and Administration Manager 	<p>CPS II Dip. HRM(TZ) Dip. HRD (KU) KACE 2Ps, 2Subs KCE DIV II</p>
 <ul style="list-style-type: none"> Mr. Nahshon Kinyaka Kyangu Production Manager-Kabete 	<p>Dip.(Medical Lab) EAACE EACE</p>
 <ul style="list-style-type: none"> Mr. Stephen Gitonga Njeu Quality Assurance Manager 	<p>Pursuing MSc. Infectious Dis Higher Dip. Applied Biology Dip. Applied Biology KACE 1P, 1Sub KCE DIV II</p>
 <ul style="list-style-type: none"> Mr. George Koigi Ndung'u Procurement Manager 	<p>CIPS professional stage (Dip) KACE 3Ps 1 Sub KCE DIV. II</p>
 <ul style="list-style-type: none"> Mr. Peter Kagera Gitigi Engineering Technician II 	<p>Final Level Certificate of Apprenticeship(Pipefitter/Welder) EACE DIV III</p>

 <p>Dr. Benson Kibore Research and Development Manager</p>	<p>MSc. (UoN)- Veterinary Surgeon BVM KCSE KCPE</p>
 <p>Mr. Mathew Itumo Nzioka Production Manager- Embakasi</p>	<p>Higher Diploma Applied Biology Diploma Applied Biology KCSE KCPE</p>

• **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.

• **REPORT OF THE CHIEF EXECUTIVE OFFICER**

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 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 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 nine 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 six 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:

- .VACANT....(*Chairman Board of Directors a waiting gazzement*)
- Principal Secretary National Treasury;
- Principal Secretary, State Department of Livestock.
- Director, Kenya Agricultural Research Institute – K.A.R.I ;
- Mrs. Asili Halake Fayo - Board Director;
- Mr. Abdi Aden Suleiman - Board Director (Acting Chairman).
- Mr. Sospeter Nyongesa - Board Director;
- Mr. Adan Abdullah Hussein - Board Director;
- Mr. Isacko Galgalo Mamo - Board Director;
- Dr. Geoffrey K. Muttai—CEO, KEVEVAPI (*Secretary BOD*)

Note: The Board Chairman is still to be appointed and gazetted. In the absence of a Chairman, The board appointed Mr. Abdi Adan Suleiman as the acting Chairman.

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
- Rabies

CONSTRAINTS OF VACCINES PRODUCTION.

Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The physical facilities in the institute are old. The equipments in all the production laboratories are old and although functional, requires frequent repairs and replacement. An overhaul of the plant would be ideal if Good Manufacturing Practices (cGMP) rating is to be achieved for competitive outside markets.

Purchase of the state of the art equipments and transfer of new technologies is capital intensive and may take a long time to achieve if we are to depend on internally generated revenue.

The management maintains a continuous focus on adapting the institute's objectives, strategy and risk profile to the institute's capital situation.

- **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 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 and The Constitution of Kenya 2010 and is subject to the reporting requirements relating to corporate governance pursuant to Public Finance Management Act.

- **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.

• **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on page 23-26.

Directors

The members of the Board of Directors who served during the year are shown on page 6-10

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with the Section 68(k) of the Public Finance Management (PFM) Act, 2012.

By Order of the Board

Chief Executive Officer

Sign 

Date 17th APRIL 2015

• **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, 2014. 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, 2013, 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 17/4/ 2015 and signed on its behalf by:



Director



Director

Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

i. Land

As reported in previous years, the Government allocated the Institute 98.3 hectares of land registration L.R. No. 209/11969, on which the Institute headquarters is located. In December 1994, however, a former Managing Director of the Institute applied to the Commissioner of Lands for consent to sub-divide the land into nine (9) separate parcels, without the approval of Treasury and the Parent Ministry as required by Section 13(1)(c) of the State Corporations Act (Cap. 446). The subdivided parcels were separately disposed of to private developers, again without the approval of 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 2014.

As similarly reported in previous years, the property, plant and equipment balance of Kshs.632,911,000.00 as at 30 June 2014 excludes an undetermined value of land at the Kibiko holding ground 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. Additional information obtained from the management indicates that Kibiko holding ground parcel of land does not exist. However, the whereabouts of the land has not been explained.

ii. Motor Vehicles

Included in the property, plant and equipment balance of Kshs.632,911,000.00 are two motor vehicles: an Isuzu bus registration number KAT 264X and a Toyota station wagon registration number KAT 581X which are, however, not registered in the name of the Institute but under Kenya Agricultural Research Institute.

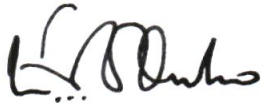
No explanation has been given for the above omissions and anomalies, as a result of which, the accuracy and ownership of the property, plant and equipment, with a balance of Kshs.632,911,000.00 as at 30 June 2014 could not be confirmed.

2. Investment in Fixed Deposits

As reported in the previous year, the statement of financial position reflects, under cash and cash equivalents, an investment of Kshs.11,373,936.00 held in a fixed deposit account at NIC Bank. Available information indicates that the deposit was placed in April 2008 at a negotiated interest rate of 7.75% p.a. However, no evidence has been provided for confirmation that appropriate approval was obtained before investing in fixed deposits as provided under Section 16(2) of the State Corporations Act, (Cap. 446).

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institute as at 30 June 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Kenya Veterinary Vaccines Production Order of 1990.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2015

• **KEVEVAPI STATEMENT OF FINANCIAL PERFORMANCE**
For the year ended 30 June 2014

		2013/14 Kshs' 000	2012/13 Kshs '000
Revenue from exchange transactions			
Sale of Vaccines	3	351,721	269,965
Cost of production	4	(234,522)	(197,310)
Gross Profit		117,199	72,655
Finance income –Bank Interest earned		580	2,354
Other income-Sundry income	5	1,526	7,566
Total		119,305	82,575
Administrative Expenses			
Employee costs	6	38,101	33,134
Depreciation and amortization expense	7	2,725	2,580
Repairs and maintenance	8	1,582	617
General expenses	9	38,538	20,448
Provision for bad & Doubtful Debts		2,181	
Total expenses		83,127	56,913
Other gains/(losses)			
Gain on sale of assets		358	405
Gain on foreign exchange transactions		1,370	(271)
Surplus before tax		37,888	19,121
Taxation		-	-
Surplus for the period		37,906	19,121

The notes set out on pages 6 to 21 form an integral part of the Financial Statements


• **STATEMENT OF FINANCIAL POSITION**
As at 30 June 2014

	Note	2013-2014 Kshs 000	2012-2013 Kshs 000
Assets			
Current assets			
Cash and cash equivalents	10	185,076	130,826
Receivables	11	215,956	251,510
Inventories	12	225,351	226,253
		626,383	623,434
Non-current assets			
Property, plant and equipment	13	632,911	581,026
Total assets		1,259,294	1,204,460
Liabilities			
Current liabilities			
Trade and other payables	14	26,237	61,448
Audit fee Provision		580	-
Payments received in advance	15	39,869	7,060
Total liabilities		66,686	68,508
Net assets			
Capital fund		367,249	367,249
Capital grant		132,450	113,700
Revaluation reserve		272,829	272,829
Accumulated surplus		420,080	382,174
Total net assets and liabilities		1,259,294	1,204,460

The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Directors by:

Managing Director 

Date... 17th April 2015


Chairman of the Board

Date... 17/4/15

- **STATEMENT OF CHANGES IN NET ASSETS**
For the year ended 30 June 2014

-

Attributable to the owners of the controlling entity

	Capital Fund Kshs '000	Capital Grant Kshs '000	Revaluation Reserve Kshs '000	Accumulated surplus Kshs '000	Total Kshs '000
Balance as at 30 JUNE 2012	367,249	52,500	272,829	363,054	1,055,631
Surplus/(deficit) for the period	-	-	-	19,121	19,121
Additional GOK Grant	-	61,200	-	-	61,200
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
Balance as at 30 JUNE 2014	367,249	132,450	272,829	420,080	1,192,608

• **STATEMENT OF CASH FLOWS**
For the year ended 30 June 2014

	Note	2013-2014 Kshs 000	2012-2013 Kshs 000
<u>Cash flows from operating activities</u>			
Profit for the period		37,906	19,121
Add Depreciation		34,933	33,472
Operating Profit		72,839	52,593
Working Capital Changes			
Decrease in stocks		902	(53,466)
Decrease in Receivables		35,554	9,630
Increase in Payables		(1822)	13,284
Decrease in bank guarantees		87,004	(87,004)
Decrease in Goods in transit		14,845	
Net cash outflow from operating activities		209,322	(64,964)
Financing Activities			
GOK Capital Grant		18,750	61,200
Investing Activities			
Purchase of Fixed Assets and net cash used in Investing activities		(86,818)	(31,382)
Net decrease in cash & cash equivalents		141,254	(35,146)
Cash & cash equivalents at 01.07.2013		43,822	78,968
Cash & cash equivalents at 30.06.2014		185,076	43,822

• **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	REF
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Revenue						
Government grants and subsidies	70,000	46,250	23,750	18,750	5,000	1
Sale of vaccines	360,000	-	360,000	351,721	8,279	
Finance Income						
-Interest earned	1,000		1,000	580	420	
-Exchange gain	0		0	1,370	-1,370	
Other Income	1,000	0	1,000	1,526	-526	
Gains on disposal of asset	3,000	0	3,000	358	2,642	
Total income	365,000	(46250)	365,000	355,555	9,431	
Expenses						
Compensation of employees	55,300	-	55,300	38,101	17,199	2
Goods and services	238,700	0	238,700	234,522	11,207	
Other payments	48,000	-	48,000	45,026	(9,093)	
Total expenditure	294,000	(0)	342,000	317,649	(19,312)	
Surplus for the period	71,000	46,250	23,000	37,906	(9,881)	
Capital Expenditure	97,300	0	97,300	86,818	10,482	3

References:-

- Government grant-The institute had expected the government to offer Kshs 70 Million initially, but due to limited resources, this was adjusted to Kshs 23,750 and finally the institute received Kshs 18,750 only.
- Compensation of employees- The institute had planned to place some of its casual employees on permanent basis but due to a freeze on employment by the government, this was not possible hence the less spending in compensation to employees.
- Capital expenditure-Purchase of Limuru farm tractor and motor vehicles was shelved to allow the institute concentrate on modernization of its old facility.

- **NOTES TO THE FINANCIAL STATEMENTS**

- 1. 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.

- **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.

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.

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 annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Value Added Tax(VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation institute is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

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.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) 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 a entity of financial assets is impaired. A financial asset or a 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)

- ***Financial liabilities***

Trade payables

Trade payables are current and are stated at their nominal value.

g) 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.

h) 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.

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.

i) Nature and purpose of reserves

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

Capital fund-This is the initial capital the government used to set up the institute.

Capital grants- This is accumulated government development grant given to the institute yearly.

Accumulated Profits- This figure denotes the institute profits since inception

Revaluation Surplus-This denotes amount arising from the revaluation of institute assets.

j) 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.

k) Employee benefits

Retirement benefit plans

The institute provides retirement benefits for its employees and councilors. 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.

l) 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.

m) 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. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

n) 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.

o) Comparative figures

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

p) 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 recognised through profit or loss, the company 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

company. Management uses estimates based on historical loss experience for assets with credit 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%

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.

u) 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, 2014.

2. Sales of vaccines(Exchange revenue)

	2014	2013
	KShs' 000	KShs' 000
Fortivax	188,872	134,501
Caprivax	41,590	32,571
Riftvax	38,353	55,425
Lumpivax	10,986	12,931
S&Gvax	9,856	8,954
Fowlvax	12,699	9,176
Contavax	6,800	6,080
Pestevax	24,754	7,841
Avivax	2,165	2,118
Poxvax	76	132
Turkeyvax	2	31
Bluvax	284	164
Orfvax	136	41
Rabivax	3,735	-
Blanthax	11,415	-
Totals	351,723	269,965

4. Cost of Sales

	30.6.14	30.06.13
	Kshs'000	Kshs'000
Materials used	22,070	17,947
Direct Labour	55,189	44,6875
Other staff benefits	18,793	11,679

General Expenses attributable to production	64,615	44,529
Power & lighting attributable to production	23,380	28,068
Maintenance & Repairs attributable to production	18,268	19,510
Depreciation attributable to production	32,207	30,893

Total production and Manufacturing Expenses

<u>234,522</u>	<u>197,310,086</u>
30.6.14	30.6.13
Kshs'000	(Kshs)' 000

5. Other Income

Insurance claim	7	5,734
Rent Income	1,432	-
Other Miscellaneous Income	108	891
Limuru Farm	(21)	941
Total	1,526	7,566

6. Employee Costs

Salaries	19,974	18,798
Pensions & nssf	150	3,508
Medical	3,070	3,271
Recruitment	-	-
Training	3,275	464
Club exps	-	-

Total	26,470	26,041
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Traveling Ent.

Local travel	8,181	2,955
Overseas travel	2,258	2,921
Motor vehicles	<u>1,193</u>	<u>1,218</u>
	<u>11,632</u>	7,093

Grand Total Employee Costs	<u>38,101</u>	<u>33,134</u>
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7. Depreciation

	2014	2013
	Kshs'000	Kshs'000
Motor Vehicles	1,126	1,126
Office Equipment	836	691
Furniture	763	763
(profit)/loss on sale		
Total	2,725	2,580

8. Repairs and Maintenance

	2014	2013
	Kshs'000	Kshs'000
Office equipment	1,581	599
Furniture	1	18
	<u>1,582</u>	<u>617</u>

9. General Expenses

	2014	2013
	KShs' 000	KShs' 000
Advertising	9,503	4,703
Printing & stationery	1,438	1,526
Audit fees	580	680
Other professional charges	5,957	1,145
Subscriptions	119	190
Donations	272	210
Insurances	-	1,439
Bank charges	709	906
Sundry off. Exps	2,370	1,360
Staff welfare	1,790	606
Administration expenses	10,233	8,131
Telecommunication	<u>5,567</u>	<u>1,719</u>
Totals	<u>38,538</u>	<u>19,507</u>

10. Cash and cash equivalents

	2014	2013
	KShs'000	KShs' 000
Bank	173,552,	15,761
Cash-on-hand and in transit	150	-
Short-term deposits	11,374	28,061
Guarantees		87,004
Total cash and cash equivalents	185,076	130,826

11. Receivables

	2014	2013
	KShs'000	KShs'000
Current receivables(Exchange transactions)		
Ministry of Livestock	24,650	104,360
Cooper Uganda	63,237	46,670
Ministry of Agriculture Rwanda	55,334	46,194
Others	72,426	51,275
Total current receivables	215,647	248,499

Receivables from non-exchange contracts

	2014	2013
	KShs' 000	KShs' 000
Staff advances and Imprest (non-exchange transactions)	937	1,493
Deposits	1,553	1,518
Total Non-trade receivables	2,490	3,011
Totals Receivables	218,137	251,510
Less: impairment allowance	(2,181)	-
	215,956	251,510

12. Inventories

	2014	2013
	KShs' 000	KShs' 000
Bulky and Filled vaccines	126,039	183,816
Chemicals, Glassware & Filtration	71,987	37,025
Engineering and lab equipment	5,050	743
Livestock	2,715	1,159
Others	19,560	3,511
Total inventories at the lower of cost and net realizable value	225,351	226,253

**13.
Property,
plant and
equipment**

	Land	Buildings	WIP	Plant & Machinery	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	Shs 000	Shs 000		Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Cost								
At 30 June 2013	343,000	143,493	Nil	196,248	5,529	6,101	9,928	704,299
Additions	-	-	58,050	27,604	1,164	--	-	86,818
Disposals	-	-	-	-	-	-	(2,652)	(2,652)
At 30 June 2014	343,000	143,493	58,050	223,852	6,693	6,101	7,276	788,465
Depreciation and impairment								
At 30 June 2013	Nil	(14,465)	Nil	(98,270)	(2,918)	(2,011)	(5,609)	(123,273)
Depreciation	Nil	(2,870)	Nil	(27,981)	(837)	(762,671)	(2,482)	(34,933)
Disposals	Nil	-	Nil	-	-	-	2,652	2,652
At 30 June 2014	-	(17,335)	Nil	(126,252)	(3,754)	(2,774)	(5,439)	(155,554)
Net book values								
At 30 June 2014	343,000	126,158	58,050	97,600	2,939	3,327	1,837	632,911
At 30 June 2013	343,000	129,028	Nil	97,978	2,611	4,090	4,319	581,026

14. Trade and other payables from exchange transactions

	2014	2013
	Shs 000	Shs 000
Trade payables	13,057	20,179
Accruals	13,180	13,180
Total Trade payables	26,237	33,359

15. Payment received in Advance

Payments received in advance by counties	38,393	-
Galvmed Project	1,162	1,162
Kasal project	114	114
Asal project	200	200
Total payment in advance	39,869	1,476

16. Related Party Transactions

The remuneration of key management during the year was as follows:

	2014	2013
	Shs 000	Shs 000
Director's emoluments	10,233	8,131
Key management compensation		
CEO's salary and benefits	1,185	720
Total	11,418	8,851

17. Events after the reporting period

There are no material non-adjusting events after the reporting date.

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 2014	KShs,000	KShs,000
Receivables from non-exchange transactions	2,400	2,376
Receivables exchange transactions	215,647	213,491
Cash and cash equivalents	185,076	185,076
	<u>403,123</u>	<u>400,943</u>

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 2014 was:

	Fully performing KShs,000	Past due Kshs,000	Impaired Kshs	Total Ksh,000
GOK grants receivable	-	-	-	-
Trade receivables	16,150	197,341	2,156	215,647
Cash and cash equivalents	185,076	-	-	185,076
	-----	-----	-----	-----
Maximum exposure to credit risk	201,226	197,341	2,156	400,723
	=====	=====	=====	=====

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. The debt that is overdue is not impaired and continues to be paid.

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 amounts 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 Shs 000	Between 1-3 months Shs 000	Over 3 months Shs 000	Total Shs 000
At 30 June 2014				
Trade payables from exchange transactions	13,057	38,393		51,450
Trade payables from Non exchange transactions			15,236	15,236
	13,057	38,393	15,236	66,686

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	2014	2013	2014	2013
	USD	USD	Total in Shs	Total in Shs
Assets	-	-	-	-
Bank and cash balances	319,557.22	101,161.4	27,801,478.14	8,598,719
Receivables	1,567,241	1,092,519.24	136,350,000	92,864,135
	<u>1,886,798.22</u>	<u>1,193,680.64</u>	<u>164,151,478.14</u>	<u>101,462,854</u>

At 30 June 2014 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 16,415,112 (Shs180, 566,590 – Shs 164,151,478).

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%.

• **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)
2013/1	Property, Plant and Equipment	-Land at Kibiko does not exist -We have a case in court concerning the illegal allocation of the Institute land awaiting judgment by the court	Chief Executive Officer(CEO)	Resolved	Resolved.
2013/2	Other Creditors balance of Kshs. 48,329,725	The figure is made up of: Accruals- Kshs. 13,180,000 Galvmed-Kshs 1,162,354.45 Kasal Project-Kshs 164,350 Insurance Claims Ksh 5,733,920 Ministry of Agriculture Congo Kshs. 28,089,100.00 Totals Kshs 48,329,724.45	CEO	Resolved	Resolved

2013/3	Investment in Fixed Deposits	The investment in Fixed Deposit is not new. It was made way back in March 2008 when KEVEVAPI was part of Kenya Agricultural Research Institute (KARI) and all necessary approvals were sought by the KARI Management then.	CEO	Resolved	Resolved
2013/4	Receivables	The institute's management is making appropriate efforts to collect debts owned. Most of the debts especially the Kshs 104,360,018 owned to Ministry of Agriculture, Livestock and Fisheries have been recovered.	CEO	In progress	Continuous
2013/5	Other Income- Interest earned of Kshs 2,354,192	Interest earned is analyzed as follows:- Interest from fixed deposit for the year Kshs. 2,018,342	CEO	Resolved	Resolved

		<p>Other interest from bank Kshs. 335,850</p> <p>Total interest for the year Kshs2, 354,192.00.</p> <p>The certificate of balance for the fixed deposit shows accrued interest of Shs 3,840,415.83 which includes accrued interest from the previous year of Shs 1,822,073.00. This had already been taken into account last year. We have requested the bank to credit the total to our account this year.</p>			
2013/6	Profit on Sale of Fixed Asset	This has now been classified under other income.	CEO	Resolved	Resolved