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(HON. KIMANI ICHUNQUWAH)

CLERK-AT
TABLE:

J. LEMERELLE

THE AUDITOR-GENERAL

ON

**KENYA VETERINARY VACCINE PRODUCTION
INSTITUTE STAFF CARLOAN AND
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2025**



**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
STAFF CAR LOAN & MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025.**

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1. Acronyms and Definition of Key Terms

A. Acronyms

MD	Managing Director
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
AHP	Affordable Housing Program
BETA	Bottom-Up Economic Transformation Agenda
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
FY	Financial Year
GDP	Gross Domestic Product
HF	Housing Finance
KEVEVAPI	Kenya Veterinary Vaccines Production Institute
KNBS	Kenya National Bureau of Statistics
KRA	Key Result Area
KSHS	Kenya Shillings
MBA	Master of Business Administration
SCAC	State Corporation Advisory Committee
SMAC	Staff Mortgage Advisory Committee
SRC	Salaries & Remuneration Commission

B. Definition of Key Terms

Institute -Means the Kenya Veterinary Vaccines Production Institute established under State Corporation Act, Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990.

Fiduciary management- Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

Comparative Year- Means the prior period.

Scheme-Kenya Veterinary Vaccines Production Institute Staff Mortgage Scheme established by the Board of KEVEVAPI as Staff Car loans and Mortgage Scheme Policy.

2. Key Fund information and management

a) Background information

The Kenya Veterinary Vaccines Production Institute Staff Car Loan & Mortgage Scheme Fund is established pursuant to the Salaries and Remuneration Commission circulars referenced; SRC//ADM/CIR/1/13 Vol.III (128) of 17th December 2014; SRC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL III (142) of 25th August 2015 all of which set and advises on the establishment of Mortgage and Car schemes for both state and public officers. The Fund is wholly owned by Kenya Veterinary Vaccines Production Institute and is domiciled in Kenya.

b) Principal Activities

The principal activity of the fund is to facilitate the acquisition of cars and residential property for employees of KEVEVAPI by providing a loan scheme for:

- Purchase of land for future development
- Purchase of a residential house
- Development of residential house
- Purchase of motor vehicles for personal use

The Schemes overall administration is under the Board of Directors of KEVEVAPI. In addition, there is a committee charged with the responsibility of processing loans from applicants in accordance with laid down regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Scheme. The fund is administered by HF Bank Kenya Limited who are responsible for the day-to-day operations.

c) Board of Trustees

The Scheme overall administration is under the Board of Directors, KEVEVAPI. The Board members who served during the period were;

SN	Position	Name
1	Chairperson of the Committee	Dr. Kiraithe Muthamia
2	Committee Member	Mr. Frank Kibii
3	Committee Member	Dr. Geoffrey Simwa
4	Committee Member	M/S. Leah Kiarie
5	Committee Member	Mr. Charles Ongoro
6	Committee Member	M/s. Andia A. Khaseke
7	Committee Member	Mr. Peter Macharia
8	Fund Manager	Housing Finance

d. Key Management

The management of the Scheme is under a Scheme Administrator who is responsible for the day-to-day operations.

SN	Position	Name
1	Fund Manager/ Administrator	Housing Finance Bank
2	Fund Accountant	Peter Macharia

e) Fiduciary Oversight Arrangements

The members of the Staff Mortgage and car Loan Advisory Committee who held office during the FY were:

(SN	Position	Name
1	Directorate Internal Audit	M/S Andia A. Khaseke
2	Staff Mortgage and car Loan Advisory Committee	1 Dr. Michael Muthamia Kiraithe 2. Frank Kibii 3. Geoffrey Simwa 4. Leah Kiarie 5. Charles Ongoro 6. Peter Macharia

f) Registered Offices

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

g) Scheme Administrator Contacts

Housing Finance Bank Kenya
Head Office: Rehani House
P.O Box 30088-00100
Nairobi,
Telephone: 0709 438000
E-mail: mybank@hfgroup.co.ke

h) Scheme Bankers

Housing Finance Bank Kenya

P.O Box 30088-00100

Nairobi.

i) Independent Auditor

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser





The Attorney General, State Law Office and Department of Justice




Harambee Avenue

P.O. Box 40112, City Square 00200

Nairobi, Kenya

3. Management Team

MANAGEMENT	DETAILS
 <p>Dr. Michael Muthamia Kiraithe PhD (University of Freiburg) MSc. Biomedicine BSc. Biomedicine</p>	<p>Chairman</p>
 <p>Mr. Frank Kibii Chepkilot BSC. Human Resource Management Diploma Personnel Management Certified Member IHRM</p>	<p>Secretary</p>
 <p>Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, FA, CPA, K</p>	<p>Member</p>
 <p>M/s Andia A. Khaseke MBA-((UoN), BED-Business Studies & Economics, CPAK, CIA, IRM.</p>	<p>Member</p>

 <ul style="list-style-type: none"> • Mr. Charles Ongolo <ol style="list-style-type: none"> 1. bachelor of science in biotechnology 2. ISO 9001:2015 Auditor. 5. Vaccinology in Africa 	<p>Member</p>
 <ul style="list-style-type: none"> • Mr. Geoffrey Simwa Chairman, Board of Trustee 	<p>Member</p>
 <ul style="list-style-type: none"> • Ms. Leah Kiarie LLM, LL. B, Post graduate Diploma, (PgD), MCI Arb 	<p>Member</p>

4. Chairman's Report

The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) is a key institution within Kenya's animal health sector, responsible for the production and distribution of high-quality vaccines that safeguard the nation's livestock and contribute significantly to the agricultural economy. In keeping with its commitment to staff development and national priorities, KEVEVAPI has recently introduced a mortgage scheme for employees, a measure designed to enhance welfare while aligning with the Bottom-Up Economic Transformation Agenda (BETA) established by the Kenyan government. This report provides an in-depth analysis of the mortgage plan's inception, implementation, strategic alignment, and operational integration with Kenya's evolving governance framework.

Recognizing ongoing challenges faced by employees regarding access to affordable housing, KEVEVAPI developed a mortgage initiative intended to improve staff welfare, motivation, and retention. The launch of this scheme is timely, given the government's focus on affordable housing as a central component of the Bottom-Up Economic Transformation Model.

The structure of the mortgage plan accommodates varying income levels through flexible, institutionalized subsidized interest rates and government-backed incentives. KEVEVAPI collaborates with select financial institutions to offer favourable mortgage terms, lower initial deposits, and extended repayment schedules. The Board manages the scheme in partnership with Housing Finance (HF) Bank Kenya Limited, adhering to comprehensive guidelines addressing eligibility, financing structures, interest rates, loan durations, and termination processes. Policy oversight is provided by a dedicated committee, with benchmarking against industry best practices and alignment with the institute's legal, financial, and operational frameworks. To date, the Board has allocated Kshs. 35 million towards the scheme, with a projected increase to Kshs. 100 million in future budgets. A total of Kshs. 28.59 million has been disbursed to support four staff members and loans amounting to Kshs. 11.54 million have benefited three additional staff members. The Board continues to closely monitor the mortgage program to ensure compliance and sustained advantages for employees.

KEVEVAPI's mortgage initiative shows that employee welfare programs can boost both organizational performance and national development. By aligning with the Bottom-Up Economic Transformation Model, KEVEVAPI demonstrates leadership in vaccine production and institutional growth. The evolving scheme could serve as a model for other state-owned enterprises seeking to link employee empowerment with economic reform, highlighting the benefits of inclusive governance and investing in human capital.


Hon. Abdi Mude Ibrahim
Chairman, Board of Directors

5. Report of the Managing Director

The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) stands at the intersection of national priorities and institutional growth. In response to the Kenya Kwanza government's BETA (Bottom-Up Economic Transformation Agenda) aspirations, KEVEVAPI has embarked on a transformative journey to enhance staff welfare through the implementation of a staff car and housing mortgage plan. These initiatives are designed not only to strengthen the institute's human resource base but also to drive productivity, motivation, and institutional loyalty among employees. As the Managing Director, it is my privilege to provide a detailed account of the progress made so far, highlight key milestones, and outline steps taken to ensure strategic alignment with national goals.

KEVEVAPI's staff car loan and mortgage scheme, established through SRC Circular No. SRC/ADM/CIR/1/13 Vol. III (1A 28) dated 17th December 2014, allows staff access to private vehicle and affordable housing. Within this framework, KEVEVAPI's staff car plan initiative seeks to enable staff members to access reliable private transportation, reducing commute times and improving work-life balance. By doing so, it aligns with BETA's focus on productivity and dignity for workers. The housing mortgage plan on the other hand creates a provision of affordable housing mortgages that supports staff in acquiring decent homes, reflecting the BETA commitment to enhancing social welfare and economic stability. These programs are not simply benefit schemes but are integral to KEVEVAPI's overall strategy to attract, retain, and motivate top talent, which is a cornerstone of institutional effectiveness and service delivery. The roll-out of the staff car and housing mortgage plan has been structured around core principles: transparency, inclusivity, sustainability, and strategic partnerships.

During the reporting period, the Scheme maintained an interest rate of 6% as cost of borrowing. The cost of borrowing has continued to attract increasing numbers of loan applicants. From the initial funding of Kshs. 35 million by KEVEVAPI, the fund value has grown to Kshs. 36.68 million through reinvestment of the interest from the unutilized funds. As at 30 June 2025, the scheme financed four (4) staff members from different cadres with a total disbursement of Kshs. 11.54 million to-date. Funds are released based on milestones achieved for construction thus the difference in the levels of staff committed and disbursed. A total of Kshs 28.585 million has so far been committed. This has created a need for the Board to consider additional funding to meet the growing demand for mortgage loans. This benefit has played a role in the motivation and retention of staff at KEVEVAPI.

We extend our appreciation to the Government for its valuable support to the institute, which facilitates the implementation of the Scheme, as well as to the Board of Directors and HF Bank Kenya Limited for their ongoing assistance and goodwill. We anticipate continued collaboration as we strive to address the critical transport and housing needs of the staff members of the Kenya Veterinary Vaccines Production Institute.

Dr Alex Zephania Sabuni
Managing Director

Sign.......... Date 22/08/2025

6. Statement of Performance Against Predetermined Objectives

The Salaries and Remuneration Commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the Constitution of Kenya and subsequently Section 13 of the Salaries and Remuneration Commission Act, 2011, reached and analyzed Car Loans and Mortgage Schemes for the State Officers and other Public Officers in Government. SRC undertook a comparative approach between the public sector and private sector and compare it to that the market dictates.

The key objectives of the Kenya Veterinary Vaccines Production Institute Staff Car loan & Mortgage Scheme fund for the FY 204-2025 are as follows:

- Provide loan facility for purchase of land
- Provide Loan facility for development of residential houses
- Provide loan facility for purchase of motor vehicles for personal use.

The Kenya Veterinary Vaccines Production Institute Staff Car loan & Mortgage Scheme develops its annual work plans based on the above objectives. Assessment of the fund's committee performance against its annual work plan is done on a quarterly basis. The scheme achieved its performance targets set for the FY 2024/2025 period for its three strategic pillars, as indicated in the diagram below:

Scheme Name	Objectives	Key Performance Indicators	Activities	Achievements
KEVEVAPI Staff Car Loan & Mortgage Scheme	Provide loan facility for purchase of Land	No of plots title deed acquired. Number of residential houses constructed	Receive application Vet Application Vet Identified plot Vetting of approvals Monitor Construction of houses	1 Plot acquired and paid for at Kshs. 2,700,000
	Provide loan facility for construction of residential houses	Completion Certificate of residential houses constructed	Receive application Vet Application Supervise Construction of	Two staff successful vetted and facilitated. The construction is

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS
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			houses through administrator	ongoing at a total of Kshs. 15,435,852.00 when fully disbursed.
	Provide loan facility for purchase of residential houses	No of residential houses purchased.	Receive applications Vet applications Vet houses for Purchase	One staff successful and process of disbursement ongoing. The loan awarded is Kshs.10,450,000
	Provide loan facility for purchase of motor vehicles for personal use	No of car log books issued	Receive applications Vet documentation of vehicle identified	Not applicable

7. Corporate Governance Statement

The Board of Directors

The Board of Directors is the body of appointed by the Government to jointly oversee the activities of the Kenya Veterinary Vaccines Production Institute Car Loan and Mortgage scheme. The Board provides strategic direction, exercise control and remain accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

Roles of the Board in relation to Scheme Administration

- i. Supervise the administration of the Scheme
- ii. Cause to be kept books of account and other records in relation to the Scheme.
- iii. Furnish such information regarding the administration of the Scheme as may be required for examination and audit by the Auditor General or under any law;
- iv. Designate or appoint such staff as may be necessary to assist in the administration of the scheme.

Board Composition

The appointing authority ensures that the Board composition complies with requirements in the Constitution of Kenya and any applicable legislation. Members act independently and each Board member understands the broad outline of the organization's policies. Each of the Board members is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and at least one member is a financial expert, meaning that he or she has expertise in financial management and accounting.

Term Limits and succession planning

Board members hold office for a period not exceeding three (3) years, and are eligible for reappointment for one more term not exceeding three (3) years. The renewal of a Board Member's tenure for a second is subject to an acceptable evaluation as determined during Board evaluations. The appointing authority ensures staggering of Board appointments so that the respective expiry dates of the members terms fall at different time to ensure proper succession planning and continuity of the Board affairs.

The Board Service Charter

The Board of Directors Charter (the "Charter") defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about how their strategic and operational plans align with the organization's strategic direction and expectations, with respect to governance.

The Charter was adopted by the Board, acting in accordance with Mwongozo, Code of Governance for State Corporations ('the Code'), and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law or regulation.

Risk Management

The Scheme has implemented risk management initiatives which are part of the wider Kenya Veterinary Vaccines Production Institute Risk Management Framework, which identifies the risks that must be controlled and assigns duties within a systematic approach. The Staff Mortgage Advisory Committee is responsible for risk identification management activities. The final line of defense involves the External Auditor and the Internal Audit function. The Internal audit function of the Board independently evaluates the adequacy of overall risk management framework and reports the same to the Board Audit Committee.

Performance and remuneration of the Board members

Board members undertake an annual evaluation of performance which is conducted by the State Corporation Advisory Committee (SCAC). Board allowances are paid by the sponsor of the Scheme since the Board carries out its oversight role of the scheme along with Kenya Veterinary Vaccines Production Institute .

Board meetings

During the Financial year 2024/25, the Board held 4 Full Board meetings, 16 Board Committee meetings (one per quarter for each of the Four Board Committees) and Four Special Full Board meetings to handle urgent matters, one special joint Finance Human Resources & Administration and Internal Audit & Risk Management, One Special and Finance Human Resources & Administration and one Ad hoc Committee meeting. All the meetings attained the requisite quorum.

Staff Car loan and Mortgage Advisory Committee

The members of the Committee are appointed by the Managing Director, KEVEVAPI and their responsibility is to oversee the implementation and administration of the Scheme.

Composition of the Staff Car loan and Mortgage Advisory Committee

The Committee comprise of the three (5) Heads of Department and three (3) other members of staff. Among the appointed members, the Managing Director is required to appoint a Chairperson while the staff responsible for Human Resource matters in the Board becomes the Secretary to the Committee.

Roles and functions of the Staff Car loan and Mortgage Advisory Committee

The functions and duties for the staff Mortgage Advisory Committee are to;

- i) Supervise the day-to-day running of the Scheme.
- ii) Approve successful applications.
- iii) Forward the successful applications with recommendation to the Service Provider for approval.
- iv) Process applications for loans in accordance with the existing terms and conditions of borrowing.
- v) Communicate the decision of the application to the applicant through the secretary of the Scheme.

Succession plan of the Committee

Members of the Staff Mortgage Advisory Committee holds office for a period not exceeding three (3) years, and are eligible for reappointment, save for the Secretary who is a permanent member of the Committee.

8. Management Discussion and Analysis

During the review period, the Central Bank Rate (CBR) was raised to 12.75 per cent as at August 2024, dropped to 11.25 per cent as at December 2024, 10 per cent in April 2025 and 9.75 in June 2025, translating to an average of 11.08 per cent during the financial year. The decision aimed to support lending and economic activity, with the bank citing room for further monetary easing. Domestic lending rates have been falling, and private sector credit growth has shown modest recovery. The Monetary Policy Committee considered global risks, including US-China trade tensions, conflicts in Ukraine and Palestine, slowing domestic growth, and the fact that major economies central banks have continued to cut rates cautiously. source (Central Bank of Kenya).

Change in Central Bank Rate has effect on the interest earned by the fund, especially on unutilized funds which earns interest at 20% of the CBR. Interest is charged on the Staff mortgage loans at a rate 3.0% p.a. The rate is calculated as the sum of the administration fee. Interest credited on unutilized fund is revolved to the Scheme fund, hence it is recognized as income. The amount of interest realized from the unutilized fund during the year was Kshs. 471,717.12. Notably, the unutilized funds will keep reducing as the construction of the houses is completed and the one staff whose process of acquisition of a residential house is finalized.

Loans to Staff of KEVEVAPI

In the year under review, a total of Kshs. 11,538,912.00 was disbursed as loans to three staff members with total loans repayments of Kshs. 257,108.81 in the similar period. Total outstanding loans as at 30 June 2025 was Kshs. 11,281,803.19 held by three (3) staff members who have so far benefited from the Scheme. The total amount committed but not utilized as at 30/06/2025 was Kshs. 17,046,940.00. This was mainly awaiting the achievement of the set milestones.

Material arrears in Statutory and other financial obligations.

The Scheme does not have any arrears in statutory or financial obligations. The Scheme's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its obligations as and when they fall due.

Major risks facing the Scheme

i) **Liquidity risks** which may result to the Scheme's inability to meet the financial obligation. This is managed by processing of loans on first come first served basis subject to availability of funds.

ii) **Credit risks** which is the possibility of default by the beneficiaries.

iii) **Scheme's financial probity and governance issues.** The Board plays the oversight role over the administration of the Scheme. There is a clear separation of roles between the Staff Mortgage Advisory Committee and the Administrator, who is HF Bank Kenya Limited.

9. Environmental and Sustainability Reporting

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 responsibilities 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. KEVEVAPI participates in field days to sensitize farmers on available products.

KEVEVAPI allocates a minimum 30% of its procurements to youth, women and persons with disabilities and allocates at least 2% of the 30% of the budget to Persons with Disabilities (PWDs). The Institute pre-qualify the registered groups as an affirmative action in all quarters, builds the capacity of the target groups youth, women, and persons with disabilities groups through sensitization on: government procurement procedures; the requirements for accessing government procurement opportunities; and the specific opportunities available. KEVEVAPI promotes the consumption of Local Content by reserving a minimum of 40% of the procurement.

For the Financial Year 2024/25, KEVEVAPI sponsored several Kenya Veterinary Association field days where Dairy farmers and professionals were sensitized on how to improve the health of livestock thus sustain farmer's livelihood.

KEVEVAPI shall be a safe place to work, maintain a hiring process that considers the gender ratio, engage stakeholders and is under continuous improvement. Staff are under continuous improvement through technical and professional training to improve skills and managing careers.

The institute was involved in National tree planting exercise in her Limuru farm and in Embakasi. The institute also participated in vaccination in Samburu county and sensitization of farmers in the same county, Nyandarua and Nakuru counties on the benefits of vaccination to the farmers.

10. Report of The Directors

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2025 which show the state of the Scheme's affairs.

Principal activities

The principal activity of the Scheme is to provide Car and housing loans to the staff members of KEVEVAPI.

Results

The results of the Kenya Veterinary Vaccines Production Institute Staff Mortgage Scheme for the year ended 30 June 2025 are set out on Page 1.

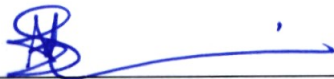
Directors

The members of the Board of Directors who served during the year are shown on Pages iv to v. During the year, three Board members including the Chairman exited and in replacement three Directors including the Chairman were appointed.

Auditors

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

By Order of the Board



Dr. Alex Sabuni

Secretary to the Board

Date: 22/06/2025

11. Statement of Director's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Scheme established in line with Public Finance Management Act, 2012 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014, shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. 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 fund, (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 fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Dairy Industry Act Cap 336. The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2025, and of the Scheme's financial position as at that date.


The Directors further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the Scheme's ability to continue as a going concern.

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

Approval of the financial statements

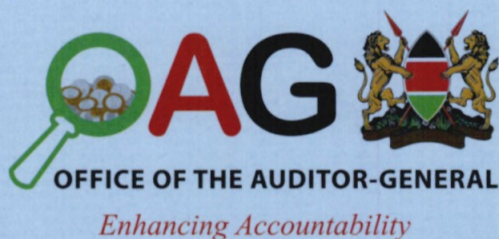
The Scheme's financial statements were approved by the Board on 22nd August, 2025 and signed behalf by:


.....
Hon. Abdi Mude Ibrahim
Chairman of the Board


.....
Dr. Alex Sabuni
Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINE PRODUCTION INSTITUTE STAFF CARLOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute Staff Car Loan & Mortgage Scheme Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025 and the

statement of statement of financial performance, statement of changes in 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, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institute Staff Car Loan & Mortgage Scheme Fund as at 30 June, 2025 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 Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Veterinary Vaccines Production Institute Staff Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on the 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 opinion.

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. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the Other Information set out on page iii to xvii which comprise of Key Fund information and Management, Management Team, Chairman's Report, Report of the Managing Director, Statement of Performance Against Predetermined Objectives) Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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 3000 and ISSAI 4000. The standards require 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 comply 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 THE EFFECTIVENESS OF 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, I confirm that nothing 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 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall 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 the Management and the Committee

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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's, ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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 comply 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 Fund's financial reporting process, reviewing the effectiveness of how Management 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

13.Statement of Financial Performance for the year ended 30th June 2025.

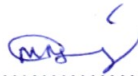
	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	6	559,035	-
Total revenue		559,035	-
Expenses			
Use of goods and services	7	87,318	-
Total expenses		87,318	-
Other gains/losses			
Gain/loss on disposal of assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(deficit) before tax		471,717	-

The notes set out on pages 6 to 24 form an integral part of these Financial Statements. The Financial Statements set out on Pages 1 to 5 were signed on behalf of the Board of Directors by:

The financial statements were approved on 22/08/2025 by the Board:



Name: Dr. Alex Sabuni
Managing Director



Name Peter Macharia
Fund Accountant
ICPAK M/No 15878



Name: Abdi Mude Ibrahim
Chairman of the Board

14. Statement of Financial Position as at 30th June 2025


	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	8	25,399,890	-
Receivables from exchange transactions	9a	965,304	-
Total Current Assets		26,365,194	-
Non-current assets			
Receivables from exchange transactions	9b	10,316,499	-
Total Non-Current Assets		10,316,499	-
Total assets		36,681,693	-
Liabilities			
Net assets			
Car and Mortgage revolving fund	11	36,209,976	-
Accumulated surplus (<i>Reserves</i>)	10	471,717	-
Total net assets and liabilities		36,681,693	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

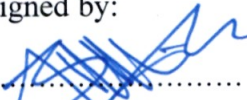
The Scheme financial statements were approved on 22/08/ 2025 and signed by:



Name: Dr. Alex Sabuni
Managing Director



Name Peter Macharia
Fund Accountant
ICPAK M/No 15878



Name: Abdi Mude Ibrahim
Chairman of the Board

15.Statement of Changes in Net Assets for the year ended 30th June 2025

	Car Loan & Mortgage Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2023	-	-	-
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Interest capitalized*	-	-	-
Transfers	-	-	-
As at 30 June 2024	-	-	-
Balance as at 1 July 2024	20,000,000	1,209,976	21,209,976
Surplus/(deficit) for the period	-	471,717	471,717
Funds received during the year	15,000,000	-	15,000,000
Interest capitalized*			
Transfers	-		
As at 30 June 2025	35,000,000	1,681,693	36,681,693

N.B: Kshs 1,209,976 was accumulated interest on bank deposits as at the beginning of the year and combined with the interest for the year of Kshs 471,717 totaled to Kshs. 1, 681,693 as at 30/06/2025.

16. Statement of Cash Flows for the year ended 30th June 2025

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received		559,035	-
Total receipts		559,035	-
Payments			
Use of goods and services		87,318	-
Total payments		87,318	-
Net cash flow from operating activities	12	471,717	-
Cash flows from investing activities			
Proceeds from loan principal repayments		257,109	-
Loan disbursements paid out		(11,538,912)	-
Net cash flows used in investing activities		-11,281,803	-
Cash flows from financing activities			
Receipts into the mortgage revolving fund		15,000,000	-
Net cash flows used in financing activities		15,000,000	-
Net increase/(decrease) in cash and cash equivalents		4,189,914	-
Cash and cash equivalents at 1 July 2024	8	21,209,976	-
Cash and cash equivalents at 30 June 2025	8	25,399,890	-

17. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	D	e=(c-d)	F=d/c
Revenue						
Interest income	559,035	-	559,035	559,035	-	-
Total Revenue	559,035	-	559,035	559,035	-	-
Expenses						
Use of goods and services	87,318	-	87,318	87,318	-	-
Expenditure	87,318	-	87,318	87,318	-	-
Surplus for the period	471,717	-	471,717	471,717	-	
		-				
Capital Expenditure	36,681,693	-	36,681,693	11,538,912	25,142,781.29	31.5%

Budget notes

The Scheme received Kshs. 15,000,000 additional funding from KEVEVAPI, hence the expenditure as well as the loans advanced to staff during the year were made from the cumulative Scheme's available funds in line with existing policy guidelines and legal contract. The intended objectives and service delivery to the stakeholders were therefore achieved. The Kshs.25.14 million unutilized amount is committed as the mortgage amounts are disbursed in tranches for two applicants being construction. For another applicant, the process of disbursing the funds is ongoing as it requires verification of ownership documents which is at the tail end. We expect the process to conclude in the first quarter of FY 2025/26

18. Notes to the Financial Statements

1. General Information

The Kenya Veterinary Vaccines Production Institute Staff Car Loan & Mortgage Scheme is established by and derives its authority and accountability from the circulars referenced; SRC//ADM/CIR/1/13 Vol.III (128) of 17th December 2014; SRC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL III (142) of 25th August 2015. The Fund is wholly owned by Kenya Veterinary Vaccines Production Institute and domiciled in Kenya. The scheme's principal activity is to administer a mortgage and car loan scheme for KEVEVAPI members of staff to access loan facilities for purchase of plot, development of residential houses and purchase of motor vehicles for personal use.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the scheme. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*
There were no new and amended standards issued in the financial year

Standard	Effective date and impact:
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- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The impacts of the change have been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The Scheme has neither assets held for sale nor discontinued operations hence the standard has no effect on its operations.</i></p>

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025.

Standard	Effective date and impact:
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The impacts change has been assessed and at the moment the same has no effect on the operations of the Scheme, since the Fund has no assets under the category of Property, Plant and Equipment.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The impacts of the change have been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>-The impacts of the change has been assessed in regard to reporting of useful information on revenue and related cash flows. At the moment, the same has no effect on the operations of the Scheme.</p>

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025.

Standard	Effective date and impact:
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>-The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The impacts of the change have been assessed and at the moment the same has no effect on the operations since the Scheme does not operate a retirement benefit plan.</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>-The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>

iii. Early adoption of standards

The Scheme did not early - adopt any new or amended Standards in the financial year ended 30 June 2025.

4. Significant Accounting Policies

a. Revenue recognition

i) 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 or 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 Scheme and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

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 earned for each period. The Scheme provides for interest from both utilized and unutilized funds and the same are recognized as interest revenue in the Statement of Financial Performance.

Significant Accounting Policies (Continued)

b. Budget information

Significant Accounting Policies (Continued)

The original budget for FY 2024-2025 was approved by The National Treasury and Economic Planning in June 2024 together with that of KEVEVAPI. The funds of the Scheme are enhanced gradually through budgetary appropriations from the Board's budget. No additional funding to the scheme was proposed during the year and neither subsequent revisions nor additional appropriations were made during the year.

The Scheme'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 the financial years where by the Board has provided for transfers to the Scheme.

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. Where applicable, a statement to reconcile the

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025.

actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals expenditure for the year.

In the year ended 30 June 2025, the Board provide for Kshs 15 million as transferable funds to the Scheme and hence the income, expenditure and the loans advanced were based on this funds and other available fund held by the Scheme.

c. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial assets

The Scheme classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Significant Accounting Policies (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Loans and receivables

Loans and receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Significant Accounting Policies (Continued)

Impairment

The Scheme assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Scheme recognizes a loss allowance for such losses at each reporting date. Based on the critical estimates and significant judgments made by management in determining the expected credit loss (ECL), there is impairment on loans since all loans are fully performing and HF Bank Kenya Limited has registered a first charge against the properties acquired on each loan.

I. Financial liabilities

Classification

The Scheme classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d. Contingent liabilities

The Scheme 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.

e. Contingent assets

The scheme does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f. Nature and purpose of reserves

The scheme creates and maintains reserves in terms of specific requirements. *(Fund to state the reserves maintained and appropriate policies adopted).*

g. Changes in accounting policies and estimates

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

Significant Accounting Policies (Continued)

h. Related parties

The Scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Staff Mortgage Advisory Committee, the Fund Managers, and Fund Accountant.

i. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank. Bank account balances include amounts held at the HF Bank Kenya Limited and relate to the funds available for lending as at the end of the financial year.

j. Comparative figures

The scheme operations have started within this year and therefore there are no comparative figures to compare with.

k. Events after the reporting period

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

l. Ultimate and Holding Fund

The Scheme is a Fund under the sponsorship of KEVEVAPI which is a Semi-Autonomous Government Agency (SAGA) under the Ministry of Agriculture and Livestock Development and domiciled in Kenya.

m. Currency

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

Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Scheme'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.

a) 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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE CAR LOAN AND MORTGAGE FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025.

Notes to the Financial Statements

6. Interest income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest income from Mortgage Loans (Utilised funds)	87,318	-
Interest earned on Bank Deposits (Unutilised fund)	471,717	-
Total Interest Income	559,035	-

7. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Administration fees	87,318	-
Total	87,318	-

HF administers the Scheme at an administrative fee of 3.0% per annum on reducing balance basis. The administration fee is normally recovered from the monthly mortgage repayments as part of the interest on mortgage loans, hence interest income from utilized funds is equal to the administration fees for the year. Total administration fee charges during the year was Kshs. 87,318.00.

8. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Staff Housing Mortgage account	25,399,890	21,209,976
Total Cash and Cash equivalents	25,399,890	21,209,976

8 a) Detailed analysis of the cash and cash equivalents

		2024/2025	2023/2024
Financial Institution	Account number	Kshs.	Kshs.
Mortgage and Car Loan Fund			
HF Bank Kenya Limited		25,399,890	-
Total cash and cash equivalents		25,399,890	-

9. Receivables from exchange transactions

Description	2024/2025	2023/24
	Kshs.	Kshs.
Balance brought forward	0	-
Receivable in Less than 1 year	965,304	
Long Term Receivables	10,316,499	-
Total Receivables	11,281,803	-

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9a. Ageing analysis (receivable from exchange transactions)	Current FY	%of total	Comparative FY	%of total
Less than 1 year	965,304	8.6%	-	%
Total (tie to totals above)	965,304	8.6%	-	%

9b. Current and Long-term loans receivables from exchange transactions	Current FY	%of total	Comparative FY	%of total
Between 1-2 years	1,279,006	11.3%	-	%
Between 2-3 years	1,317,908	11.7%	-	%
Over 3 years	7,719,585	68.4%	-	%
Total Long Term Receivables	10,316,499	91.4%	-	%

10. Accumulated surplus This comprises of accumulated surplus over the years.	2024/2025	2023/24
	Kshs	Kshs
At start of the year	1,209,976	-
Surplus for the year	471,717	-
Total	1,681,693	-

11. Capital Fund	2024/2025	2023/2024
	Kshs	Kshs
Staff Housing Mortgage Scheme As at 01/07/2024	20,000,000	-
Addition Capital ON 12/11/2024	15,000,000	-
Total	35,000,000	-
The Capital Funds movement during the year was as follows;	2024-2025	2023-24
	Kshs	Kshs
Balance brought forward	21,209,976	--
Additional funds received during the year	15,000,000	-
Interest earned from unutilised fund during the year	471,717.12	-
Balance Carried Forward	36,681,693	-

Notes to the Financial Statements (continued)

12. Net cash flows from operating activities

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	471,717	-
Adjusted for:		
Interest income	-	-
Working capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	471,717	-

13. Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme hedge the financial risks by HF registering first legal charge over the properties as primary security for the Mortgage Loan. Similarly, prior to the disbursement of Mortgage Loan funds HF Bank is required to arrange at the expense of the Borrower, a mortgage protection insurance cover for each Borrower for the full amount advanced and a comprehensive house owners cover for the full market value of the property for which the Car & Mortgage Loan is advanced.

The Scheme's financial risk management objectives and policies are detailed below;

a) Credit risk

HF Bank assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the HF Bank who are the administrators of the Scheme. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Schemes' maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
Financial assets				
At 30 June 2025				
Receivables from exchange transactions - Mortgage Loans	11,281,803	11,281,803	-	-
Cash and cash equivalents	25,399,890	25,399,890	-	-
Total	36,681,693	36,681,693	-	-
Financial assets				
At 30 June 2024				
Receivables from exchange transactions - Mortgage Loans	0	0	-	-
Cash and cash equivalents	21,209,976	21,209,976	-	-
Total	21,209,976	21,209,976	-	-

All the beneficiary staff are under the fully performing category and are paying their loans as they continue working for the Board. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts has been recognised by the Scheme in the financial statements since there no potential irrecoverable amounts. The Scheme has significant no concentration of credit risk on amounts due from either of the loan beneficiaries.

The Staff Mortgage Advisory Committee sets the Scheme's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The Scheme did not have cash flows payable under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

Notes to the Financial Statements (continued)

c) Market risk

KEVEVAPI has put in place an internal audit function to assist it in assessing the risk faced by the Scheme on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, which will affect the Scheme's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the SMAC. The Fund's SMAC is also responsible for the development of detailed risk management policies (subject to review and approval by the Board members of KEVEVAPI) and for the day-to-day implementation of those policies.

There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measures the risk.

d) Interest rate risk

Interest rate risk is the risk that the Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's interest rate risk arises from bank deposits, representing the unutilized funds held by the Bank. This exposes the Scheme to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme's deposits.

Management of interest rate risk

To manage the interest rate risk, KEVEVAPI has endeavored to bank the funds for the Scheme with institutions that offer favorable interest rates.

Notes to the Financial Statements (continued)

Sensitivity analysis

The Scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on surplus or deficit of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior years.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if there is a change in current floating interest would cause no change in surplus since the interest is calculated as the sum of the administration fee. However, should the Central Bank Rate decrease by one percentage point would cause a decrease in interest credited to the fund from Kshs. 471,717.12 to Kshs. 466,999.95. A rate decrease of 5% would result in a decrease in the interest credited from Kshs. 471,717.12 to Kshs. 448,131.26

e) Capital risk management.

The objective of the Scheme's capital risk management is to safeguard the Scheme's ability to continue as a going concern. The Scheme capital structure comprises of the following funds:

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Revolving fund	35,000,000	-
Accumulated surplus (<i>Reserves</i>)	1,681,693	-
Total funds	36,681,693	-
Less: Cash and bank balances	(25,399,890)	(21,209,976)
Net Shareholder equity	11,281,803	(21,209,976)
Gearing	30.8%	

14. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Scheme 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 scheme is related to the following entities:

- i) KEVEVAPI
- ii) Key Management to KEVEVAPI
- iii) Staff Mortgage Advisory Committee (SMAC)

Notes to the Financial Statements (continued)

b) Related party transactions

i. Transfers from related parties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfer from KEVEVAPI during the year	15,000,000.00	
Cumulative transfers from KEVEVAPI	35,000,000	20,000,000

ii. Key management Transaction

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board of Directors	-	-
Key Management Compensation	-	-
Total	-	-

15. Events after the Reporting Period

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

16. Ultimate and Holding Entity

The Entity is a Scheme under the sponsorship of KEVEVAPI which is a state corporation under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

17. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

19. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

This is the first time the scheme is being audited as a separate entity.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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*Kenya Veterinary Vaccines Production Institute Car & Mortgage scheme
Po. Box 53260 Nairobi*

Annex II: Inter-Fund Confirmation Letter


*Kenya Veterinary Vaccines Production Institute
Po. Box 53260 Nairobi*

The Kenya Veterinary Vaccines Production Institute wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (Kshs) as at 30 th June 2025 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	12/11/2024	-	15,000,000	-	15,000,000	15,000,000	-
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounting department of beneficiary Fund:

Name **Peter Macharia Gitau** Sign  Date **29 August 2025**

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Annex III: Reporting of Climate Relevant Expenditures

The Scheme did not incur any expenditures on any climate relevant activities for period ended 30 June 2025.

Annex IV: Reporting on Disaster Management Expenditure

The Scheme did not incur any expenditures on any climate relevant activities for period ended 30 June 2025.

