

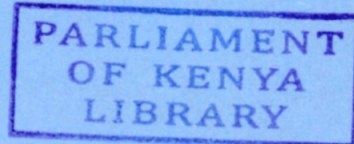
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

VETERINARY MEDICINE DIRECTORATE

FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

DAY

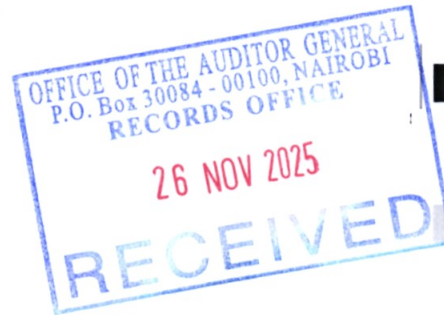
WEDNESDAY

TABLED
BY:

HON. NAOMI WAGO, MP
DEPUTY MAJORITY WHIP

CLERK AT
TABLE:

ESTHER NJINDIYO



VETERINARY MEDICINES DIRECTORATE
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)

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1. Acronyms and Definition of Key Terms

A: Acronyms

CEO	Chief Executive Officer
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
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
VMD	Veterinary Medicines Directorate
VMDC	Veterinary Medicines Directorate Council

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

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2. Key Entity Information and Management

(a) Background information

The Veterinary Medicines Directorate (VMD) was established under the Veterinary Surgeons and Veterinary Paraprofessionals (VSVP) Act 2011 and operationalized by the Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015. The entity is domiciled in Kenya.

(b) Principal Activities

Mandate

The mandate of the Veterinary Medicines Directorate is to regulate the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya;

Vision

To be the ultimate regulatory agency for veterinary medicines, vaccines, and animal health technologies.

Mission

To safeguard animal health, human health, and the environment and promote animal welfare by assuring the quality, safety, and effectiveness of veterinary medicines, vaccines, and other animal health technologies.

Core Values

- Professionalism
- Integrity
- Transparency and accountability
- Innovativeness
- Teamwork
- Inclusivity

Functions

The functions of the Directorate are to —

- (a) Formulate and enforce quality assurance standards in the in the manufacture, distribution and use of veterinary medicines to safeguard human and animal health and the environment;
- (b) In consultation with the director of veterinary services, regulate the use of veterinary medicine for the treatment of animals under the animal diseases act ();
- (c) Consider applications for approval for market authorization of veterinary medicines;
- (d) Set quality assurance standards for training in the management of veterinary medicines as directed by the Kenya Veterinary Board;
- (e) Collaborate with the Kenya veterinary board in regulating training in the management of veterinary medicines;
- (f) Inspect and approve premises in which the manufacture, sale or supply of veterinary medicine is conducted;
- (g) Appoint and gazette veterinary medicine inspectors;
- (h) Establish the standard operating procedures for veterinary medicine inspectors;
- (i) Regulate veterinary pharmacy practices;
- (j) Categorize veterinary medicines and the qualification of persons authorized to trade in each category and review the categories every five years;

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- (k) Regulate clinical and non-clinical trials of veterinary medicines by individuals and institutions to be involved in the trials;
- (l) Regulate the manufacture, importation, exportation, handling, advertisement, labelling, sale and disposal of veterinary medicines;
- (m) Register all veterinary medicines manufactured or imported for use in the country or exported from the country;
- (n) Monitor the market for and take measures necessary for the elimination of trade in illegal and counterfeit veterinary medicines;
- (o) Establish systems of pharmaco-vigilance and conduct pharmaco-vigilance of veterinary medicines through regular inspections and surveys;
- (p) Enforce good manufacturing practice for veterinary medicines as approved by the Council;
- (q) Develop, apply and from time to time review guidelines to be used in the inspection and ensuring compliance with good manufacturing practice;
- (r) Ensure that the promotion and marketing of veterinary medicine is in accordance with the approved product information;
- (s) Publish, on an annual basis, a notice in the Kenya *gazette* inviting the public to note and inspect the register of veterinary medicines and the list of approved veterinary pharmacy practices within such period and at such place as may be specified in the notice;
- (t) Consider, grant, issue or revoke authorizations and certificates in accordance with these regulations;
- (u) Collaborate with other regulatory agencies including the public health (standards) board in section 27 of the food, drugs and chemical substances act (cap. 254), the pest control products board established under section 5 of the pest control products act () and the central board of health established under section 3 of the public health act () to carry out its mandate; and
- (v) Undertake any other thing necessary for the effective carrying out of its mandate under this or any other act

(c) Key Management

The *Entity's* day-to-day management is under the following key organs:

No.	Designation	Name
1.	Chairperson, Veterinary Medicines Directorate Council	Dr. Ningala Kalachu
2.	The Chief Executive Officer	Dr. Emily Muema
3.	Manager, Laboratory Services	Mr. Nehemiah Birgen
4.	Assistant Director of Veterinary Services	Dr. Elijah Munguti
5.	Assistant Director of Veterinary Services	Dr. William Mwamba
6.	Senior Accountant	CPA. Emmanuel Opagala
7.	Senior Internal Auditor	CPA. Daniel Buteck
8.	ICT Officer	Mr. Baraka Nyinge
9.	Supply Chain Management Officer	Ms. Emily Githinji

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No	Designation	Name
1	Chief Executive Officer	Dr. Jane Njoki Njiru (Up to 15 th January 2025)
2	Acting Chief Executive Officer	Dr. Emily Muema (Appointed on 29 th January 2025)
	Assistant Director, Laboratory Services	Mr. Nehemiah Kipng'etich Birgen (Appointed on 11 th February 2025)
3	Assistant Director of Veterinary Services	Dr. Kenneth Otieno Orengo (Up to 1 st April 2025)
4.	Assistant Director of Veterinary Services	Dr. Elijah Munguti (Appointed 11 th February 2025)
5.	Assistant Director of Veterinary Services	Dr. William Mwamba (Appointed 11 th February 2025)
6.	Senior Internal Auditor	CPA. James Resa (Resigned on 30 th September 2025)
7.	Senior Accountant	CPA. Emmanuel Opagala (Appointed on 15 th January 2025)
8.	Senior Internal Auditor	CPA Daniel Buteck (Appointed on 1 st May 2025)
9.	Accountant	Mr. Dennis Mburu Karanja (Up to 15 th January 2025)
10.	Supply Chain Management Officer	Ms. Emily Murugi Githinji (Appointed on 2 nd December 2025)
11.	ICT Officer	Mr. Christopher Kioko (Up to 1 st April 2025)
12.	ICT Officer	Mr. Baraka Karima Nyinge (Appointed on 15 th March 2025)

(e) Fiduciary Oversight Arrangements

Veterinary Medicines Directorate Council has the responsibility of acting in the best interest of the Directorate with due care and skill while making good decisions; ensuring there is no conflict of interest. To enhance efficiency and effectiveness, the Council is constituted four standing Committees: -

- a) Technical and Registration Committee
- b) Finance, strategy and administration Committee
- c) Audit and Risk Management Committee
- d) Governance and Human Resource Committee

(f) Directorate's Headquarters

P.O. Box 66171-00800
Pest Control Products Board Plaza
Off Waiyaki Way
Nairobi, Kenya

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(g) Directorate's Contacts

Telephone: (254) 743795395

E-mail:

Website:

(h) Directorate's Bankers

National Bank of Kenya

Westlands Branch

P.O. Box 1613-00606

Nairobi, Kenya

(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

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3. The Veterinary Medicines Directorate Council

Ref	Council Members	Details
1.	 Dr. Ningana Kalachu, MBA,BVM	<p>Dr. Margaret Ningala Kalachu, was born on 14th April 1969 and she is a distinguished Veterinary Surgeon possessing over two decades of professional experience within the pharmaceutical industry across East and West Africa. She holds a master's degree in business administration (Strategic Management) and a Bachelor of Veterinary Medicine (BVM) from the University of Nairobi. Her professional career is marked by extensive engagement with both local and multinational pharmaceutical and medical device corporations, underscoring her expertise, strategic acumen, and leadership within the sector. Dr. Ningala is the current Chairperson of the Veterinary Medicines Directorate Council.</p>
2.	 Dr. Elloy Okoth Otieno MBA,BVM	<p>Dr. Elloy Okoth Otieno was born on 13th June 1970 and he is a distinguished Veterinary Surgeon whose professional career spans over twenty-nine (29) years, encompassing global product strategy, marketing, and regulatory management within the pharmaceutical, veterinary, and agricultural industries. He is a member of the Kenya Veterinary Association (KVA) and the founder and Chief Executive Officer of Vetplan Enterprises Ltd, a company with diverse operations in the veterinary pharmaceutical sector.</p> <p>Dr. Otieno currently serves as the Chief Veterinary Surgeon at the Mombasa Road Veterinary Clinic in Nairobi. He holds a Bachelor of Veterinary Medicine (BVM) degree and a Master's Degree in Business Administration (MBA) from the University of Nairobi and is presently pursuing a Doctor of Philosophy (PhD) in Entrepreneurship and Small Business Development at the same institution. He is the independent Council member representing pharmaceutical industry and current Vice Chairperson of the Veterinary Medicines Directorate Council.</p>
3.	 Dr. Azegele Allan Embodoka, OGW BVM,MSc	<p>Dr. Azegele Allan Embodoka was born on 31st August 1968 and he is a distinguished Veterinary Surgeon with over thirty (30) years of experience in public service and currently serves as the Director of Veterinary Services in the Directorate of Veterinary Services within the State Department for Livestock of the Ministry of Agriculture and Livestock Development. He holds a Master of Science degree in Veterinary Public Health and a Bachelor of Veterinary Medicine (BVM) degree from the University of Nairobi. Dr. Azegele has overseen the Division of Diagnostic Services and Efficacy Trial Centres, and his responsibilities have included the coordination of the Antimicrobial Resistance (AMR) Programme within the Ministry, in close collaboration with the Ministry of Health.</p>


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		He is also the current Vice Chairperson of the Codex Alimentarius Commission.
4.	 <p>Mr. Joel Matheta BA</p>	<p>Mr. Joel Matheta was born on 16th December 1964 and he is a distinguished livestock farmer with over three decades of progressive experience in livestock production and management. He holds a Bachelor of Business Administration (Entrepreneurship) degree from Kenya Methodist University and a Higher Diploma in Accounting from Cambridge Tutorial College, United Kingdom.</p> <p>A committed agripreneur, Mr. Matheta has successfully integrated entrepreneurial principles into sustainable livestock farming practices, thereby contributing to the growth and development of the agricultural sector. His extensive practical experience, coupled with his academic and professional qualifications, enables him to effectively champion the interests of farmers.</p> <p>Mr. Matheta is an independent Council member representing farmers in the Veterinary Medicines Directorate Council, where he plays a pivotal role in policy formulation and decision-making processes affecting the livestock industry. Mr. Joel is the current chairperson for Audit and Risk Assurance Committee of the Council.</p>
5.	 <p>Dr. Irene Thiguku Kamanja PhD</p>	<p>Dr. Irene Thiguku Kamanja was born on 13th December 1966 and she is a distinguished Veterinary Surgeon and academic, currently serving as a lecturer at Egerton University, where she teaches both undergraduate and postgraduate programmes. She is highly specialized in Pharmacology and Toxicology, bringing a wealth of expertise to the field through her extensive academic, research, and professional engagements.</p> <p>Dr. Kamanja has previously served in various capacities in the Government of Kenya under the Ministry of Agriculture, Livestock Development and Fisheries, both before and after devolution. She has also worked in other notable training institutions, including the Animal Health Institute of Industrial Training and Meru Institute of Science and Technology.</p> <p>She holds a Bachelor of Veterinary Medicine (BVM), a Master of Science (MSc) in Applied Veterinary Parasitology, and a Doctor of Philosophy (PhD) in Pharmacology and Toxicology, all from the University of Nairobi. Dr. Kamanja's distinguished career reflects a deep commitment to advancing veterinary education, research, and professional practice, particularly in the areas of Pharmacology and Toxicology. She is an independent Council member representing academic institutions at the Veterinary Medicines Directorate Council. Kamanja is the current chairperson of Registration and Technical Committee of the Council.</p>

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<p>6.</p>	 <p>Mr. Edwin Samuel Wasiche MA</p>	<p>Mr. Edwin Samuel Wasiche was born on 5th May 1979 and he is a distinguished Veterinary Paraprofessional with over twenty years of experience in the veterinary pharmaceutical industry. He holds a Diploma in Animal Health from Egerton University, a Bachelor of Arts degree specializing in Marketing from St. Paul's University, and a Master of Business Administration degree from the same institution. Mr. Wasiche possesses extensive expertise in veterinary pharmaceutical marketing and supply chain management, having served in senior roles within notable companies such as Elgon Kenya Limited and Norbrook Kenya Limited, where he made significant contributions in the area of pharmaceutical marketing. In addition to his professional engagements, Mr. Wasiche is actively involved in veterinary regulation and professional welfare. He serves as a Board Member of the Kenya Veterinary Board, the Kenya Veterinary Sacco, and the Marketing Society of Kenya. He is independent Council member representing Veterinary Paraprofessionals at the Veterinary Medicines Directorate Council. Mr. Wasiche is the current chairperson of Governance and Human Resource Committee</p>
<p>7.</p>	 <p>Dr. Mary Theresa Agutu BVM,MSc</p>	<p>Dr. Mary Theresa Agutu was born on 20th August 1972 and she is a distinguished veterinary expert with 25 years of experience in field practice and in building the capacity of veterinary paraprofessionals. She holds a master's degree in medical Virology and a bachelor's degree in veterinary medicine. Dr. Agutu is the current Chief Executive Officer of the Kenya Veterinary Board, where she has been at the forefront of supervising and regulating veterinary training, business, practice, and the employment of veterinary surgeons and paraprofessionals in Kenya. She currently represents the Kenya Veterinary Board on the Veterinary Medicines Directorate Council.</p>
<p>8.</p>		<p>Dr. Dennis A.C. Onkundi was born in 16th September 197and he is a highly qualified and multi-skilled professional with expertise in leadership and management, animal health, and livestock breeding technologies, including bull health management, semen production, and embryo transfer technology. He has extensive experience in conducting quantitative and qualitative risk assessments, animal disease surveillance and reporting, as well as research, data compilation, and analysis, particularly through participatory approaches to disease investigation, surveillance, and community development. Dr. Dennis A. C. Onkundi holds a Master of Science degree in Biomedical Sciences, Epidemiology, and Economics (2007) from Utrecht University, Netherlands, with specialization in Veterinary Epidemiology, Economics, and</p>

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	<p>Dr. Dennis A.C. Onkundi BVM, MSc</p>	<p>Livestock Breeding Technology, and a Bachelor of Veterinary Medicine degree (1996) from the University of Nairobi.</p> <p>He possesses a strong working knowledge of government policy and regulations, livestock and livestock product marketing, sanitary and phytosanitary (SPS) guidelines, and OIE standards in international trade, risk assessment, and protocols for the control and eradication of transboundary animal diseases.</p> <p>Dr. Onkundi is the alternate to the Principal Secretary, State Department for Livestock, at the Veterinary Medicines Directorate Council.</p>
<p>9.</p>	 <p>Emily Kamanthe Muema, PhD</p>	<p>Dr. Emily Muema was born on 26th May 1977 and she is a seasoned veterinary pharmacologist and toxicologist with over two decades of experience in public service, academia, and research. She holds a Doctor of Philosophy in Pharmacology and Toxicology, a Master of Science in Animal Science, and a Bachelor of Veterinary Medicine, all from the University of Nairobi. Currently serving as the Acting Chief Executive Officer of the Veterinary Medicines Directorate (VMD), she provides strategic leadership in regulatory compliance, policy development, and stakeholder engagement to ensure the quality, safety, and efficacy of veterinary medicinal products in Kenya. Her pivotal contributions include operationalizing the Veterinary Medicines Directorate, spearheading legislation, and aligning national veterinary regulations with international standards.</p> <p>Beyond regulatory leadership, Dr. Muema has an extensive background in research, teaching, and capacity building. She has lectured at Egerton University and Mount Kenya University, supervised postgraduate research, and published in peer-reviewed journals on veterinary pharmacology, toxicology, and genetic diversity of livestock. Her expertise spans pharmacovigilance, Good Manufacturing Practices (GMP), and antimicrobial stewardship, with a strong focus on promoting prudent drug use and mitigating antimicrobial resistance. A member of the Kenya Veterinary Association, Kenya Veterinary Board, and the Toxicological Society of Kenya, Dr. Muema remains committed to advancing veterinary medicine, safeguarding public health, and fostering innovation in animal health systems.</p>

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4. Key Management Team

	Management	Details
1.	 Emily Kamanthe Muema, PhD, MSc, BVM	Dr. Emily Muema is the current Acting Chief Executive Officer and Director, Compliance and Surveillance Department
2.	 Mr. Nehemiah Birgen PhD (Ongoing), MSc, BSc	Manager, Laboratory Services, he is the head of Laboratory Division
3.	 Dr. William Mutule Mwamba BVM	Assistant Director of Veterinary Services, he is the head of Compliance Division.
4.	 Dr. Elijah Munyai Munguti BVM	Assistant Director of Veterinary Services, he is the head of Registration, Licencing and Standards Department
5.	 CPA. Emmanuel Opagala Wanyonyi MSc.(Ongoing), BCom(Finance), CPA-K,	Senior Accountant, he is the head of Finance and Accounts Division

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<p>6.</p>	 <p>CPA. Daniel Buteck MSc.(ongoing), BCom, CPA-K</p>	<p>Senior Internal Auditor, he is the head of Internal Audit Division</p>
<p>7.</p>	 <p>Ms. Emily Githinji MBA (ongoing),BCom, CPSP-K</p>	<p>Supply Chain Management Officer, he is the head of Supply Chain Management Division</p>
<p>8.</p>	 <p>Mr. Baraka Nyinge Karima MSc.(ongoing),BSc</p>	<p>ICT Officer, he is the head of ICT Division</p>

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5. Chairperson's Statement

On behalf of the Veterinary Medicines Directorate Council (VMDC), I am pleased to present this statement highlighting the key developments, challenges, and interventions undertaken during the year under review. As the national regulatory body for veterinary medicines and related products, VMD remained committed to regulating the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines and other animal health products within the Republic of Kenya. The year, however, presented significant operational challenges that tested the resilience and adaptability of the Directorate.

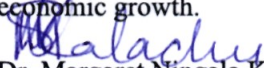
A major challenge during the year was understaffing, which placed considerable pressure on existing personnel to deliver an expanding portfolio of regulatory functions. This was compounded by the suspension of inspections of veterinary medicines in pharmacies due to complaints from the public, limiting our ability to monitor compliance and enforce quality assurance standards at the Veterinary Medicines Pharmacies level.

Kenya Health Products and Technologies Regulatory Authority Bill, 2024 (National Assembly Bill No. 54 of 2022), currently in Parliament, presents a direct structural threat to VMD's mandate. This Bill proposes merging veterinary and human health product regulation under a new authority, potentially weakening veterinary oversight and compromising quality standards. Stakeholders in the veterinary sector have raised concerns that removing veterinary products from VMD's oversight may expose animal, public health, and the environment to risk and undermine compliance with international requirements. The Directorate faced budgetary constraints, which limited the timely execution of planned programmes, delayed critical procurement for operational activities, and restricted our capacity to expand regulatory reach

During the year, the Directorate was involved in several court proceedings, which, while managed with diligence, posed both legal and resource-related threats.

The Directorate developed and implemented targeted strategies to address these challenges, including the recruitment of additional staff to enhance the Directorate's human resource capacity, enhancing stakeholder collaboration to restore and streamline inspection activities, and deploying digital solutions to improve service delivery. Furthermore, a dedicated legal and compliance support mechanism was established to address ongoing litigation and reduce the risk of future disputes, ensuring that the regulatory mandate remains uncompromised. Notably, we have deepened collaboration with the Ministry of Agriculture and Livestock Development and other stakeholders to enhance policy support, mobilise resources, and ensure coordinated action in the regulation and prudent use of veterinary medicines. The Directorate has strengthened the enforcement of prescription-only use of veterinary antimicrobials, expanded awareness campaigns for veterinary medicines stakeholders, practitioners, and farmers, and collaborated with both national and international partners to implement action plans on AMR.

The Council remains committed to aligning VMD's operations with national priorities such as the Bottom-Up Economic Transformation Agenda (BETA) and the One Health approach. By integrating these frameworks into our programmes, we aim to promote sustainable livestock production, public health, and economic growth.


Dr. Margaret Ningala Kalachu
Chairperson, Veterinary Medicines Directorate Council

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6. Report of the Chief Executive Officer

It is my honour to present the performance report of the Veterinary Medicines Directorate (VMD) for the year under review. In line with our statutory mandate to regulate the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines and other animal health products in Kenya, the Directorate recorded significant achievements across regulatory operations, stakeholder engagement, and institutional development. These milestones were realised despite notable operational and structural challenges that tested our adaptability and resourcefulness.

The Directorate intensified stakeholder engagement by conducting sensitisation forums on the regulation of veterinary medicines in five counties. These engagements improved awareness of regulatory requirements and compliance among veterinary medicines stakeholders. On the Veterinary Medicinal Products (VMPs) regulation, we evaluated and registered over 400 applications for veterinary medicinal products and successfully cleared a backlog of applications that had been pending since 2021. In addition, over 1800 veterinary medicinal products were retained in the Veterinary Medicines Register, reinforcing our oversight of quality and safety. The operationalisation of the Malaba Port of Entry office enhanced our capacity for inspection and verification of imports and exports, while service delivery turnaround time was reduced to as little as 24 hours, an important step in improving client satisfaction and efficiency.

Institutional strengthening remained a priority, with the recruitment of new staff, twenty of whom were technical officers, bringing us close to 70% of our technical staffing requirements. The Directorate also issued 836 permits to veterinary pharmacies, developed guidelines for product registration, and finalised the 2023–2025 Strategic Plan. ICT policies development was completed to guide digital transformation, while post-market surveillance activities were initiated to strengthen pharmacovigilance. Furthermore, the process for establishing an in-house veterinary medicines laboratory was launched, with a concept note now in development. The activities yielded revenue amounting to KSh 159 million.

However, the year was not without its constraints. Persistent budgetary limitations restricted the implementation of certain planned programmes and delayed critical operational procurements. Understaffing, though mitigated through recent recruitment, continued to exert pressure on existing personnel. Limited office space, lack of regional offices, and the absence of substantive senior management positions presented additional operational challenges, affecting our ability to decentralise services and expand our regulatory presence nationwide. These challenges underscore the urgent need for enhanced resource allocation, infrastructure expansion, and leadership stability to sustain and improve service delivery.

As we look to the future, I wish to express my sincere appreciation to all our stakeholders specifically the Ministry of Agriculture and Livestock Development, development partners, veterinary professionals, the private sector, farmers, and the staff, for their unwavering support, cooperation, and commitment to compliance with regulatory requirements. Their contributions have been instrumental in enabling us to achieve the milestones recorded during this period. The Directorate will continue to strengthen these partnerships as we work to enhance the regulation of veterinary medicines, advance the prudent use of these products, and safeguard both animal and public health. Guided by our values, we are confident that the strategies in place will position VMD as a robust and effective regulator in support of Kenya's livestock sector and national development agenda.



Emily Muema, PhD

Acting Chief Executive Officer

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7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Veterinary Medicines Directorate has 3 strategic issues and objectives within the current Strategic Plan for the FY 2024/2025. These strategic issues are as follows:

- a) Maintain high standards of safety, efficacy, and quality of veterinary medicines
- b) Strengthening institutional capacity
- c) Strengthening Legal and Regulatory Framework

Veterinary Medicines Directorate develops its annual work plans based on the three strategic issues. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Veterinary Medicines Directorate achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the table below:

Strategic Issues	Objective	Key Performance Indicators	Activities	Achievements
Maintain high standards of safety, efficacy, and quality of veterinary medicines	To Register/retain veterinary Medicinal products (VMPs)	No. of veterinary medicines retained Annually	Register and renew veterinary medicinal products.	Number of retained 1920 VMPs to in 2024/2025 FY.
	To undertake Good Manufacturing Practices (GMP) audits.	No. of Good Manufacturing Practices (GMP) applications audited	Conduct GMP audits	Cumulatively the Directorate has been able to conduct a total of 29 GMP audits since 2023/2024 financial year.
	To Inspect and license veterinary pharmacies in Kenya	No. of veterinary pharmacies licensed	Inspect and License pharmacies	The Directorate has managed to inspect and license over 1356 veterinary Pharmacies over the last two years.
Strengthen institutional capacity	Enhance Human Capacity	No. of staff recruited	Recruiting and training Staff.	Advertisements for recruitment has been made and 23 new staff recruited.
	Infrastructure development	% completion rate of the National Laboratory	Constructing and Equipping Quality control laboratory	Project Concept Note has been developed.
Strengthen Legal and Regulatory Framework	Revise VMD Regulations	% level of revision of the regulations	Review and revise the regulations	Review and initiation of revision of the regulations has been undertaken.

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8. Corporate Governance Statement

The Veterinary Medicines Directorate, through its Council members is committed to the implementing and adhering to good corporate governance and best practice. The Council considers that good governance achieved through an ethical culture, competitive performance and effective control and legitimacy.

The Directorate applies good governance practices to promote strategic decision making for the organisation to balance short-medium and long-term outcome to reconcile interest of its stakeholders and society to create sustainable shared value. To that end, sound governance practices based on accountability, transparency, ethical management and fairness entrenched across the Directorate with a vision of to be the ultimate regulatory agency for veterinary medicines, vaccines, and animal health technologies which reflects its commitment of safeguarding animal health, human health, and the environment and promote animal welfare by assuring the quality, safety, and effectiveness of veterinary medicines, vaccines, and other animal health technologies.

(a) Process of appointment of the Council

The Veterinary Medicines Directorate (VMD) Council is constituted through appointments made by various authorities in accordance with established regulations governing the veterinary sector. The Council members are appointed by the Cabinet Secretary responsible for Livestock Matters, while the Chairperson of the Council is appointed directly by the President.

Members representing the veterinary pharmaceutical industry, academic institutions, and veterinary paraprofessionals are nominated by the Kenya Veterinary Board (KVB). These nominations are drawn from a list of five names submitted by a registered professional association representing the interests of veterinary surgeons countrywide. The list must include at least one trainer in veterinary pharmacology from a recognized academic institution. one Council member representing livestock sector stakeholders who is neither a veterinary surgeon nor a veterinary paraprofessional is appointed by the Cabinet Secretary.

(b) The size, diversity, and demographics of the Council

The Veterinary Medicines Directorate (VMD) Council is composed of members drawn from key sectors within the veterinary and livestock industry to ensure effective governance, representation, and professional oversight. The structure of the Council is as follows: Chairperson who shall be a registered veterinary surgeon with at least ten years' post-qualification experience, appointed by the President; the Director of Veterinary Services; the Chief Executive Officer of the Kenya Veterinary Board; the Principal Secretary for the time being responsible for Finance; the Principal Secretary for the time being responsible for animal health matters; the Principal Secretary for the time being responsible for animal health matters; one veterinary technologist from the veterinary pharmaceutical industry nominated by the Kenya Veterinary Board; one livestock sector stakeholder who is not a veterinary surgeon or a veterinary paraprofessional, appointed by the Cabinet Secretary; and the Chief Executive Officer of the Directorate who shall be the Secretary to the Council and shall be an *ex-officio* member.

(c) Removal of Council Members

Removal of a Council member from office is effected through a formal revocation process as stipulated by the relevant legal and administrative provisions.

(d) Board Charter

The Directorate has formulated a Charter that defines the respective roles, responsibilities and authorities of the Council, both individually and collectively, and management in setting the direction, the management and control of the Directorate.

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(e) Roles and functions of the Council

The roles and functions of the Council are as follows;

- a) Determine VMD's mission, vision, purpose and core values;
- b) Review, evaluate and approve, on a regular basis, long term plans for the organization;
- c) Review, evaluate and approve the budget and financial forecasts;
- d) Review, evaluate and approve major resource allocations and capital investments;
- e) Ensure that the procurement process is cost effective and delivers value for money;
- f) Review and approve the operating and financial results of the organization;
- g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on operations and performance;
- h) Ensure that effective processes and systems of risk management and internal controls are in place;
- i) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- j) Review, evaluate and approve the remuneration structure;
- k) Adopt, implement and monitor compliance with the Code of Conduct and Ethics;
- l) Review on a quarterly basis the attainment of the targets and objectives set out in the agreed performance management framework with the Government of Kenya;
- m) Review periodically the strategic objectives and policies relating to the sustainability and social responsibility investment;
- n) Protect the rights of shareholders and optimize shareholder value;
- o) Enhance the public image of VMD and ensure engagement with stakeholders through effective communication;
- p) Monitor compliance with the Constitution, all applicable laws, regulations and standards;
- q) Review, monitor and ensure that VMD is effectively and consistently delivering on its mandate.

(f) Induction, training, and development

The Directorate provides new members with an effective induction programme to familiarise them with their responsibilities as directors, general principles of corporate governance and practices. The induction programme also provides members with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and code of conduct and ethics.

The Directorate ensures that a competence needs assessment is carried out periodically and an annual development plan prepared to address identified gaps. The Directorate also provides members with access to or notice of continuing development programs that are designated to keep members abreast of the latest developments in sector best practice, corporate governance and critical issues relating to the operation of public sector boards. The Directorate satisfies members with up to date with continuous development in their respective professional bodies.

(g) Board and members' performance

The Directorate conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the approved evaluation tool.

The evaluation is undertaken in a three level;

- (a) Peer Review
- (b) Self-Evaluation
- (c) Board Evaluation

The results are analysed and a mean score rate for each of the levels is determined. Through this exercise, the Council identifies areas of strength and weaknesses, and Council is committed to addressing areas of challenges that are identified.

**Veterinary Medicines Directorate
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(k) Number of Board meetings held and the attendance to those meetings by members

Council Committees

During the period under review, the Council operated through four standing Committees, each with Terms of Reference approved by the Council. The Committees met regularly to discharge their respective mandates.

i) Governance and Human Resource Committee

The Committee is responsible for monitoring and appraising the performance management, reviewing human resource policies, approving of remuneration policy for employees, and making recommendations on Senior Management appointments to the Council. The Committee met 3 times and its members were: Mr. Edwin Wasiche, Mr. Joel Matheta, Dr. Elloy Otieno and Dr. Dennis Onkundi

ii) The Strategy and Finance Committee

The Committee is responsible for review of the Directorate's annual budget, Procurement and Disposal Plans and related policies. The Committee met 3 times and its members were: Dr. Elloy Otieno, Dr. Irene Kamanja, Dr. Allan Azegele and Mr. Johnson Gitari

iii) The Audit and Risk Assurance Committee

The Committee is responsible for review of audit reports, compliance with relevant laws, procedures, and standards, quality of financial reporting, and oversight on internal control and risk, among others. The Committee assists the Council in discharging its supervisory and good corporate governance responsibilities. The Committee met 4 times and its members were: Mr. Joel Matheta, Dr. Mary Theresa Agutu, Dr. Dennis Onkundi and Mr. Johnson Gitari

iv) The Registration and Technical Committee

The Committee is responsible for the evaluation of applications for registration of Veterinary Medicines. Review of licensing of Veterinary Pharmacies and other technical matters. The Committee assists the Council in discharging its supervisory and regulatory responsibilities. The Committee met 3 times and its members were: Dr. Irene Kamanja, Dr. Mary Theresa Agutu, Dr. Allan Azegele and Mr. Edwin Wasiche

Summary of the Committee Attendance

No.	Name	
1.	Dr. Elloy Otieno	8/8
2.	Dr. Irene Kamanja	8/8
3.	Dr. Allan Azegele	7/8
4.	Mr. Joel Matheta	8/8
5.	Dr. Mary Agutu	7/8
6.	Dr. Dennis Ongundi	4/8
7.	Mr. Wasiche Edwin	8/8
8.	Ms. Elizabeth Mutisya	2/8
9.	Mr. Johnson Gitari	4/8

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Full Council Meeting attendance

The attendance of the meeting during the year is summarised below;

No.	Name	1 st Quarter Meeting	2 nd Quarter Meeting	3 rd Quarter Meeting	4 th Quarter Meeting
10.	Dr. Ningana Kalachu,	✓	✓	✓	✓
11.	Dr. Elloy Otieno	✓	✓	✓	✓
12.	Dr. Irene Kamanja	✓	✓	✓	✓
13.	Dr.Allan Azegele	✓	✓	✓	✓
14.	Mr. Joel Matheta	✓	✓	✓	✓
15.	Dr. Mary Agutu	✓	✓	✓	✓
16.	Dr. Dennis Ongundi	✓	✓	✓	✓
17.	Mr. Wasiche Edwin	✓	✓	✓	✓
18.	Ms. Elizabeth Mutisya	✓	X	X	X
19.	Mr. Johnson Gitari	✓	✓	✓	X

(l) Succession plan

Succession planning is an ongoing process of systematically identifying, assessing and developing talent and capacity to ensure continuity in specific positions within the organizations. The Plan is designed to identify and prepare candidates for positions that became vacant due to retirement, resignation or death. The Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015 requires that Council members are appointed at different times so that the respective expiry dates of their terms of office falls at different times.

(m) Policy to manage conflicts of interest.

A conflict of interest may arise where a Council member or close family member such as a spouse, child, parent or sibling has private interest that could improperly influence the performance of the Council member's official duties and responsibilities. Conflict may also arise where a member uses their office for personal gain.

Council members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Council member who identifies an area of conflict will be required to disclose any actual or potential conflict of interest to the Council. In so reporting, the member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is relevant to the area of conflict. When declared, the member shall abstain from decisions where the conflict exists.

(n) Board remuneration

The remuneration of the Chairperson and other Council members is determined by SCAC as provided in the State Corporations Act. The members are paid taxable sitting allowance. The Chairperson is paid honoraria and airtime allowance. The Council members are entitled to Daily Subsistence Allowances while attending official duties. The members are reimbursed their transport expenses at the prevailing AA rates. The Council members are also provided with outpatient; impatient medical and personal accident covers.

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(o) Ethics and Conduct

In carrying out its functions, the Directorate is guided by the principles of Public Service as outlined in Chapter Thirteen of the Constitution of Kenya, 2010. These principles emphasize the importance of maintaining high standards of professional ethics and ensuring the efficient, effective, and economic use of resources. The Directorate is expected to provide services that are responsive, prompt, impartial, and equitable to all stakeholders. Furthermore, it shall promote the involvement of stakeholders in policy-making processes and uphold accountabilities for all administrative actions. Transparency is a key requirement, with the Directorate obligated to provide accurate and timely information to the public. In addition, fair competition and merit shall form the foundation for all appointments and promotions within the Directorate. The representation of Kenya's diverse communities must also be upheld, ensuring inclusivity and equality. Lastly, the Directorate affords adequate and equal opportunities for appointment, training, and advancement at all levels of public service, without discrimination based on gender, ethnicity, or disability.

(p) Governance audit

The Directorate ensures that a governance audit of the organization is conducted annually to promote accountability, transparency, and adherence to the highest standards of good governance. The primary purpose of this audit is to evaluate and strengthen the organization's governance structures, systems, and practices to ensure conformity with established legal, ethical, and professional standards. The governance audit encompass several key parameters, including leadership and strategic management, transparency and disclosure, and compliance with laws and regulations. It will also assess the effectiveness of communication with stakeholders, the independence and governance of the Council, as well as the adequacy of Council systems and procedures. Additionally, the audit will evaluate the organization's commitment to consistent shareholder and stakeholder value enhancement, corporate social responsibility, and investment practices. It shall also review the communication policy, the terms of reference of committees, and the policy governing related party transactions to ensure fairness, accountability, and alignment with best governance practices.

(q) Communication policy

The Directorate has developed and approved a formal Communication Policy to guide both internal and external communication processes which is aligned with government communication frameworks and good governance practices.

(r) Terms of Reference of Committees

The Terms of Reference (ToRs) for the Directorate's Committees have been formally documented and approved by the Council that define the mandate, composition, and operational procedures of the Committees.

(s) Policy on related party transactions

The Directorate has developed a Policy on Related Party Transactions to guide the identification, disclosure, and management of such transactions in accordance with the requirements of IPSAS 20 - *Related Party Disclosures*. The Directorate has committed to implementing this policy to enhance transparency, accountability, and compliance with applicable financial reporting standards.

**Veterinary Medicines Directorate
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9. Management Discussion and Analysis

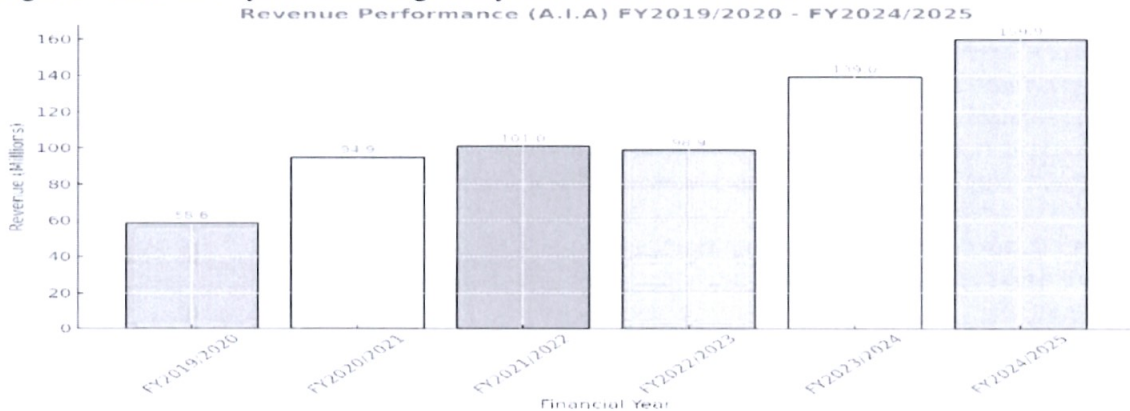
a) Operational performance for FY 2024/2025

The Veterinary Medicine Directorate is mandated to regulate the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines, as well as the practice of veterinary pharmacy, in Kenya. The Directorate retained 1845 veterinary products during the financial year. Registered 124 Veterinary medicines, issued 2 Good Manufacturing Licenses, licensed 1836 veterinary pharmacies, and issued 1362 Import and Export permits. The entity also successfully conducted stakeholder sensitization in six counties: Kajiado, Kitui, Makueni, Nairobi, Nyeri, and Tharaka Nithi.

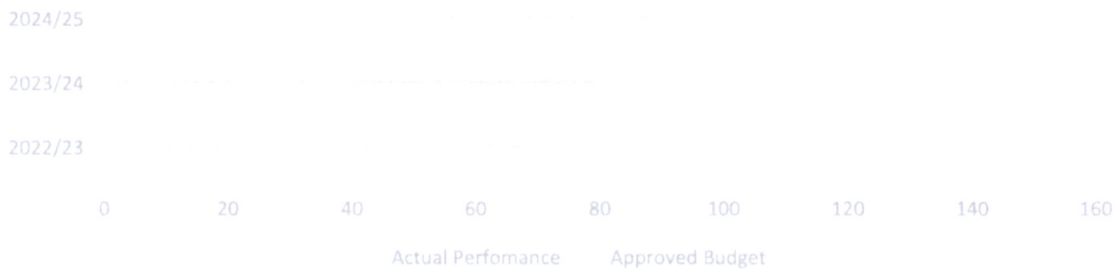
b) Revenue Performance and Growth for FY 2019/2020 – FY 2024/2025

VMD continues to implement her mandate of regulating the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya per specific laws governing it. In the following sections, the report presents the budget trends, revenue collected against the target for the five years. It also gives an overview of some anticipated risks and their mitigation measures. In Figure 1, the revenue collection, specifically Appropriation in Aid trend from FY 2019/2020 to FY 2024/2025, is presented. The figure shows consistent revenue performance in this period, with average annual revenue growth of 159 million in the five years, and 2024/2025 being the highest in the period. The highest revenue growth was recorded in the 2024/2025 Financial Year.

Figure 1. Revenue Performance and growth from FY 2019/2020-2024/2025



Actual Expenditure against approved budget (Million)



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c) Veterinary Medicines Directorate's compliance with statutory requirements

The Directorate has complied with all government statutory requirements in Kenya and has no minor or major compliance exposure risk that would lead to a potential contingent liability that has been brought to the attention of the Council.

d) Major risks facing the entity.

The Directorate is presently exposed to substantial strategic risk arising from the absence of substantive top management. This gap in leadership has led to severely constrained delivery of essential services to citizens of the Republic of Kenya. The resulting disruption in service continuity significantly undermines the Directorate's capacity to discharge its constitutional and statutory mandate.

The Directorate is confronted with legal risk stemming from ongoing constitutional and employment-related litigation, namely *Jane Njoki Njiru v. State Law Office* (ELRCPET/E219/2024) before the Employment and Labour Relations Court, and *Patrick Kamotho Githinji v. Dr. Emily Muema and Veterinary Medicines Directorate & 2 others* (HCCHRPET/E142/2025) before the High Court of Kenya. These proceedings pose a potential threat to institutional stability and could yield adverse judicial determinations with far-reaching implications for governance and human resource management.

The Directorate also faces a material legal risk arising from the proposed enactment of the Kenya Health Products and Technologies Bill. As currently drafted, the Bill seeks to extend regulatory authority over the veterinary medicines function presently vested in the Directorate. In the absence of adequate safeguards or transitional provisions, the passage of this legislation may substantially impair the Directorate's operational viability and extinguish its legal mandate. Furthermore, the directorate faces an operational risk that may arise from devolving its function of Inspection and Licensing of Veterinary Pharmacies to Counties.

e) Material arrears in statutory/financial obligations

The Directorate has complied with all government statutory requirements in Kenya and has no pending bills or defaulted loans, outstanding pension obligations, or any other minor or major compliance-exposed risk that would lead to a potential contingent liability that has been brought to the attention of the Council.

f) Review of the economy and the Sector

Over the past year, Kenya's moderate economic growth of 4.7% in 2024 and 4.9% in early 2025, alongside stable inflation and easing monetary policy, has shaped the operating environment of the Veterinary Medicines Directorate (VMD). As a key regulator in the livestock sector contributing 12% to GDP and 42% to agricultural GDP, the VMD has supported national vaccination campaigns, overseen the registration and quality control of veterinary medicinal products, and worked to safeguard animal health critical to agricultural productivity. However, its operations continue to face challenges, including regulatory bottlenecks, staffing gaps, and the threat of counterfeit products from neighbouring countries, even as market demand for veterinary pharmaceuticals, vaccines, technologies, and feed additives steadily grows.

g) Future Development

The Veterinary Medicines Directorate (VMD) plans to enhance its regulatory capacity and service delivery through several strategic initiatives. Central to these plans is the review of existing regulations to strengthen the legal and institutional framework governing the manufacture, importation, exportation, registration, distribution, prescription, and dispensing of veterinary medicines, as well as the practice of veterinary pharmacy, in Kenya. The Directorate will also open five new regional offices to improve accessibility of services and strengthen surveillance across the country. In addition, it will establish a fully equipped quality control laboratory to support testing, verification, and surveillance of veterinary medicinal products, ensuring compliance with national and international standards. The VMD further aims

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to operationalise offices at ports of entry that are not yet fully functional, thereby improving inspection and enforcement at critical border points.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Veterinary Medicines Directorate's sustainability strategy is anchored on promoting responsible regulation of veterinary medicinal products while aligning operations with Kenya's long-term economic, social, and environmental goals. These efforts are guided by a commitment to prudent resource management, enhanced institutional efficiency, and the adoption of international best practices in veterinary regulation, including World Organisation for Animal Health (WOAH) standards. The sustainability agenda is shaped by broad political and macroeconomic trends, such as fiscal constraints, evolving livestock sector policies, and growing demand for quality animal health products in both domestic and export markets. Key achievements include expanded stakeholder engagement, strengthened quality assurance mechanisms, and improved compliance monitoring, while notable challenges remain in addressing staffing gaps, regulatory bottlenecks, and infrastructure limitations. This integrated approach aims to ensure that the Directorate remains resilient, relevant, and capable of safeguarding animal health as a pillar of Kenya's agricultural and economic sustainability.

ii) Environmental performance

The Veterinary Medicines Directorate (VMD) implements its environmental responsibilities under the Environmental Management and Coordination Act (EMCA) 1999, the Climate Change Act 2016, and international best practices such as the UN Sustainable Development Goals and World Organisation for Animal Health (WOAH) guidelines. The Directorate is committed to minimising the environmental impact of veterinary medicinal products through safe manufacturing, distribution, use, and disposal, while safeguarding biodiversity and ecosystems. Over the past year, the VMD has achieved progress in integrating environmental compliance checks into licensing inspections, raising stakeholder awareness on proper waste disposal, and regulating products that may harm non-target species. Biodiversity protection has been supported through control of environmentally harmful substances and promotion of vaccination programs that prevent disease spread among livestock and wildlife. Shortcomings remain in enforcing take-back schemes for expired products, ensuring compliance in remote areas, and expanding technical capacity for residue testing; however, the Directorate is addressing these through the development of green procurement guidelines, industry partnerships for shared waste management responsibility, and exploration of funding for advanced environmental monitoring and climate adaptation measures in the livestock sector.

iii) Employee welfare

The Veterinary Medicines Directorate (VMD) upholds employee welfare through human resource policies that promote fairness, inclusivity, and compliance with national labour regulations. The recruitment and selection process is guided by the VMD Human Resource Policy and Administration Procedure Manual and the Public Service Commission guidelines, which emphasise merit-based hiring while actively considering gender balance and diversity in line with constitutional provisions on equitable representation. Stakeholder engagement in policy development is embedded in the Directorate's governance approach, with HR policies reviewed periodically at least every three years or as necessary, to incorporate feedback from staff and other stakeholders. To enhance skills and manage career progression, the VMD implements continuous professional development (CPD) programs, offers targeted training aligned with regulatory needs, and maintains a structured career development framework. Employee performance is assessed through an annual appraisal system linked to rewards and recognition, fostering both accountability and motivation. The Directorate's safety management is anchored in its Occupational Safety and Health Policy, which ensures compliance with the Occupational Safety and Health Act (OSHA) 2007, including provision of safe working environments, regular

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workplace inspections, emergency preparedness measures, and employee sensitisation on occupational hazards. This integrated approach reflects the VMD's commitment to creating a safe, equitable, and growth-oriented work environment.

h) Market place practices-

The Directorate has put in place several measures to ensure responsible operations across all areas of its mandate, including competition, supply chain management, stakeholder engagement, and consumer protection.

a) Responsible competition practice.

The VMD upholds responsible competition practices through transparent and accountable operations in line with public sector ethics and anti-corruption frameworks. The Directorate ensures fair competition by adopting open tendering and competitive procurement processes in compliance with the Public Procurement and Asset Disposal Act. To enhance transparency and accessibility, the Directorate has developed a Service Charter outlining timelines, service standards, and complaint mechanisms for clients and stakeholders. The VMD has also embraced service automation to promote efficiency, reduce bureaucratic delays, and minimize opportunities for corruption. Additionally, anti-corruption and integrity reporting mechanisms have been established, allowing staff and stakeholders to report unethical conduct anonymously. The Directorate further engages in public sensitization and outreach programs to educate stakeholders on proper veterinary drug use, registration, and licensing procedures, thereby promoting ethical industry practices and ensuring improved service delivery.

b) Responsible Supply chain and supplier relations

The Veterinary Medicines Directorate maintains fair and ethical relationships with suppliers and service providers by adhering to the principles of transparency, accountability, and competitiveness. Procurement activities are guided by established legal frameworks that ensure equal opportunity, fairness, and value for public resources. The Directorate honours contractual obligations by ensuring timely payment for goods and services and maintaining open communication with suppliers. Additionally, the VMD promotes competitive procurement and discourages favouritism or conflict of interest in the sourcing of supplies. Through continuous monitoring and evaluation of supplier performance, the Directorate ensures that suppliers adhere to ethical business standards, quality assurance, and sustainability requirements.

c) Responsible marketing and advertisement or Responsible engagement with the citizens.

The VMD places high importance on ethical and responsible communication with citizens, industry stakeholders, and the general public. The Directorate maintains an active presence through regular media updates, website publications, and stakeholder consultative forums to ensure the dissemination of accurate and timely information. All outreach activities are conducted with respect for diversity, inclusion, and professionalism. The Directorate avoids exaggerated or misleading information in its public communications and ensures that all awareness campaigns and advertisements are fact-based, educative, and aligned with public interest. The VMD also engages in stakeholder sensitization forums aimed at promoting understanding of veterinary medicine regulation, responsible drug use, and compliance with licensing and registration requirements.

d) Product stewardship or Awareness creation

The Veterinary Medicines Directorate is deeply committed to safeguarding consumer rights, public health, and animal welfare through effective product regulation and public education. The Directorate ensures that all veterinary medicinal products in the market meet established safety, efficacy, and quality standards before approval and registration. VMD conducts continuous pharmacovigilance and post-market surveillance to detect and address any adverse drug reactions or substandard products. Adequate product information is provided to consumers and veterinary professionals to promote responsible use and prevent

**Veterinary Medicines Directorate
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misuse or resistance. The Directorate also upholds the protection of consumer data and privacy in all licensing and regulatory processes. Mechanisms for dispute resolution and redress are in place, allowing stakeholders to lodge complaints or report product-related issues for prompt action. Through public awareness campaigns and training, the VMD empowers citizens, veterinary practitioners, and traders with the knowledge necessary to safeguard animal health and, by extension, public health.

iv) Corporate Social Responsibility

In the year under review, the Veterinary Medicines Directorate (VMD) demonstrated its commitment to community engagement and social responsibility through a series of targeted Corporate Social Responsibility (CSR) initiatives. The Directorate provided financial support for the Annual Dinner for Final-Year Veterinary Students at both Egerton University and the University of Nairobi, fostering professional networking and easing the transition of graduates into the veterinary sector. In promoting environmental conservation, the VMD participated in a tree growing exercise in the Directorate of Veterinary Services, Nakuru and Kirinyaga Counties, supporting tree planting efforts aimed at mitigating climate change and enhancing biodiversity. The Directorate also sponsored the Kenya Veterinary Association Annual Scientific Conference, contributing to the advancement of veterinary research, professional knowledge exchange, and sector-wide policy dialogue. Beyond these flagship activities, the VMD's CSR framework supports education, research, and environmental conservation programs, all designed to enhance the well-being of communities and stakeholders. Evidence of this engagement is reflected in charitable contributions in both cash and materials, partnerships with other organizations, and active participation in community social investment projects. Collectively, these efforts have strengthened professional capacity in the veterinary field, promoted environmental stewardship, and contributed to socio-economic development in line with the Directorate's mandate and national development priorities.

**Veterinary Medicines Directorate
Annual Report and Financial Statements
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11. Report of the Council Members

The Council members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Directorate 's affairs.

i) Principal activities

The principal activities of the Directorae;

- a) To regulate the manufacture, importation, exportation, registration, distribution, prescription and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya; and
- b) Advise the Kenya Veterinary Board in relation to all aspects listed under paragraph a).

ii) Results

The results of the Entity for the year ended June 30, 2025, are set out on page 1 to 3

iii) Council Members

The members of the Veterinary Medicines Directorate Council members who served during the year are shown on viii. During the year Ms. Elizabeth Mutisya and Mr. Johnson Gitari retired and Dr. Ongundi was appointed with effect from 30th January 2025 date while Ms. Elizabeth Mutisya has not been replaced.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

v) Auditors

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

By Order of the Council



.....
**Name: Dr. Emily Muema
Ag. Secretary to the Veterinary Medicines
Directorate Council**

**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**

12. Statement of Council members Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015. require the Council members to prepare financial statements in respect of that Directorate, which give a true and fair view of the state of affairs of the Directorate at the end of the financial year/period and the operating results of the Directorate for that year. The Council members are also required to ensure that the Directorate keeps proper accounting records which disclose with reasonable accuracy the financial position of the Directorate. The Council members are also responsible for safeguarding the assets of the Directorate.

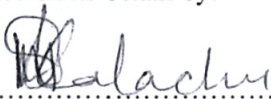
The Council members are responsible for the preparation and presentation of the Directorate's financial statements, which give a true and fair view of the state of affairs of the Directorate for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining 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 Entity; (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 Directorate; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the Directorate'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 Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015. The Directors are of the opinion that the Directorate's financial statements give a true and fair view of the state of Directorate's transactions during the financial year ended June 30, 2025, and of the Directorate's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Directorate, which have been relied upon in the preparation of the Directorate's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council members to indicate that the Directorate 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 Directorate's financial statements were approved by the Council on 29/08 2025 and signed on its behalf by:


.....

**Name Dr. Ningala Kalachu
Chairperson of the Council**


.....

**Name Dr. Emily Muema
Ag. Chief Executive Officer**

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON VETERINARY MEDICINE DIRECTORATE 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 Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General 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

Adverse Opinion

I have audited the accompanying financial statements of Veterinary Medicine Directorate set out on pages 1 to 32 which comprise of the statement of financial position as at

Report of the Auditor-General on Veterinary Medicine Directorate for the year ended 30 June, 2025

30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Veterinary Medicine Directorate 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 do not comply with the Veterinary Surgeons and Veterinary Para- Professionals Act (The Veterinary Medicine Directorate) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies and anomalies:

- i. The statement of changes in net assets reflects prior year balance of Kshs.516,675,497. However, the opening balance and the movements leading to the closing balance for the prior year were not disclosed.
- ii. The statement of cash flows reflects prior year bank charges expense of Kshs.67,919 and unnamed expense of Kshs.1,821,935 which were not reflected in the audited prior year financial statements.
- iii. The statement of cash flows reflects erroneously Note 8, instead of Note 11, as corresponding note for repairs and maintenance.
- iv. The statement of cash flows reflects Nil expense on purchase of property, plant and equipment while Note 19 of property, plant and equipment reflects addition of property, plant and equipment of Kshs.2,547,500 resulting to variance of Kshs.2,547,500 that could not be reconciled.
- v. The statement of comparison of budget and actual amounts reflects operating expenses of Kshs.53,594,659, which differs from the Kshs.46,263,409 reported in the statement of cash flows, resulting in an unreconciled variance of Kshs.7,331,250.
- vi. The statement of comparison of budget and actual amounts reflects a budget rollover of Kshs.441,409,971, while the statement of financial position and the statement of cash flows reflects cash and cash equivalents as at 1st July amounting to Kshs.441,366,832. This resulted in an unreconciled variance of Kshs.43,139.
- vii. The budget reconciliation in the statement of budget and actual amounts reflects closing cash and cash equivalent as per the statement of cash flows of Kshs.504,667,973 while the recomputed balance amounted to Kshs.504,769,313

resulting to variance of Kshs.101,340 that could not be reconciled. Further, the reconciliation includes non-reconciling items of increase in trade and other payables of Kshs.6,040,895 and capital expenses of Kshs.5,639,800.

- viii. Note 9 reflects use of goods and services amounting to Kshs.53,594,659, which includes items namely travelling & accommodation - local travel and foreign and Telephone, mobile and internet services expenses that differ from the amounts presented in the supporting schedules. Note 15 reports a cash and cash equivalents balance of Kshs.504,667,973, comprising two bank accounts which balances differ from the corresponding cash book balances
- ix. Note 12 reflects prior-year depreciation and amortization expense of Kshs.4,151,697, which differs from the prior-year audited financial statements amount of Kshs.1,821,935, resulting in unexplained variance of Kshs.2,329,762.
- x. The statement of financial position and Note 17 reflects a prepayment balance of Kshs.8,536,639, which includes staff and council medical insurance of Kshs.7,981,074 and Kshs.555,564 which was not supported by ledgers.
- xi. The statement of financial position and Note 18 reflect an inventory balance of Kshs.1,066,091, which differs from the supporting schedule amount of Kshs.660,254, resulting in a variance of Kshs.405,837. In addition, the note shows a closing balance of Kshs.964,750, creating a further variance of Kshs.101,341.
- xii. The statement of financial position and Note 21 reflect trade and other payables of Kshs.898,042, which differs from the supporting schedule balance of Kshs.3,596,453, resulting in a variance of Kshs.2,698,411.
- xiii. Note 23 reflects cash generated from operations of Kshs.63,301,141, which includes an increase in receivables of Kshs.5,420,011. This differs from the amount computed from the statement of financial position of Kshs.8,608,609, resulting in a variance of Kshs.3,188,598.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.25,631,677 as disclosed in Note 19 to the financial statements. Review of this balance and asset register revealed the following anomalies:

- i. Note 19 reflects a depreciation charge for motor vehicles for the year of Kshs.4,072,166, while the asset register indicates depreciation of Kshs.10,180,413, resulting in a variance of Kshs.6,108,247. Additionally, the recomputed depreciation charge for the year amounts to Kshs.5,770,147, creating a further variance of Kshs.1,697,981.
- ii. Ownership of six vehicles could not be confirmed as their original logbooks were not provided for verification.
- iii. Note 19 reflects a depreciation charge for furniture and fittings of Kshs.247,485 for the year, while the asset register indicates a depreciation charge of Kshs.448,512, resulting in a variance of Kshs.201,027.
- iv. Note 19 reflects a depreciation charge for computers of Kshs.426,788 for the year, which differs from the asset register amount of Kshs.1,066,970, resulting in a

variance of Kshs.640,182. Additionally, the recomputed depreciation charge for the year amounts to Kshs.843,795, creating a further variance of Kshs.417,007.

- v. The asset register provided for computers, motor vehicles and software were incomplete as they did not contain all the information required as by National Treasury guidelines on assets and liability management 2020 that includes asset description, source of funds, serial number, tag number, make/model, date of delivery, payment voucher number, original and current location, acquisition cost among others.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.25,631,677 could not be confirmed.

3. Inaccuracies in Intangible Assets

The statement of financial position reflects Intangible assets balance of Kshs.17,703,970 as disclosed in Note 20 to the financial statements. Review of the fixed assets register revealed that the software was amortized by Kshs.2,529,139. However, a recalculation of the amortization expense amounted to Kshs.2,686,240 resulting to a variance of Kshs.157,101 that could not be reconciled.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.17,703,970 could not be confirmed.

4. Variance between Revenue from Exchange Transactions and Amount Reflected in E-Citizen Platform

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.159,881,961 and as disclosed in Note 7 to the financial statements relating to licenses, fees and permits. However, records from the E-Citizen platform indicate an amount of Kshs.343,175,905 out of which Kshs.31,488,742 was transferred back to the Inspectorate thus resulting to an amount of Kshs.311,687,163 not transferred from The National Treasury. Further, Note 16 reflects receivables from non-exchange transactions of Kshs.8,608,609, which includes Kshs.7,870,209 from E-Citizen, not supported by ledger or other documentation.

In the circumstances, the occurrence, accuracy and completeness of licenses, fees and permits amounting to Kshs.159,881,961 could not be confirmed.

5. Unsupported and Irregular Advance Payments for Fuel, Oil and Lubricants

The statement of financial performance and Note 9 to the financial statement reflects use of goods and services amounting to Kshs.53,594,659 which includes refined fuel, oil and lubricants expense of Kshs.6,018,660. Included in this expense is fuel expenditure of Kshs.6,000,000 that was not supported with detailed orders, work tickets, delivery notes, and the supplier's statement. Further, the payments were made in advance before delivery of fuel contrary to Section 146 and 147 of the Public Procurement and Asset Disposal Act, 2015 and Regulation 136 (2) of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, the accuracy, completeness and occurrence of expenditure of fuel Kshs.6,018,660 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Medicine Directorate 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 adverse 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. Except for the effect of the matters described in the Basis for Adverse Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the Basis for Adverse Opinion, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance A review of Appendix 1 to the financial statements, detailing the implementation status of the Auditor-General's recommendations, indicates that management has reportedly resolved fourteen (14) of the issues raised. However, there was no documentary evidence supporting how these issues were addressed, and management did not submit a report detailing actions taken to implement the Auditor-General's recommendations as required under Section 31(1)(a) of the Public Audit Act, 2015. Issues which were raised in the report of 2023/2024 are as listed below:

1. Inaccuracies in the Financial Statements
2. Unsupported Revenue from Rendering of Services
3. Misclassification of Expenditure
4. Unexplained Variance between Cash Book and Financial Statements
5. Property Plant and Equipment
6. Budgetary Control and Performance
7. Unresolved Prior Year Matters
8. Non-Compliance with the Prescribed Financial Reporting Template Format
9. Failure to Rationalize Local Travel budget
10. Failure to Provide Documents for Audit
11. Non-Provision for Leave Allowances
12. Unclear Policy on Assets Depreciation
13. Weak Internal Control
14. Staff Under Establishment

Other Information

The Management is responsible for the Other Information set out on page iv to xxviii which comprise of Key Entity Information and Management, The Council, Key Management Team, Chairperson's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Council Members, Statement of Council Members Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Directorate'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 and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

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 conclusion 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Publish Registered Veterinary Pharmacy Businesses in the Kenya Gazette

The statement of financial performance, as disclosed in Note 7 of the financial statements, reflects licenses, fees, and permits amounting to Kshs.159,881,961. Included in this amount is retail pharmacy licenses fees of Kshs.14,329,950 and retail pharmacy inspection fees of Kshs.105,000. However, there was no evidence that the list of registered retail pharmacy licenses was published in the Kenya Gazette or a newspaper of national circulation by 31st March, as required under Regulation 38(8) of the Veterinary Surgeons and Veterinary Paraprofessionals Act (Veterinary Medicines Directorate Regulations, 2015).

In the circumstances, Management was in breach of the law.

2. Idle Cash Balances Held in Bank Accounts

The statement of financial position reflects bank balance of Kshs.504,667,973 as disclosed in Note 15 to the financial statements. Included in this balance is a dollar account with a reported balance of Kshs.303,491,961, which represents an increase from the prior year's balance of Kshs.242,361,596. However, this position is contrary to Regulation 83(2)(c) of the Public Finance Management (National Government) Regulations, 2015, which requires that sound cash management practices include the avoidance of idle cash balances.

In the circumstances, Management was in breach of the law.

3. Irregular Extension of Appointment of the Acting Chief Executive Officer

The Chairperson of the Veterinary Medicines Directorate Council appointed and subsequently extended the appointment of an acting chief executive officer during the absence of a substantive chief executive officer. However, there was no evidence of a competitive recruitment or appointment process as required under Regulation 13(1) of the Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015 and circular OP/CAB.9/1A of 11 March, 2020 from the Head of Public Service on management of state corporation of paragraph F(3) that requires chairpersons of board of state corporations to fill up acting positions within six (6) months of their occurrence.

In the circumstances, Management was in breach of the law.

4. Failure to File Monthly Returns on Procurement Levy to PPRA

During the financial year under review, the Veterinary Medicines Directorate entered into contracts with various suppliers for the supply of goods and provision of services, however, the Directorate failed to deduct and remit the Public Procurement Regulatory Authority (PPRA) levy from the contract values at the time of payment. In addition, the Directorate did not submit the required monthly returns to the PPRA on deducted and remitted levies by the 20 day of the subsequent month, as required.

In the circumstances, Management was in breach of the law.

5. Delayed Approval of the Procurement Plan

Review of the procurement plan provided for audit indicates that it was prepared and submitted to the Accounting Officer on 30 September, 2025 which is after the start of the financial year contrary to Section 53(2) of Public Procurement and Asset Disposal Act, 2015 which requires that the head of a user department submit an annual procurement plan to the accounting officer before the start of the financial year, and that the plan be implemented according to its set timelines.

In the circumstances, Management was in breach of the law.

6. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.151,000,000 and actual receipts on a comparable basis of Kshs.601,291,932 resulting in over funding of a final budget of Kshs.450,291,932 or 298%. Similarly, the statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects budgeted expenditure of Kshs.158,500,000 and actual expenditure of Kshs.115,478,891 resulting to under absorption of Kshs.43,021,109 or 27%. However, Management did not provide documentary evidence to confirm that the original and final budget for the financial year 2024/2025 was approved by the Council before submission to the Cabinet Secretary for approval, as required under Section 50(1) and (3) of the Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015. The lack of proof of approval raises concerns regarding the legitimacy of the budget process and figures, the reliability of financial planning, and compliance with governing legislation.

In the circumstances, Management was in breach of the law.

7. Unapproved Salary Structure

The Statement of Financial Performance, as disclosed in Note 8 of the financial statements, reflects employee costs amounting to Kshs.26,044,544. However, there was no evidence that the salary structure used had been approved by the Salaries and Remuneration Commission (SRC) as required by Article 230(4) of the Constitution of Kenya. Further, the employee costs included a payment of Kshs.94,333 for a domestic servant allowance to the Acting Chief Executive Officer, which was not supported by the instrument of appointment and was not subjected to Pay as You Earn (PAYE) deductions, contrary to the provisions of the Income Tax Act of Kenya is Chapter 470.

In the circumstances, Management was in breach of the law.

8. Failure to Remit Surplus Funds to the National Treasury

A review of the audited financial statements for the financial year 2023/2024 revealed that the entity reported a surplus of Kshs.63,601,464 as per the Statement of Financial Performance, however no evidence was provided to confirm that ninety percent (90%) being Kshs.57,241,318 of the surplus was remitted to the National Treasury, as required under Regulation 219(2) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, Management was in breach of the law.

9. Absence of Designated Climate Change Coordination Unit

Discussions with the Management revealed that there was no designated unit with adequate staff and financial resources and an appointed senior officer as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation contrary to Climate Change Act 2016 Part IV(15) (5) which states that each state

department and national government public entity shall (c) designate a unit with adequate staff and financial resources and appoint a senior officer as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation.

In the circumstances, Management was in breach of the law.

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 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Non-Implementation of the Approved Internal Audit Annual Work Plan

The internal audit annual work plan and budget for the financial year 2024/2025, approved on 24 July, 2024 by the Head of Internal Audit and the Chairperson of the Audit and Risk Committee, reflected a budget of Kshs.4,535,000 comprising capital expenditure of Kshs.490,000 and recurrent expenditure of Kshs.4,045,000. The work plan provided for audits covering ICT systems, financial statements review, governance, registration and licensing, human resource management, supply chain management, compliance and surveillance, and point of entry audits at the Inland Container Depot, Jomo Kenyatta International Airport, Busia, and Mombasa Port, including other field activities. However, no internal audit reports were provided to confirm whether the audits outlined in the approved work plan had been carried out.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

2. Inadequate Segregation of Duties in Key Finance and Human Resources Roles

The Veterinary Medicines Directorate Council appointed an officer to the position of Senior Internal Auditor on 27 July, 2023 through a letter referenced MLD/B1/16A/3/98 issued by the Principal Secretary, State Department for Livestock Development. This appointment was later confirmed by the Chief Executive Officer through a letter

referenced MOALF&C/VMD/SIA/VOL.1/14 dated 2 August, 2023. Subsequently, on 11th February 2025, the officer was assigned additional responsibilities in human resources management and administration through a letter referenced VMD2023022, and was later redesignated as Senior Accountant effective 15th February 2025.

In the circumstances, the assignment of conflicting roles without proper authorization undermines the principle of segregation of duties weakening internal control.

3. Lack of Approved Strategic Plan and work plan

Review of the Directorate's operations established that it did not have an approved Strategic Plan or Annual Work Plan. Without these key planning documents, the Directorate lacked a structured framework for setting clear objectives, aligning activities with its mandate, guiding strategic growth, and ensuring effective monitoring and evaluation of performance. This is contrary to Section 68(2)(g) of the Public Finance Management Act, 2012, which requires Accounting Officers to prepare a strategic plan consistent with the medium-term fiscal framework and the fiscal policy objectives of the National Government.

In the circumstances, failure to develop and implement an approved Strategic Plan and Annual Work Plan compromises effective planning, performance management, and accountability in the Directorate's operations.

4. Weakness in the Accounting System

During the period under review, the Directorate operated an Enterprise Resource Planning (ERP) system- Microsoft Dynamics 365 Business Central designed to integrate key organizational processes into a centralized platform to improve efficiency, accuracy, and real-time data management. However, a review of the system established that several modules remained incomplete, and users had not received adequate training and support.

In the circumstances, Management controls on the reliability of the accounting system could not be confirmed.

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 Directorate Council

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 Directorate'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.

The Council is responsible for overseeing the directorate'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.

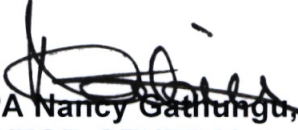
Auditor-General's Responsibilities for the Audit

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

15 December, 2025


**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**

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


Discription	Notes	2024-2025 FY	2023-2024 FY
		Kshs	Kshs
Revenue from non- exchange transactions			
Transfer from other government entities	6	-	38,000,000
Revenue from exchange transactions			
Licenses, Fees and Permits	7	159,881,961	139,016,841
Total revenue		159,881,961	177,016,841
Expenses			
Employee costs	8	26,044,544	37,613,828
Use of goods and services	9	53,594,659	50,947,286
Council's Expenses	10	22,924,311	819,600
Repairs and Maintenance	11	1,169,523	2,518,856
Depreciation and amortization expense	12	7,275,577	1,821,935
Bank Charges	13	179,033	67,919
Total expenses		111,187,647	93,789,424
Other gains/(losses)			
Gain/Loss on foreign exchange transactions	14	(52,895)	(20,844,041)
Surplus/Deficit for the year		48,641,419	63,601,464

The notes set out on page 1 form an integral part of these Financial Statements.


The Financial Statements set out on page 1 were signed on behalf of the Veterinary Medicines Directorate Council by:


.....
Name: Emily Muema, PhD
Ag. Chief Executive Officer

Date


.....
Name: Emmanuel Opagala
Head of Finance
ICPAK Member No:27536

Date 29/08/2025


.....
Name: Dr. Ningala Kalachu
Chairperson of the Council

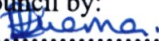
Date


**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**


15 Statement of Financial Position as at 30 June 2025

Description	Notes	2024-2025 FY	2023-2024 FY
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	15	504,667,973	441,366,832
Receivables from Non-Exchange Transactions	16	8,608,609	-
Prepayments	17	8,536,639	-
Inventories	18	1,066,091	-
Total Current Assets		522,879,312	441,366,832
Non-Current Assets			
Property, Plant and Equipment	19	25,631,677	55,075,557
Intangible Assets	20	17,703,970	20,233,108
Total Non- Current Assets		43,335,647	75,308,665
Total Assets (a)		566,214,958	516,675,497
Liabilities			
Current Liabilities			
Trade and Other Payables	21	898,042	-
Total Current Liabilities		898,042	-
Non-Current Liabilities			
Total Non- Current Liabilities		-	-
Total Liabilities (b)		898,042	-
Net Assets (a-b)		565,316,916	516,675,497
Represented by:			
Reserves		516,675,497	516,675,497
Surplus		48,641,419	-
Net Assets		565,316,916	516,675,497


The financial statements set out on page 2 were signed on behalf of the Veterinary Medicines Directorate Council by:


.....
Name: Emily Muema, PhD
Ag. Chief Executive Officer


.....
Name: Emmanuel Opagala
Head of Finance
ICPAK Member No:27536


.....
Name: Dr. Ningala Kalachu
Chairperson of the Council

Date

Date 

Date

**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**

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

	Reserves	Total
Balance as at 30, June 2024	516,675,497	516,675,497
Adjustments		
Balance As at July 1, 2024	516,675,497	516,675,497
Surplus/ deficit for the year	48,641,419	48,641,419
As at June 30, 2025	565,316,916	565,316,916

**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**

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

Description		2024-2025	2023-2024
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from other government entities		-	38,000,000
Licenses, fees and permits	7	159,881,961	139,016,841
Other income(loss on Exchange Transactions)		-	(20,844,041)
Total receipts		159,881,961	156,172,800
Payments			
Employee costs	8	26,044,544	37,613,828
Use of goods and services		46,263,409	50,947,286
Council Expenditure	10	22,924,311	819,600
Repairs and Maintenance	8	1,169,523	2,518,856
		-	1,821,935
Bank Charges		179,033	67,919
Total payments		96,580,820	93,789,424
Net cash flows from/(used in) operating activities	22	63,301,141	9,919,111
Cash flows from investing activities			
Purchase of PPE		-	(27,230,027)
Net cash flows from/(used in) investing activities		63,301,141	
Cash flows from financing activities			
Net cash flows from financing Activities		-	
Net increase/(decrease) in cash &			
Cash equivalents		63,301,141	44,826,220
Cash and cash equivalents at 1 July		441,366,832	396,938,612
Cash and cash equivalents at 30 June	15	504,667,973	441,366,832

**Veterinary Medicines Directorate
Annual Report and Financial Statements
for the year ended June 30, 2025.**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Budget Roll-Over				441,409,971		
Veterinary Medicines Dossier / Products Registration Fees.	16,000,000	(9,550,000)	6,450,000	16,641,905	10,191,905	258%
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	6,500,000	(3,920,000)	2,580,000	4,144,320	1,564,320	161%
Veterinary Medicines Good Manufacturing Practice Fees (local site)	1,500,000	(1,300,000)	200,000	500,000	300,000	250%
Veterinary Medicines Wholesale Dealers Premises Inspection and Permit Fees	6,500,000	(900,000)	5,600,000	6,509,950	909,950	116%
Veterinary Medicines Retail Pharmacy Licence Fees	2,500,000	32,500,000	35,000,000	14,329,950	(20,670,050)	41%
Veterinary Medicines Retail Pharmacy Inspection Fees	1,000,000	11,750,000	12,750,000	105,000	(12,645,000)	1%
Veterinary Medicines Import Verification and Permit Fees	33,000,000	29,665,000	62,665,000	73,230,163	10,565,163	117%
Veterinary Medicines Products Retention Fees	33,500,000	(8,445,000)	25,055,000	43,596,721	18,541,721	174%
Products Advertisement	500,000	(250,000)	250,000	100,000	(150,000)	40%
Manufacturing License	500,000	(50,000)	450,000	720,000	270,000	160%
Fees for duplicate permit or licence	-	-		3,951	3,951	
Total Receipts	101,500,000	49,500,000	151,000,000	601,291,932	450,291,932	398%
Employee costs	41,345,455	5,060,545	46,406,000	26,044,544	20,361,456	56%
Operations Expenses	42,790,000	30,375,145	73,165,145	53,594,659	19,570,485	73%
Council's Expenses	9,860,000	14,064,311	23,924,311	22,924,311	1,000,000	96%
Depreciation and amortization expense	7,504,545		7,504,545	7,275,577	228,968	97%
Capital Expenditure	7,500,000		7,500,000	5,639,800	1,860,200	75%
Total Payments	109,000,000		158,500,000	115,478,891		
Surplus (Deficit)				485,813,041		

Budget notes

✓ *The underutilization in Employee Compensation was due to delayed recruitment of new employment due to Court case.*

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- ✓ *The underutilization in the Operations Expenses was due to late approval of the supplementary budget therefore the Directorate was unable to utilize the budget within the short period in Quarter 4.*
- ✓ *The overutilization in Depreciation and amortization expense is attributed to addition of more assest in the 2023-2024 and 2024-2025 Financial year.*
- ✓ *The underutilization in Capital Expenditure is attributed to the reduced price of items procured in the marked compared to the period of budget approval.*
- ✓ *The changes in original budget from Kshs. 101,500,000 to 151,000,000 was due to supplementary budget amounting to 49,5000*

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	485,813,041
1	Depreciation	7,275,577
2	Increase Trade and Other Payables	6,040,895
3	Capital expenses	5,639,800
	Closing Cash and Cash Equivalent as per the statement of Cash flows	504,667,973

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20. Notes to the Financial Statements

1. General Information

The VMD is established by and derives its authority and accountability from Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is regulating the manufacture, importation, exportation, registration, distribution, prescription and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya.

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 Directorate’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Directorate. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 201., 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.

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: Leases	Applicable 1st January 2025 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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Standard did not have any effect on the Council’s statement.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, 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: 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. The Standard did not have any effect on the Council’s statement.

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<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> 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. The Standard did not have any effect on the Council’s statement.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> 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. The Standard did not have any effect on the Council’s statement.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i> 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>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i> 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>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i> 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>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul 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.

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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

The Directorate recognizes revenues from taxes, levies, and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

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 Directorate 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 realised 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

Rendering of services

The Directorate 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 Directorate.

Interest income

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

Dividends

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

Rental income

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

b) Budget information

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The original budget for the Current FY was approved by the National Assembly on April 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Directorate recorded additional appropriations of 49.5 million on the 2024/2025 budget following the Council approval.

Budget information (continued)

The Directorate's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section 17 of these financial statements.

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 Directorate 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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Directorate and the same taxation authority.

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Sales tax

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

- i) When the sales tax 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.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) 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. It is the Council's policy to depreciate its fixed asset using the reducing balance method of depreciation statting the following month after the month the asset is acquired as follows;

Asset Category	Depreciation Rate p.a
Motor vehicles	16.67%
Furniture and fittings and office equipment	12.5%
Computers & ICT Equipment	30%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Directorate Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Directorate also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Directorate will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

Intangible Assets	Amortization Rate
Software	12.5%

h) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i) Research and development costs

The Directorate expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Directorate can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) 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. 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.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised 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

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cashflows 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.

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.

Trade and other receivables

Trade and other 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.

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.

Impairment

The entity 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 entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

b) Financial liabilities

Classification

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

k) 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 conditions are accounted for, as follows:

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- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour 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 Directorate.

l) Provisions

Provisions are recognized when the Directorate 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 Directorate 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.

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The Directorate 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.

o) Contingent assets

The Directorate 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 Entity 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.

p) Nature and purpose of reserves

The Directorate Entity creates and maintains reserves in terms of Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015 requirements.

q) Changes in accounting policies and estimates

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

r) Employee benefits

Retirement benefit plans

The Directorate provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Directorate pays fixed contributions into a separate Directorate (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to

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pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

The Directorate 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 Directorate, or vice versa. Members of key management are regarded as related parties and comprise the Council Members, the CEO and managers.

v) Service concession arrangements

The Directorate analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Directorate recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Directorate also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

x) Comparative figures

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

y) 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, 2025.

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5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Directorate'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. State all judgements, estimates and assumptions made:

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 Directorate 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Directorate.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfer from other Government entities

Description	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
Transfer from other government entities	-	38,000,000
Total	-	38,000,000

7. Licenses, Fees and Permits

Description	2024-2025 FY	2023/2024 FY
	Kshs	Kshs
Good manufacturing Practice fees (foreign site)	4,144,320	3,175,782
Good manufacturing Practice fees (local site)	500,000	500,000
Wholesale Dealers Premises Inspection and License Fees	6,509,950	6,460,000
Product Registration	16,641,905	5,708,548
Retail Pharmacy license Fees	14,329,950	15,520,000
Retail Pharmacy Inspection Fees	105,000	21,385,000
Import /Export Verification and permit fee	73,230,163	50,947,393
Products Retention fees	43,596,721	34,810,118

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Products Advertisements license	100,000	-
Manufacturing License	720,000	510,000
Fees for duplicate permit or licence	3,951	-
Total	159,881,961	139,016,841

8. Employee Costs

Description	2024-2025 FY	2023/2024 FY
	Kshs	Kshs
Basic Salary	14,235,874	29,231,654
Basic Wages - casual	1,725,831	1,252,763
House allowance	4,496,369	-
Staff Medical Cover	-	6,762,211
Commuter/Transport Allowance	1,192,497	-
Extraneous Allowance	721,667	-
Domestic Servant Allowance	144,333	-
Leave Allowance	549,830	-
National Industrial Training Authority (NITA)	11,850	-
Gratuity	1,050,900	-
Employer Contributions to National Social Security Fund	599,871	367,200
Employer Contribution to Staff Pensions Scheme	977,479	-
Employer Contribution to Housing Levy	338,044	-
Employee costs	26,044,544	37,613,828

9. Use of Goods and Services

Description	FY 2024-2025	2023/2024 FY
	Kshs	Kshs
Subscriptions	-	192,330
Traveling & Accommodation: - Local Travel	22,201,949	27,457,076
Traveling & Accommodation: - Foreign Travel	1,385,937	-
Refined Fuel, Oil and Lubricants	6,018,660	4,924,690
Telecommunication	-	3,665,955
Hospitality and Office Refreshments	2,707,970	3,123,995
Rental Expenses	5,087,916	3,901,487
Advertisement, Promotions and Publicity	91,160	-
Corporate Social Responsibility	540,000	-
Audit Fees	-	400,000
Telephone, Mobile and Internet Services	4,089,008	-
Other General Expenses	-	1,759,450
Training Expenses	1,485,635	1,997,976
Printing, Stationery and Publicity	856,682	2,608,886
Insurance-Motor Vehicle	1,054,460	915,441
Staff Medical Insurance	8,075,282	-
Total	53,594,659	50,947,286

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10. Council's Expenses

Description	FY 2024-2025	FY 2023/2024
	Kshs	Kshs
Chairman's Honoraria	960,000	320,000
Sitting Allowances	8,180,000	494,000
Board Training Expenses	2,704,000	-
Traveling Expenses	8,394,760	-
Mileage	1,048,919	5,000
Lunch Allowance	959,756	-
Board Medical Insurance	616,876	-
Telephone and Postage	60,000	-
Total	22,924,311	819,000

Notes

- 1) During the previous financial year, the Council was operationalized in the final quarter of the year. Consequently, there was no full utilization of the approved budget, resulting in total expenditure of **Kshs. 819,000**.
- 2) In the financial year 2024/2025, the Council was fully operational for the entire period, leading to full implementation of planned activities and an increase in budget absorption to **Kshs. 22,924,311**.

11. Repairs and Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Vehicles	1,169,523	2,518,856
Total Repairs and Maintenance	1,169,523	2,518,856

12. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs	Kshs
Amortized-Software's	2,529,139	1,256,827
Depreciation- Furniture & Fittings	247,485	277,305
Depreciation-Computers	426,788	389,263
Depreciation- Motor Vehicle	4,072,166	2,228,302
	<u>7,275,577</u>	<u>4,151,697</u>

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13. Bank Charges

Description	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
Bank Charges- USD Bank Account No.-7714663936	3,338	-
Bank Charges-KES Bank Account No.-7700595453	175,695	67,919
Total	179,033	67,919

14. Gain/Loss on foreign exchange transactions

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Gain or loss on foreign exchange transactions	(52,895)	(20,844,041)
Total	(52,895)	(20,844,041)

15. Cash and Cash Equivalents

Description		2024-2025 FY	2023-1024 FY
Financial Institution	Account number	Kshs	Kshs
Recurrent Account			
National Bank of Kenya	7700595453	201,176,012	199,048,375
National Bank of Kenya	7714663936	303,491,961	242,318,458
Grand Total		504,667,973	441,366,832

16. Receivables from Non-Exchange Transactions

Description	2024-2025 FY		2023-2024 FY	
	Kshs		Kshs	
Receivables-from Staff	738,400		-	
Receivables-from E-Citizen	7,870,209			
Total receivables from non- exchange transactions	8,608,609		-	
Ageing Analysis- Receivables from non-exchange transactions	Current FY	% of the total	2023-2024 FY	% of the total
Less than 1 year	8,608,609	100%	-	-
Total	8,608,609	100%	-	-

Description	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
At the beginning of the year	-	-

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Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

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17. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance Prepayment-Staff Medical Insurance	7,981,074	-
Insurance Prepayment-Council Medical Insurance	555,564	
Total	8,536,639	-

18. Inventories

Description	2024-2025 FY	2022-2023 FY
	Kshs	Kshs
Inventories-Stores	1,066,091	-
Total inventories	1,066,091	-

Detailed disclosure on inventories

Description	2024-2025 FY
Opening balance	-
Additional Inventory in the year	5,861,290
Inventory expensed in the year	4,896,540
Write-downs in the year	-
Closing balance	964,750

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19. Property, Plant and Equipment

	Furniture and Fittings	Computers	Motor Vehicle	Total
COST (Kshs)				
01 July 2023 (b/fwd)	3,245,232	2,812,651	16,870,760	22,928,643
Additions	-		17,743,200	17,743,200
21489935		-	-	-
Transfer/Adjustments	-	-	-	-
Revaluation Adjustments	-	-	-	-
30th June 2024 c/fwd)	3,245,232	2,812,651	34,613,960	40,671,843
01 July 2024 (b/fwd)	3,245,232	2,812,651	34,613,960	40,671,843
Additions	-	2,547,500	-	2,547,500
Revaluation Adjustments	=	=	=	-
30 June 2025 (c/fwd)	3,245,232	5,360,151	34,613,960	43,219,343
DEPRECIATION				-
01 July 2023 (b/fwd)	988,045	1,000,762	7,957,550	9,946,357
Depreciation	277,305	389,263	2,228,302	2,894,870
Impairment	-	-	-	-
Transfer/Adjustments	-	-	-	-
30 June 2024 (c/fwd)	1,265,350	1,390,025	10,185,852	12,841,227
01 July 2024 (b/fwd)	1,265,350	1,390,025	10,185,852	12,841,227
Depreciation	247,485	426,788	4,072,166	4,746,439
Disposals				-
Impairment				-
Transfer/Adjustments				-
30 June 2025 - c/fwd	<u>1,512,835</u>	<u>1,816,813</u>	<u>14,258,018</u>	<u>17,587,666</u>
NET BOOK VALUES				
30 June 2024- c/fwd	1,979,882	1,422,626	24,428,108	27,830,616
30th June 2025- c/fwd	1,732,397	3,543,338	20,355,942	25,631,677

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Notes

The Directorate has amended the Asset Register and applied the appropriate depreciation and amortization rates in line with the accounting policies disclosed under Notes 4(e) and 4(g) of the amended Financial Statements. This adjustment ensures that the carrying amounts of Property, Plant and Equipment and Intangible Assets are stated at their correct values in accordance with IPSAS requirements

19 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	34,613,960	14,258,018	20,355,942
Computers	5,360,151	1,816,813	3,543,338
Furniture and Fittings	3,245,232	1,512,835	1,732,397
Total	43,219,343	17,587,666	25,631,677

20. Intangible Assets

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost		
At beginning of the year	21,489,935	18,385,695
Additions	-	-
At end of the year	21,489,935	18,385,695
Additions–internal development	-	3,104,240
At end of the year	21,489,935	21,489,935
Amortization and impairment		
At beginning of the year	1,256,827	-
Amortization	2,529,139	1,256,827
At end of the year	3,785,966	1,256,827
Impairment loss	-	-
At end of the year	3,785,966	1,256,827
NBV	17,703,970	20,233,108

21. Trade and Other Payables

Description	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
Trade payables	898,042	-
Total trade and other payables	898,042	-

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Ageing analysis: (Trade and other payables)	Current FY	% of the Total	2023-2024 FY	% of the Total
Under one year	898,042	100%	-	0%
Total (tie to above total)	898,042		-	0%

22. Surplus Remission (for category 3 entities)

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the Entity did not remit any funds to the Consolidated Fund.

In accordance with Section 50 (2e) of the Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015 state that annual estimates shall make provision for all the estimated expenditure of the Directorate for the financial year concerned, and in particular shall provide for the creation of such reserve funds to meet future or contingent liabilities in respect of retirement benefits, insurance or replacement of buildings or equipment or in respect of such other matter as the Directorate may find appropriate. Therefore, the surplus for the year have added to the reserves and invested accordingly in compliance with Section 52 (1) of the Veterinary Surgeons and Veterinary Paraprofessionals (Veterinary Medicines Directorate) Regulations, 2015 which state that the Council shall cause to be kept all proper books and records of accounts of the income, expenditure, assets and liabilities of the Directorate.

23. Cash Generated from Operations

Description	2024-2025 FY	2023-2024
	Kshs	
Surplus	48,641,419	-
Adjusted for:		
Depreciation	7,275,577	-
Working capital adjustments		
Inventory	1,066,091	-
Increase in Receivables	5,420,011	-
Increase in payables	898,042	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	63,301,141	-

24. Average and Closing Exchange rates used for foreign currency Translation

Description	Rate (KShs per USD)
Average and Closing Exchange Rate	129.23 per 1 USD

25. Disclosure of Services Received in kind.

During the financial year, the Directorate received services in kind from the Ministry of Agriculture and Livestock Development through five (5) deployment of technical staff to support the implementation of regulatory and inspection functions. The value of these services has not been recognized in financial statements as they cannot be reliably measured.

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26. Financial Risk Management

The Directorate's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Directorate's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Directorate does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Directorate's financial risk management objectives and policies are detailed below:

i) Credit risk

The Directorate has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management 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 directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	8,608,609			
Bank balances	504,667,973	-		
Total	513,276,582	-		
As at 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-		-	-
Bank balances	441,366,832	-	-	-
Total	441,366,832	-	-	-

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Directorate has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Directorate does not have significant concentration of credit risk. The Council sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directorate's Council members, who have built an appropriate liquidity risk management framework for the management of the Directorate's short, medium and long-term funding and liquidity management requirements. The Directorate manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 202025				
Trade payables	898,042	-	-	898,042
Total	898,042		-	898,042

Financial Risk Management

iii) Market risk

The Directorate has put in place an internal audit function to assist it in assessing the risk faced by the Entity 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, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Directorate's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Directorate has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Directorate manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of the Directorate's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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Current FY

	In Kshs	Other currencies (USD)	Total
	Kshs	Kshs	Kshs
As At 30 June 2025			
Financial Assets	-	-	-
Investments	-	-	-
Cash	201,176,012	2,348,429	
Debtors	-	-	-
Total Financial Assets	201,176,012	2,348,429	-
Financial Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	201,176,012	2,348,429	-

Foreign currency sensitivity analysis

Current FY

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2025			
Financial Assets	-	-	-
Cash	201,176,012	303,491,961	504,667,973
Debtors	738,400	-	738,400
Total Financial Assets	201,914,412	303,491,961	505,406,373
Financial Liabilities			
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	201,914,412	303,491,961	505,406,373

Financial Risk Management

The following table demonstrates the effect on the Directorate's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2025			
USD	0%	-	-

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b) Interest rate risk

Interest rate risk is the risk that the Directorate’s financial condition may be adversely affected as a result of changes in interest rate levels. The Directorate’s interest rate risk arises from bank deposits. This exposes the Directorate to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity’s deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Directorate analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss 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 year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (Current FY: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (Current FY – Kshs xxx)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity’s* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

Financial Risk Management

The entity did not hold any financial and non-financial instruments in the financial year.

iv) Capital Risk Management

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Capital Reserve	565,316,916	516,675,497

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Total Funds	565,316,916	516,675,497
Total Borrowings	-	-
Less: Cash and Bank Balances	504,667,973	441,366,832
Net Debt/(Excess Cash And Cash Equivalents)	504,667,973	441,366,832
Gearing	89%	85%

27. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs.
- iv) Key management.
- v) Board of directors

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28. Events after the Reporting Period

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

29. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

30. Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)
1.	Inaccuracies in the financial statements	The Management took note of the inaccuracies and amended the Financial Statements Accordingly.	Resolved	
2.	Unsupported Revenue from Rendering of Services	The Data on revenue from the Rendering of services is available.	Resolved	
3.	Misclassification of Expenditure	The misclassified expenditure was posted to the correct ledger account.	Resolved	
4.	Unexplained Variance between Cashbook and Financial Statements	The cashbook has been reconciled with the financial statements	Resolved	
5.	Inaccuracy and incompleteness of property, plant and equipment	The understatement was corrected and the Financial statements amended accordingly	Resolved	
6.	Budgetary Control and Performance	The management took note of budgetary control and performance issue and	Resolved	
7.	Unresolved Prior year matters	The Strategic Plan and staff gapping have been addressed	Resolved	
8.	Non-compliance with the prescribed financial reporting format	The management took note of the issue and corrected the non-compliance	Resolved	
9.	Failure to rationalize budget	The rationalization of the budget was impossible due to the nature of activities of VMD of conducting inspections of Veterinary Pharmacies in the country and carrying out GMP Audits outside the country	Resolved	
10.	Failure to provide documents for Audit	The management took note and resolved all documents will be provided	Resolved	
11.	Non-Provision of leave allowances	The management cleared the leave allowances arrears owed to staff	Resolved	
12.	Unclear Policy on Assets Depreciation	The management adopted the guidelines on asset and liability management in the public	Resolved	

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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)
		sector issued by the National Treasury and Economic Planning.		
13.	Weak Internal Controls	The following policies have been approved; i. ICT Policy and Standard Operating Procedures ii. Business Continuity Plan (BCP) iii. Disaster Recovery Plan (DRP) iv. Strategic Plan	Resolved	
14.	Staff Under Establishment	The Directorate recruited additional 29 staff raising the staff levels 45 and also received addition 3 deployed from the State Department of Livestock Development.	Resolved	

#Quema

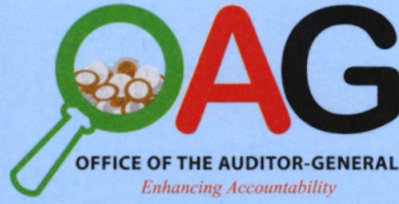
.....
Ag. Chief Executive Officer
Veterinary Medicines Directorate

Date: *29/08/2025*

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

GATITU TEA FACTORY LIMITED

FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

DAY.

WEDNESDAY

TABLED
BY:

HON. NAOMI WAQO, MP
DEPUTY MAJORITY WFLP

CLERK-AT
TABLE:

ESTHER NGINYO



**GATITU TEA FACTORY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

Prepared in accordance with the International Financial Reporting Standards (IFRS)

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1. Acronyms and Glossary of Terms

The acronyms and glossary of terms used in the annual report and financial statements are as below.

IFRS	International Financial Reporting Standards
MD	Managing Director
GTF	Gatitu Tea Factory
CSR	Corporate Social Responsibility.
NTZDC	Nyayo Tea Zones Development Corporation
FDS	Factory Door Sales
EATTA	East Africa Tea Trade Association
KEBS	Kenya Bureau of Statistics
ISO	International Organization for Standardization
CTC	Cut Tear Curl
CAGR	Compound Average Growth Rate
NTSA	National Transport and Safety Authority
JKUAT	Jomo Kenyatta University of Agriculture and Technology
EACC	Ethics and Anti-Corruption Commission
MBA	Master of Business Administration
IESE	Instituto de Estudios Superiores de la Empresa
PHD	Doctor of Philosophy
LTD	Limited
EA	East Africa
KTDA	Kenya Tea Development Agency
ICT	Information and Communication Technology
BETA	Bottom-Up Economic Transformation Agenda
HR	Human Resource
CPA	Certified Public Accountant
CTC	Crush, Tear and Curl
WIBA	Work Injury Benefits Act
FDS	Factory Door Sales
ECO	Ecological
KEBS	Kenya Bureau of Standards
PFM	Public Financial Management

2. KEY ENTITY INFORMATION

Background Information.

Gatitu Tea Factory Limited is a fully owned subsidiary of Nyayo Tea Zones Development Corporation (NTZDC) established under the Companies Act of Kenya. The factory construction began in the year 2016 and became operational in the year 2022. The Factory is the second tea processing factory to be established by the Nyayo Tea Zones Development Corporation to process green leaf tea into made tea. On the other hand, Nyayo Tea Zones Development Corporation is a state corporation established under legal notice 265 of 1986 which was later revised in March 2002 in consultation with the Chief Conservator of Forests, create tea and fuelwood growing zones to act as buffers around gazetted forests and gazetted trust land forests. Part of the corporation's mandate is to establish, manage and maintain tea processing factories and process tea. Gatitu Tea Factory was thus established in fulfillment of this mandate.

The Chief Executive Officer is responsible for general policy and strategic direction of the factory.

Location

Gatitu Tea Factory is located 36kms from Kerugoya town. It is 1643 meters above sea level. Its Latitude is 0° 26' 7" North and Longitude is 37° 25' 2" East.-Ngariama Ward, Gichugu Subcounty, Ngariama Location, Rungeto sublocation. Location of operations is in Kirinyaga County.

Principal Activities.

The principal activity of the factory is to process Green Leaf tea from the Corporation's catchment zones mainly Kirinyaga, Embu, Mathira and Meru South, into Made Tea. The bulk of manufactured tea is sold through the Mombasa Tea Auction while small quantities are sold in the local market.

MISSION

Creating and sustaining products, markets & brands that offer acceptable customer/consumer propositions profitably

VISION

Transform our business from low to high Value

CORE VALUES

Integrity, Professionalism, Teamwork, Commitment and Respect for others.

DIRECTORS

The Directors who served Gatitu Tea Factory during the period were as follows: -

Mr. Joseph Gitonga M'Limbiine - Chairperson - Appointed in April 2024

Mr. Peter K. Korir - Director - Appointed in November 2012 left Nov 2024 after expiry of his term

Mr. William Togom - Ag Director - Appointed in 16TH Nov 2024 to 31st December 2024

Dr. David Chepkwony - Director - Appointed in 1st January 2025

Legal Manager

Irene Kamanda

Kenyatta Avenue

P.O. Box 48552 – 00100

NAIROBI

Registered Office:

Nyayo House- 11th Floor

Kenyatta Avenue

P.O. Box 48552 – 00100

NAIROBI

Corporate Headquarters:

P.O. Box 48552 – 00100

Nyayo House-11Floor

Kenyatta Avenue

Nairobi, Kenya

Corporate Contacts

Telephone: (254) 2217489

E-mail: info@teazones.co.ke

Website: www.teazones.ke

Corporate Bankers:

Kenya Commercial Bank Ltd

Kipande House Branch

P.O. Box 30012

NAIROBI

Stanbic Bank Kenya Ltd

Kenyatta Avenue

P.O. Box 30550 00100

NAIROBI




Independent Auditors:

Auditor-General
The Office of the Auditor General
Anniversary Towers University Way
P.O. Box 30084-00100 GPO
NAIROBI KENYA

Principal Legal Advisers





The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. THE BOARD OF DIRECTORS

1	 Joseph Gitonga M'Limbiine Chairman - Board of Directors	<p>Mr. Joseph Gitonga M'Limbiine was born on 15/11/1971. He was appointed as an Independent Board Chair NTZDC in April 2023. He has previously served in various government Boards between 2013 and 2022 - notably Pwani University, Kisii University, NTSA and JKUAT. Mr. M'Limbiine is a lawyer by profession with over 25 years post-admission experience in the legal practice. He is currently a Senior Partner at the law firm of M'limbiine and Mungai Advocates. Mr. M'ILmbiine holds an MBA in Strategic Management and a Bachelor of Laws from the University of Nairobi and a post graduate Diploma from Kenya School of Law. He is an Advocate of the High Court of Kenya and a Certified Public Secretary. He has worked at EACC, Attorney General's office, High Court Judges Tribunal and the Judges and Magistrates Vetting Board as the Assisting Counsel. He brings a lot of experience in corporate governance and law.</p>
2	 Peter K. Korir – CEO	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012 to 15th November 2024. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
3	 Dr. David Chepkwony, PhD- CEO	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>

4. KEY MANAGEMENT TEAM

1	 <p>Peter K. Korir – CEO</p>	<p>Mr. Peter Korir was born on 13/12/1969. He joined the board as an Executive Director in November 2012 to 15th November 2024. He holds a Bachelor of Science degree in Mathematics from Egerton University and MBA (Strategic Management) from University of Nairobi. He is also a graduate of IESE Business school in Advanced Management. He has over 27 years' experience in management having previously worked with East African Portland Cement and Unilever Kenya in various management positions.</p>
2	 <p>Dr. David Chepkwony, PhD- CEO</p>	<p>Dr. Chepkwony joined the corporation in 2014 as Director Operations & Commercial and joined the board as an Executive Director on 1st January 2025 after being appointed as the Corporation's Chief Executive Officer. He holds a Bachelor of Commerce-Marketing, Masters degrees in Marketing and a PhD. Prior to joining the Corporation, he worked with Ketepa, Del Monte Kenya Ltd, Reckitt Benckiser EA Ltd & Unilever Kenya Ltd and has over 25 years' experience in sales and marketing.</p>
3	 <p>Samuel Njire – Director Finance & Accounts</p>	<p>Mr Samuel Njire joined the corporation in 2009 to 15th October 2024 as Director Finance & Accounts. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 6527. He is responsible for overall financial stewardship of the corporation. He has over 32 years' experience in finance in both public and private institutions</p>

4	 <p>CPA Moses Wamae Wanjohi – Director Finance & Accounts</p>	<p>Mr Moses Wamae joined the corporation in 2006 and was appointed as Director, Finance & Accounts effective January 2025. He holds a Bachelor of Commerce (Accounting) and MBA (Finance) degrees both from University of Nairobi. He is also a certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 4362. He has held various positions in the Corporation including Deputy Director - Finance, Finance Manager – Operations and Financial Accountant. He is responsible for overall financial stewardship of the corporation. He has over 24 years’ experience in finance and management in both public and private institutions</p>
5	 <p>Charles Mucheke – Director Conservation</p>	<p>Mr Charles Mucheke joined the Corporation in 2005 and is the Director Conservation. He holds a Bachelor of Science (Agriculture) and MBA (Operations Management) degrees both from University of Nairobi. He is responsible for all agronomy operations in the Corporation. Prior to joining the Corporation, he worked with KTDA and has over 31 years’ experience in the tea industry.</p>
6	 <p>William Togom – Director Human Resource and Administration</p>	<p>Mr Togom joined the corporation in 2003 and is the Director Human Resources and Administration. He holds a Bachelor of Arts degree in Anthropology. He also holds a Diploma in Human Resource Management from Kenya Institute of management (KIM). He is a member of Human Resource Management Institute of Kenya – Membership No. 03386. He has over 27 years’ experience in human resource and administration.</p>
7	 <p>Pius Kipkurui- Ag Director Operations & Commercial</p>	<p>Mr. Pius Kipkurui joined the Corporation in 2009 and was appointed as Acting Director of Operations and Commercial Services in January 2025. He holds a Bachelor of Agricultural Economics degree from Egerton University and a Master of Business Administration degree in Strategic Management. He is responsible for operations and tea marketing in the Corporation. Prior to joining the Corporation, he worked with KTDA and Ministry of Agriculture and has over 28 years’ experience in the tea industry.</p>

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO (Upto 15 th November 2024)	Peter Korir
2.	CEO (From 1 st January 2025)	Dr. David Chepkwony, PhD
3.	Director Conservation	Charles Mucheke
4.	Director Finance and Accounts (upto 15 th Oct 2024)	Samuel Njire
5.	Director Finance and Accounts (From 16 th Oct 2024)	CPA Moses Wamae
6.	Director Human Resource and Administration	William Togom
7.	Ag Director Operations and Commercial	Pius Kipkurui

6. Fiduciary Oversight Arrangements

Production, Business Development & Strategy Committee:

This committee ensures that new business strategies, product developments, and operational changes are sound and aligned with the Corporation's long-term objectives. It evaluates the financial feasibility of new initiatives to ensure that resources are used efficiently, safeguarding the Corporation's financial interests. The committee assesses the potential risks of business development activities, ensuring they do not pose unnecessary financial or operational risks. When considering new products or services, the committee ensures they will deliver an acceptable return on investment and contribute to the Corporation's overall strategy.

Audit & Risk Management Committee:

This committee oversees the financial and risk management systems. They monitor risk management systems and ensure that the Corporation's risks—whether financial, operational, or legal—are identified, assessed and mitigated. The committee is also responsible for ensuring that internal controls are effective and that the Corporation complies with relevant laws, regulations and industry standards. In case of financial discrepancies or audit findings, the committee ensures that corrective actions are implemented to safeguard the Corporation.

Finance & ICT Committee:

This committee oversees the financial health of the Corporation, ensuring that financial resources are allocated effectively and sustainably. The committee plays a crucial role in overseeing IT systems, ensuring they are secure, efficient, and aligned with the Corporation's strategic objectives. By monitoring financial and ICT decisions, the committee helps safeguard the Corporation's long-term success.

Human Resource Committee:

The Committee ensures fair treatment of employees and provides oversight and guidance on HR strategies, policies, and practices, ensuring they align with the organization's overall goals and legal requirements

7. CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and financial statements of Gatitu Tea Factory Limited for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

The Company started operating in March 2022. A total of 5.3 Million Kilograms of green leaf was received from the factory catchment zones namely Kirinyaga, Embu, Mathira and Meru South zones, during the current financial year.

The investments made in form of machinery and equipment helped the Company to process the tea though we still have capacity underutilization in the factory.


We have aligned our strategy to enhance the achievement of the BETA pillars of manufacturing, food security and nutrition and increase country's exports for most of the tea is sold through the Auction.

During the year, the Company initiated programs to empower farmers and communities in the catchment in form of access to tree seedlings. This initiative will help increase trees planted and environmental conservation and in the long run improve the standards of living for the community. We also work closely with the County government in improvement of access roads in the past year.

Our tea brands continued to grow in the local market despite stiff competition and we expect to gain larger market share due to the high quality of our tea. Our sales volumes in the domestic market was maintained.

The factory's future outlook is bright, since it's designed with a two line processing capacity, the output will be maximized with the installation of the second line in future with projected financial improvement.

I extend my gratitude for the invaluable support given by the Board of Directors, management and staff and the Government for being committed to the Company's affairs. I also take this opportunity to appreciate our esteemed customers without whom we could not have gone this far.


Joseph G. M'Limbiine
Chairperson of the Board

Date.....10/12/2025.....

8. REPORT OF THE CHIEF EXECUTIVE OFFICER

General

I present to you the Annual Report and financial statements of Gatitu Tea Factory Limited (GTF) for the year ended 30 June 2025. The Factory is a wholly owned subsidiary of Nyayo Tea Zones Development Corporation.

Financial Results

During the financial year, volumes of processed tea sold was 1.2million Kgs. The projected auction price was \$2.8, against the actual \$2.33 in the period. Revenues realized was Ksh 381 Million. Overall, the company recorded a loss of Ksh.19.3 million.

Operations

GTF is designed to have 2 processing lines. Currently, its operating with only one line. The second line will be installed progressively with projected financial improvement in the future.

GTF commenced green leaf processing in March 2022. Total green leaf received by the factory in the financial year was 5.3 million Kgs which was collected from Nyayo Tea Zones factory catchment namely Kirinyaga, Embu, Mathira and Meru South against the projection of 7.2 Million. This was largely due to unfavorable weather in the period resulting in low production of green leaf.

The hiring of the staff commenced in the financial year with some staff already posted to the factory. We will however fill all the vacancies when the additional lines will be installed. This will boost the revenues and operate profitably for sustainability.

We initiated the re-categorization of the factory with the EATTA, to remove the factory from Estate to "Natural Forest Conservation" category. The green leaf comes from our catchment zones who used to deliver the teas to nearby KTDA factories before Gatitu became operational. This will make our made tea to attract better tea prices going forward.

Initially, access roads to the factory were impassable and green leaf delivery was a major challenge. Trucks collecting made tea from the factory for the markets were also having access difficulties while collecting the stock. Jointly with the County government, the road to the factory is now graded.

Future Outlook

Tea prices in the global market are expected to improve in future and this will boost the company's revenues. However geopolitics including the impact of political instability in destination markets, Russia/Ukraine conflict and COVID-19 is still being felt in the Auction market. As a result of this, the company projects to maintain its markets and restructure its costs accordingly for it to maintain sustainability.

Appreciation

I take this opportunity to appreciate the valuable support given by our various stake holders including the customers, suppliers, bankers, and the local community. On behalf of the board, I also wish to express my gratitude to the management, staff and the Government for their commitment to the Company. With your support the company will continue to grow sustainably for the benefit of all stakeholders.

Dr. David Chepkwony, PhD
Chief Executive Officer

Date... 10/12/2025

9. Statement of Performance against Predetermined Objectives for FY 2024/2025

Section 81 Subsection 2(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

Gatitu Tea Factory Limited has four strategic pillars and objectives within the last strategic plan for the financial year FY 2024/2025 which was adopted in from the long-term strategic direction of the board.

These strategic pillars are: -

1. Expand our conservation footprint and sensitization drive.
2. Sustainably support livelihoods through tea.
3. Improve and leverage our stakeholder engagement.
4. Build a sustainable Organization.

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
1. Expand our conservation footprint and sensitization drive.	Exploit all prioritized, high returns. 'Conservation associated' branding opportunities	Grow our Commercial Unit revenues and profits by 5-year CAGRs of 45% and 124% to Kes,870Mn and Kes 151Mn respectively	Develop and launch/Relaunch a 'Conservation' positioned packaged Tea Brand – Eco Tea – and market locally and internationally, including to the local International Community and Institutions.	Sales Volumes in Tons.
2. Sustainably support livelihoods through tea.	Accelerate Packaged Tea growth and market share led locally.	Grow the NTZDC market share by 5% by end FY2025	Expand NTZDC volume sales of value-added teas to 3.02MnKgs of packaged Tea by end 2025 led by brand Eco	3.02 Mn Kgs of Packaged Tea by 2025
			Portfolio expansion to cater to changing Consumer preferences	Number of New Brands, Variants, Pack-sizes
3. Improve and leverage our	Establish a collaborative and mutually	Create Trade relationships that support	Develop a Commercial Stakeholder	Signed-off and Responsibility assigned

stakeholder engagement.	beneficial relationship with our trade partners	delivery of organization's Commercial goals	Engagement strategy with focus on key/critical stakeholders	Strategy
		Enhance Customer service to ameliorate experience with our Brands, in support of Trade expansion.	Institute periodic and formal engagement initiatives with Trade partners at Regional and National levels to build lasting relationships.	Customer Satisfaction score of >85%
4. Build a Sustainable Organisation.	Build a sustainable Commercial organization by investing in our people, capacity, processes and systems.	Right staff, in right roles, equipped and trained right to deliver Commercial goals.	Ensure Staff trained in necessary skills to support delivery of Organisation's goal.	100% of Staff Trained in required area(s)
			Ensure Staff are provided with the necessary Tools to deliver the Organisation's goals.	Staff Fully Trained.

10. CORPORATE GOVERNANCE STATEMENT

The Corporation is committed to ensuring compliance with the principles of corporate governance as enshrined in the Constitution of Kenya 2010, the State Corporations Act, Cap 446, Tea Act 2020 and the *Mwongozo* Code of Conduct for State Corporations. The Corporation conducted its operations in adherence to the principles of Corporate Governance such as transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship.

Please Note that the board of Nyayo Tea Zones Development Corporation is the same Board that serves Gatitu Tea factory Limited and Kipchabo Tea factory which collectively are wholly owned by Nyayo Tea Zones Development corporation.

The Board has established a Board Charter that guides its operations and on an annual basis, sets performance targets through a work plan. In compliance with the provisions of the *Mwongozo*, a Board evaluation was carried out by the State Corporations Advisory Committee.

The following members exited the Board during the financial year following expiry of their term, Mr Raymond Kemei, Mr Andrew Karumbo, Mr Andrew Nyanchoga, Mr Leonard Kubok and Ms Joyce Njogu.

The following members joined the board during the financial year following their appointment CPA Isabella Koga, Mr Patrice Jomo Chumba, Mr Geoffrey Wachira Mahinda, Mr Malika Ali Omar and Mr John Karanja Kamau.

All the board members except the Managing Director are non-executive and are appointed for a renewable term of 3 years for a maximum of 2 terms.

The board has established 4 committees, namely (i) Production, Business Development & Strategy Committee (ii) Audit & Risk Management Committee,

(iii) Finance & ICT Committee and (iv) Human Resource Committee. Each committee meets at least once every quarter before tabling their reports to the full board.

Below is the composition of Board Committees.

		Audit & Risk Management	Production, Business Development & Strategy	Finance & ICT	Human Resource
1	Chairperson	Raymond Kemei	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga
2	Member	Joyce Njogu	Andrew Karumbo	Andrew Nyanchoga	Andrew Karumbo
3	Member	Isabella Koga	Andrew Nyanchoga	Joyce Njogu	Isabella Koga
4	Member	Leonard Kubok	Isabella Koga	Isabella Koga	Leonard Kubok
5	Member	Beatrice Bariu	Leonard Kubok	Leonard Kubok	Beatrice Bariu
6	Member	Obote Evans	Beatrice Bariu	Beatrice Bariu	Obote Evans
7	Member	Paul Kiprop	Obote Evans	Obote Evans	Raymond Kemei
8	Member		Paul Kiprop	Paul Kiprop	
9	Member			Raymond Kemei	

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

During the financial year, 39 Board meetings were held 9 of which were consultative and PC related (not summarized), the attendance is summarized below.

S/NO.	NAME	ATTENDANCE
Full Board		
1	Joseph G. M'limbine	12/12
2	Peter K. Korir	7/12
3	Andrew Nyanchoga	12/12
4	Raymond Kemei	11/12
5	Andrew Karumbo	12/12
6	Paul Kiprop	12/12
7	Joyce Njogu	12/12
8	Obote Evans	12/12
9	Leonard Kubok	9/12
10	Beatrice Bariu	12/12
11	Isabella Koga	0
12	William Togom	2/12
13	David Chepkwony	3/12
Finance & ICT Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	1/4
3	Andrew Karumbo	4/4
4	Joyce Njogu	1/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	3/4
8	Obote Evans	4/4
9	Paul Kiprop	1/4
10	Raymond Kemei	1/4
11	David Chepkwony	2/4
Production, Business Development & Strategy Committee		
1	Peter K. Korir	2/4
2	Andrew Nyanchoga	4/4
3	Andrew Karumbo	1/4
4	Joyce Njogu	4/4
5	Isabella Koga	2/4
6	Leonard Kubok	2/4
7	Beatrice Bariu	1/4
8	Obote Evans	1/4
9	Paul Kiprop	4/4
10	David Chepkwony	2/4
Audit & Risk Management Committee		
1	Raymond Kemei	4/4
2	Joyce Njogu	3/4
3	Isabella Koga	1/4
4	Leonard Kubok	2/4
5	Beatrice Bariu	1/4
6	Obote Evans	4/4
7	Peter K. Korir	2/4
8	Paul Kiprop	4/4
9	David Chepkwony	2/4

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

Human Resource Committee		
1	Raymond Kemei	6/6
2	Andrew Karumbo	6/6
3	Isabella Koga	2/6
4	Leonard Kubok	3/6
5	Beatrice Bariu	6/6
6	Obote Evans	5/6
7	Peter K. Korir	4/6
8	Andrew Nyanchoga	6/6
9	David Chepkwony	2/6

Appointment of Board Members:

The Cabinet Secretary, Ministry of Agriculture and Livestock Development appoints the Board Members. The Chairman is appointed by the President of the Republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:

- (a) Serves the appointing authority with a written notice of resignation; or
- (b) Is absent, without the permission of the Chairperson, for three consecutive meetings; or
- (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
- (f) Any removal of a Board Member shall be through formal revocation.
- (g) The Corporation Secretary ensures that a record of the appointment letters, gazette notice and written acceptance by the Board member are kept in the personal file of the Board Member.

Roles of the Board

The roles and functions of the board include the following.

- a) To oversee the implementation of the Corporations' mission, vision, purpose and core values through various programs.
- b) To Exercise their role collectively, not individually
- c) To set and oversee the overall strategy and approve significant policies of the Corporation.
- d) To review, Evaluate and approve, on a regular basis, long-term plans for Corporation.
- e) To review and evaluate and approve Corporation's budget and financial forecasts.
- f) To review and evaluate and approve major resource allocation and capital investments.
- g) To ensure that the procurement processes were cost -effective and delivered value for money.
- h) To review and approve the operating and financial results of the Corporation.
- i) To ensure effective, accurate, timely, and transparent disclosure of pertinent information on the Corporation's operations and performance.
- j) To Adopt, implement and Monitor compliance with the Corporation's Codes of Conduct and Ethics.
- k) To Review, evaluate and approve the Overall Corporation 's structure, the assignment of senior management responsibilities and plans for senior management development and succession.

Conflicts of interest

The *Mwongozo* code of governance for State Corporations, the Leadership and Integrity Act, Public Officers Ethics Act and other relevant laws have set standards on the management of conflict of interest. The Corporation is in compliance with the requirements set out in the code and the relevant laws. The Directors are required to disclose their areas of conflict. Directors are required to refrain from contributing to or voting on matters in which they have such conflict or influence a decision with respect to such a matter. The Corporation also maintains a register to record conflict of interest.

Board Remuneration

The Board of the Corporation recommends the remuneration and sitting allowances paid to the Chairman and members of the Board in line with the currently prevailing government guidelines on payment of remuneration and allowances for Board members. The Chairman and Board were therefore paid sitting allowance and other allowances in line with the guidelines.

Ethics and conduct and Governance Audit.

The Corporation has adopted high standards and applies strict rules of conduct, based on the best corporate practices. The Board continued to adhere to good corporate governance by embracing the following principles.

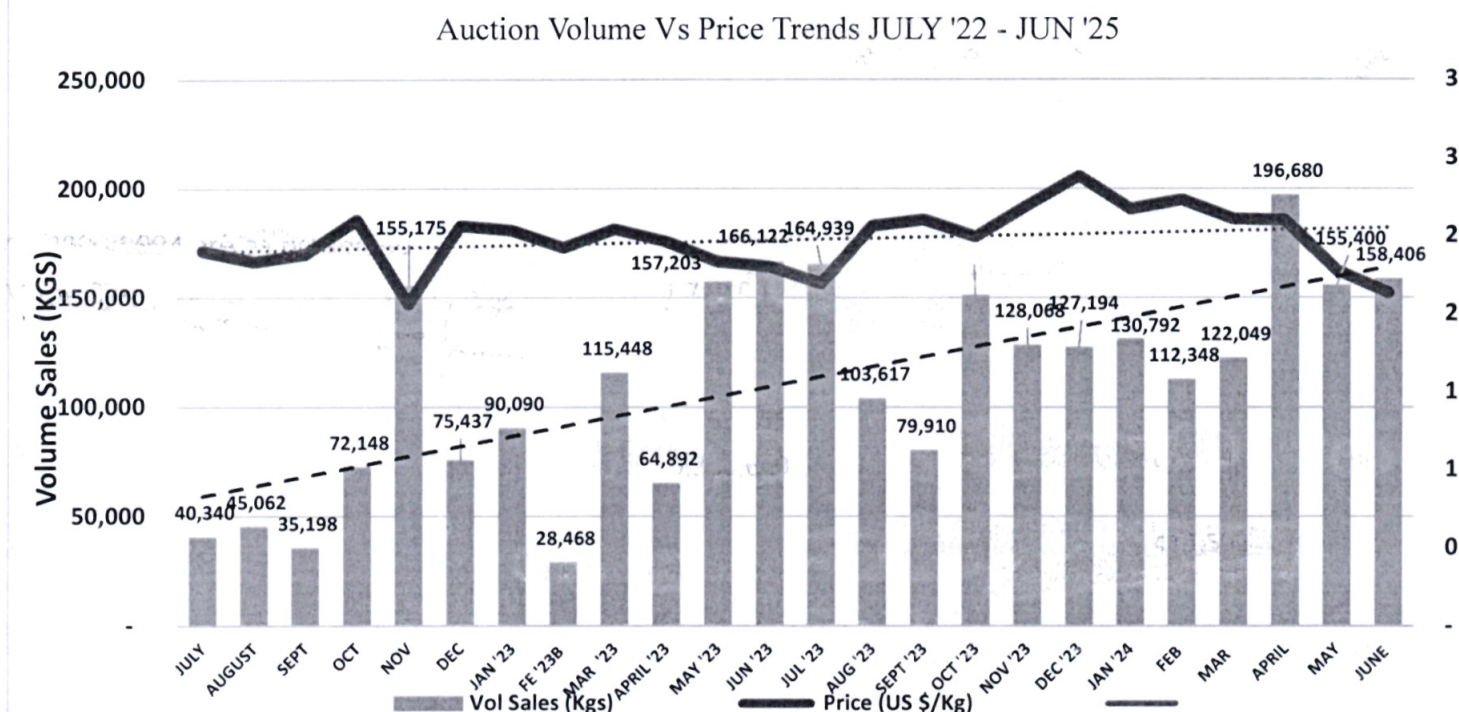
- a) Observing high standards of ethical and moral behavior
- b) Acting in the best interests of the organization
- c) Remunerating and promoting staff fairly and responsibly
- d) Ensuring that the Corporation acts as a good corporate citizen.

Succession plan

Board members shall hold office for a period not exceeding three (3) years and are eligible for reappointment for one term not exceeding 3 years. The renewal of a Board member tenure for a second term is subject to an acceptable evaluation as determined during the Board evaluation.

11. STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS

Gatitu factory limited has almost been consistent in terms auction prices as depicted below.



The factory's green leaf for the 2024/2025 projections vs actuals and Actuals 2024/2025 vs 2023/2024 are as presented below.

Current Year	2024/2025	2024/2025	Variance
	Projections	Actual	
Green Leaf – Catchment	7,290,641	5,386,610	-1,904,031
Made Tea	1,676,847	1,263,255	-413,592
Sales of Made Tea (Ksh.)	632,171,476	381,368,837	-250,802,639
Current Year Vs Prior Year	2024/2025	2023/2024	Variance
	Actual	Actual	
Green Leaf - Catchment	5,386,610	8,026,442	-2,639,832
Made Tea	1,263,255	1,718,090	-454,835
Sales of Made Tea	381,368,837	622,372,278	-241,003,441

The primary objective of the Gatitu Tea Factory Limited Risk Management program is to identify, assess, monitor risks and ensure that appropriate management strategies are in place for known enterprise risks. The Gatitu Tea Factory Limited will undertake a substantive annual review of its operation for which it will purposely manage risks as part of our day-to-day operations.

Consistent with our Mission, risk mitigation strategies and improvement efforts will also be key inputs into the strategic and business plans.

The Major Risks facing the organization are:-

1. Economy Risks:

Risks that the Kenyan economy, burdened by debt, will result in low purchasing power of consumers and or businesses thus lowering demand for goods (and services). Demands by Government on State Corporations (Parastatals) for 'cash' to fund the national budget.

2. Climate Change Risks:

Exposure of natural capital physical/biological assets and infrastructure to increasing magnitude of warming, increased greenhouse gas concentrations, extreme weather events, natural catastrophes like mud slides-hail storms-frost.

Projects undertaken during the year

During the period under review, the following key projects were undertaken and completed.

1. Water intake for use in the factory.

The Gatitu Tea Factory Limited undertook a water project in order to have adequate and reliable water supply for its day-to-day operations. The water intake also considered the supply of water to the community living along the waterline and also installation and maintenance of community waterline from the water intake to their supply tank as part of Gatitu Tea Factory limited social responsibility.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(i) Sustainability Strategy & Profile

The main mandate of GTF is to collect green leaf tea from the catchment zones, process the same into black CTC tea, sell the same in the Mombasa auction and locally. The local sales have been minimal due to competition from the already established organizations.

Sustainability is at the core of NTZDC and Gatitu Tea factory. The Buffer zone management is a long-term intervention aimed at bringing about a transition to sustainability, in four dimensions: Ecological, Social, Institutional and Financial & Economic sustainability. i) Ecological sustainability - which concerns using natural resources in a way which does not reduce their future use potential or impair the long-term viability of the species. ii) social sustainability - which concerns the ability of contracting communities to sustain their obligations as set out in collaborative agreements. Social acceptability is an important criterion in this aspect. iii) Institutional sustainability - which concerns the managing authority's ability to meet conservation obligations, etc. iv) Financial and economic sustainability - a state in which resources are managed so as to maintain productive opportunities for the future and whereby natural capital stock is non-declining through time. Establishing buffer zones to better preserve conservation areas is by all means a sustainable economic activity coupled with value addition through tea processing via Gatitu factory.

(ii) Environmental Performance

Being a Rain Forest Alliance certified institution, Gatitu factory undertakes a number of environmental conservation activities not only for compliance but also in keeping with the conservation core mandate of the mother company, NTZDC. This includes Ecosystem Conservation through tree-planting drives in the environmentally sensitive areas in partnership with local communities and administration. The factory also practices waste segregation and has engaged the services of a registered waste collector.

(iii) Employee Welfare

Gatitu Tea Factory complies with the prescribed gender balance policy of 70:30 as recommended in the constitution of Kenya. Other policies actively implemented by the factory include Occupational Health and Safety, and provision of insurance cover against injuries and fire incidents (WIBA).

In addition, the factory ensure a working week of less than 60 hours. As a routine activity, the factory conducts an education programme for employees on environmental conservation.

(iv) Market Place Practices

The factory processes, packages and sells high quality teas through the auction and local market. Some of the brands include Gatitu mark sold in Mombasa Tea auction while Gatitu FDS and Eco Standard sold in the local market.

a) Responsible competition practice.

Gatitu mark sold through the auction is regulated by EATTA while products sold in the local market are priced to cater for all market segments and regulated by KEBS.

b) Responsible supply chain and supplier relations

Local products are distributed using local traders and customers.

c) Responsible marketing and advertisement

The corporation practices responsible marketing in its advertising and promotional activities.

d) Product stewardship

Gatitu Tea Factory is RA certified and assures customers the highest standards in processing and packing of its tea.

V) Corporate Social Responsibility

The Corporation continues to emphasize on the importance of Corporate Social Responsibility (CSR) for sustainability of its operations. As is rightly in our mandate conservation of the environment serves a key pillar in our operations.

Various CSR activities were implemented during the review period including issue and planting of tree seedlings in to the community especially during the National tree planting day for climate change mitigations.



Community members and Gatitu Tea Factory staff during planting of tree seedlings.

The Corporation also maintained factory access road. This has improved local transport, opened trading centers in the neighborhood and enabled farmers' access to markets with their farm produce.



Access road repairs in Embu Zone

- i. The Corporation has continuously supported community water projects in its areas of operation, including, and Nyaru water project at Gatitu factory catchment in Kirinyaga County.

13. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2025, which disclose the state of affairs of the Corporation.

(i) Principal Activity

The Company's principal activity is processing of CTC black Teas from green leaf. The green leaf is produced from the tea buffer belts established in the gazette forests. This enhances conservation through value addition.

(ii) Results

	2024/2025 (Ksh)	2023/2024 (Ksh)
Profit /(Loss) before tax	(19,376,618)	2,466,966
Net Profit/ (Loss) for the year	<u>(19,376,618)</u>	<u>2,466,966</u>

(iii) Dividends

The Corporation's policy on dividends is to propose 5% of the Net Profit for the year as proposed dividends payable.

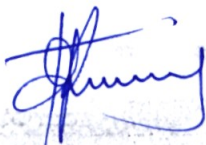
(iv) Directors

The directors who held office during the year and to date of this report are shown on page (vi)

(vi) Auditors

The Auditor-General is responsible for the statutory audit of Gatitu Tea Factory Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board



Dr. David Chepkwony, PhD

Chief Executive Officer

Date.....

10/12/2025

14. 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 that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation 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 entity, (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 Corporation, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

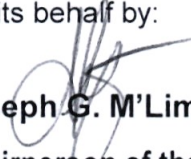
The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2025, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Corporation'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 entity 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 Gatitu financial statements were approved by the Board on 10/12/2025 2025 and signed on its behalf by:


Joseph G. M'Limbiine
Chairperson of the Board


Dr. David Chepkwony, PhD
Chief Executive Officer

REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GATITU TEA FACTORY LIMITED 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General 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 Gatitu Tea Factory Limited set out on pages 1 to 14 which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 Gatitu Tea Factory Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and 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 Gatitu Tea Factory Limited 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.

Emphasis of Matter

Long Outstanding Trade Payables

The statement of financial position reflects Trade and Other payables of Kshs.89,957,999 as at 30 June, 2025 and as disclosed in Note 7 to the financial statements. Review of the supporting schedules revealed that payables totalling Kshs.6,937,786 had remained outstanding for more than one year, with some dating as far back as the year 2021.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Statement of 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 Tea Factory'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 conclusion 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. 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;

- ii. The information given in the Directors' report on page xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 Gatitu Tea Factory'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.

The Board of Directors is responsible for overseeing the Tea Factory'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

18 December, 2025

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

**16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2025**

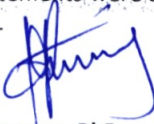
	Notes	Kshs 2024/2025	Kshs 2023/2024
Revenue	2 (a)	381,368,837	622,372,278
Cost of Sales	2 (b)	(334,179,806)	(553,519,400)
Gross Profit		47,189,032	68,852,878
Administrative Expenses	2 (c)	(10,770,773)	(11,262,955)
Other Operating Expenses	2 (d)	(40,879,100)	(39,922,154)
Employment Expenses	2 (e)	(14,714,018)	(13,648,854)
Operating Profit Before finance Costs		(66,363,891)	(64,833,963)
		(19,174,859)	4,018,915
Finance Costs	2 (f)	-	-
Profit before Exceptional Item		(19,174,859)	4,018,915
Other income/(Exchange Loss)	2(g)	(201,759)	(1,551,949)
Net profit/(loss) for the year		(19,376,618)	2,466,966

Gatitu Tea Factory Limited
Annual Report and Financial Statements
For the year ended June 30, 2025

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Notes	2024/2025 Ksh.	2023/2024 Ksh.
NON - CURRENT ASSETS			
Property, Plant & Equipment	3	1,173,518,254	1,191,668,536
CURRENT ASSETS			
Inventories	4	64,429,562	77,333,162
Trade Receivables	6	18,933,296	51,828,597
Cash & Bank Balances	5	4,825,014	4,577,823
TOTAL CURRENT ASSETS		88,187,872	133,739,581
TOTAL ASSETS		1,261,706,126	1,325,408,118
EQUITIES & LIABILITIES			
Ordinary Shares	8	100,000	100,000
Share Premium	8	1,227,264,318	1,227,264,318
Accumulated Profit	8	(55,616,191)	(36,239,573)
TOTAL CAPITAL		1,171,748,127	1,191,124,746
TOTAL CURRENT LIABILITIES			
Trade & Other Payables		89,957,999	134,283,372
TOTAL EQUITY AND LIABILITIES		1,261,706,126	1,325,408,118

The financial statements were approved by the Board of Directors on 10/12/2025 and signed on its behalf by:-


Dr. David Chepkwony, PhD
Chief Executive Officer


CPA Moses Wamae
Director Finance & Accounts
ICPAK M/No. 4362


Joseph G. M Limbiine
Chairperson of the Board

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

	Accumulated Fund Kshs	Revenue Reserves Kshs	Total Kshs
As at 30th June 2024	1,227,364,318	-	1,227,364,318
Shareholders capital injection	-		-
Net Profit/(Loss) for the year	_____	<u>(36,239,573)</u>	<u>(36,239,573)</u>
As at 30th June 2024	<u>1,227,364,318</u>	<u>(36,239,573)</u>	<u>1,191,124,746</u>
Net Profit/(Loss) for the year	_____	<u>(19,376,618)</u>	<u>(19,376,618)</u>
As at 30th Jun 2025	<u>1,227,364,318</u>	<u>(55,616,191)</u>	<u>1,171,748,127</u>

Gatitu Tea Factory Ltd
Annual Report and Financial Statements
For the year ended June 30, 2025

19. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024/2025 Kshs	2023/2024 Kshs
Cashflow from Operating Activities			
Operating Profit (Loss)		(19,376,618)	2,466,966
Exchange Loss		201,759	(1,551,949)
Depreciation of Fixed Assets	2 (d)	39,229,100	37,627,837
Transfer of work in progress to parent Company			
Profit Before Working Capital Changes		20,054,241	38,542,854
Debtors & Prepayments	6	32,895,301	(27,986,065)
Creditors & Accruals	7	(44,325,373)	(5,634,597)
Stock	4	12,903,599	(13,146,267)
Net Changes in working Capital		1,473,527	(46,766,930)
Net Cash Generated from Operating Activities		21,527,768	(8,224,075)
Cashflows used in Investing Activities			
Equity Investment		-	-
Purchase of Fixed Assets	3	(21,078,818)	(9,719,698)
Net Cash (Used) in Investing Activities		(21,078,818)	(9,719,698)
Net Increase in Cash and Cash Equivalents		448,950	(17,943,773)
Exchange loss	2(g)	(201,759)	-
Total Increase in Cash and Cash Equivalents		247,191	-
Movement in Cash and Cash Equivalents			
At 1st July 2024		4,577,822	20,969,646
Exchange loss		-	1,551,949
Increase/(Decrease) in the year		247,191	(17,943,773)
At 30th June 2025	5	4,825,013	4,577,822

20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Remarks
	Jun-25	Jun-25	Jun-25	Jun-25	Jun-25	Jun-25	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue							
Sale of goods	632,171,476	222,990,802	409,180,674	381,368,837	(27,811,836)	93%	
Finance Income	-	-	-	26,781	26,781	0%	
Exchange gain/loss	-	-	-	(228,540)	(228,540)		
Total Income	632,171,476	222,990,802	409,180,674	381,167,078	(28,013,595)	93%	
Closing stock		-		15,040,768			
Green Leaf Intake	348,507,807	104,754,557	243,753,250	242,897,437	855,813	100%	
Other factory operating expenses	8,104,000	-	8,104,000	7,385,539	718,461	91%	
Factory Materials & Consumables	-	-	-	-	-	0%	
Motor Vehicle & Generator Fuel	27,369,092	15,616,184	11,752,908	10,379,457	1,373,451	88%	There was low crop in the period hence low transport cost
Electricity	29,765,554	9,000,000	20,765,554	19,690,197	1,075,357	95%	
Factory running expenses	15,387,108	8,654,683	6,732,426	6,300,323	432,103	94%	
Fuelwood	15,900,403	4,000,000	11,900,403	10,953,264	947,139	92%	
Manufacturing Labour	25,851,577	13,987,189	11,864,388	10,788,699	1,075,689	91%	
Transport of finished tea	6,565,108	2,000,000	4,565,108	4,435,969	129,139	97%	
Warehousing	6,669,316	3,000,000	3,669,316	3,463,353	205,963	94%	
Brokerage and Catalogue fee	5,233,613	2,000,000	3,233,613	2,844,802	388,811	88%	Volumes sold were lower than envisioned
Advertising Marketing & Publicity	3,000,000	2,000,000	1,000,000	310,621	689,379	31%	Limited cash inflows
Bank charges	120,000	(100,000)	220,000	209,433	10,567	95%	
Insurance	2,308,692	-	2,308,692	1,321,146	987,545	57%	Budgeted assets were not procured in the year
Other administrative expenses	22,755,211	13,000,000	9,755,211	8,933,883	821,328	92%	
Repairs & Maintenance	-	-	-	-	-	0%	
Security	2,737,215	1,000,000	1,737,215	1,645,690	91,525	95%	
Depreciation	45,551,733	-	45,551,733	39,229,100	6,322,633	86%	Budgeted assets were not procured in the year
Salaries and wages	49,301,243	27,061,072	22,240,172	14,714,018	7,526,154	66%	Staff hiring was frozen
Total Expenditure	615,127,672	205,973,685	409,153,988	400,543,697	8,610,291	98%	
Surplus for the period	17,043,803	17,017,118	26,686	(19,376,618)	19,403,304	-72611%	

Gatitu Tea Factory Limited
Annual Report and Financial Statements
for the year ended June 30, 2025

21. NOTES TO THE ACCOUNTS

NOTES TO THE Financial Statements

1(a). General Information

GTF is established by and derives its authority and accountability from Company's Act. The entity is a wholly owned subsidiary of NTZDC and is domiciled in Kenya. The principal activity of KTF is to process green leaf tea to CTC tea for auction and local sales.

1(b) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kipchabo Tea Factory.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

1(c) Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	Amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	Amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

(iii) Early adoption of standards

Gatitu Tea Factory did not early adopt any new or amended standard in the financial year.

1. Summary of Accounting Policies

(a) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Gatitu Tea Factory.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International

(b) Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for sales of goods and Services and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales Within the Group. Revenue is recognised as follows:

- (i) Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and when there is no continuing management involvement, and the amount of revenue can be measured reliably.
- (ii) Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably, and the amount of revenue can be estimated reliably.

(c) Property Plant & Equipment

Property, plant and equipment are measured at cost or revalued amounts less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

(d) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on a straight-line basis, at annual rates estimated to write-off the assets over their expected useful lives.

The annual depreciation rates in use are: -

Buildings	2%	Equipment	25%
Machinery	6.65%	Computers & Accessories/ Solar Lights	33.33%
Furniture & Fixtures	12.5%	Motor Vehicles	20%

(e) Inventories

Finished Tea and Other inventories are stated at cost which is determined on weighted average. Cost is determined on the weighted average cost. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads, where appropriate, that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. Consumable stores are stated on FIFO basis less provisions for obsolescence, slow moving and defective stocks.

(f) Trade and other receivables Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These 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. Bad debts are written off after all efforts at recovery have been exhausted. No provisions for bad debts are made if all debts are concluded to be collectible after assessment.

(g) Accrued expenses – specific and general provisions.

Provision is made for specific and general expenses incurred during the accounting period but where invoices have not been received. The expenses are charged in the accounting period in the year they are incurred and not necessarily when they were paid. General expenses are measured only using substantial degree of estimation.

(h) Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The board has come up with policies for mitigating risks where its implementation is reviewed on quarterly basis.

(i) Related-Party disclosures

The company is involved in processing of green leaf tea some of it delivered by the parent corporation (Nyayo Tea Zones).

(j) Trade and other Payables

payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payments is due within one year or less. If not they are presented as non current liabilities. Provision is made for specific and general expense incurred during the accounting period but where invoices have been received. The expenses are charged in the accounting period in the year they are incurred and not necessarily when they were paid. General expenses are measured only using a substantial degree of estimation.

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for the year ended June 30, 2025

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(l) Budget Information

The original budget information for FY 2024-2025 was approved by the National Treasury on 30th June 2024. Subsequent revisions or additional appropriations are made to the approved budget in accordance with specific approvals from the National Treasury. The additional appropriations are added to the original budget by the corporation upon receiving the respective approvals in order to conclude the final budget. During the year the corporation did not request for additional appropriation on the 2024-2025 budget.

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Annual Report and Financial Statements
For the year ended June 30, 2025

	2024/2025	2023/2024
	Kshs	Kshs
2 (a) Revenue		
Sale of Finished Tea	381,368,837	622,372,278
	381,368,837	622,372,278
2 (b) Cost of Sales		
Opening Stock	59,807,073	51,189,205
Green Leaf Intake	242,897,437	453,493,969
Other factory operating expenses	7,385,539	12,421,331
Motor Vehicle & Lubricants	10,379,457	15,413,191
Electricity	19,690,197	25,967,005
Factory running expenses	6,300,323	10,051,551
Fuelwood	10,953,264	16,809,170
Manufacturing Labour	10,788,699	12,279,010
Transport of finished tea	4,435,969	6,484,963
Warehousing	3,463,353	4,563,028
Brokerage and Catalogue fee	2,844,802	4,654,050
Less Closing Stock	(44,766,305)	(59,807,073)
	334,179,806	553,519,400
2 (c) Administrative Expenses		
Advertising Marketing & Publicity	310,621	87,000
Bank charges	209,433	221,340
Insurance	1,321,146	1,616,726
Other administrative expenses	8,929,573	9,337,889
	10,770,773	11,262,955
2 (d) Other Operating expenses		
Light & Water	-	55,368
Repairs & Maintenance	4,310	-
Security	1,645,690	2,238,948
Depreciation	39,229,100	37,627,837
	40,879,100	39,922,154
2 (e) Employment Expenses		
Salaries and Wages	8,507,653	7,546,907
House Allowance	1,303,600	1,156,800
Leave Allowance	194,938	282,556
Commuter and other Allowances	2,309,000	2,197,280
Medical Expense	911,063	2,249,310
Social Security Expense	1,487,764	216,001
Total Employment Expenses	14,714,018	13,648,854
2 (g) Other income		
Miscellaneous Income	-	-
Interest Income	26,781	(1,578,224)
Exchange Gain/ (Loss)	(228,540)	26,276
	(201,759)	(1,551,949)

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	Note 3							
	Factory Buildings	Factory Machinery	Furniture & Fixtures	Equipment	Computers & Accessories	Solar Lights	Motor Vehicles	Total
<u>2024/2025</u>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost								
As at 1st Jul 2024	1,043,444,867	211,929,558	1,443,958	1,852,773	2,414,520	1,911,722	2,900,000	1,265,897,397
Additions	-	19,639,162	-	146,552	-	-	1,293,103	21,078,818
30th June 2025	1,043,444,867	231,568,720	1,443,958	1,999,325	2,414,520	1,911,722	4,193,103	1,286,976,215
Acum Deprn 1st Jul 2024	41,624,745	28,092,011	351,490	787,193	1,576,246	637,177	1,160,000	74,228,861
Charge for the year	20,868,897	15,399,320	180,495	499,831	804,759	637,177	838,621	39,229,100
30th June 2025	62,493,642	43,491,330	531,984	1,287,024	2,381,006	1,274,354	1,998,621	113,457,961
Net Book Value								
30th June 2025	980,951,225	188,077,390	911,973	712,301	33,514	637,368	2,194,483	1,173,518,254
<u>2023/2024</u>								
Cost								
As at 1st Jul 2023	1,037,792,360	210,506,690	1,367,959	1,295,998	2,314,692	-	2,900,000	1,256,177,700
Additions	5,652,507	1,422,867	75,999	556,775	2,011,549	-	-	9,719,698
30th June 2024	1,043,444,867	211,929,558	1,443,958	1,852,773	4,326,242	-	2,900,000	1,265,897,397
Acum Deprn 1st Jul 2023	20,755,847	13,998,695	170,995	324,000	771,487	-	580,000	36,601,023
Charge for the year	20,868,897	14,093,316	180,495	463,193	1,441,936	-	580,000	37,627,837
30th June 2024	41,624,745	28,092,011	351,490	787,193	2,213,423	-	1,160,000	74,228,861
Net Book Value								
30th June 2023	1,001,820,123	183,837,547	1,092,468	1,065,580	2,112,818	-	1,740,000	1,191,668,537

Gatitu Tea Factory Limited
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	2024/2025 Kshs	2023/2024 Kshs
4. Inventories		
Finished Tea	44,766,305	59,807,073
Fuelwood at Gatitu factory	7,424,495	3,269,115
Other Inventories	12,238,763	14,256,974
	<u>64,429,562</u>	<u>77,333,162</u>
5. Cash & Cash Equivalents		
KCB Current Account	1,097,020	1,467,010
CFC Stanbic Bank	627,993	5,812
Cash in hand	(0)	5,001
KCB Fixed Deposit	3,100,000	3,100,000
	<u>4,825,014</u>	<u>4,577,823</u>
6. Trade Receivables		
Trade Debtors	12,647,510	46,971,169
Other Debtors	6,285,787	4,857,427
Nyayo Tea Zones Devt. Corporation - Advances		-
	<u>18,933,296</u>	<u>51,828,597</u>
7. Trade and other Payables		
Trade Payables	6,986,590	16,326,962
Green leaf Creditors - Nyayo Tea Zones	80,678,050	92,778,951
Payroll Creditors	1,293,359	25,009,356
Accruals	1,000,000	168,103
	<u>89,957,999</u>	<u>134,283,372</u>
8. Shareholders Funds		
Authorised No. of Shares - 5,000 Shares		
Type of Shares - Ordinary Shares		
Par value per Share Ksh. 20 each		
Total No. of Shares Subscribed - 5,000 Shares		
Value of subscribed Shares - Ksh 100,000	100,000	100,000
Share Premium	1,227,264,318	1,227,264,318
Profit / (Loss) for the year	(19,376,618)	2,466,966
	<u>1,207,987,700</u>	<u>1,229,831,284</u>

22. APPENDIX I: IMPLEMENTATION STATUS AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

The following is a 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 which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/Observation 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)
Inaccuracies in Financial Statements	The Cashflow statement Comparative balances wrongly presented	The Debtors and Prepayment, Creditors and Accruals, Stocks formula was wrong and the resultant balance was Ksh(51,888,544) and the net change in cash and cash equivalents was Ksh (20,969,646). This was corrected and the Balance of cash and cash equivalents was Ksh 20,969,646	CPA. Moses Wamae, Director Finance and Accounts	The wrong formula was corrected and the cash and cash equivalent balance of Ksh 20,969,646 was reported	This has been resolved
Misclassification of Assets	Solar powered street Lights balance of Ksh 1,911,722 included in Ksh 2,112,818 of Computers and Accessories	Solar powered street lights estimated life is three years and the depreciation rate is 33.33% similar to Computers and Accessories. The asset book value was correctly charged.	CPA. Moses Wamae, Director Finance and Accounts	Solar powered street lights has been shown on its own under Fixed Assets schedule, depreciated at 33.33%	Action has been taken the asset is removed from Computers and Accessories but depreciated on 33.33% basis
Inconsistencies In Disclosure of Board of Directors	The Chairman and the CEO were disclosed as the only BOD members.	Kipchabo is a wholly owned by Nyayo Tea Zones Development Corporation. BOD members provide oversight to all the subsidiaries of NTZDC under one sitting where issues of NTZDC are discussed	Dr. David Chepkwony, Chief Executive Officer	The Financial statements gave all the names of the BOD members and the Committees they serve in and the number of meetings held in the financial year	Its continuous
Lack of Internal Audit 3-year strategic plan	Contravention of Regulation 170 of PFM(National Treasury) Regulations, 2015	In order to align the Corporation's programmes to the Kenya Kwanza Government Manifesto, the Corporation was required to review its strategic plan mid-term. This process took longer than expected. Consequently, the conclusion of the internal audit strategic plan was affected and the plan shall be approved in the forthcoming Board Audit and Risk Committee meeting to be held in January 2025.	Mr. George Kamau – Deputy Director Internal Audit and Risk Management	The issue was resolved and we have the Internal Audit 3 Year Strategic plan	Its continuous

Dr. David Chepkwony, PhD
Chief Executive Officer

Date... 10/12/2025

23. APPENDIX II: PROJECTS IMPLEMENTED DURING THE YEAR

During the year under review, Gatitu Tea Factory Ltd did not implement any new projects. However, Gatitu Tea Factory Ltd concentrated in completion of existing projects notably the water intake project.



Dr. David Chepkwony, PhD
Chief Executive Officer

Date.. 10/12/2025

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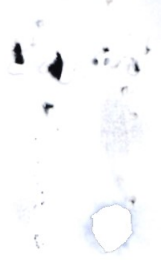
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