

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 03 JUL 2019

DAY

Wed

TABLED
BY:

LOMP

CLERK AT
THE TABLE:

REPORT

PARLIAMENT
OF KENYA
LIBRARY

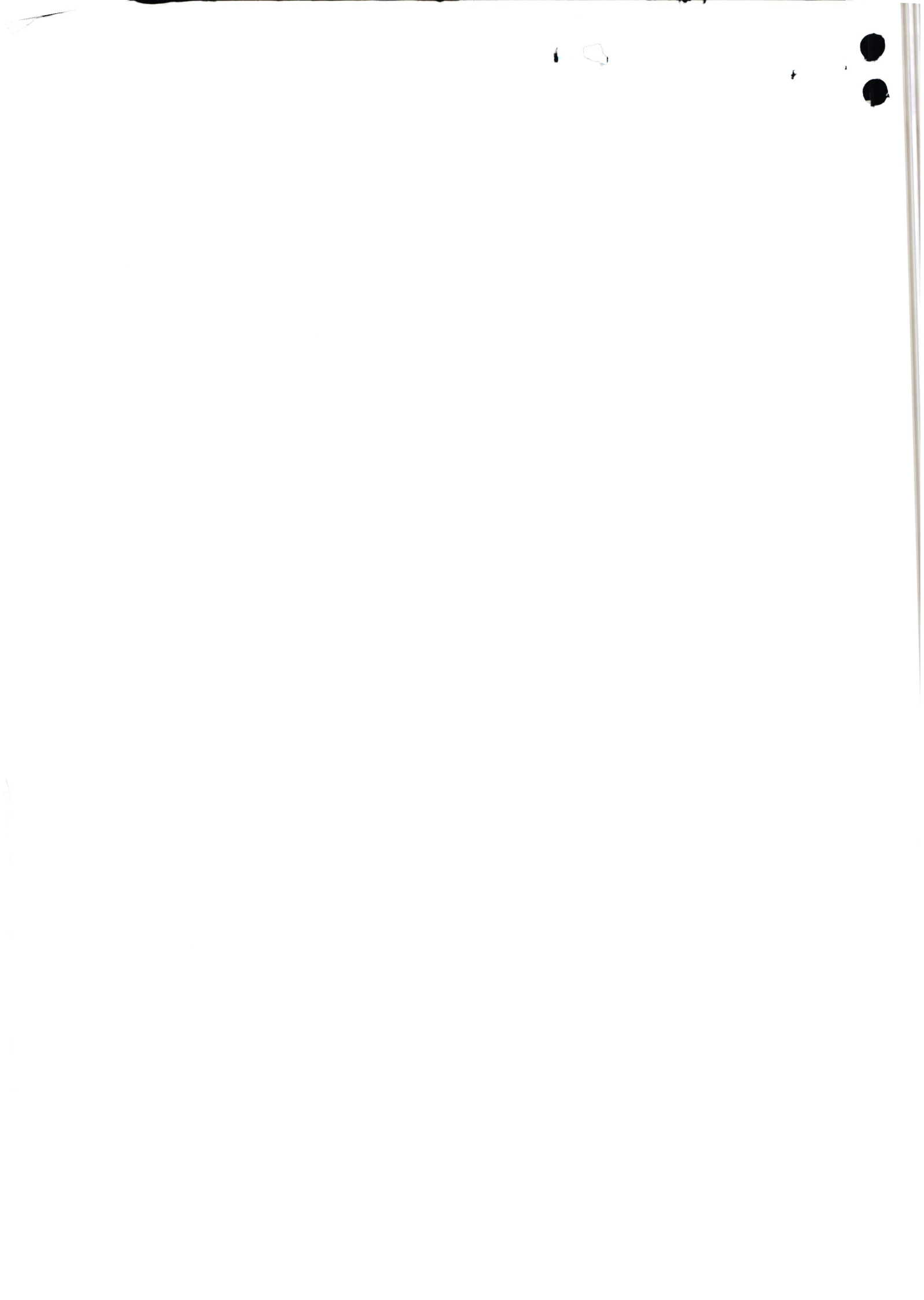
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
VETERINARY SERVICES DEVELOPMENT
FUND**

**FOR THE YEAR ENDED
30 JUNE 2018**





**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND
IRRIGATION,
STATE DEPARTMENT OF LIVESTOCK,
VETERINARY SERVICES DEVELOPMENT FUND (VSDF)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	iii
THE BOARD OF MANAGEMENT	iv
MANAGEMENT TEAM	v
REPORT OF THE DIRECTORS	vi
STATEMENT OF DIRECTORS' RESPONSIBILITIES	vii
REPORT OF THE INDEPENDENT AUDITORS ON THE <i>VETERINARY SERVICES DEVELOPMENT FUND (VSDF)</i>	vii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS.....	4
FOR THE YEAR ENDED 30 JUNE 2018	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	32

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The VSDF was created under the Exchequer and Audit Act Cap 412 through Legal Notice No. 109 of May 1996 with the Permanent Secretary in charge of the Ministry of Livestock being the accounting officer. An amount of K£1,000 was appropriated by Parliament and was provided during the 1996/97 Financial year.

(b) Principal Activities

The VSDF is run under the State Department of Livestock at Kabete with a major aim of preventing and controlling animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more that profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

(c) Key Management

The Veterinary Services Development Fund day-to-day management is under the following key organs:

- Principal Secretary;
- Director Veterinary Services
- Fund Manager
- Accountant

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Mr. Harry Kimtai
2.	Director Veterinary Services	Dr. Obadiah Njagi PhD
3.	Fund Manager	Dr. Peter Mungathia
4.	Accountant	CPA. Henry Momata

(e) Fiduciary Oversight Arrangements

Veterinary Services Development Fund (VSDF) operates under the VSDF Steering Committee only.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Private Bag Kangemi 00625
Vet Labs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(g) Entity Contacts

Private Bag Kangemi 00625
Vet Labs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Sarit Centre Branch
P.O. Box 14959
Westlands 00800
Nairobi, Kenya

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya






(j) Principal Legal Adviser

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



VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018




THE BOARD OF DIRECTORS

<p>1.  Lorna Odera</p>	<p>Director of Administration State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation.</p>
<p>2.  Dr. Obadiah Njagi, PhD</p>	<p>Born on 12th December, 1963, Dr. Obadiah N. Njagi is the current Director of Veterinary Services. He has served in the Directorate of veterinary services for over 30 years since graduating with a bachelor's degree in Veterinary Medicine in 1988. He holds a Master's Degree in Veterinary Pathology and a PhD in Veterinary Immunology.</p>
<p>3.  Dr. Julia Kinyua</p>	<p>BVM(UoN), MSc(UoN). Deputy Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation.</p>
<p>4.  5. Dr. Peter Mungathia</p>	<p>BVM(UoN), VSDF (Fund) Manager Assistant Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation.</p>
<p>6.  Norah Kandie</p>	<p>Member</p>
<p>7. Mr. Walter Oselu</p>	<p>Member</p>
<p>8. Penina Ndirangu</p>	<p>Member</p>



VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018

MANAGEMENT TEAM

	<p>BVM(UoN), MSc(UoN). Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation.</p>
	<p>BVM(UoN), VSDF (Fund) Manager Assistant Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Fisheries.</p>
	<p>Accountant for Veterinary Services Development Fund (VSDF)</p>

1. Dr. Obadiah Njagi, PhD

2. Dr. Peter Mungathia

3. CPA Henry M. Momata

**VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018**

REPORT OF THE MANAGEMENT.

The Steering Committee submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Veterinary Services Development Fund affairs.

Principal activities

The principal activities of the Veterinary Services Development Fund are and continue to be prevention and control of animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more that profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

Results

The results of the entity for the year ended June 30, 2018 are set out on below pages.

Directors

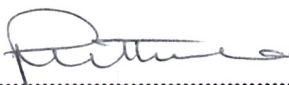
The members of the Steering committee who served during the year are as outlined in below pages. During the financial year there was any member of the steering committee who retired/ resigned.

Dividends/Surplus remission

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.

Auditors

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

Sign.....
Dr. Peter Mungathia
Manager-VSDF.

Date.....15/11/2019.....

VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018

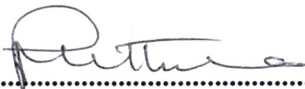
STATEMENT OF MANagements' RESPONSIBILITIES

The Management's Responsibilities are clearly articulated as per the Legal notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties:-

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as May from time be required.
- If he thinks Fit impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.

The Director's accept responsibility for the Fund'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 Legal notice No. 109 of the Exchequer and audit Act Cap. 412. The director's of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Director further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Sign.....
Dr. Peter Mungathia
Manager- VSDF

Date.....15/1/19.....

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON VETERINARY SERVICES DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Veterinary Services Development Fund set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2018, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Veterinary Services Development Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Employees' Costs

The employees' costs of Kshs.590,258 reflected in the statement of financial performance for the year ended 30 June 2018 were not supported by payrolls or schedules showing the names and particulars of the employees who were paid. As a result, the validity, completeness and accuracy of the expenditure could not be ascertained.

2. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.34,457,123 as at 30 June 2018 reflected in the statement of financial position and disclosed in Note 33 to the financial statements was not supported by a fixed assets register with updated details such as the nature of asset, acquisition date, cost, depreciation rate and amount, disposals, serial/title

Report of the Auditor-General on the Financial Statements of Veterinary Services Development Fund for the year ended 30 June 2018

number and location. Consequently, the completeness and accuracy of the property, plant and equipment balance of Kshs.34,457,123 could not be confirmed.

3. Inconsistencies in Presentation of Financial Statements

A review of the Fund's financial statements for the year ended 30 June 2018 revealed that various budget line items were inconsistent with those indicated in the accompanying notes to the financial statements, statement of financial performance and other financial statements. Under the circumstances, comparison and analytical reviews on item basis could not be carried out on the revenue and expenditure items reflected in the statement of financial performance vis-à-vis the revenue and expenditure items reflected in the statement of comparison of budget and actual amounts for the year ended 30 June 2018.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Budget Performance and controls

1.1. Budget under- Performance

Analytical review performed on the approved budget verses actual amounts for the year ended 30 June 2018 revealed material variances between the budgeted and actual amounts representing under-performance of the budget as shown below:

Item	Original budget	Actual on Comparable Basis	Performance Difference	Under- Performance in Percentage
Revenue	Kshs.	Kshs.	Kshs.	%
Hides and Skins Leather Quality Control	10,650,000	5,559,422	-5,090,578	48%
Diagnostic Services	2,100,000	728,588	-1,371,412	65%
Expenses				
Casual Labour	1,180,516	590,258	590,258	50%
Communication Supplies and Services	700,000	187,720	512,280	73%
Printing, Advertising and information supply	2,085,000	925,819	1,159,181	56%
Hospitality Supplies and Services	1,000,000	474,027	525,973	53%
Maintenance of computers, software, networks,	466,000	223,446	242,554	52%

No explanations were provided for the Fund's failure to meet the revenue targets or to incur the expenditure fully on some of the items as approved in the budget.

Further, contrary to the guidelines issued by the Public Sector Accounting Standards Board, the Fund failed to provide explanations in the notes to the financial statements for material variances above / below +/- 10% between the budgeted and actual amounts for the year ended 30 June 2018.

1.2. Disproportionate Comparative Increase in Expenditure

A review of the statement of financial performance and statement of financial position revealed some revenue and expenditure items that recorded a disproportionate increase compared to the previous year as shown below:

Particulars	2017-2018	2016-2017	Variance	Variance
Revenue	Kshs	Kshs	Kshs	%
Revenue from exchange transactions - rendering of services	70,987,453	47,885,109	23,102,344	48%
Expenses				
Depreciation and amortization expense	7,176,485	6,162,484	1,014,001	16%
Repairs and maintenance	2,819,590	1,449,650	1,369,940	95%
Surplus/(deficit) for the period	11,467,819	(10,086,359)	21,554,178	214%
PPE- Additions (Capital Expenditure)	8,396,400	5,280,915	3,115,485	59%

A further scrutiny of revenue and expenditure items on specific sub-components revealed the following disproportionate increase (decrease), over/ (under) 100% compared to the previous financial year as follows:

Description	2017-2018	2016-2017	Variance	
	Kshs	Kshs	Amount (Kshs)	%
Revenue - Rendering of Services				
Hides and skins	5,559,422	829,515	4,729,907	570%
Disease surveillance, Risk Management controls	13,210,045	1,249,350	11,960,695	957%
Veterinary Laboratories	217,575	0	217,575	100%
Other Veterinary Services	80,913	0	80,913	100%
Expenditure				
Repairs and maintenance				
Equipment	223,446	86,531	136,915	158%
Vehicles	1,972,759	964,749	1,008,010	104%
General Expenses				
Advertising	925,819	186,750	739,069	396%
Other operating expenses	0	2,960,422	-2,960,422	-100%
Telecommunication	187,720	0	187,720	100%

No proper explanation was given for the significant increases or decreases indicated above.

2. Non- Compliance with Procurement Laws

Section 54(1) of the Public Procurement & Asset Disposal Act ,2015, provides that, “no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.” However, an examination of a sample of payment vouchers and supporting documents relating to procurement of goods and services for the year under review revealed incidences of splitting purchases orders contrary to this requirement as shown below:

a) Specialized Material and Services

Date	Ref:	Description	Amount - Kshs.
29-06-2018	33525	Cathan Logistics Supplies	900,000
29-06-2018	33526	Cathan Logistics Supplies	900,000
29-06-2018	33527	Cathan Logistics Supplies	992,815
29-06-2018	33528	Bestmart Enterprises	700,000
29-06-2018	33529	Bestmart Enterprises	700,000
29-06-2018	33530	Bestmart Enterprises	704,604
Total			4,897,419

b) Office and General Supplies

Date	Ref:	Description	Amount - Kshs.
28-02-2018	33407	M/S Superactive Reagents	1,640,000
28-02-2018	33408	M/S Superactive Reagents	1,236,250
Total			2,876,250

Under the circumstances, the Fund was in breach of the law.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

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

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

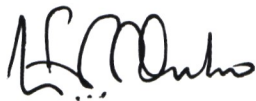
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Veterinary Services Development Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Veterinary Services Development Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

11 March 2019

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Fines, penalties and levies	8	-	-
Licenses and permits		-	-
Transfers from other governments – gifts and services-in-kind	9	-	-
		-	-
Revenue from exchange transactions			
Rendering of services	10	70,987,453	47,885,109
Sale of water and electricity	11	-	-
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	-	-
Agency fees		-	-
Other income	14	-	-
Total revenue		70,987,453	47,885,109
Expenses			
Use of goods and services	15	-	-
Employee costs	16	590,258	689,113
Remuneration of directors	17	-	-
Depreciation and amortization expense	18	7,176,485	6,162,484
Repairs and maintenance	19	2,819,590	1,449,650
Contracted services	20	-	-
Grants and subsidies	21	-	-
General expenses	22	48,933,301	49,670,221
Finance costs	23	-	-
Total expenses		59,519,634	57,971,468
Other gains/(losses)			
Gain on sale of assets	24	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	25	-	-
Impairment loss	26	(-)	(-)
Surplus before tax		11,467,819	(10,086,359)
Taxation	27	(-)	(-)
Surplus/(deficit) for the period/year		11,467,819	(10,086,359)
Remission to National Treasury	51	-	-
Net Surplus for the year		11,467,819	(10,086,359)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	(-)
Surplus attributable to owners of the controlling entity		-	-
		-	-


VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	28	46,136,913	35,889,009
Receivables from exchange transactions	29	-	-
Receivables from non-exchange transactions	30	-	-
Current portion of long-term receivables from exchange transactions		-	-
Inventories	31	-	-
Investments	32	-	-
		46,136,913	35,889,009
Non-current assets			
Property, plant and equipment	33	34,457,123	33,237,208
Investments	32	-	-
Intangible assets	34	-	-
Investment property	35	-	-
Long term receivables from exchange transactions		-	-
		-	-
Total assets		80,594,036	69,126,217
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	36	-	-
Refundable deposits from customers	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of borrowings	43	-	-
Deferred income	40	-	-
Employee benefit obligation	41	-	-
Payments received in advance		-	-
Taxation	52	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	41	-	-
Non-current provisions	42	-	-
Borrowings	43	-	-
Service concession liability	44	-	-
Deferred tax liabilities	53	-	-
		-	-
Total liabilities		-	-
Net assets			
Reserves		69,106,217	79,192,576
Accumulated surplus		11,467,819	(10,086,359)
Capital Fund		20,000	20,000
Total net assets and liabilities		80,594,036	69,126,217

Sign: 
Dr. Peter Mungathia
Manager-VSDF

Date: 15/1/2019

Sign: 
Mr. Harry Kimtai
Accounting Officer

Date: 16/1/2019

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to the owners of the controlling entity					Total
	Self insurance reserve	Reserves Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Minority interest	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2016	-	-	-	79,212,576	-	79,212,576
Surplus/(deficit) for the period	-	-	-	(10,086,359)	(-)	(10,086,359)
Transfers to/from accumulated surplus	(-)	-	-	(-)	-	-
Transfer of excess depreciation on revaluation			(-)	-		
Grants received during the year		-				-
Revaluation gain			-			-
Balance as at 30 JUNE 2017	-	-	-	69,126,217	-	69,126,217
Balance as at 1 July 2017	-	-	-	69,126,217	-	69,126,217
Surplus for the period	-	-	-	11,467,819	-	11,467,819
Transfers to/from accumulated surplus	(-)	-	(-)	-	-	-
Transfer of excess depreciation on revaluation			(-)	-		
Grants received during the year		-				-
Revaluation gain			-			-
Balance as at 30 JUNE 2018	-	-	-	80,594,036	-	80,594,036

VETERINARY SERVICES DEVELOPMENT
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Public contributions and donations		-	-
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies		-	-
Rendering of services	10	70,987,453	47,885,109
Sale of goods		-	-
Finance income		-	-
Other income, rentals and agency fees		-	-
Total Receipts		70,987,453	47,885,109
Payments			
Compensation of employees	16	590,258	689,113
Goods and services	19 & 22	51,752,891	51,119,872
Finance cost		-	-
Rent paid		-	-
Taxation paid		-	-
Other payments		-	-
Grants and subsidies paid		-	-
Total Payments		52,343,149	51,808,985
Net cash flows from operating activities		18,644,304	(3,923,876)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	33	(8,396,400)	(5,280,915)
Proceeds from sale of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		(-)	(-)
Net cash flows used in investing activities		(8,396,400)	(5,280,915)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Increase in deposits		-	-
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents			
		10,247,904	(9,204,791)
Cash and cash equivalents at 1 JULY	28	35,889,009	45,093,800
Cash and cash equivalents at 30 JUNE	28	46,136,913	35,889,009

NET NAK ERVUS DL, JOINT, AND
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

	2017-2018		2017-2018		2017-2018		2017-2018	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue								
290-ARTIFICIAL INSEMINATION	7,250,000	-	-	-	9,186,911	-1,936,911		
445-MEAT INSPECTORATE	35,000,000	(-)	-	-	37,322,655	-2,322,655		
446-HIDES & SKIN	10,650,000	(-)	-	-	5,559,422	5,090,578		
448-ANIMAL HEALTH SERVICES	10,000,000	-	-	-	13,210,045	-3,210,045		
481-VIL INCOME	2,100,000	-	-	-	728,589	1,371,411		
490-VETERINARY FARMS	4,420,000	(-)	-	-	4,681,344	-261,344		
Veterinary Laboratories	500,000	-	-	-	217,575	282,425		
Other Veterinary Services	80,000	-	-	-	80,913	-913		
Gains on disposal, rental income and agency fees	-	-	-	-	-	(-)		
Total income	70,000,000	(-)	(-)	(-)	70,987,453	-987,454		
Expenses								
Casual labour	1,180,516	-	-	-	590,258	590,258		
Communication Supplies and Services	700,000	(-)	-	-	187,720	512,280		
Domestic Travel and Subsistence and Other Travels	18,330,010	(-)	-	-	16,394,578	1,935,432		
Foreign Travel and Subsistence and Other Transportation	9,120,000	(-)	-	-	8,279,312	840,688		
Printing, Advertising and information supply	1,085,000	-	-	-	925,819	159,181		
Training Expenses (Including Capacity Building)	4,400,700	-	-	-	3,491,486	909,214		
Hospitality Supplies and Services	1,000,000	-	-	-	474,027	525,973		
Boards, Committees Conference and Seminars	770,000	-	-	-	524,179	245,821		
Purchase of Specialized Materials & Supplies	10,304,622	-	-	-	10,225,392	79,230		
Purchase of laboratory materials, supplies & small equipment	0	-	-	-	0	0		
Office and General Supplies and Services	2,272,500	-	-	-	1,678,274	594,226		
Emergency Disease Outbreaks Response	5,000,000	-	-	-	4,605,529	394,471		

V. RIN V SLICE DEVELOPMENTS
Annual Reports and Financial Statements
For the year ended June 30, 2018

Supplies and accessories for computers and printers	0				0
Fuel Oil and Lubricants	2,897,000			2,146,985	750,015
Bank Service Commission and Charges	0			0	0
Contracted Professional Service	0			0	0
Routine Maintenance - Vehicles and Other Transport Equipment	2,385,458			1,972,759	412,699
Routine maintenance of other assets	1,000,000			623,385	376,615
Maintenance of computers, software, networks,	466,000			223,446	242,554
Purchase of vehicles and other transport equipment.	7,500,000			6,794,000	706,000
Purchase of Computer & Other Office Equipment	1,530,700			1,602,400	-71,700
Rehabilitation & Renovation of Plant and Machinery	57,494			0	57,494
Purchase of specialized plant and equipment.	0			0	0
Total expenditure	70,000,000		(-)	60,739,549	9,260,451
Surplus for the period	-		-	10,247,904	10,247,904

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Veterinary Services Development Fund is established under the Exchequer and Audit Act Cap 412 through Legal Notice No. 109 of May 1996.

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 *entity's* accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes 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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

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.

00

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx 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 Entity operates and generates taxable income.

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

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

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 entity and the same taxation authority.

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

- 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
- 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 properties are measured using the cost model and are depreciated over a 30-year period.

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.

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. 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 Entity 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 Entity 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 Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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.

h) Research and development costs

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

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

10
11

VETERINARY SERVICES DEVELOPMENT FUND

Annual Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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.

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) 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:

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

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

Contingent liabilities

The Entity 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.

Contingent assets

The Entity 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.

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) 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.



VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Budget information

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

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



VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Budget information (Continued)

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

t) Comparative figures

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

u) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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: e.g

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 Entity 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 values

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

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

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

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 xxx.

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 PROPERTY TAXES REVENUE

Description	2017-2018	2016-2017
	KSh	KShs
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
	-	-
Income forgone	(-)	(-)
Total property taxes revenue	-	-

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2017-2018	2016-2017
	KSh	KShs
E.g, The Green Belt Movement	-	-
Other	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of quarter	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINES, PENALTIES AND LEVIES

Description	2017-2018	2016-2017
	KShs	KShs
Fuel levy	-	-
Fines	-	-
Total	-	-

9 TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	-	-
Other	-	-
	-	-
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	-	-

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized in Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2017-2018
	KShs	KShs	KShs	KShs	KShs
Ministry/State Department	-	-	-	-	-
Ministry	-	-	-	-	-
Total	-	-	-	-	-

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENDERING OF SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Animal Reproductive Services	9,186,911	7,074,900
Veterinary Public Health	37,322,655	33,067,837
Hides And Skins	5,559,422	829,515
Disease surveillance ,Risk mgt controls	13,210,045	1,249,350
Diagnostic Services	728,589	767,149
Veterinary diagnostic & Efficacy Trial centres	4,681,344	4,896,358
Veterinary Laboratories	217,575	-
Other Veterinary Services	80,913	-
Total revenue from the rendering of services	70,987,453	47,885,109

11 SALE OF GOODS

Description	2017-2018	2016-2017
	KShs	KShs
Sale of goods		
Sale of electricity	-	-
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other(include in line with your organisation)		
Total revenue from the sale of goods	-	-

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2017-2018	2016-2017
	KShs	KShs
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

13 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	-	-

VETERINARY SERVICES DEVELOPMENT FUND

Annual Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Insurance recoveries	-	-
Bulk infrastructure levies	-	-
Infrastructure improvement fee	-	-
Income from sale of tender	-	-
Services concession income	-	-
Skills development levy	-	-
Income from disposal of assets	-	-
Total other income	-	-

15 USE OF GOODS AND SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Electricity	-	-
Water	-	-
Security	-	-
Professional services	-	-
Subscriptions	-	-
Total good and services	-	-

16 EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	-	-
Employee related costs - Salaries and wages	590,258	689,113
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Expenditure recharged to capital projects	-	-
Employee costs	590,258	689,113

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	-	-
Directors emoluments	-	-
Other allowances	-	-
Total director emoluments	-	-

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	7,176,485	6,162,484
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	7,176,485	6,162,484

19 REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Property	623,385	398,370
Investment property – earning rentals	-	-
Equipment and machinery	223,446	86,531
Vehicles	1,972,759	964,749
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
Total repairs and maintenance	2,819,590	1,449,650

20 CONTRACTED SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-



VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 GRANTS AND SUBSIDIES

Description	2018-2017	2017-2016
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22 GENERAL EXPENSES

Description	2018-2017	2017-2016
Advertising	925,819	186,750
Hospitality Supplies	998,206	511,172
Fuel and oil	2,146,985	2,260,718
Office and General Supplies	6,283,803	6,805,917
Other operating expenses	-	2,960,422
Telecommunication	187,720	-
Training	3,491,486	6,019,739
Specialized materials	10,225,392	12,382,625
Travel, motor car, accommodation, subsistence and other allowances	24,673,890	18,542,879
Licenses and permits	-	-
Chemicals	-	-
Water purification cost	-	-
Postage	-	-
Printing and stationery	-	-
Hire charges	-	-
Rental	-	-
Security costs	-	-
Sewage treatment costs	-	-
Skills development levies	-	-
Inventory scrapping	-	-
Telecommunication	-	-
Training	-	-
Other	-	-
Total general expenses	48,933,301	49,670,222

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

24 GAIN ON SALE OF ASSETS

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

26 IMPAIRMENT LOSS

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27 TAXATION

Description	2017-2018	2016-2017
	KShs	KShs
Current income tax charge	-	-
Deferred tax: [Note 53]	-	-
Relating to original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	-	-

0
0

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Current account	46,136,913	35,889,009
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	46,136,913	35,889,009

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

28 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018	2016-2017
		KShs	KShs
a) Current account			
Kenya Commercial bank	110 697 2791	46,136,913	35,889,009
		-	-
Sub- total		46,136,913	35,889,009
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
Cash in transit		-	-
cash in hand		-	-
M pesa		-	-
Sub- total		46,136,913	35,889,009
Grand total		46,136,913	35,889,009

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018	2017
	KShs	KShs
Current receivables		
Service ,water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-
Non-current receivables		
Sporting bodies	-	-
Public organizations	-	-
Less: impairment allowance	(-)	(-)
	-	-
Current portion transferred to current receivables	(-)	(-)
Total non-current receivables	-	-
Total receivables	-	-

30 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2018	2017
	KShs	KShs
Current receivables		
Property tax debtors	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-

31 INVENTORIES

Description	2018	2017
	KShs	KShs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

1
2
3

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

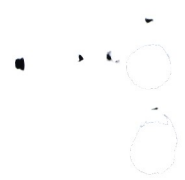
32 INVESTMENTS

Description	2017-2018 KSh	2016-2017 KSh
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c) Equity investments (specify)		
Equity/ shares in company xxx	-	-
Sub- total	-	-
Grand total	-	-

d) Shareholding in other entities

For investments in equity share listed under note 27 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	Direct			Nominal value of shares	Fair value of shares Current year	Fair value of shares Prior year
	%	%	%			
				Shs	Shs	Shs
N/A	N/A	N/A	N/A	N/A	N/A	N/A



VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 PROPERTY, PLANT AND EQUIPMENT

At 1 July 2016	-	40,305,560	3,316,202	12,687,044	-	72,325,436	-	128,634,242
Additions	-	4,502,600	-	778,315	-	-	-	5,280,915
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30th June 2017	-	44,808,160	3,316,202	13,465,359	-	72,325,436	-	133,915,157
Additions	-	6,794,000	412,400	1,190,000	-	-	-	8,396,400
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30th June 2018	-	51,602,160	3,728,602	14,655,359	-	72,325,436	-	142,311,557
Depreciation and impairment								
At 1 July 2016	(-)	(37,045,265)	(2,346,439)	(11,938,725)	(-)	(43,185,036)	(-)	(94,515,465)
Depreciation	(-)	(1,940,724)	(121,220)	(457,990)	(-)	(3,642,550)	(-)	(6,162,484)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30 June 2017	(-)	(38,985,989)	(2,467,659)	(12,396,715)	(-)	(46,827,586)	(-)	(100,677,949)
Depreciation	(-)	(3,154,043)	(157,618)	(677,593)	(-)	(3,187,231)	(-)	(7,176,485)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30th June 2018	(-)	(42,140,032)	(2,625,277)	(13,074,308)	(-)	(50,014,817)	(-)	(107,854,434)
Net book values								
At 30 th June 2018	-	9,462,128	1,103,325	1,581,051	-	22,310,619	-	34,457,123
At 30 th June 2017	-	5,822,171	848,543	1,068,644	-	25,497,850	-	33,237,208
<i>[Include brief description of WIP as a footer]</i>								

NOTE. The general policies on depreciation of Assets are used, since the fund management has not deliberated on the depreciation policies.

10

VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY BALANCES

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 veterinary services development fund.

- i) The National Government;
- ii) Ministry of Agriculture, Livestock, Fisheries and Irrigation

34 EVENTS AFTER THE REPORTING PERIOD

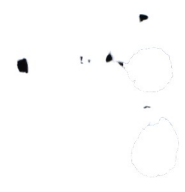
There were no material adjusting and non- adjusting events after the reporting period.

35 ULTIMATE AND HOLDING ENTITY

The entity is a State a Semi- Autonomous Government Agency under the Ministry of Agriculture, Livestock, Fisheries and Irrigation. Its ultimate parent is the Government of Kenya.

36 Currency

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



VETERINARY SERVICES DEVELOPMENT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2018

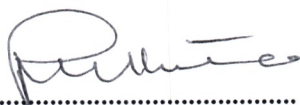
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Stale cheques	Reversal done and F.O17 raised	H.Momata Accountant	Resolved	-
2	Wrong classification of expenditure	Classification was done and explanation given.	H.Momata Accountant	Resolved	-
3	150% Increase in acquisition of specialized materials.	Reason being drought mitigation support.	Dr.Mung'athi a-Fund Manager	Resolved	-
4	Differences in NBV of PPE and comparative figures .	The reports and financial statements were revised	H.Momata Accountant	Resolved	-

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Sign.....

Dr. Peter Mungathia
Manager-VSDF

Date.....15/1/2019.....

Sign.....

Mr. Harry Kimtai
Accounting Officer.

Date.....16/1/2019.....

