

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

**THE NATIONAL ASSEMBLY
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OF DATE: 09 APR 2025 **DAY:** Wednesday
TABLED BY: Hon. Nancy Wago, MP
Deputy Majority Party Whip
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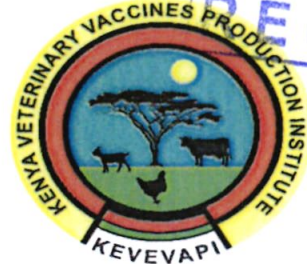
THE AUDITOR-GENERAL

ON

**KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2024**

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KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Table of Contents

1. ACRONYMS AND GLOSSARY OF TERMS	ii
2. KEY ENTITY INFORMATION.....	iii
3. THE BOARD OF DIRECTORS	vi
4. MANAGEMENT TEAM	xiv
5. FIDUCIARY MANAGEMENT.....	xviii
8. REPORT OF THE MANAGING DIRECTOR.....	xxi
9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024	xxiv
10. CORPORATE GOVERNANCE STATEMENT	xxvii
11. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxix
12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxiv
14. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxxvi
15. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR KEVEVAPI FY 2023/24	xxxvii
16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2024	1
17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024	2
18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024	3
19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024	4
20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024.	5
21. Notes to the Financial Statements.....	8
1. General Information.....	8
22. Appendices	33
Appendix 1 Progress on Follow up of Auditor Recommendations	33
Appendix II: Projects Implemented by the Entity	38
Appendix III: Inter-Entity Transfers	38
Appendix IV: Reporting of Climate Relevant Expenditures.....	39
Appendix V: Disaster Expenditure Reporting Template.....	40

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

1. ACRONYMS AND GLOSSARY OF TERMS

FY	Financial Year
GMP	Good Manufacturing practices
GOK	Government of Kenya
IFRS	International Financial Reporting Standards
KALRO	Kenya Agricultural and Livestock Research Organization
KEVEVAPI	Kenya Veterinary Vaccines Production Institute
M	Million
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
VMD	Veterinary Medicine Directorate

2. KEY ENTITY INFORMATION

(a) Background information

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

(b) Principal Activities

The mandate of The Institute is to perform the following functions: -

- 1) Co-ordinate and take charge of all veterinary vaccines production in the country.
 - 2) Research, either alone or in collaboration with other research institutions, into new innovations of veterinary vaccines production.
 - 3) Develop and produce chemicals, media and laboratory products for use in the production of vaccines and other veterinary products.
 - 4) Market and distribute veterinary vaccines locally and abroad.
 - 5) Provide information in the field on the suitability and effectiveness of veterinary vaccines.
- The vision of the Institute is to be an Institution of excellence and the preferred provider of high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans. Its mission is to develop safe, efficacious and affordable veterinary vaccines for the improvement of the livestock industry. It further strives to contribute complementary products and services in control of livestock diseases.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

(c) Directors

The Directors who served the entity during the year/period were as follows:

1. Prof. Kimathi Mbogori Kigatiira	Chairman	Appointed on 20/04/2023
2. Dr. Alex Sabuni	Managing Director	Appointed on 10.02.2023
3. Mr. Humphrey Itotia	Independent Director	Appointed on 20/04/2023
4. Dr. Daniel Senerwa	Independent Director	Appointed on 20/04/2023
5. Dr. Jerono Kiptanui	Independent Director	Appointed on 20/04/2023
6. Dr. Sam Okuthe	Independent Director	Appointed on 20/04/2023
7. Ms Mary Kamau	Independent Director	Appointed on 20/04/2023
8. Mr. Stephen Lenarokushu	Independent Director	Appointed on 20/04/2023
9. Mr. Protus Sigei	Alternate Director	Principal Secretary National Treasury
10. Dr. Harry Oyas	Alternate Director	Principal Secretary State Department of Livestock
11. Dr. David Changwony	Alternate Director	Director General, Kenya Agricultural and Livestock Research Organization -KALRO
12. Mr. Victor Momanyi	Alternate Director	Inspector-General (Corporations)

(d) Corporate Secretary

Mr. Leah Kiarie
P.O. Box 53260-00200
Nairobi

(e) Registered Office

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

(f) Corporate Headquarters

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

(g) Corporate Contacts

Telephone Number: 020 3540071 Cell 0724651895
vaccines@kevevapi.or.ke
www.kevevapi.or.ke

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Key Entity Information (continued)

(h) Corporate Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 0020
Nairobi, Kenya

2. Other Bankers

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

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

i Independent Auditors

Auditor-General

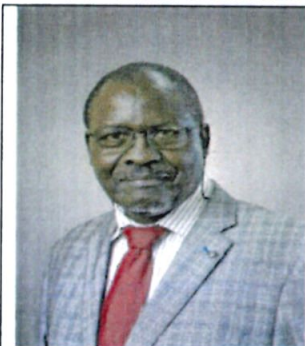
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
Nairobi, Kenya

j. Principal Legal Adviser

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

3. THE BOARD OF DIRECTORS



**Prof. Kimathi M. Kigatiira
Chairman Board of Directors**

Key Academic Qualifications

MD, MMED, MB, CHB, (UoN), MA (ADELAIDE), MMHS (Coventry), Dip CC Psych, Dip. Psychoth. (UD), AM (Emoly), QIHO, HOBS, BMHO, HDHS (Rotigers), PPP (Illinois).

Date of Birth: 6.02.1953

Work Experience:

- Chairman, Board of Directors, KEVEVAPI – 2023
- Professor of Medicine – Mount Kenya University
- Consultant Psychiatrist and Mental Health
- Specialist Neuroscientist, Neuroanatomist and Addiction Medicine
- Specialist Psychotherapist
- Consultant Psychiatrist – Apex Specialist – Thika
- Accredited Specialist Psychiatrist and Mental Health by Kenya Medical Practitioners and Dentist Board
- Registered Medical Practitioner by Kenya Medical Practitioner and Dentist Council


Other Positions Held

- 1981 – 1982: Intern, Provincial Hospital, Nyeri
- 1982 – 1984: MOH, Gatundu Hospital
- 1984 – 1986: Medical Officer In-charge of Medical Department Chogoria Hospital
- 1986 – 1990: Senior House Officer – Mathari Hospital
- 1986 – 1990: Registrar (MMED) University of Nairobi
- 1990 – 1993: Medical Officer In-charge of Medical and Mental Health Nkubu Hospital
- 1993 – 1996: Consultant in-charge of Meru Medical Center
- 1996 – 2004: Consultant, Meru Medical Center and Nursing Home
- 2005 – 2010: Founding Dean, Faculty of Health Sciences - KEMU
- 2007 - 2010: Chairman, Department of Clinical Medicine - KEMU
- 2010 – 2011: Academic Head, Health Science Programs – Mount Kenya University
- 2011 – 2014: Principal, Nairobi Campus - Mount Kenya University
- 2014 – 2017: Founding Dean, Medical School – Mount Kenya University
- 2017 – 2020: Chairman, Alcohol Board – Meru County
- 2017 to Date: Head Mental Health Department - Mount Kenya University

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

	<p>Others</p> <ul style="list-style-type: none"> • 2005 – 2012: Executive Board Member, Meru College of Science and Technology • 2009 – 2012: Founder Member, Meru University of Science and Technology • To date: Board Chair – Spring View Academy • 2009: Curative Services, Meru District Hospital Board • 2010: • 2012: Chairman, Kibirichia Secondary School • 2015: Executive Committee Member, Meru Technical School • 2016: Founder Member, Meru National Polytechnic • Chairman, Meru Liaison Committee • Executive Committee Member, Ameru Leaders Forum • Member, Meru professionals • Member, Kenya Medical Association • Member, Psychiatrist Association of Kenya • Member, Njuri Ncheke Council of Elders
 <p>Dr. Daniel Senerwa Key Qualifications: Master of Science in Veterinary Public health; Bachelor of Veterinary Medicine.</p>	<p>Date of Birth: 20.03.1959</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023) & Chairperson, Finance, Human Resources and Administration Committee. Of the Board. • Lecturer in Veterinary Public health at Department of Veterinary Public health, Pharmacology and Toxicology, Faculty of Veterinary Medicine, University of Nairobi from 1989 to date.
 <p>Mr. Humphrey Itotia</p>	<p>Date of birth: 15.11.1958</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023) & Chairperson, Audit committee of the Board. • 2015-current- Managing Director, Relanko Limited- A construction company dealing in both general construction and civil works and advising startups in financial management.

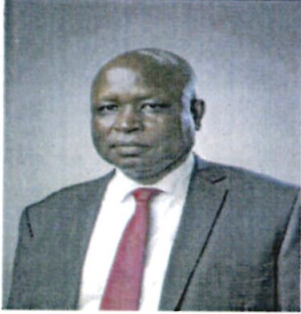
**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

<p>Key Qualification- MBA from The Institute of Technology Australia, BA-Limkokwing University, Malaysia, CPA</p>	<ul style="list-style-type: none"> • 2013-2014: Finance Manager- Kenya Veterinary Production Institute. • 1990-2013: Senior Accountant-KEVEVAPI • 1981-1989: Accountant-Welcome Institute for research on foot and mouth disease • 1979-1980: Trainee Accountant-Longman Publishers <p>Skills</p> <ul style="list-style-type: none"> • Financial Monitoring and Evaluation • Strategic decision-making impacting on current and future planning • Good analytical skills to interpret information for effective decision making • Adaptable to change
 <p>Dr. Jerono Kiptanui</p> <p>Key Qualification: (BVM, MPH, MKVB), PhD in Veterinary Public Health (University of Nairobi), Masters in Public health (Epidemiology and Disease control option) from Moi University.</p>	<p>Date of Birth: 20.1.1971</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023) & Chairperson, Technical and Strategy Committee of the Board. • A veterinarian with over 18 years of experience in civil service where she worked as a veterinary officer for the Ministry of Livestock from 1997-2015. Her exemplary performance in the livestock sector saw her rise the ladder from being a divisional Veterinary Officer to being a County Director of Veterinary Services- Nandi County. • 2015- to date -A lecturer and researcher at the School of Agriculture and Natural Resources (Animal Science and Management), Moi University. • Competencies include infectious disease epidemiology, surveillance, diagnosis and prevention/control. She also has demonstrated skills in community livestock outreach programs where she works with various actors in public and private sectors in development of support tools for managing disease risks and increased livestock productivity. • She is a reliable hard working and an excellent team player.



**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

 <p>Mr. Protus Sigei Key Qualification: Masters of Science (University of York), B.A (Hons) Degree in Economics (with Mathematics) (University of Nairobi).</p>	<p>Date of Birth: 1st December 1965</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • November 2023: Appointed to KEVEVAPI Board as Alternate to PS Treasury; • Senior Deputy Director, Investment Division • Member of the Society for Benefit-Cost Analysis • Graduate of Australian Institute of Company Directors (GAICD). • He is also an alumnus of Queen’s University, Canada (Program on Investment Appraisal and Risk Analysis), and INSEAD (Competitive Strategy). • He has served in the boards of directors of several entities, during which he has served in various board committees, and chaired the HR and Credit Committees. • More than 30years of professional experience in management
 <p>Mary W. Kamau, OGW Key Qualification:</p> <ul style="list-style-type: none"> • Bsc. Agriculture (Upper Second Class) - University of Nairobi (UoN) • Post Graduate Diploma In Tropical Sericulture - Central Sericulture Research and Training Institute, Mysore - India • Senior Management Course - Kenya Institute of Administration (K.I.A.) • Sustainable Agriculture - Svalof Weibull Sweden 	<p>Date of Birth: 15.7.1956</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023). • 1980 - Agriculture Officer II - Kitui District • 1980 - 1983 - Agriculture Officer II - Kitui district • 1983 - 1986 - Agriculture Officer I - Kitui district • 1986 - 1992 - Senior Agricultural Officer • 1992 - 1994 - Senior Agricultural Officer (As the District Agricultural Officer (DAO) Makueni) • 1994 - 1997 - Senior Agricultural Officer (Head of Beverage Crops) - Kilimo HQ • 1998 - 2004 - Assistant Director of Agriculture • 2004 - Senior Assistant Director of Agriculture (SADA) • 2005 - Deputy Director of Agriculture • 2006 - 2007 - Deputy Director of Agriculture Research Liaison Division (Deputizing the SDDA RELD) • April 2007 - June 2016 - Director of Extension and Training Ministry of Agriculture, Livestock & Fisheries <p>Previous Board Memberships</p> <ul style="list-style-type: none"> • Board Member of Agricultural Finance Corporation (AFC) • Board Member of Agriculture Development Cooperation (ADC)



**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

<ul style="list-style-type: none"> • Strategic Leadership - Kenya Institute of Administration (K.I.A.) 	<ul style="list-style-type: none"> • Board Member of National Cereal and Produce Board (NCPB) • Board Member of Tea Board of Kenya (TBK) • Board Member of Coffee Board of Kenya (CBK) • Board Member of Cotton Board of Kenya (CBK) • Chairperson - Access Agriculture, an international NGO based in Belgium. • Chairperson - African Forum for Agriculture Advisory Services (AFAAS)
 <p>Dr. Sam Okuthe</p> <p>Key Qualification:</p> <p>BVM, (UON), MSc. in Applied Animal Health and Epidemiology, PhD. in Veterinary epidemiology and economics (both from Reading University, UK).</p>	<p>Date of Birth: 1961</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023) • 2021 to Date: The eastern and southern Africa regional epidemiology training coordinator since January 2021. • Since 1999, worked with the University of Nairobi as an external and internal examiner, supervising several MSc and PhD students successfully both in wildlife and veterinary science studies. • worked as a wildlife veterinarian for five years during my tenure at the National Veterinary Research Institute, Kenya. • Worked with the Department of Veterinary Services in the Ministry of Livestock Development within the Central Veterinary Laboratory (CVL) in Kenya and the national Veterinary Research Institute in Muguga, Kenya for 15 years. Rising from Veterinary officer to a Senior Research Officer heading the Veterinary and Epidemiology Unit within the Kenya Agriculture Research Organization. • Worked for 6 years of duty in Somalia where I worked with an NGO Terra Nuova where I was involved in the establishment of a Ministry of Livestock in Somaliland and training of Veterinarians in the whole of Somalia followed by surveillance of major transboundary animal diseases that included Rift Valley fever, Rinderpest, FMD, CBPP, CAPP and PPR among others. • Worked for 2 years as a National Epidemiologist for FAO-Kenya during the avian influenza scare. • Regional ECTAD epidemiologist for Eastern Africa for 11 years before relocating to Uganda as a country team leader for ECTAD for 3 years.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

 <p>Mr. Victor M. Momanyi, OGW</p> <p>Key Qualification: Master of Public Sector Management-Africa University (AU)-Zimbabwe (2010-2012), Leader- East African Community Students BED-(Economics) KU</p>	<p>Date of Birth: 21.9.1967</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • KEVEVAPI Board member -Representing State Corporations Advisory Committee (SCAC) • 2017-Date: Deputy Inspector General (Investigations)-Inspectorate of State Corporations Cabinet Affairs Office. • 2012-2016- Senior Efficiency Monitoring Officer, Efficiency Monitoring Unit Cabinet Affairs Office-Spearheaded Efficiency and Effectiveness as well as Accountability in Public Resources Management in MDAs • 2007-2011 Assistant Director- Quality Assurance and Standards-MOE • Real time oversight on Management Practices, induction/training of staff, participate in task Forces, attendance of Public Investment Committee (PIC) meetings, Project inspection, Surcharge and Restitution, Restructuring/ Re-establishment of Public Enterprises and restructuring of Departments.
 <p>Dr. Harry Oyas</p> <p>Key Qualification: BVM (UON), MSc (University of London)</p>	<p>Date of Birth: 29.9.1959</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2020- Appointed KEVEVAPI Board member (Alternate to PS State Department of Livestock) • 2016-2020- Deputy Director Veterinary Services, Head: Epidemiology and Economics Section, Directorate of Veterinary Services • 2008-2016- Senior Assistant Director of Veterinary Services, deputy head Epidemiology and Economics Section • 2014- Country focal person for Standard Methods and Procedures in Animal Health project • 2004 - 2006 – Project coordinator, Pan African Control for Epizootics Kenya, • 1990 – 1996- District Veterinary Officer, Nyamira District • 1983- 1990- Field Veterinarian, Department of Veterinary Services

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**





 <p>Dr. David Changwony</p> <p>Key Qualification: PhD Animal Nutrition (University of Bonn, Germany), MSc Animal Nutrition (University of Sydney, Australia), BSc Animal Production and Diploma Animal Health (Egerton University)</p>	<p>Date of Birth: 23.10.1966</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2019: Appointed to KEVEVAPI Board as Alternate to Director General, KALRO • 2023- Current: Director of Livestock systems at KALRO • 2014-2023: Institute Director, KALRO Sheep, Goats and Camel Research Institute • 2014: Deputy Centre Director, KARI Perkerra • 1999-2014: Research Officer, KARI Lanet /Perkerra • 1990-1999: Technical Officer, KARI Lanet
 <p>Mr. Stephen Lenarokushu</p> <p>Key Qualification: BSc. Applied statistics with computing</p>	<p>Date of Birth: 08.07.1996</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023) & sales and marketing committee of the Board. • Food for the hungry: M&E Officer • USAID (NHP Plus): M&E Officer • Intern, National Drought Management Authority.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**





 <p>Dr. Alex Sabuni</p> <p>Ag. Managing Director (MD) and Secretary to the Board, Key Qualification: MSc (UoN), BVM (UON), KCSE, KCPE .</p>	<p>Date of Birth: 26.9.1982</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2023/02 to date: Acting Managing Director-KEVEVAPI; • 2021/11 to 2023/01: Deputy Director, Technical services, KEVEVAPI; • 2015- 2021: Chief Veterinary Officer and County Project Monitoring and Evaluation Officer, RPLRP, Narok County; • 2013/04-2015: District Veterinary Officer, Narok South; • 2011/05- 2013/03: Veterinary Officer, Narok South; • 2009/08- 2011/04: Livestock Programs Coordinator, Samaritan’s Purse International Relief; • 2009- 2009/07: Programs Manager, Kenya Veterinary Association, National Office;
 <p>MS. Leah Kiarie</p> <p>Key Qualification: LLM, LL. B, Post graduate Diploma (PgD), MCIArb, Advocate of the High Court.</p>	<p>Date of Birth: 17.8.1991</p> <p>Work Experience;</p> <ul style="list-style-type: none"> • April 2023-Date-Legal Officer KEVEVAPI • Jan 2018 – March 2023-Associate Advocate Jan 2018 – March 2023, Kiarie & Company Advocates • 2014 to 2015- Advocate Trainee, Kinyanjui Njuguna & Company Advocates

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**





4. MANAGEMENT TEAM

MANAGEMENT	DETAILS
 <p>Dr. Alex Zephania Sabuni Lucheli MSc, BVM</p>	<p>Managing Director</p>
 <p>Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, FA, CPA, K</p>	<p>Head of Finance</p>
 <p>• Dr. Michael Muthamia Kiraithe PhD (University of Freiburg) MSc. Biomedicine BSc. Biomedicine</p>	<p>Head of Research and Development Manager</p>
 <p>• Mr. Frank Kibii Chepkilot BSc. Human Resource Management Diploma Personnel Management Certified Member IHRM</p>	<p>Ag. Head of Human Resource Management and Administration</p>


**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

 <p>Ms. Leah Kiarie LLM, LL. B, Post graduate Diploma, (PgD), MCI Arb</p>	<p>Head, Legal Department</p>
 <p>Dr. Jones Mutua MSc- Applied Microbiology BVM, KCSE</p>	<p>Senior Production Officer- Kabete</p>
 <p>M/s Andia A. Khaseke MBA-((UoN), BED-Business Studies & Economics, CPAK</p>	<p>Head of Internal Audit</p>
 <p>Mr. Phera Atieno Ouma MSc. Forensic Biochemistry, BSc in Biotechnology</p>	<p>Quality Assurance Manager</p>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

 <p>M/S Susan Mirugi MBA Marketing</p>	<p>Head of Sales and Marketing</p>
 <p>Mr. Charles Kiptoo MBM, BBM, DSCM, MKISM</p>	<p>Head of Supply Chain Management</p>
 <p>Mr. Bernard Kuria B. Philosophy-Mechanical Engineering Technology- Higher Dip. Mechanical Engineering-Plant Option. Dip. Mechanical Engineering-Plant Option.</p>	<p>Head of Engineering</p>
 <p>Mr. Moses Orwe MSc. Molecular Biology and Bioinformatics BSc. Biochemistry (Kenyatta University)</p>	<p>Ag. Senior Production Officer- Embakasi</p>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

 <p>Mr. Samwel Mburu BSC. Computer Information System, Cisco Certified Network Associate (CCNA), CCNA- Security, Application Security Specialist (IBM Security Appscan V8.7)</p>	<p>Head of Information Technology</p>
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**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

5. FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct responsibility were:

No.	Designation	Name
1	Managing Director	Dr. Alex Zephania Sabuni Lucheli
2	Head of Finance	Peter Macharia
3	Head of Research & Development	Dr. Michael Muthamia Kiraithe
4	Head of Internal Audit	Andia A. Khaseke
5	Head of Sales and Marketing	Susan Mirugi
6	Head of Administration	Geoffrey Simwa
7	Head of Procurement	Charles Kiptoo
8	Head of Production Embakasi	Moses Orwe
9	Head of Production Kabete	Dr. Jones Mutua
10	Head of Quality Control	Phera Ouma
11	Head of ICT	Samuel Mburu
12	Head of legal	Leah Kiarie

6. Fiduciary Oversight Arrangements

KEVEVAPI key fiduciary oversight arrangements include: -

- Audit, Risk and Compliance Board committee: This Board Committee hold meetings on a quarterly basis and help to monitor and give assurance on the activities of the institute.
- Finance, Human Resources and Administration Board Committee: This Board Committee hold meetings on a quarterly basis and oversight on the Financial performance and administration of the institute.
- Technical and Strategy Board Committee- This is a technical committee of the board holding its meetings quarterly and any other time as need arises and monitors the production activities of the institute.
- Sales and Marketing Board Committee: This is a technical committee of the board holding its meetings quarterly and any other time as need arises and monitors the sales and marketing activities of the institute.
- Full board- The Board holds meetings to provide direction and monitor management activities in every quarter of a financial year.
- Ministry of Agriculture and Livestock Development- Supervises operation of the Institute through the office of the PS and Director of Veterinary Services.
- Parliamentary Agricultural Committee: This is a parliamentary committee that provision of oversight over the budgeting process and appropriate estimates of revenue and expenditure on Assets and Liabilities;
- Parliamentary Investment Committee: Examines financial statements and other documents submitted to the National Assembly and make appropriate recommendations.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

7. CHAIRMAN'S STATEMENT

KEVEVAPI is managed by a Board of Management, answerable to GOK, through the Minister for Agriculture & Livestock Development. The functions and responsibilities of the Board are provided in Legal Notice No. 223 and the State Corporations Act, Cap. 446, Revised 1987. Members of the Board include a non- executive chairman, six other members appointed by the Minister responsible for Livestock and representative of Principal Secretary National Treasury, Principal Secretary State Department of Livestock, Director General, KALRO and Inspector-General of state corporations.


KEVEVAPI produces vaccines that are used to prevent outbreaks of livestock diseases. These diseases lead to reduced animal production and productivity resulting in insecurity in food and nutrition. It plays a strategic role of producing veterinary vaccines to support livestock production and trade. During the FY under audit, the Institute made sales of vaccines worth Kshs. 258.8 million. The sales were low because there was less demand from our main customers -the county governments because of the dry spells experienced in the country where it was not possible to vaccinate weak animals. The institute also lost its international market for its FMD vaccine market in Uganda and Sudan. This led to less sales than budgeted.

The existing vaccine production laboratories were built in 1957, there is therefore dire need of improve the infrastructure to be more efficient, and modernize machinery and equipment to enhance vaccines production. During the FY 2023/24, the Institute utilized Kshs 15.412 million on capital improvement from internally generated funds.

The upgrade will lead to the following outcomes:

- (i) Increased Vaccines production from 30 million doses per annum to the 70 million doses required.
- (ii) Economies of scale -Reduced cost of production and reduced price of vaccines to the farmers.
- (iii) Increase access to local and international markets.
- (iv) Improved revenue generation
- (v) Produce enough vaccines to support trade of livestock and livestock products in the establishment of livestock Export Zones and eradication of trade related disease especially FMD (foot and mouth) disease.
- (vi) Efficiency in vaccine production and hence reduce the lead time on vaccine delivery.
- (vii) Acquire Good Manufacturing Practice (GMP) certification
- (viii) Access to training and research opportunities

With the support of the Government in the rehabilitation of our aging plant and equipment, the Institute can compete competitively with other vaccine Institutes in Africa, Middle East, Asia and Europe.


.....
Chairman: Prof. Kimathi Mbogori Kigatiira

Date 
.....

8. REPORT OF THE MANAGING DIRECTOR

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

In order to meet emerging demands, The Institute has embarked on production of three new products. These are an oil-based Foot and Mouth disease vaccine, a thermostable Newcastle disease vaccine and Peste Petits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. The production of vaccine is demand driven and for FY 2023/24, sales were low due to less demand from our main customers -the county governments because of the dry spells experienced in the country where it was not possible to vaccinate weak animals. The institute also lost its international market for its FMD vaccine market in Uganda and Sudan.

The Objectives of KEVEVAPI are:

1. To avail KEVEVAPI vaccines in the market.
2. To continuously research on and develop new vaccine products by 2028.
3. To increase vaccine sales to Kshs. 482 million in FY 2024/25 and thereafter by between 10-15% annually.
4. To control expenditures so as to maximize profits.

BOARD OF DIRECTORS

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

Committees of the Board

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

- Finance, Human Resource and Administration;
- Technical and Strategy Committee;
- Sales and Marketing and
- Audit, Risk and Compliance Committee.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Current Members of the Board of Directors:

- Prof. Kimathi Mbogori Kigatiira - *Chairman Board of Directors*
- Principal Secretary National Treasury; -
- Principal Secretary, State Department of Livestock.
- Director, Kenya Agricultural and Livestock Research Organization – K.A.L.R.O;
- Mr. Humphrey Itotia
- Dr. Daniel Senerwa
- Dr. Sam Okuthe
- Dr. Jerono Kiptanui
- Mr. Stephen Lenarokushu
- Ms. Mary Kamau

VACCINES PRODUCED BY KEVEVAPI

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

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

CONSTRAINTS OF VACCINES PRODUCTION

i) Old Plant and Equipment- The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant requires Kshs 5.6 billion. The Institute decided to phase the requirement and settled on the minimum requirements to be implemented first, costing Kshs. 1,750 million. Currently, implementation of phase one is at Kshs. 1,166 million (67%). For the Financial year 2024/25 budget period, the institute has not been allocated grant from the Government to enable the Institute attain GMP/ISO standards. This will derail the Institute access to international markets which requires the institute to be GMP compliant.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

ii) High Cost of Production - This was high as a result of increased costs of imported production inputs as a result of the rising value of Dollar compared to Kenya shilling. Further the cost of electricity and fuel negatively affected the cost of production.

iii) Vaccine donations by international bodies- This occurs when internal organization buy/donate vaccines procured from external production facilities. This leads to flooding of the local markets with vaccines other than KEVEVAPI's denying the institute much needed revenue.

Managing Director, Dr. Alex Sabuni

Sign 

Date 24/12/2024

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

**9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2023/2024**

During the period under review, KEVEVAPI had key achievements which included enhancing/strengthening; availability of animal vaccines and information on animal vaccines, market access and products utilization, Research and Innovation, Governance and Corporate Affairs, Human Resource Capacity, financial sustainability of The Institute and leveraging ICT in all operations. This is summarized below

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Veterinary Vaccines Production and Marketing	1) To enhance availability of animal vaccines and information on animal vaccines	Doses of vaccines produced Vaccines brochures distributed to stakeholders	-Increase Vaccine doses produced annually -Introduce new vaccines -Increase partnerships with reputable laboratories on franchising for vaccines - Upgrade plant and equipment - Improve energy management - Widen the scope of marketing - Install biometric access controls -Maintain and improve ISO 9001:2015 -Comply with Good - Manufacturing Practices (GMP) -Work towards achieving ISO 17025 Accreditation	KEVEVAPI was able to produce 33.0 million doses of vaccines against a target of 35 million doses. This fell short because there were dry spells experienced by our major Clients- County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine. In addition, the delay in supply of critical vaccine blending reagents affected vaccine production Upgrading of infrastructure including tapping of solar energy The Institute maintained continuous

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

				improvement in ISO 9001:2015 and worked towards good manufacturing practices and ISO 17025 accreditation.
	2) To enhance market access and products utilization	vaccines sale Farmers engaged	Increased sales Participate in Farmers forums	Sales were Kshs. 258.8 million against a target of Kshs 450 m due to the dry spells experienced by our major Clients- County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine. In addition, the delay in supply of critical vaccine blending reagents affected vaccine production
Research and Innovation	1) Upscale research in vaccines	-No. of qualified staff under research - Collaboration with other institutions and labs	Deployment of addition staff to R&D department Vaccine failure investigation Engage other organizations	More staff deployed to work in R&D e Held forums to educate farmers and stakeholders on handling vaccines. The forums included ASK shows and Farmers field days. Collaborated with KALRO
Institutional Capacity	1) To strengthen	good corporate governance	Training Board of management on Governance, Finance, and procurements	Board Directors sensitized and trained on Governance,

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

	Governance and Corporate Affairs	Improved institute visibility Minimized risks	Improving Institute Website Identifying Areas of Risks and minimization	Finance, and procurements. Improve Institute Website Departments identified risks and sensitization of staff
	2) To Strengthen Human Resource Capacity	optimal human resource levels No of staff trained Improve work environment and staff welfare Mainstream cross cutting issues.	Recruitment Training Conduct cross cutting sensitization Motivate staff	MD recruited and more staff recruited to help in vaccine production and support services. Staff trained on professional courses, GMP certification. Medical insurance in place
	3) To strengthen financial sustainability of the Institute	Enhance resource mobilization Manage resources prudently	Participate in resource bidding at the sector level Effect cost cutting measures	KEVEVAPI was not given a development grant in the year under audit. Reduced costs as evidenced in the financial statements
	4) To leverage ICT in all operations	Automate KEVEVAPI's operations Enhance security of information systems	ERP Implementation Use of e citizen platform	Sales & Marketing, Procurement and Finance and Accounts Departments fully integrated.

10. CORPORATE GOVERNANCE STATEMENT

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

The Institute is managed by a Board whose functions are: to determine the organizations' mission, vision, purpose and core values; setting and overseeing the overall strategy and approving of significant policies of the organization; Ensuring that the organization's strategy is aligned to the long-term goals of the organization on sustainability; approval of the organization structure; approval of the organization's annual budget; monitoring the organizations' performance and ensuring sustainability; ensuring availability of adequate resources for the achievement of the organization's objectives; ensuring effective communication with stakeholders; and appointment of the organizations' Chief Executive Officer.

During the Financial year 2023/24 the Board held 4 Full Board meetings, 16 Board Committee meetings (one per quarter for each of the three Board Committees) and five Special Full Board meetings to handle urgent matters. All the meetings were attended by the requisite quorum. Besides the meetings, the Board held a Board retreat to induct the new members to the institute affairs.

The Board developed and adopted the charter that is currently in use in January 2018. The Charter is currently under review by the Board.

The Institute's Board members are appointed by the Cabinet Secretary Ministry of Agriculture and Livestock Development while the Board Chairman is appointed by the President in line with Article 27 of the Constitution.

The Institute inducts all new Board members prior to the Board members embarking on discharging their functions. The Institute also ensures that all Board members are taken through the induction on the Code of Governance for State Corporations by the State Corporations Advisory Committee (SCAC).

The Institute's Board Member Performance is evaluated annually by the Staff Advisory Committee in line with the Code of Governance for State Corporations (Mwongozo). For FY 2023/24 the Board was evaluated on 27th October 2023.

Conflict of Interest is declared by all members by signing a Board Conflict of interest register prior to any Board meeting. Any declared conflict of interest is captured in the meetings minutes.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

The Institute remunerates Board members through payment of attendance allowances as per the Circular Ref. No. OP/CAB.9/21/2A/LII/43 dated 23rd November 2004 and OP/SACA.9/21.2 VOL.1(164) of 28th April, 2015 vis Accommodation & Subsistence Allowance for Chairmen & Board Members of State Corporations.

The institute's value base is described in KEVEVAPI's code of conduct, and the guidelines for ethics and corporate responsibility have been designed on the basis of the code. KEVEVAPI adheres to the State's principles for sound corporate governance as described in the State Corporation Act Cap 446, The Constitution of Kenya 2010 and The Code of Governance for State Corporations (Mwongozo), and is subject to the reporting requirements relating to corporate governance pursuant to Public Finance Management Act. The Board developed and adopted the Code of Conduct and Ethics that is currently in use in January 2018. The code aims at guiding board directors in order to help them carry out their roles with integrity and compliance with the law. The members have all signed the code and are all bound by it. Unfortunately, however, The Institute has not carried out a governance audit in the recent past due to lack of accredited governance auditors from the State Corporations Advisory Committee.

11. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

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

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

The 2019 population and housing census revealed that Kenya has a massive livestock resource comprising 3.36 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels, 25.8 indigenous chickens and 6.1 million exotic chickens. This is an important resource that if tapped could create more wealth and employment in the country thereby contributing significantly to poverty reduction. The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) is mandated to protect this important resource. As the country gears up towards the realization of the goals of the Kenya Vision 2030, many challenges are bound to arise, key among them being the outbreak of livestock diseases.

The Institute has the expertise and facilities to produce fifteen livestock vaccines that are considered to be important in the region. Currently we are producing 14 vaccines. Rinderpest vaccine is no longer produced because the disease has been eradicated. Our Laboratories at Embakasi in the Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccine production Laboratory. In order to meet emerging demands, The Institute has embarked on production of three new products. These are an oil-based Foot and Mouth disease vaccine, a thermos stable Newcastle disease vaccine and PestePetits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions.

SECTION A

The Institute performance in terms of Sales and profitability for the year was low because of decreased sales to the External market and County Government.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Institute performance is as follows in Kshs 'Millions:

Financial Year	2023/ 24	2022/ 23	2021/ 22	2020/ 21	2019/ 20
Sales	258.8	206.1	363.1	375.2	402.8
Production Costs	334.5	295.4	372.2	344.1	303.9
Gross Loss	(75.7)	(89.3)	(9.1)	31.1	98.9
Other Incomes	12.0	53.7	40.7	24.9	48.7
Administration Expenses	(149.8)	123.7	131.2	134.4	113.3
Net Profit(Loss)	(213.5)	(159.3)	(99.6)	(78.4)	34.3

The institute vaccine sales amounted to Kshs. 402.8m in FY 2019/20, Kshs.375.2 m in FY 2020/21, 363.1m in FY 2021/22, Kshs 206.1 m in FY 2022/23 and Kshs 261.9 m in FY 2023/24. From FY 2019/20 to 2021/22 the decline in sales was due to the effects of Covid 19 pandemic that entailed restricted movement, unavailability of production inputs thus lacking vaccine stock when required by customers. In FY 2022/23 there were dry spells experienced by our major Clients-County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine this led to the sales dropping from Kshs. 363.1 million in FY 2021/22 to Kshs. 206.1 million in the FY 2022/23. In FY 2023/24 there were dry spells experienced by our major Clients-County Governments in Kenya in the first half of the year where the animals became weak to be vaccinated thus the low demand of vaccine and in the second half, the institution experienced delays in the delivery of critical raw material for vaccine blending.

Cost of production has also risen proportionately because of the loss of value to the Dollar and since most of our production reagents are imported, this has also affected our productivity. Vaccine production is also electricity and fuel intensive thus the high cost of fuel and electricity has eaten into the gross profit of the institute (Refer to note 7 of the Financial statement.

In terms of Ratios indicators, the performance was as follows compared to Budget and Prior Year:

	Ratios	Budget 2023/24	Actual 2023/24	Actual 2022/23
i.	Gross Profit Margin	27%	(29.27%)	43.33%
ii.	Net Profit Margin	1%	(82.50%)	77.29%
iii.	Current Asset Ratio	20.45:1	12.89:1	14.18:1
iv.	Assets Turnover	12.63%	1.99%	9.81%
v.	Return on Assets	0.17%	(1.64%)	(7.58%)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Explanations On Ratios

i. Gross Profit Margin-

Gross profit margin is gross income (revenue less cost of goods sold) divided by net revenue. The ratio reflects pricing decisions and product costs. In this case our score is low as compared to the budget and last year due to the low levels of sales revenues caused by dry spells in Kenya where the animals became weak and could not be vaccinated. In addition, the institution experienced delays in the delivery of critical raw material for vaccine blending.

ii. Net Profit Margin-

Net profit margin compares a company's net income to its net revenue. This ratio is calculated by dividing net income, or a company's bottom line, by net revenue. It measures a firm's ability to translate sales into earnings for shareholders. We are low on this because of the reduced sales as per (1) above.

iii. Current Asset Ratio-

The current ratio measures a company's current assets against its current liabilities. The current ratio indicates whether a company can pay off its short-term liabilities in an emergency by liquidating its current assets. The ideal is 2:1 and therefore 12.89:1 may shows underutilization of institutes assets. This is likely to change due to the revision of bad debt policy where the receivables of the institute will be either be written off or provided for at a higher rate.

iv. Assets Turnover:

Asset turnover measures how efficiently a company uses its total Assets to generate revenues. The formula to calculate this ratio is simply net revenues divided by average total assets. We are below the budget on this ratio compared to the budget because of the shortfall in revenue target.

v. Return on Assets

Return on assets is calculated as net income divided by total assets. It is a measure of how efficiently a firm utilizes its assets. We fell short of our budget on this as a result of the shortfall in meeting our sales target for the financial year.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

SECTION B

Entity's compliance with statutory requirements

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

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

Included in the value of land of Kshs 10,945,000,000 above on Property, Plant and Equipment is two parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows: -

- I. ELC 939 of 2014-KEVEVAPI -vs- The AG & 14 Others
- II. ELC 175 of 2010, Kimeo Stores Ltd -vs- KARI & 3 Others-Limuru farm
- III. ELC 455 of 2009 Trust land Developers Ltd -vs- KARI, KEVEVAPI & 2 Others at Embakasi

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant requires Kshs 5.6 billion. For the current phase, Kshs 1.750 billion was required. For the budget period, KEVEVAPI was allocated Kshs. 50 million which was not received to enable the Institute attain GMP/ISO standards resulting in the Institute being able to access the outside market. We also plowed back Kshs. 15.412 million from the reserves. We sincerely hope that the government will consider availing more grants in the 2024/25 financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION D

Major Risks/Assumptions facing the entity

The risks and assumptions made are as follows:

- a) Vaccination of Livestock is basically under the County Governments and Director of Veterinary Services and KEVEVAPI is only a producer. The survival of The Institute is very much tied in with the activities of the Counties and DVS. We assume that the GOK will continue to facilitate the vaccination activities of the DVS and the County Governments in the coming years and especially the full activation of the disease-free zones. The Livestock Industry supports a lot of families in Kenya and is a big contributor to the National economy.
- b) KEVEVAPI has court cases affecting its 77.67 hectares' land in Embakasi and part of its 151.2 hectares at Limuru. Assumption is made that The Institute will get a favorable ruling and reclaim its land in full.
- c) It is assumed that the regional market remains stable to enable KEVEVAPI retain the current market and access new markets within the region.
- d) We also assume that economic performance within Kenya and the region will remain stable, so that our vaccines remain affordable to all farmers, big and small.
- e) The assumption is also made that the institute will be allocated development Grant by the Ministry.

SECTION E

Material arrears in statutory/financial obligations

Though we expected to generate Pre-tax profits of Kshs. 3.975million in the financial year 2023/2024, The Institute fell short of this target and made a loss of Kshs. 213.547 million because during the year, there was less demand from our customers, mainly the county governments leading to less sales than budgeted. This was a result of the effects of dry spells in the country where it was not possible to vaccinate weak animals. The instability in Northern Sudan also denied us that foreign market. The Institute is working towards GMP certification which will lead to accessing more foreign markets.

The Institute has come up with a five-year plan to revamp KEVEVAPI and transform it into a modern and secure institution for production of high-quality vaccines for both domestic and international markets in order to meet the Good Manufacturing Practices (GMP) requirements. The phased project cost will be approximately, Kshs. 1.75 billion, spread over 5 years. We sincerely hope that the government will give grants to the institute to enable The Institute upgrade to attain GMP standards thereby accessing international markets and avoiding over-reliance on local markets.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

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

For the Financial Year 2023/24, KEVEVAPI sponsored several Kenya Veterinary Association field days where Dairy farmers and professionals were sensitized on how to improve the health of livestock thus sustain farmer's livelihood.

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

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

13. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the institute's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2024 are set out on page 1-5.

Dividends

KEVEVAPI made a Loss of Kshs. 213.547 million during the FY 2023/24. In the previous years any profits made was ploughed back for Capital investment which will enable The Institute access international markets for vaccines. To access this market, Good Manufacturing Practices (GMP) certification is a requirement. The Institute has been pursuing this through a five-year plan as a project. The project requires heavy investment in infrastructure development and The Institute intends to plough back the profits generated towards the project as per its dividend policy. This will enable the government, the only shareholder to earn capital gain rather than dividend payout

Directors

The members of the Board of Directors who served during the year are shown on page vi-xi.

Auditors

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

By Order of the Board

Sign



Dr. Alex Sabuni

Secretary to the Board

Date 24/12/2024

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 the institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year ended 30 June 2024 and the operating results of The Institute for that year. The Directors are also required to ensure that The Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The Directors are also responsible for safeguarding the assets of the institute.

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of The Institute for and as at the end of the financial year ended June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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


The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of the institute's transactions during the financial year ended June 30, 2024, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Institute's financial statements were approved by the Board on 13th September, 2024 and signed on its behalf

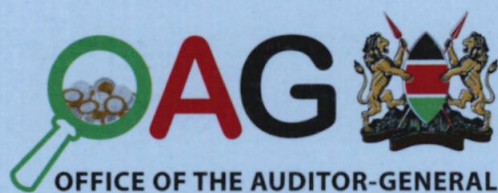
by:


.....
Prof. Kimathi M. Kigatiira
Chairman of the Board


.....
Dr. Alex Sabuni
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2024

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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2024, 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, 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 the Kenya Veterinary Vaccines Production Institute as at 30 June, 2024 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 State Corporations Act, Cap 446 and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.11,678,361,000 as disclosed in Note 16 to the financial statements. However, the following anomalies were noted: -

1.1. Land Parcels with Ownership Disputes

Included in the balance is land valued at Kshs.10,945,000,000 which further include two parcels of land that had been grabbed in prior years. The parcels have on going civil cases in court as detailed below; -

- i. ELC 939 of 2014 - KEVEVAPI -vs- The AG & 14 Others
- ii. ELC 175 of 2010, Kimeo Stores Ltd -vs- KARI & 3 Others-Limuru farm
- iii. ELC 455 of 2009 Trust Land Developers Ltd -vs- KARI, KEVEVAPI & 2 Others at Embakasi.

These cases have been in court for too long and the Institute risks losing the ownership. Further, the Institute is continuously losing economic value on the use of land since it cannot fully develop and utilize the parcels with ownership contention.

1.2. Failure to Transfer Logbooks in the Name of the Defunct Institutes

The property, plant and equipment balance include an amount of Kshs.21,306,000 relating to motor vehicles. Review of related records held by the Institute revealed that

The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established under State Corporation Act, Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990. The Institute was subsequently put under KARI management in July 2003 through a Presidential Circular No. 3/2003 until July 2008 when it reverted to its original status. However, audit revealed that the ownership documents of three (3) motor vehicles are still registered in the defunct institution. Evidence of Management effort to register the vehicles in the Institute's name was not provided.

In the circumstances, the accuracy, completeness and ownership of property, plant equipment balance of Kshs.11,678,360,000 as at 30 June, 2024 could not be confirmed.

2. Long Outstanding Receivable from Exchange Transactions

The statement of financial position reflects trade and other receivables net of provisions balance of Kshs,205,956,000. Included in this balance is current receivables from exchange transactions of Kshs.203,287,000 as disclosed in Note 19 to the financial statements. The balance further includes an amount of Ksh.130,571,000 or 64 % of the total receivables which relates to debts owed by customers that are over 5 years and some were clients domiciled outside the Country. As a result carrying unrecoverable or nonexistent receivable distorts the net current assets position of the Institute.

In circumstances, the accuracy and recoverability of the accounts receivable balance of Kshs.130,571,000 could not be confirmed.

3. Unsupported Long Outstanding Creditors

The statement of financial position as disclosed in Note 26 to the financial statements, reflects trade and other payables of Kshs.29,359,000. Included in this balance is an amount of Kshs.6,604,000 relating to trade payables, out of which Kshs.5,125,992 or 78% has been outstanding for more than 1 year indicating that the entity has not been able to honor its obligations as and when they fall due. Further, there is no creditors policy or any binding agreement between the entity and the suppliers for purpose of settling debts owed to suppliers was provided during the audit.

In circumstances, the accuracy of trade payables and settlement of amount totaling Kshs.5,125,992 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Veterinary Vaccines Production Institute 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 qualified opinion.

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of the budget and actual amounts reflects a total revenue budget and actual on comparable basis of Kshs.475,500,000 and Kshs.270,793,000 respectively resulting to an under collection of Kshs.204,707,000 or 42% of the budget.

The under collection might have affected planned activities and impacted negatively on service delivery to the public.

2.0 Over Expenditure

During the year under review the Institute's actual expenditure exceeded the budget in some expenditure items as tabulated below:

No.	Component	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Percentage overutilization
1	Repair and Maintenance	14,200,000	20,251,000	(6,051,000)	43%
2	Administrative Expenses	26,000,000	32,637,000	(6,637,000)	26%
5	Cost of sales	120,857,000	142,519,000	(21,661,000)	18%

This was contrary to Regulations 43 (b) of Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer should exercise budgetary control measures by ensuring that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly.

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

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the other information set out on page i to xxxvii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer,

Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Institute'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 and the matters described in my Basis for Qualified Opinion, I confirm that other information is not 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, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section 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. Non-Compliance with the Law on One Third Rule on Basic Pay

Review of the entity's payroll for the year under review revealed that sixteen(16) staff were being paid a net salary of less than a 1/3 of their basic salaries contrary to section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds.

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

2. Irregular Payment of Allowances

During the year under review the entity irregularly paid acting allowances to four (4) members of staff amounting to Kshs.294,644.82 which was paid for six (6) months in

excess of the Human Resources Policies and Procedures. Further, audit of the entity's payroll for the year under review revealed that a total of Kshs.80,368.32 was paid as special duty allowances to one member of staff for six (6) months in excess of the requirement of human resource policies and procedures.

This was in contravention of Section C.14(1) of PSC Human Resource Policies and Procedures Manual for the Public Service of 2016 which states when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting and special duty allowances will not payable to the officer for more than six (6) months.

In the circumstances, Management is in breach of the human resources policies and procedures.

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, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Board of Directors

1.1. Failure to Periodically Review the Board Charter

Review of the Institutes Board charter indicated that the Board had been using a charter that was developed and approved for implementation In August 2020. This was contrary to the Mwongozo Code of Conduct for State Corporations issued under Presidential Executive Order No.7 dated 25 March, 2015, under Chapter 1 Item 1.11 which states that the Board of Directors should develop and periodically review its Charter. Further, the Board Charter itself indicates it will be reviewed at least annually.

In circumstances, the Board was in contravention of the Mwongozo Code of Conduct for State Corporations.

1.2. Failure to Conduct Governance Audit

The Board did not initiate governance audit during the year under review contrary to the requirement of Mwongozo Code of Conduct for State Corporations issued under Presidential Executive Order No. 7 dated 25 March, 2015, under Item 1.13 which states that the Board of Directors in consultations with the State Corporation Advisory Committee is required to initiate governance audit of the company through an Institute of Certified Public Secretaries of Kenya (ICPSK) member and that the governance audit should among other areas cover the governance practices of the organization.

In circumstances, the Institute was in contravention with Presidential Executive Order No. 7 of 25 March, 2015.

1.3. Irregular Board Committees Composition and Functionality.

Review of the composition and function of the Board of Directors revealed the following anomalies: -

- i. Four Board Committees of Audit Risk and Compliance Committee, Sales and Marketing Committee, Finance and Human Resource and Administration Committee and Audit Risk and Compliance Committee had 5 members each instead of the recommended four being a third of total board composition of 11 members.
- ii. Further three (3) out of the four (4) sub-committees did not have charters except for Audit Committee that had a charter contrary to Circular Ref. No. OP/CAB.9/1A on management of State Corporation of 11 March, 2020 Section B on establishment of board committees (2) each committee shall have a charter that outlines roles and responsibilities as guided by SCAC

In circumstances, the Board Committees are irregularly constituted and contrary to Circular No. OP/CAB.9/1A on Board Committees.

2. Lack of an Approved IT Strategic Plan

During the year under review the entity did not have an approved I.T strategic plan, contrary to (Section 165 Subsection (1) of the Public Finance Management Act, 2012 which states that the accounting officer; shall ensure that the national government entity develops—(b) a system of risk management and internal control that builds robust business operations.

In the circumstances, the absence of this critical documents reflects weak IT internal controls that expose the entity to significant operational, reputational and compliance risks. 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 Management and the 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or 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 are in compliance 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 Institute'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 for 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 IFPP 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

31 December, 2024

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

**16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2024**


		2023/24	2022/23
	Notes	Kshs'000	Kshs'000
Revenue			
Sale of Vaccines	6	258,815	206,100
Cost of Goods Sold	7	334,563	295,408
Gross Loss		(75,748)	(89,308)
Finance income –Bank Interest earned	8	12,399	20,649
Other income-Sundry income	9	1,153	733
Other Gains (Foreign exchange)	10	(1,574)	32,335
Total Revenue		(63,770)	(35,591)
Operating Expenses			
Administration costs	11	126,119	107,349
Selling and distribution costs	12	7,953	5,318
Finance costs	13	-	-
Board Expenses	14	15,705	11,040
Total Operating Expenses		149,777	123,707
Loss before tax		(213,547)	(159,298)
Taxation		-	-
Loss for the period		(213,547)	(159,298)

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024


	Notes	2023/24	2022/23
		Kshs'000	Kshs'000
Assets			
Non-current assets			
Property, plant and equipment	16	11,678,361	592,698
Intangible Assets	17	9,261	8,265
Total Non-current assets		11,687,622	600,963
Current assets			
Inventories	18	602,435	588,638
Trade and other Receivables	19	205,956	186,733
Prepayment	20	12,344	3,331
Bank and cash Balances	21	476,156	720,773
Total Current Assets		1,296,891	1,499,475
Total assets		<u>12,984,513</u>	<u>2,100,438</u>
Equity and Liabilities			
Capital and Reserves			
Capital fund	22	367,249	367,249
Capital grant	23	1,166,274	1,166,274
Revaluation reserve	24	11,383,607	272,829
Retained Earnings	25	(33,202)	188,346
Capital and Reserves		<u>12,883,928</u>	<u>1,994,698</u>
Current liabilities			
Trade and other payables	26	29,359	32,723
Payments received in advance	27	71,226	73,017
Total liabilities		100,585	105,740
Total Equity and Liabilities		<u>12,984,513</u>	<u>2,100,438</u>

The Financial Statements were approved by the Board on 23rd August 2024 and signed on its behalf by:


.....

Date 24-12-2024

**Name: Prof. Kimathi Kigatiira
Chairman of the Board**


.....

Date 24/12/24

**Name: Dr. Alex Sabuni
Managing Director**


.....

Date 24/12/2024

**Name: Peter M. Gitau
Head of Finance
ICPAK M/NO: 15878**

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Ordinary Share Capital	Revaluation Reserve	Retained Earnings	Capital /Development Grant	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 July 2022	367,249	272,829	347,644	1,166,274	<u>2,153,996</u>
Surplus/Deficit for the period	-	-	(159,298)	-	(159,298)
Surplus to the Treasury					
Additional GOK Grant	-	-		-	
Balance as at 30 June 2023	367,249	272,829	188,345	1,166,274	<u>1,994,697</u>
Surplus/Deficit for the period	-	-	(213,547)	-	(213,547)
Revaluation		11,110,778			11,110,778
Additional GOK Grant	-	-	(8,000)	-	(8,000)
Balance as at 30 June 2024	367,249	11,383,607	(33,202)	1,166,274	<u>12,883,928</u>

See note 20,21,22 and 23

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

Description	Note	2023/24	2022/23
		Kshs'000	Kshs'000
Cash flows from operating activities			
Cash generated from/(used in) operations	28	-221,205	102,713
Interest received		Nil	Nil
Interest paid		Nil	Nil
Taxation paid		Nil	Nil
Net cash generated from/(used in) operating activities		-221,205	102,713
Cash flows from investing activities			
Purchase of property, plant and equipment		-15,412	-15,455
Net cash generated from/(used in) investing activities		-15,412	-15,455
Cash flows from financing activities			
Proceeds from issues of new share capital		Nil	Nil
Proceeds from borrowings		Nil	Nil
Repayment of borrowings		Nil	Nil
Dividends paid		-8,000	Nil
Net cash generated from/(used in) financing activities		-8,000	0
Increase/(decrease) in cash and cash equivalents		-244,617	87,258
Cash and cash equivalents at beginning of year		720,773	633,515
Cash and cash equivalents at end of the year	28	476,156	720,773

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

**20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30 JUNE 2024.**

	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% of utilization
	Kshs'000	Kshs'000	Kshs '000	Kshs '000	Kshs '000	%
Revenue	A	B	C=(a+b)	D	e=(c-d)	F=d/c
Other Income	3,000	-	3,000	1,153	1,847	38
Finance Income	15,000	-	15,000	(1,574)	16,574	-10
Interest Income	7,500	-	7,500	12,399	4,899	165
Sale of vaccines	450,000	-	450,000	258,815	191,185	58
Total Revenue	475,500	-	475,500	270,793	204,707	57
Expenses						
Depreciation	54,323	-	54,323	31,479	22,844	58
Repair and Maintenance	14,200	-	14,200	20,251	(6,051)	143
Administrative Expenses	26,000		26,000	32,637	(6,637)	126
Contracted Services	16,200		16,200	15,235	965	94
Medical & Insurance	30,000		30,000	28,423	1,577	95
Board Expenses	13,000	2,000	15,000	15,705	(705)	105
Compensation of employees	196,945	-	196,945	198,091	(1,146)	101
Cost of Sales	120,857	-	120,857	142,519	(21,661)	118
Total expenditure	471,525	-	473,525	484,340	(10,815)	102
Loss for the period	3,975	-	3,975	-213,547	(217,529)	
Capital Expenditure	220,000	-80,000	140,000	15,412	124,588	11

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS NOTES;

- 1) Other Income – The Institute earned sundry income of Kshs 1,153,000 from investment at Limuru farm, sale of eggs, hay, Napier grass and attachment fee.
- 2) Finance Income – The dollar was strong compared to Kenya shilling therefore the rise in foreign exchange gain. (The rate of change of \$.1 to Kenya shilling was 140.5235 on 30/06/2023 compared to 129.25 on 30/06/2024.
- 3) Interest Income – The Institute earned interest of Kshs 12.399 million bank interest from a call account it had opened and placed amounts received in advance from clients.
- 4) Sale of vaccines- This is market driven. During the year, there was less demand from our customers mainly the county governments leading to less sales than budgeted. This was as a result of the effects of dry spells in the country where it was not possible to vaccinate weak animals. The instability in Northern Sudan also denied us that foreign market. The Institute is working towards GMP certification which will lead to accessing more foreign markets. In addition, the institution experienced delays in the delivery of critical raw material for vaccine blending
- 5) Depreciation –The institute provided for depreciation and amortization for half the year after valuation of Kshs 31.479 million
- 6) Repair and maintenance – The old nature of the Plant requires frequent repair after breakdown and maintenance to prevent break downs. This caused the total cost to go up.
- 7) Administrative Expenses -This was higher because of the cost of fuel and transportation costs which was not anticipated while budgeting.
- 8) Contracted Services - This was less because of cost cutting measures by the institute. Management negotiated for favorable rates from service providers.
- 9) Insurance and Medical- This was less because of the cost cutting measures the Institute had put in place through negotiations with service providers.
- 10) Board Expenses – This was slightly above the budget because the Board members number was more than budgeted for as at the time of budget construction. In addition, the Board had a duty to recruit the Managing Director, a process which took long than anticipated.
- 11) Compensation to employees- This was within the budgeted expenditure levels.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

- 12) Cost of sales - This was high as a result of increased costs of imported production inputs as a result of the rising value of Dollar compared to Kshs. Further the cost of electricity and fuel negatively affected the cost of production.
- 13) Capital expenditure –The institute had expected a development grant from the government which was not received. Further, the Institute spend less on equipment and machinery due to the nature of the specialized equipment and most of the equipment and machinery have to be imported or customized and manufactured specifically for the institute. The low spends on capital denied the institute future efficiency in production as a result of using old infrastructure.

21. Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

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

The Institute did not early adopt any new or amended standards in the year 2023/24.

4. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Notes to the Financial Statements (Continued)

- ii) **Grants from the National Government** are recognized in the year in which the entity actually receives such grants. Development/capital grants are recognized in the statement of financial position.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. 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 recognized in profit or loss in the income statement

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

Summary of accounting policies

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	nil
Buildings	2%
Laboratory Equipment	12.5%
Plant and Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%
Amortization for intangibles Asset	33.333%

Since the valuation of the assets happened after half year, the Assets depreciation has been calculated and divided by half to get the half year depreciation. Depreciation of assets bought after valuation have also been recognized at half value.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Summary of accounting policies (Continued)

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) 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.

e) Taxation

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 is 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.

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.

Summary of Accounting Policies (Continued)

f) Taxation

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 is 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.

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.

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.

g) 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 reporting period.

h) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

i) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

Notes to the Financial Statements (Continued)

j) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

k) Budget information

The original budget for FY 2023-2024 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

m) Comparative figures

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

Notes to the Financial Statements (Continued)

n) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the 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.

b) Useful lives and residual values

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

- i. The condition of the asset based on the assessment of experts employed by the Entity
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the assets

c) 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 11. 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. Example: provision for bad debts and provisions of obsolete stocks

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements Continued)

d) Contingent liabilities

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

e) Employees Costs:

Salaries, Pension & National Social Security Fund payment for and Commuter Allowances paid to employees are apportioned between Cost of production and Administration at the ratio of 0.67: 0.33. This was based on the assignment of the employees' costs to the staff working in the two respective classes.

6. Revenue

Description	2023-2024			2022-2023		
	US \$ '000	Kshs '000	Total Kshs' '000	US \$'000	Kshs'000	Total Kshs' '000
Sales on Account	58.912	185,352		195.393	140,318	
Cash Sales	90.744	50,583		129.048	25,703	
Sub Total	149.656	235,935		324.441	166,021	
Conversion Rates	Various	-		Various	-	
Total Kshs	22,880	235,935	258,815	40,079	166,021	206,100

7. Cost of Sales

Description	2023/24	2022/23
	Ksh'000	Ksh'000
Production Materials	31,398	44,815
Vaccines for resale	9,054	-
Direct Labour	90,024	81,112
Other Staff Benefits	21,007	17,856
General Expenses attributable to production	89,578	84,625
Power, water, Fuel & Gases attributable to production	37,922	35,146
Maintenance, Repairs & Security attributable to Production	25,758	19,241
Depreciation attributable to production	27,970	8,175
Amortization attributable to production	1,852	4,438
Total production and Manufacturing Expenses	334,563	295,408

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements Continued)

8. Finance Income

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Interest earned from KCB MOI AVENUE Call Account	11,869	20,059
Interest earned from Car and Mortgage Kshs account	427	532
Interest earned from KCB KICC Kshs Account (1109016492)	103	58
Total	12,399	20,649

9. Other Income

Description	2023/24	2022-2023
	Ksh'000	Kshs '000
Limuru Farm	888	414
Sundry income	265	<u>319</u>
Total	<u>1,153</u>	<u>733</u>

10. Other Gains and Losses- Gain on Foreign Exchange Transactions

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Foreign exchange gains / (losses)	2,827	10,184
Unrealized foreign exchange gains/(losses)	(4,401)	22,151
Total	<u>(1,574)</u>	<u>32,335</u>

11. Administration Costs

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Staff costs (note 11b)	77,529	72,614
Communication services and supplies	6,354	3,215
Local Travel and subsistence	10,250	8,105
Foreign Travel and subsistence	1,005	307
Motor vehicles	4,151	1,655

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Advertising, printing, stationery and photocopying	3,304	2,757
Staff training expenses	5,214	1,619
Office, Hospitality supplies and services	4,514	4,604
Bank charges and commissions	309	427
Auditors' remuneration	580	580
Legal fees	893	6,222
Consultancy fees	6,434	81
Licenses and permits/Subscription	1,403	107
Repairs and maintenance	1,820	471
Provision for bad and doubtful debts (note 11c)	188	(2,662)
Depreciation	1,657	5,206
Other Operating Expenses-Donation	463	1,446
Other Operating Expenses-Covid 19 mitigation	-	176
Miscellaneous Expenses-Limuru	51	419
Total	126,119	107,349

11b Staff Costs

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Salaries	40,665	36,946
Pensions & NSSF	6,786	6,067
Medical	23,575	23,113
Housing Levy	668	-
Commuter Allowance	2,893	2,727
Leave Travelling Allowance	2,092	2,472
Recruitment	205	-
Staff welfare	645	1,289
Total	<u>77,529</u>	<u>72,614</u>
The average number of employees at the end of the year was:		
Permanent employees – management	34	35
Permanent employees – unionsable	117	118
Temporary and contracted employees	20	20
Total	171	173

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements Continued)

11c Provision for Bad Debts

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Trading debtors as at year end	203,287	184,542
Impairment at 1%	2,033	1,845
Provision as at 30/6/2022/23	1,845	4,507
Savings/Increase in provision	<u>188</u>	<u>2,662</u>

12. Selling and Distribution Costs

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Marketing and Promotional expenses	7,953	5,318
Total	7,953	5,318

13. Finance Costs

The Institute has no loan, bank overdraft or lease liability.

14. Board Expenses

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
Sitting allowances	7,440	5,140
subsistence allowances	3,689	3,387
Transport expenses	1,584	1,984
Chairman Honoraria	1020	1020
Training expenses	1,972	529
Total	<u>15,705</u>	<u>11,040</u>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements Continued)

15. Operating Profit/ (Loss)

Description	2023/24	2022-2023
	Ksh'000	Ksh'000
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12b)	77,529	72,614
Depreciation of property, plant and equipment	29,627	13,381
Amortization of intangible assets	1,852	4,438
Provision for bad and doubtful debts	188	2,662
Directors' emoluments – fees	15,705	11,040
Auditors' remuneration - current year fees	580	580
Net foreign exchange loss	1,574	(32,335)

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	ICT	Biological	Totals
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 1 July 2023	343,000	282,655	563,039	43,446	17,239	32,463	-	-	1,281,842
Addition	0	3,215	879	600					4,693
AT 31 Dec 2023	343,000	285,870	563,918	44,046	17,239		32,463		1,286,536
Revaluation reserve	10,602,000	129,337	342,206	-10,935	3,711	24,350	1,299	13,744	11,105,711
Revalued Amount	10,945,000	356,300	350,626	2,240	3,711	24,350	1,299	13,744	11,697,269
Additions	-	3,000	6,770	-	-	-	948	-	10,718
AT 30th June 2024	10,945,000	359,300	357,396	2,240	3,711	24,350	2,247	13,744	11,707,987
	DEPRECIATION								
As at 1 July 2023	-	56,049	554,936	29,172	16,524	32,463	-		689,144
Depreciation	0	2,859	561	1,698	715	0			5,833
AT 31 Dec 2023	0	58,908	555,497	30,870	17,239	32,463	0		694,977
Revalued write off	-	(58,908)	(555,497)	(30,870)	(17,239)	(32,463)	0		(694,977)
Charge for the year	-	3,593	22,337	140	232	3,044	281	-	29,627
As at 30 June 2024	-	3,593	22,2337	140	232	3,044	281	-	29,627
Net book values									
As at 30 June 2023	343,000	226,606	8,103	14,274	715	-	-		592,698
As at 31 st Dec 2023	343,000	226,963	8,420	13,175	0	0	0	0	591,558
As at 30 June 2024	10,945,000	355,707	335,059	2,100	3,479	21,306	1,967	13,744	11,678,360

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Note: Included in the value of land in the Property, Plant and Equipment movement schedule are the following parcels of land belonging to the institute which have been illegally encroached:

- I. ELC 939 of 2014-KEVEVAPI -vs- The AG & 14 Others
- II. ELC 175 of 2010, Kimeo Stores Ltd -vs- KARI & 3 Others-Limuru farm
- III. ELC 455 of 2009 Trust land Developers Ltd -vs- KARI, KEVEVAPI & 2 Others at Embakasi

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

Valuation

Land, buildings and other non-current assets were valued by ArdHITECH Consulting limited independent valuer on 10th January 2024. These amounts were adopted on 30th June 2024

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 OF ASSETS	ACCUM. DEP	NBV
	Kshs	Kshs	Kshs
Land	343,000,000.00	-	343,000,000.00
Plant & Machinery	563,917,567.23	555,497,557.41	8,420,009.82
Buildings	285,870,349.95	58,907,766.84	226,962,583.11
Office Equipment	44,045,664.00	30,870,196.44	13,175,467.56
Intangible Asset	13,313,106.20	7,266,793.87	6,046,312.33
Totals	1,250,146,687.38	652,542,314.56	597,604,372.82

Property plant and Equipment includes the following assets that are fully depreciated:

DESCRIPTION	COST OF ASSETS	NORMAL ANNUAL DEPRECIATION CHARGE
	Kshs	Kshs
Furniture & Fittings	17,239,024.75	2,154,878.09
Transport	32,462,917.35	8,115,729.34
Totals	49,701,942.10	10,270,607.43

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

17. Intangible Assets

Description	2023/24	2022-2023
	Kshs'000	Kshs'000
Cost		
As at 01 July/2023	13,313	1,831
Additions	-	11,482
As at 31/12/2023	13,313	-
Revaluation Reserve	5,067	-
Revalued Amount	11,114	-
As at 30/06/2024	11,114	13,313
Amortization		
As at 01 July/2023	5,048	610
Charge for the Year up to 31/12/2023	2,219	4,438
As at 31/12/2023	7,267	-
Amortized write off	(7,267)	-
Charge after revaluation	1,852	-
As at 30/06/2024	1,852	5,048
Net Book Value		
At June 30/06/2023	8,265	1,221
At June 31/12/2023	6,047	-
At June 30/06/2024	9,262	8,265

The intangible asset is composed of an ERP system procured for the institute. The Revaluation of intangible asset takes effect from 01/01/2024. The revaluation reserve is arrived at after subtracting the net book value of assets as at 31/12/2023 from the value of revalued assets. $(11,114 - 6,047) = 5,067$

18. Inventories

Description	2023/24	2022-2023
	Kshs 000	Kshs 000
Bulky and Filled vaccines	353,002	338,931
Chemicals, Glassware & Filtration	230,753	232,546
Engineering, livestock and lab Equipment	4,936	6,928
Fuel Oil	460	147
Others	13,284	10,086
Total inventories at the lower of cost and net realizable value	602,435	588,638

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

19. Trade and other Receivables

Description	2023/24	2022-2023
Current Receivables (Exchange Transactions)	Kshs 000	Kshs 000
Ministry of Livestock	105	105
MTK Uganda	59,091	59,091
Ministry of Agriculture Rwanda	26,029	26,029
Ministry of Agriculture Uganda	38,681	38,681
Others	79,381	60,636
Sub-Total current receivables	203,287	184,542
Receivables from non – exchange contracts		
Staff advances and Imprest (non-exchange Transactions)	2,078	1,412
Deposits	2,624	2,624
Sub-Total Non-Trade receivables	4,702	4,036
Total Receivables	207,989	188,578
Less provision for Impairment	2,033	1,845
Total Net Receivables	205,956	186,733
Ageing analysis of gross Trade Receivables		
Less than 30 Days	10,466	12,373
Between 30 and 60 Days	4	481
Between 61 and 90 Days	2,965	108
Between 91 and 120 Days	17,849	111
Over 120 Days	172,004	175,505
Total	203,287	188,578

20. Prepayment

Description	2023/24	2022-2023
	Kshs 000	Kshs 000
Production Reagents	2,464	-
Medical scheme	9,880	3,331
Totals	12,344	3,331

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

21. Bank and Cash Balances

Description	2023/24	2022-2023
	Kshs 000	Kshs 000
Bank	168,669	202,711
Mortgage and Car loan	21,210	20,783
Cash-on-hand	-	1
Call on deposit (KCB Bank)	286,277	497,278
Total cash and cash equivalents	476,156	720,773

NB: Bank Figure Breakdown

Mpesa Balance	101.00	3,369,149.00
KCB Account No. 1109016492 Kshs	6,533,297.66	11,585,662.31
KCB Account No 1102301108 Kshs. (Foreign		
Exchange Account for inputs purchase)	56,266,269.37	156,393,726.64
KCB Account No.1107172764 Kshs	83,729,844.53	14,612,082.67
Bank Guarantee	9,214,329	16,749,900
Letter of Credit	12,925,000	-
Grand Total	168,668,841.56	202,710,520.62

22. Share Capital Fund

	2023/24	2022/23
	Kshs 000	Kshs 000
Issued Fund	367,249	367,249

23. Capital Grant

This represents an accumulated amount of funds received from the government towards modernization of KEVEVAPI to attain GMP Standards. For the current phase, Kshs 1.750 billion was required. For the budget period, KEVEVAPI did not receive capital grant from the government. The Institute ploughed back Kshs. 15.455 million from the reserves to attain GMP/ISO standards resulting in the Institute being able to access outside market.

24. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

25. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilized to finance the entity's business activities.

26. Trade and Other Payables from Exchange Transactions

Description	2023/24	2022/23
	Kshs 000	Kshs 000
Trade payables	6,604	15,525
Accruals rates	13,180	13,180
Accruals-Electricity bill	2,037	2,381
Staff Creditors	6,773	-
Accruals-Water bill	185	477
Audit fee	580	1,160
Total Trade payables	29,359	32,723

27. Payment received in Advance

Description	2023/24	2022/23
	Kshs 000	Kshs 000
Payments received in advance by counties& others	65,454	62,831
Galvmed Project	1,127	1,127
Kasal project	114	114
Asal project	200	200
Kalro Collaboration	-	214
International Dev't Research	285	285
Zoetis Project	2,399	6,283
Gatsby Africa	1,647	1,963
Total payment in advance	<u>71,226</u>	<u>73,017</u>

Aging Analysis for Trade Payables

	2023/24	% of the total	2022/23	% of the total
Under one year	753,951.64	13	8,655,033.45	56
1-2 years	-	-	1,478,274.00	10
2-3 years	346,339.40	6	18,935.60	4
Over 3 years	4,784,832.51	81	4,772,007.95	30
Total	5,885,123.55	100	15,524,251.00	100

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

28. Notes to the Statement of Cash Flows

	<u>Note</u>	2023/24 Kshs'000	2022/23 Kshs'000
Cash flows from operating activities			
Loss for the period		-213,547	-159,298
Add Depreciation& Amortization	16&17	39,531	17,820
Provision for bad debts	11c	187	-2,662
Operating Loss		-173,829	-144,140
Working Capital Changes			
Increase in stocks	18	-13,797	5,010
Increase in Receivables	19	-19,411	265,241
Decrease in Payables	26&27	-5,155	-24,770
Increase in prepayment	20	-9,013	1,372
Net cash outflow from operating activities		-221,205	102,713

29. Financial Risk Management

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

Fair values

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

Financial Assets	Carrying Amount	Fair value
At 30 June 2024	Kshs,000	Kshs,000
Receivables from non-exchange transactions	4,702	4,702
Receivables exchange transactions	203,287	201,254
Cash and cash equivalents	476,156	476,156
Total	684,145	685,951

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

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

Notes to the Statement of Cash Flows

i. Credit risk

Credit risk is the risk of financial loss to the Institute if customers or counterparties to financial instruments fail to meet their contractual obligations. The institute's credit risk is primarily attributable to its receivables and cash and cash equivalents. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and

other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2024 was:

	Fully performing	Past due	Impaired	Total
	Kshs,000	Kshs,000	Kshs	Ksh,000
Trade receivables	10,470	192,817	(2,033)	201,254
Cash and cash equivalents	476,156	-	-	476,156
Maximum exposure to credit risk	486,626	192,817	(2,033)	677,410

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

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the Institute extends credit and also those parties with whom the Institute invests. As such, the credit quality assessed extends to the customers, donors and banks of the institute. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The Institute determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya. The client base of the Institute is diverse and consists mainly of counties and east African countries. For the purpose of determining the credit quality of clients, the Institute applies its past experience with them in determining the risk of default they pose.

Receivables

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

Cash and cash equivalents

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

ii. Liquidity risk

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

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 3 months Kshs 000	Total Kshs 000
At 30 June 2024				
Trade payables from exchange transactions	41,352	28,452	17,601	87,405
Trade payables from Non exchange transactions			13,180	13,180
	41,352	28,452	30,781	100,585

iii. Market risk

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

(i) Price risk

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

(ii) Interest rate risk

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

(iii) Foreign currency risk

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

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

Description	2024	2023	2024	2023
	USD	USD	Kshs	Kshs
Assets	-	-	-	-
Bank and cash balances	435,328.97	1,112,936.46	56,266,269.37	156,393,726.04
Receivables	970,812.01	951,596.77	125,477,451.73	133,721,708.73
	1,406,140.98	2,064,533.23	181,743,721.10	290,115,434.77

At 30 June 2024 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 18,174,372.11

iv. Capital risk management policies

The primary objective of managing the institute's capital is to ensure that there is sufficient cash available to support the institute's funding requirements, including capital expenditure, to ensure that the Institute remains financially sound. The Institute monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the Institute had no debt. The capital structure of the Institute consists only of a general fund. The gearing ratio of the Institute is therefore 0%.

30. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest.

The entity is related to

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

Transactions with related parties

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
a) Due from related parties		
Due from Parent Ministry	185	105
Due from County Government	21,007	13,379
Sales of vaccines to govt agencies		
Others (specify)		
Total	21,192	13,484

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
b) Due to related parties		
Purchases of electricity from KPLC	2,037	2,381
Purchase of water from govt service providers	185	477
Training and conference fees paid to govt. Agencies	-	-
Due to County Governments	57,601	60,711
Total	59,823	63,569
c) Grants from the government		
Grants from national govt	Nil	Nil
Donations in kind		
Total	Nil	Nil
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	Nil	Nil
Payments for goods and services	Nil	Nil
Total	Nil	Nil
e) Key management compensation		
Directors' emoluments	14,685	11,040
Chairman's Honoraria	1,020	1,020
Compensation to key management	4,995	5,648
Total	<u>20,700</u>	<u>17,708</u>

31. Capital Commitments

Capital commitments	2023/24	2022/23
	Kshs 'Millions	Kshs' Millions
Authorized for	220,000	165
Authorized and contracted for	50	21

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Notes to the Financial Statements (Continued)

32. Contingent Assets and Contingent Liabilities

Contingent liabilities	2023/24	2022/23
	Kshs	Kshs
HCC ELC No.455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued	Not Valued
ELC 939/2014 KEVEVAPI VS. The AG & 14 Others	Not Valued	Not Valued
ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI	Not Valued	Not Valued
Total	Not Valued	Not Valued

Note

Included in the value of land of Kshs 10,945,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases currently in in court are as follows: -

- I. ELC 939 of 2014-KEVEVAPI -vs- The AG & 14 Others
- II. ELC 175 of 2010, Kimeo Stores Ltd -vs- KARI & 3 Others-Limuru farm
- III. ELC 455 of 2009 Trust land Developers Ltd -vs- KARI, KEVEVAPI & 2 Others at Embakasi

33. Surplus Remittance to The National Treasury

On 18/11/2018, the Institute paid surplus funds through RTGS of Kshs. 200 million To The National Treasury. Further, on 16th of April 2024, KEVEVAPI paid Kshs 8 million as part of Savings from its retained earnings.

34. Events after the reporting period

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

35. Ultimate and Holding Entity

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

36. Currency

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

22. Appendices

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.	Issue/Observations from Auditor	Management Comments	Status: (Resolved /Not Resolved)	Timeframe:
2023/1- Long Outstanding Receivables	<p><i>The statement of financial position reflects a balance Of Kshs. 186,733,000 under trade and other receivables. A scrutiny of the ageing analysis revealed that an amount totaling Kshs 175,505,000 or 93% of the balance, relates to debts that are over one-year-old. The recoverability of this sum is therefore doubtful. In addition, management made a provision against the long outstanding debts amounting to Kshs. 1,845,000, the provision appears inadequate in light of the outstanding receivables balance.</i></p> <p><i>In the circumstances, the accuracy and recoverability of the long outstanding trade and other receivables balance of Kshs.</i></p>	<p><i>Management have initiated serious efforts in collecting these debts and this has yielded good results. As at 30/06/2022 the total receivables stood at Kshs.449.314 million compared to Kshs 186.733 as at 30/06/2023. Further, management is at an advanced stage in procuring a debt collector. Currently the Board is considering legal action and referring the defaulters to credit bureau to enhance recovery.</i></p> <p><i>In the existing policy on provision of bad and doubtful debts, the provision is set at 1%. The management will review this in a comprehensive debtor's policy to have different rates of provision based on the age of the debt. Further, to be able to collect much of the debts,</i></p>	Ongoing	31/12/2024.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

	186,733,000 could not be confirmed.	management has allocated a full-time staff to lead the exercise of debt collection. This is covered under Note 23 Financial Risk Management –Credit Risk		
2023/2- Budgetary control and performance	<p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs. 505,750,000 and Kshs. 259,817,000 respectively resulting to a revenue shortfall of Kshs. 245,933,000 or 48.6% of the projected income.</p> <p>Similarly, the statement reflects final expense budget and actual on comparable basis amounts of Kshs. 503,681,000 and Kshs. 419,115,000 respectively, resulting to an under absorption of kshs. 84,566,000 or 16.7% of the projected expenditure.</p> <p>As a result of under collection of revenue and under expenditure the planned activities of the institute may not have been realized thus</p>	<p>The underfunding of Kshs. 245,933,000 (or 48.6%) of the projected income was due to the dry spells in Kenya where the animals became weak and could not be vaccinated causing less demand. The reduced demand less to low levels of A.I.A revenue which was budgeted for. Further, the institute was initially allocated Kshs. 80 million for capital development which was not received due to budget cuts.</p> <p>The under absorption of Kshs. 84,566,000 (or 16.7%) of the projected expenditure arose because of low production activities caused by reduced demand given that vaccine production is demand driven. The low level of production caused reduced level of administrative activities which are triggered by</p>	Ongoing	30/06/2024

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**



	<i>impacting negatively on the delivery of the goods and services to the public</i>	<i>production. Further, the institute put in cost cutting measures to match the less revenue generated as a result of the dry spells.</i>		
2023/4.3 Non-Compliance with One Third of Basic Salary Rule	<i>During the year ended, and as previously reported, a sample analysis of the staff payrolls revealed that several employees earned less than one third (1/3) of their basic salary in the months of August 2022 to June 2023. This was in contravention of Section 19(3) of the Employment Act, 2007 that provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either</i>	<i>In the months in question; the affected officers were recovered overpayments in reducing balances until they were cleared in the subsequent months and therefore, complied with the one third basic rule. In your report, some of the officers in question had their Basic Salaries not corresponding with what we have in our payroll. After Covid 19, the Government cautioned some deductions on the staff salary. i.e NHIF relief and PAYE, therefore, the officers complied with a third rule. However, when it was reinstated to normal rates, the officers could no longer comply with a third rule</i>	Resolved	Resolved

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

	<p><i>generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry</i></p> <p><i>In the circumstances, Management was in breach of the law</i></p>			
<p>20232/23.4 Irregular Payment of Acting/Special Duty Allowance</p>	<p><i>The statement of profit or loss and other comprehensive incomes reflects administration costs of Kshs. 107,349,000 which includes expenditure of Kshs. 72,614,000 on staff costs as disclosed in Note 11 to the financial statements. As previously reported, a review of the payroll and other staff records revealed that five (5) employees continued to serve in acting capacity and received acting allowances while two (2) employees received special duty allowances beyond six (6) months contrary to Section 4.5.6 and 4.6.4 of the Kenya Veterinary Vaccines Production Institute Human Resource Policy Manual which provides that appointment on acting basis is a temporary measure pending substantive filling of vacant post and limited to a</i></p>	<p><i>The process of having a substantive staff in our establishment is a process which undergo different stages of approval in the recruitment process. The Board approves the recruitment process including confirmation of acting staff to substantive positions. During the financial 2022/2023 there was a change of Board directors' midway which hindered the initial processes of recruitment and placement. It's with the new board that the institute has initiated replacement of staff through promotion and competitive filling.</i></p> <p><i>The Acting Managing Director case of extension was deliberated and recommended by the special full Board meeting held on 31st July, 2023 vide letter Ref.</i></p>		
			Resolved	Resolved

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

	<p><i>continuous period of 6 months and that the maximum period for payment of special duty allowance is six (6) months.</i></p> <p><i>In the circumstances, Management was in breach of Section 4.5.6 and 4.6.4 of the Institutes Human Resource Policy Manual.</i></p>	<p><i>KVVPI/C/8318/VOL.1/23 (attached)</i></p> <p><i>Management has since stopped payment of the Acting/special duty allowance.</i></p>		
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Managing Director  Chairman of the Board 

Date 24/12/2024 Date 

24-12-2024

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

**Appendix II: Projects Implemented by the Entity
Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	1.75 Billion	1,166,273,860	66.64 %	50 Million	Nil	G.O.K Committed

Appendix III: Inter-Entity Transfers

ENTITY NAME:		KENYA VETERINARY VACCINES PRODUCTION INSTITUTE		
Break down of Transfers from the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries				
	FY 22/23	Bank Statement Date	Amount (Kshs)	FY the Amounts Relate
a.	Recurrent Grants		Nil	N/A
b.	Development Grants		Nil	N/A
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
c.	Direct Payments		Nil	N/A
d.	Donor Receipts		Nil	N/A

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

Head of Accounting Department

KEVEVAPI

Sign



Date

24/12/2024

Name: Peter Macharia

Head of Accounting Department

Ministry of Agriculture, Livestock and Fisheries,
Department of Livestock.

Sign-----

Date

Name:

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization: Kenya Veterinary Vaccines Production Institute

Telephone Number

Email Address: vaccines@kevevapi.or.ke

Name of CEO/MD/Head: Dr. Alex Sabuni

Name and contact details of contact person (in case of any clarifications)

Engineer Bernard Kuria 0725536477

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		
				Q 1	Q 2	Q 3	Q 4		
	Effluent Plant	Provide sewerage services to KEVEVAPI Embakasi	Renovation of effluent plant at KEVEVAPI Embakasi	-	-	-	-	GoK, A-I-A and DITRA	KEVEVAPI

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024.**

Appendix V: Disaster Expenditure Reporting Template

Date: 30/06/2024

Entity -Kenya Veterinary Vaccines Production Institute

Period to which this report refers (FY)	Year Financial Year 2023/2024			Quarter 1,2,3,4		
Name of Reporting Officer	Dr Michael Kiraithe					
Contact details of the reporting officer:	Email michael.kiraithe@kevevapi.or.ke			Telephone 0790563166		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs'000)	Comments
		Human disease control	Purchase of mask and sanitizers	Masks and sanitizers	176	