

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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ON

**THE FINANCIAL STATEMENTS OF
VETERINARY MEDICINES DIRECTORATE**

**FOR THE YEAR ENDED
30 JUNE 2018**



**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND
IRRIGATION**

**STATE DEPARTMENT OF LIVESTOCK
VETERINARY MEDICINES DIRECTORATE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	v
THE BOARD OF DIRECTORS	vi
MANAGEMENT TEAM	ix
CHAIRMAN'S STATEMENT	x
REPORT OF THE CHIEF EXECUTIVE OFFICER	xii
CORPORATE GOVERNANCE STATEMENT	xv
MANAGEMENT DISCUSSION AND ANALYSIS	xvii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xvii
REPORTING	xvii
REPORT OF THE DIRECTORS	xvii
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xviii
REPORT OF THE INDEPENDENT AUDITORS ON THE <i>VETERINARY MEDICINES</i> <i>DIRECTORATE</i>	xix
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	5
FOR THE YEAR ENDED 30 JUNE 2018	5
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	6
NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	52
APPENDIX III: INTER-ENTITY TRANSFERS	53



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Veterinary Medicines Directorate (VMD) was established under the Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, on 16th September, 2011. The entity is domiciled in Kenya. The VMD Regulations, 2015 operationalize the entity. The operationalization VMD implements the National Livestock Policy as contained in Sessional Paper No. 2 of May 2008, which provides for the separation of the management of veterinary medicines from that of humans.

VMD is envisaged to have four departments once the structure is finalised. The departments include- product registration, inspectorate and pharmaco-vigilance, trade affairs, and administration and finance.

The management of the entity is vested on a Council appointed under the stated regulations.

(b) Principal Activities

VMD has a mandate to:

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

The functions of VMD include:

1. Formulation and enforcement of quality assurance standards in the manufacture, distribution and use of veterinary medicines in order to safeguard human, animal and environmental health;
2. In consultation with the Directorate of Veterinary Services, regulate the use of veterinary medicines for the treatment of animals under the Animal Diseases Act;
3. Consideration of applications for approval of market authorization of veterinary medicines;
4. Setting quality assurance standards for training in the management of veterinary medicines as directed by the Kenya Veterinary Board;
5. Collaboration with the Kenya Veterinary Board in regulating training in the management of veterinary medicines;
6. Inspection and approval of premises in which the manufacture, sale or supply of veterinary medicines is conducted;
7. Appointment and gazettment of veterinary medicine inspectors;
8. Establishing Standard Operating Procedures for veterinary medicines' inspectors;
9. Regulation of veterinary pharmacy practices;
10. Categorization of veterinary medicines and qualifications of persons authorized to trade in each category and reviewing the categories every five years;
11. Regulation of clinical and non-clinical trials of veterinary medicines by individuals or institutions;
12. Regulation of the manufacture, importation, exportation, handling, advertisement, labeling, sale and disposal of veterinary medicines;



Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

13. Registration of all veterinary medicines manufactured or imported for use in the country or exported from the country;
14. Monitoring the market and taking measures necessary for the elimination of trade in illegal and counterfeit veterinary medicines;
15. Establishment of systems of pharmaco-vigilance and conducting pharmaco-vigilance of veterinary medicines through regular inspections and surveys;
16. Enforcement of Good Manufacturing Practices for veterinary medicines as approved by the Council;
17. Development, application and review of guidelines for inspection and ensuring compliance with Good Manufacturing Practices;
18. Ensuring the promotion and marketing of veterinary medicines in accordance with the approved product information;
19. Publication on annual basis of a notice in the Kenya Gazette inviting the public to note and inspect the register of veterinary medicines and the list of approved veterinary practices within such period and at such place as may be specified in the notice;
20. Considering, granting, issuing or revoking authorization and certification in accordance with the Regulations;
21. Collaboration with other regulatory agencies including the Public Health (Standards) Board in Section 27 of the Food, Drugs and Chemical Substances Act, the Pest Control Products Board established under Section 5 of the Pest Control Products Act and the Central Board of Health established under Section 3 of the Public Health Act to carry its mandate and
22. Undertaking any other necessary action for effective carrying out of the Directorate's mandate under the Veterinary Surgeons and Veterinary Paraprofessionals Act or any other Act.

(c) Key Management

The Veterinary Medicines Directorate day-to-day management is under the following key organs:

1. Veterinary Medicines Council

The Council was appointed by the Cabinet Secretary as per section 8(1) of VMD regulations and consist of:-

- ❖ The Director of Veterinary Services who is the Chairperson- Dr. Obadiah N. Njagi
- ❖ The Registrar of the Pharmacy and Poisons Board- Fred Siyoi
- ❖ The Chief Executive Officer of the Kenya Veterinary Board- Indraph M. Ragwa
- ❖ The Principal Secretary for the time being responsible for Finance/ Alternate- Grace Nyarango
- ❖ The Principal Secretary for the time being responsible for animal health matters/Alternate- Christopher Wanga
- ❖ Three veterinary surgeons nominated by the Kenya Veterinary Board:
 - Josiah Mandieka M
 - Kenneth Mbogori
 - James M. Mbaria
- ❖ One of veterinary technologist from the veterinary pharmaceutical industry nominated by the Kenya Veterinary Board- Samson Moses Kiogora
- ❖ The Chief Executive Officer of the Directorate who's also the Secretary- Nathan K. Songok

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

2. Ag. Chief Executive Officer

By the closure of the financial year under reporting the Chief Executive Officer in an acting capacity was Dr. Nathan K. Songok.

3. Secretariat

The Secretariat consists of Four (4) heads of departments

(d) Fiduciary Management

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

No.	Designation	Name
1.	Council Chairman	Obadiah N. Njagi
2.	Ag.CEO	Nathan Songok
3.	Head of Accounts	Henry Matoke Momata
4.	Head of Procurement	Carolyn Waweru

(e) Fiduciary Oversight Arrangements

Veterinary Medicines Directorate (VMD) operates under the following committees:-

- ❖ Veterinary Medicines Registration Committee
- ❖ Administration and Finance Committee
- ❖ Audit and Risk management Committee
- ❖ Ad Hoc Committee

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. BOX 66171-00800
Pest Control Products Board Plaza
Off Waiyaki Way
WESTLANDS, NAIROBI.

(g) Entity Contacts

Telephone: (254)074379539
E-mail: VMD@kilimo.go.ke
Website: www.vmd.go.ke

(h) Entity Bankers

National Bank of Kenya
Westlands Branch
P.O.Box 1613-00606
Nairobi, Kenya

(i) Independent Auditors

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



(j) Principal Legal Adviser

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





**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)


THE BOARD OF DIRECTORS

 <p>1. Dr. Obadiah N. Njagi, PhD Veterinary Surgeon, Director of Veterinary Services and Chairman Veterinary Medicines Council- BVM, MSC, Ph.D</p>	<p>Born on 12th December, 1963, Dr. Obadiah N. Njagi is the current Director of Veterinary Services and first Chairman of Veterinary Medicines Council. He's also a board member of Kenya Animal genetics Resource Center (KAGRIC). He has in particular, been an active member for over 8 years at the Pest Control Products Board (PCPB).</p> <p>He has served in the Directorate of veterinary services for over 30 years since graduating with a bachelor's degree in Veterinary Medicine in 1988.</p> <p>He has contributed significantly to the development and delivery of Veterinary Services in Kenya and the EA community. He is most credited for his focused leadership in the development and national roll-out of ECF Vaccine and the regulatory framework for Veterinary Vaccines in EA region</p> <p>He holds a Master's Degree in Veterinary Pathology and a PhD in Veterinary Immunology.</p>
 <p>2. Dr. Josiah M. Mandieka, Veterinary Surgeon, BVM, MSC</p>	<p>Dr Mandieka was born on 17th September, 1959. He graduated with a Bachelor's Degree in Veterinary Medicine from the of University of Nairobi. He also has a MSC from Canada. He worked in the public Service from 1987 to 1998 rising to the position of the District Veterinary Officer. Thereafter he joined the Veterinary Pharmaceutical Industry where he has served to date.</p> <p>He has previously served as a chairman of Kenya Veterinary Association, Kenya Veterinary Privatisation Scheme and Veterinarians with a Mission Programme</p> <p>He is the Current Managing Director of the Ultimate Vetserve LTD, a Veterinary Pharmaceutical Company.</p>

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

 <p>4. Samson Moses Kiogora</p>	<p>Mr. Samson Kiogora graduated with a diploma in Animal Health from Egerton University in 1989. He has 25 years experience in sales of Animal Health Products and also human medicines.. He has been declared four times as a salesman of the year, hence receiving awards for the same.</p> <p>He served as a member of Egerton University Council from 2012 to 2014</p>
 <p>5. Dr. Indraph Mugambi Ragwa Veterinary Surgeon, BVM, MA (Project Planning and Management)</p>	<p>Dr. Indraph Mugambi Ragwa was born on 17th April, 1957. He qualified with a Bachelor of Veterinary Medicine in 1983 from the University of Nairobi. He did his Master of Arts (Project Planning and Management) from UON in 2012. He has 32 years experience in Veterinary Practice and is currently the Chief Executive Officer, Kenya Veterinary Board.</p>
<p>6. Dr. Fred Siyoi</p>	<p>A pharmacist born on 31st March, 1963. He is currently the Ag. Chief Executive officer, Pharmacy and Poisons Board.</p>
 <p>7. Dr. Kenneth Mbogori</p>	<p>Dr. Kenneth Mbogori was born on 9th February, 1960. He is a visionary business leader and an entrepreneur. He's a qualified Veterinarian with extensive knowledge in Veterinary Pharmaceuticals</p> <p>He has over 20 years of sales, marketing and management experience. He's currently the MD of Metrovet Kenya Limited, a Veterinary Pharmaceutical business</p>
 <p>8. Prof. James M. Mbaria</p>	<p>An Associate Professor and the Chairman of Public Health Pharmacology and Toxicology, Faculty of Veterinary Medicine, University of Nairobi. He holds an earned PhD, MSc and BVM</p> <p>He has administrative experience including leadership at the university and professional association. He has 30 years of professional experience. During teaching and instruction, he has provided academic leadership teaching both undergraduate and postgraduate students, organising and guiding research programs. Chairs the veterinary registration committee of the Council</p>




**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

9. Grace Nyarango	Chairs the Administration and Finance Committee
10. Dr. Christopher Wanga, PhD	<p>Dr Christopher Wanga is a Veterinary Surgeon With a Bachelor's Degree in Veterinary Medicine, MSC and a PhD.</p> <p>He is the alternate to the Principal Secretary, State Department for Livestock</p>
 <p>11. Dr. Nathan K. Songok</p>	<p>Born on 28th April, 1959, Dr. Nathan K. Songok has 31 years experience in Veterinary Practice and over 20 years in management of Veterinary Services. He graduated with a Bachelors Degree in Veterinary Medicine in 1987. He is currently the acting Chief Executive Officer of the Veterinary Medicines Directorate and Secretary to the Council</p>



Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

MANAGEMENT TEAM.

 <p>1. Dr. Obadiah N. Njagi, PhD</p>	<p>Chairs the Council meetings and gives overall leadership to the Directorate. He's a signatory to the two accounts of the entity.</p>
 <p>2. Dr. Nathan K. Songok</p>	<p>Acting Chief Executive Officer Supervises the Secretariat Mobilises and manages resources Signatory to the VMD accounts and AIE</p>
 <p>3. Henry Matoke Momata An accountant, CPA (K) with a Bachelors Degree in Business Management.</p>	<p>Accountant for Veterinary Medicines Directorate (VMD)</p>



**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

CHAIRMAN'S STATEMENT

The chairman offered leadership in general implementation of VMD mandate. He led the management in the launch of the Council by the Principal Secretary, State Department for Livestock in October, 2017 and the Directorate on 24th November, 2017. The other milestones are as follows:

1. The Council composed of ten members is in office and has two Committees, namely
 - ❖ Veterinary Medicines Registration Committee
 - ❖ Finance and Administration Committee
 - ❖ Ad Hoc Committee

An Audit and Risk Management Committee was proposed to be formed.

The Council held six meetings by the end of the FY 2017/2018. Registration Committee held four meetings, Finance and Administration Committee held three meetings while the Ad Hoc Committee held three sittings

2. VMD was launched on 24th November, 2017 at the Jacaranda Hotel, Nairobi
3. A Transition Committee was formed immediately after the launch of the Directorate. It's overall objective was to fast-track the transfer of functions from the hitherto National Regulatory Authorities for Veterinary Products to VMD
4. An acting CEO was appointed in February, 2017 together with a secretariat of 3 technical officers.
5. Chairman allocated a motor vehicle, GK B747R a Ford Ranger Double Cabin, 2500 CC to VMD
6. The Directorate acquired an office at the Pest Control and Products Board Building, Loresho. The rent was waived until end of July, 2018. The Directorate therefore starts paying rent from August, 2018
7. Two accounts (Kenya Shillings and Dollar) were opened at the National Bank, Westlands Branch to facilitate the collection of A-I-A collected by the Directorate when rendering its services as per the fifth schedule of the regulations on fees. An M-Pesa Pay Bill Account is also in place to facilitate electronic transfer of funds to the VMD accounts.

Challenges:

- ❖ Inadequate staff (support and technical)
- ❖ Inadequate infrastructure including office space
- ❖ Inadequate transport and ICT
- ❖ Inadequate enforcement of existing laws and regulations

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

Way Forward:

A. Immediate term.

- ❖ Induct Council members on Good Governance
- ❖ Procure two vehicles for the Directorate
- ❖ Procure computers and furnish the offices
- ❖ Develop VMD Strategic Plan
- ❖ Develop Human Resource Documents- scheme of service for staff and work on the structure of the directorate
- ❖ Gazette appointed veterinary medicines inspectors

B. Short term.

1. Prepare to building the capacity of staff on:-

- ✓ prosecution of those not meeting regulatory requirements,
- ✓ various standards e.g. Good Manufacturing Practice, GLS, Good Distribution Practice

i. Medium Term:-

1. Undertake benchmarking visits to world class veterinary medicines regulatory bodies to study and learn best practises,

ii. Long Term:-

- ❖ Secure adequate office space.
- ❖ Acquire a well trained and motivated staff with enough logistical support to adequately discharge the mandate of the directorate to the full satisfaction of all stakeholders.

Signed: 

Dr. Josiah M. Mandieka
Vice Council Chair.

- 26/9/18

Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER

The CEO was appointed in acting capacity in February, 2017 and prepared for the operationalization of the agency together with three technical members of the secretariat. He prepared the process of the launch of the Council by the Principal Secretary, State Department for Livestock in October, 2017 and the Directorate on 24th November, 2017. He deployed the technical officers to man the proposed Departments of the agency namely:

- a) Department of Veterinary Product Registration headed by Dr. Adelaide Ayoyi
- b) Department of Inspectorate and Pharmaco-vigilance headed by Dr. Emily Muema
- c) Department of Trade Affairs headed by Dr. Naphtal Mwanziki
- d) Department of Administration and Finance – No head yet.

The other milestones are as follows:-

- ❖ Officers in the secretariat were trained on the evaluation of dossiers for registration of Immunological Veterinary Products. This was achieved with the help of GALVMed, a partner agency
- ❖ The Council retained 150 veterinary medicines in the register for the year 2018 and received 16 applications for new registration.
- ❖ A register of veterinary pharmaceutical products present in the Kenyan market was developed, with help from the Pharmacy and Poisons Board and other industry stakeholders,
- ❖ A register of Veterinary Pharmaceutical Manufacture's, importers and distributors has been developed. This is after these companies were physically visited and profiled,
- ❖ A register of retail veterinary pharmaceutical traders has been developed,
- ❖ Facilitation of trade through the Kenya Single Window System is being finalised
- ❖ Presided over the acquisition an office at the Pest Control and Products Board Building, Loresho. The rent was waived until end of July, 2018. The Directorate therefore starts paying rent from August, 2018
- ❖ Presided over the opening of two accounts (Kenya Shillings and Dollar) at the National Bank, Westlands Branch to facilitate the collection of A-I-A collected by the Directorate when rendering its services as per the fifth schedule of the regulations on fees. An M-Pesa Pay Bill Account is also in place to facilitate electronic transfer of funds to the VMD accounts.

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

VMD received funds from the exchequer under Supplementary II and this enabled the council to:-

- ❖ Pay Council and Committee members sitting allowances
- ❖ Facilitate Council and Secretariat with subsistence allowances
- ❖ Procure two vehicles for VMD
- ❖ Procure fuel and lubricants
- ❖ Procure accountable documents etc

Overall the entity performed well in respect of utilisation of funds though there was a delay in the allocation. This was mainly due to the fact that the agency received funds for the first time from the exchequer.

Challenges:-

- ❖ Inadequate staff (support and technical)
- ❖ Inadequate infrastructure including office space
- ❖ Inadequate transport and ICT
- ❖ Inadequate enforcement of existing laws and regulations

Way Forward:

A. Immediate term.

Coordinate:-

- ❖ Induction of Council members on Good Governance
- ❖ Procurement of two vehicles for the Directorate
- ❖ Procurement of computers and furnish the offices
- ❖ Development of VMD Strategic Plan
- ❖ Development of Human Resource Documents- scheme of service for staff and work on the structure of the directorate
- ❖ Gazettement of appointed veterinary medicines inspectors

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

B. Short term

1. Prepare for inspection of premises (Vet. pharmacies and manufacturing plants) and licensing,
2. Prepare to building the capacity of staff on:-
 - ❖ prosecution of those not meeting regulatory requirements.
 - ❖ various standards e.g. Good Manufacturing Practice, GLS, Good Distribution Practice

Medium Term;-

- ❖ Undertake benchmarking visits to world class veterinary medicines regulatory bodies to study and learn best practises
- ❖ Undertake the storage and archiving of documents

Long Term;-

- ❖ Secure adequate office space.
- ❖ Acquire a well trained and motivated staff with enough logistical support to adequately discharge the mandate of the directorate to the full satisfaction of all stakeholders.

Signed:.....

Dr. Nathan Songok
Ag. Chief Executive Officer

Date:..... 26/09/2018



Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

CORPORATE GOVERNANCE STATEMENT

The Council composed of ten members is in office and has three Committees namely:

- i) Veterinary Medicines Registration Committee
- ii) Finance and Administration Committee
- iii) Ad Hoc Committee

An audit and Risk management committee was proposed to be formed.

The Council held six meetings by the end of the FY 2017/2018. Registration Committee held four meetings, Finance and Administration Committee held three meetings while the Ad Hoc Committee held three meetings. All the meetings were held when there's quorum.

The roles and functions of the council are as specified in the VMD regulations, 2015. The Council has all the power necessary or expedient for the effective discharge of its functions under these Regulations and any other law, and in particular the power to-

- (a) control supervise and manage the assets and liabilities of the Directorate in such manner and as best provides for the purposes of the Act;
- (b) determine the provision to be made for capital and recurrent expenditure and for the reserves of the Directorate;
- (c) seek and receive any grants or donations and make legitimate disbursements from such grants and donations for its purposes;
- (d) Levy such fees and charges for its services as may be provided in these Regulations;
- (e) enter into association with other bodies within or outside Kenya which the Council may consider desirable or appropriate;
- (f) Invest the funds of the Directorate, not immediately required, which for the time being trustees are by law at the time allowed to invest trust funds;
- (g) establish and support investment and trust funds for the benefit of employees or ex-employees of the Directorate or dependants of such persons, to grant pension, benefits and allowances and to make such payments towards insurance as required under the relevant laws;
- (h) Open and operate such accounts as are necessary for the funds of the Directorate with a bank or financial institution licensed to conduct banking business under the Banking Act;
- (i) recruit, retain, guide, support, discipline, dismiss and determine and remunerate, the terms and conditions of employment in consultation with Salaries Remuneration Commission of veterinary medicine inspectors and other staff;
- (j) establish branches to ensure maximum accessibility to its services by all Kenyans;
- (k) superintend, regulate and assist branches, auxiliaries, committees and other forms of organizations established to advance the interest of the Directorate;
- (l) Do all things necessary, incidental or conducive to attain the objectives of the Directorate under these Regulations or any other written law.

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

The process of appointment and removal of directors is as spelled out in the VMD regulations, 2015, thus:-

A member of the Council other than an *ex officio* member, may –

- (a) at any time resign from office by notice in writing to the Cabinet Secretary;
- (b) be removed from office by the Cabinet Secretary on the advice of the Council if the member –
 - (i) is declared bankrupt;
 - (ii) is absent from three consecutive meetings of the Council without the permission of the Chairperson;
 - (iii) is convicted of a criminal offence and, sentenced to a term of imprisonment of more than six months; or
 - (iv) is otherwise unable or unfit to perform the functions of his office.

Signed: 

Dr. Nathan Songok
Ag. Chief Executive Officer

Date: 26/09/2018



**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

MANAGEMENT DISCUSSION AND ANALYSIS

The management experienced challenges in operations this Financial Year ending 30th June, 2018 due to the fact that it received its funds for the first time from the exchequer. The funds came towards the end of the 4th quarter. The Council and Committee members held meetings without immediate due compensation. The secretariat, on the other hand could not perform some of the targeted activities for the same reason.

The Council did not have any investment plans/ Decisions.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There were no CSR activities undertaken in this first year of operationalization of VMD.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Veterinary Medicines Directorate affairs.

Principal activities

The principal activities of the entity are (continue to be) as outlined in the first page of this report

Results

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

Directors

The members of the Board of Directors who served during the year are shown on page vi-viii. During the year there was no any director who retired/ resigned.

Dividends/Surplus remission

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

Auditors

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



**Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Veterinary Medicines Directorate (VMD)
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) –. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the Board on 26/09/ 2018 and signed on its behalf by:



Ag. Chief Executive Officer



vice Council Chair

REPUBLIC OF KENYA

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



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON VETERINARY MEDICINES DIRECTORATE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Veterinary Medicines Directorate set out on pages 1 to 53, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Veterinary Medicines Directorate as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Veterinary Surgeons and Veterinary Para-professionals Act (The Veterinary Medicines Directorate) Regulations, 2015 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unexplained Differences Between Financial Statements

A review of the financial statements for the year ended 30 June 2018 revealed unexplained differences between amounts of expenditure reflected in the statement of financial performance and the actual amounts shown in the statement of comparison of budget and actual amounts as indicated below;

Particular Items	Amounts as per statement of financial performance Kshs.	Actual Amounts as per statement of comparison of budget and actual amounts Kshs.	Unexplained Difference Kshs.
Expenses			-
Goods and services	0	18,719,776	(18,719,776)
Employee costs	3,458,012	0	3,458,012
Repairs and maintenance	57,428	0	57,428

Report of the Auditor-General on the Financial Statements of Veterinary Medicines Directorate for the year ended 30 June 2018

Particular Items	Amounts as per statement of financial performance Kshs.	Actual Amounts as per statement of comparison of budget and actual amounts Kshs.	Unexplained Difference Kshs.
General expenses	3,563,576	0	3,563,576

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

2. Unreconciled Revenue from Rendering of Services

The statement of financial performance reflects an amount of Kshs.19,072,103 in respect of revenue from rendering of services which includes nine revenue streams as disclosed in Note 10 to the financial statements. Examination of the supporting schedules and official receipts relating to the revenue streams from rendering of services, however, revealed a variance of Kshs.895,600 between the two sets of records as analyzed below:

Revenue Stream	Particulars	Code	Amount as per Schedule Kshs	Amount as per Official Receipt Kshs	Variance Kshs
Veterinary Medicines Dossier	Animix Limited	1001	1,135,200	1,960,800	(825,600)
Veterinary Medicines Wholesale Premises Licence Fees	Dawa Limited	1036	30,000	40,000	(10,000)
Veterinary Medicines Wholesale Premises Licence Fees	Medisel (Kenya) Limited	1063	30,000	60,000	(30,000)
Veterinary Medicines Wholesale Premises Inspection Fees	Adenchem Stores Limited	1022	30,000	60,000	(30,000)
	Total		1,225,200	2,120,800	(895,600)

No reconciliations or explanations were provided for the above differences.

Further, included in the revenue from rendering of services under Note 10 to the financial statements is an amount of Kshs.7,101,492 relating to Veterinary Medicines Import Verification Fees for which analysis and supporting schedules were not provided for audit review.

Consequently, the completeness and accuracy of the receipts of Kshs.19,072,103 reflected under rendering of services could not be confirmed.

3. Cash and Cash Equivalents

The statement of financial position as at 30 June 2018 reflects cash and cash equivalent balance of Kshs.37,152,327. However, the following unsatisfactory matters were noted with regard to the bank reconciliation statement as at 30 June 2018:

(i). Included in the bank reconciliation statement were items and amounts shown below which, however, were not supported by any documentation:

Description	Amount (Kshs)
Payments in cash book not in bank statement (Un-presented cheques)	16,941,013
Receipts in bank statement not recorded in cashbook	936,134
Sub –Total	17,877,147
Payments in bank statement not recorded in cashbook	172,593
Receipts in cash book not yet recorded in bank	10,000
Sub –Total	182,593

In addition, the supporting schedules provided by management did not show the dates of the transactions or when the reconciling items were cleared and thus these items were deemed un-resolved and long overdue.

(ii). The bank certificates balance of Kshs.54,901,029 reflected in the bank reconciliation statement differed with the bank confirmation certificates of balances totalling Kshs.53,759,244 as at 30 June 2018 and thus, resulting in an unexplained variance of Kshs.1,141,785 as analyzed below:

Bank	Account Number	Bank certificates balance as per the reconciliation statement Kshs.	Balance as per the bank confirmation certificates Kshs.	Unexplained Difference Kshs.
National Bank Of Kenya (Kshs A/C)	01071203347300	49,374,235	48,739,559	634,676
National Bank Of Kenya (USD A/C)	02071203347300	54,158	49,188	4,970
National Bank Of Kenya (USD A/C)- converted to Kshs @101.05	02071203347300	5,472,636	4,970,497	502,139
Total – Kshs		54,901,029	53,759,244	1,141,785

The difference of Kshs.1,141,785 and conversion rate of Kshs.101.05 applied in converting the dollar account balance of \$54,158 to Kenya shillings balance of Kshs.5,472,636 were not explained or supported. Consequently, the accuracy of the bank reconciliation statement could not be ascertained.

Under the circumstances, the completeness and accuracy of the cash and cash equivalent balance of Kshs.37,152,327 as at 30 June 2018 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Budget Performance

An analysis of the approved expenditure budget vis-a-vis actual expenditure for the year ended 30 June 2018 revealed variances between the budgeted and actual amounts as shown below:

Description of Expenditure	Approved Expenditure budget (Kshs)	Actual Expenditure (Kshs)	Under/(Over) Expenditure (Kshs)	Under/(Over) Expenditure in Percentage
Goods and Services - general expenses, repairs and maintenance & other expenses	26,546,949	3,621,004	22,925,945	86%
Employee Costs	2,880,000	3,458,012	(578,012)	(12%)
Property, Plant & Equipment				
Purchase of office furniture & general equipment	4,200,000	0	4,200,000	100%
Purchase of Motor vehicles	13,000,000	11,640,760	1,359,240	10%

The under-expenditure on some items in the year under review is an indication that the Directorate did not execute some of its budgeted activities. The Directorate's failure to absorb the budget fully as approved would imply shortfall in the delivery of its mandate.

In addition, there was an over expenditure of Kshs.578,012 representing 20% of the budgeted amount on employee costs, personal allowances paid as part of salary and other allowances. No documentary evidence or explanations was provided to confirm approval of the over expenditure as required by the law.

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

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

REPORT ON 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 matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management 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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Veterinary Medicines Directorate to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of

accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Veterinary Medicines Directorate to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Directorate to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Veterinary Medicines Directorate to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, a3106nd to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

19 March 2019

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Fines, penalties and levies	8	-	-
Licenses and permits		-	-
Transfers from other governments – gifts and services-in-kind	9	36,800,000	-
		36,800,000	-
Revenue from exchange transactions			
Rendering of services	10	19,072,103	-
Sale of water and electricity	11	-	-
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	-	-
Agency fees		-	-
Other income	14	-	-
Total revenue		55,872,103	-
Expenses			
Use of goods and services	15	-	-
Employee costs	16	3,458,012	-
Remuneration of directors	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	57,428	-
Contracted services	20	-	-
Grants and subsidies	21	-	-
General expenses	22	3,563,576	-
Finance costs	23	-	-
Total expenses		7,079,016	-
Other gains/(losses)			
Gain on sale of assets	24	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	25	-	-
Impairment loss	26	(-)	(-)
Surplus before tax		48,793,087	-
Taxation	27	(-)	(-)
Surplus/(deficit) for the period/year		48,793,087	-
Remission to National Treasury	51	-	-
Net Surplus for the year		48,793,087	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	(-)
Surplus attributable to owners of the controlling entity		-	-
Net Surplus		48,793,087	-

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	28	37,152,327	-
Receivables from exchange transactions	29	-	-
Receivables from non-exchange transactions	30	-	-
Current portion of long-term receivables from exchange transactions		-	-
Inventories	31	-	-
Investments	32	-	-
		37,152,327	-
Non-current assets			
Property, plant and equipment	33	11,640,760	-
Investments	32	-	-
Intangible assets	34	-	-
Investment property	35	-	-
Long term receivables from exchange transactions		-	-
		11,640,760	-
Total assets		48,793087	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	36	-	-
Refundable deposits from customers	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of borrowings	43	-	-
Deferred income	40	-	-
Employee benefit obligation	41	-	-
Payments received in advance		-	-
Taxation	52	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	41	-	-
Non-current provisions	42	-	-
Borrowings	43	-	-
Service concession liability	44	-	-
Deferred tax liabilities	53	-	-
		-	-
Total liabilities		-	-
Net assets			
Reserves		-	-
Accumulated surplus		48,793087	-
Capital Fund		-	-
Total net assets and liabilities		48,793087	-

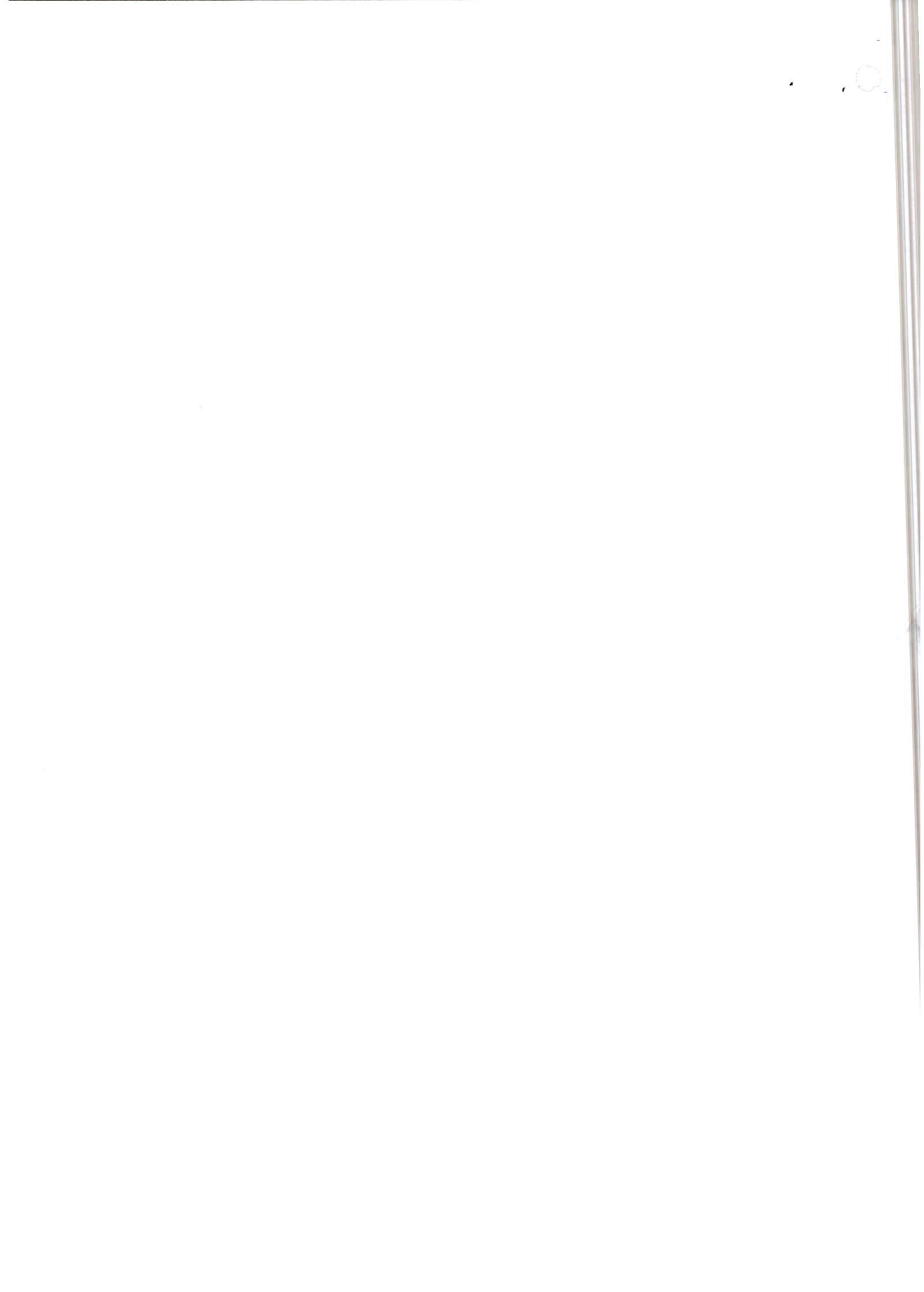
The Financial Statements set out were signed on behalf of the Board of Directors by:

Sign.....
Dr. Nathan K. Songok
Ag. Chief Executive Officer

Date..... 26/09/2018

Sign.....
Dr. Josiah M. Mandieka
Vice Council Chair

Date..... 26/9/18



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

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2016	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2016	-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2017	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2017	-	-	-	-	-	-	-
At July 1, 2017	-	-	-	-	-	-	-
Surplus for the period	-	-	-	48,793,087	-	-	48,793,087
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-



Veterinary Medicines Directorate (VM)
Annual Reports and Financial Statements
For the year ended June 30, 2018

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2017	-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2018	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2018	-	-	-	48,793,087	-	-	48,793,087

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Public contributions and donations		-	-
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies	9(b)	36,800,000	-
Rendering of services	10	19,072,103	-
Sale of goods		-	-
Finance income		-	-
Other income, rentals and agency fees		-	-
Total Receipts		55,872,103	-
Payments			
Compensation of employees	16	3,458,012	-
General expenses	22	3,563,576	-
Repairs and Maintenance	19	57,428	-
Rent paid		-	-
Taxation paid		-	-
Other payments		-	-
Grants and subsidies paid		-	-
Total Payments		7,079,016	-
Net cash flows from operating activities	45	48,793,087	-
Cash flows from investing activities			
Proceeds from sale of property, plant and			
Property, plant, equipment and intangible assets	33	(11,640,760)	(-)
Equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		(-)	(-)
Net cash flows used in investing activities		(11,640,760)	(-)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Increase in deposits		-	-
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		37,152,327	
Cash and cash equivalents at 1 JULY	28	-	-
Cash and cash equivalents at 30 JUNE	28	37,152,327	-

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs
Revenue										
Property taxes	-	-	-	-	-	-	-	-	-	(-)
Public contributions and donations	-	-	(-)	(-)	-	-	-	-	-	(-)
Fines, penalties and levies	-	-	(-)	(-)	-	-	-	-	-	(-)
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Government grants and subsidies	36,800,000	-	-	-	36,800,000	-	36,800,000	-	-	-
Rendering of services	9,826,949	(-)	(-)	(-)	9,826,949	-	19,800,000	-	(9,973,051)	-
Sale of goods	-	-	-	-	-	-	-	-	-	(-)
Finance Income	-	-	-	-	-	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-	-	-	-	-	(-)
Total income	46,626,949		(-)		46,626,949		55,872,103			(-)
Expenses										
Compensation of employees	-	-	-	-	-	-	-	-	-	-
Goods and Services	46,626,949	(-)	(-)	(-)	46,626,949	-	18,719,776	-	(27,907,173)	-
Repairs and maintenance	-	(-)	(-)	(-)	-	-	57,428	-	-	-
Purchase Motor Vehicle	-	(-)	(-)	(-)	-	-	11,640,760	-	-	-
Purchase of Furniture and Equipment	-	-	-	-	-	-	-	-	-	-
Other payments	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid	-	-	-	-	-	-	-	-	-	-
Total expenditure	46,626,949		(-)		46,626,949		18,719,776			(27,907,173)
Surplus for the period							37,152,327			37,152,327

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Veterinary Medicine Directorate is established by and derives its authority and accountability from Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is as outlined in earlier pages.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

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

iii. Early adoption of standards

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The veterinary medicines directorate 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.

c) Taxes

Current income tax

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

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

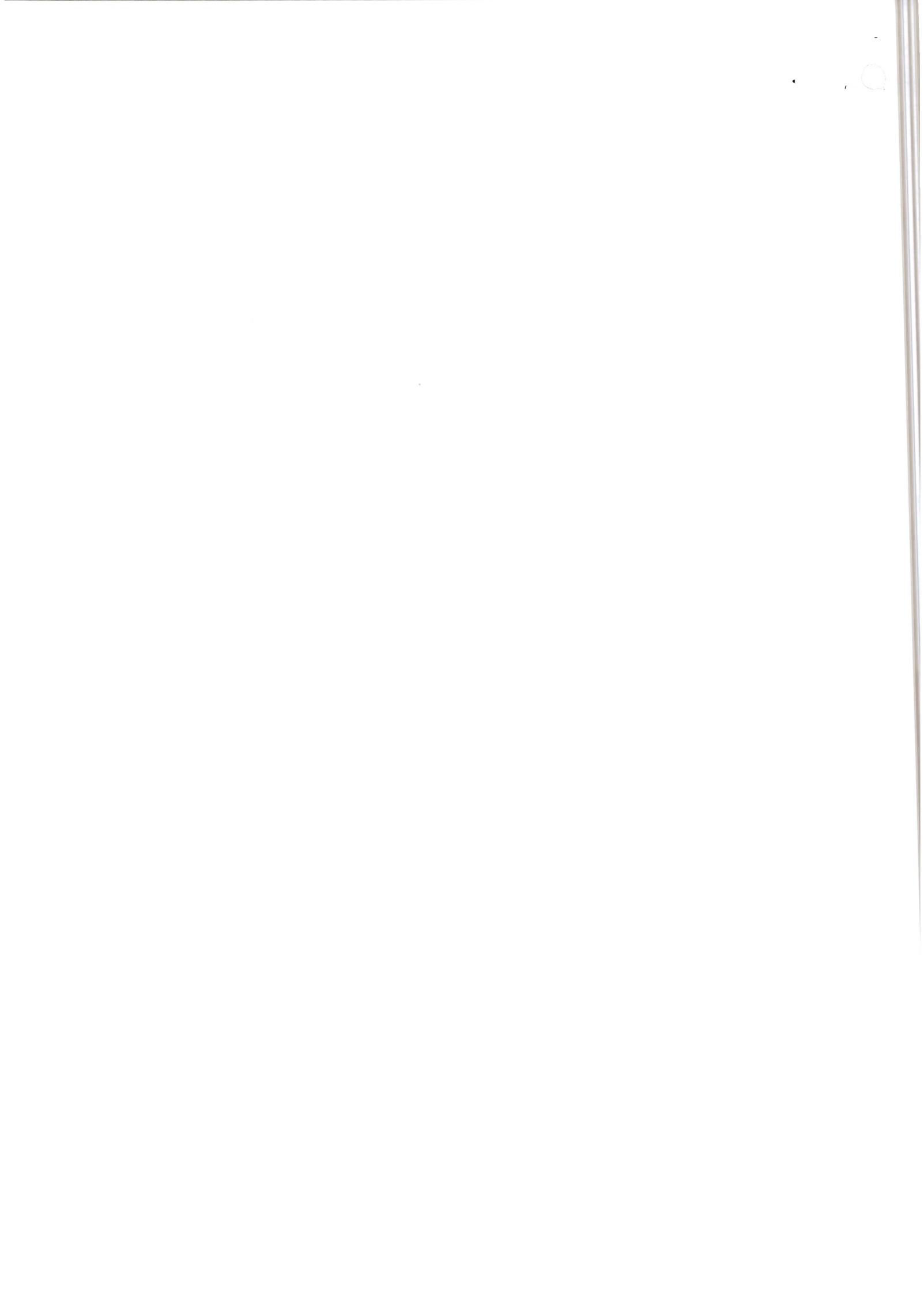
Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

Contingent assets

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Budget information (Continued)

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

t) Comparative figures

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

u) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

Useful lives and residual values

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

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

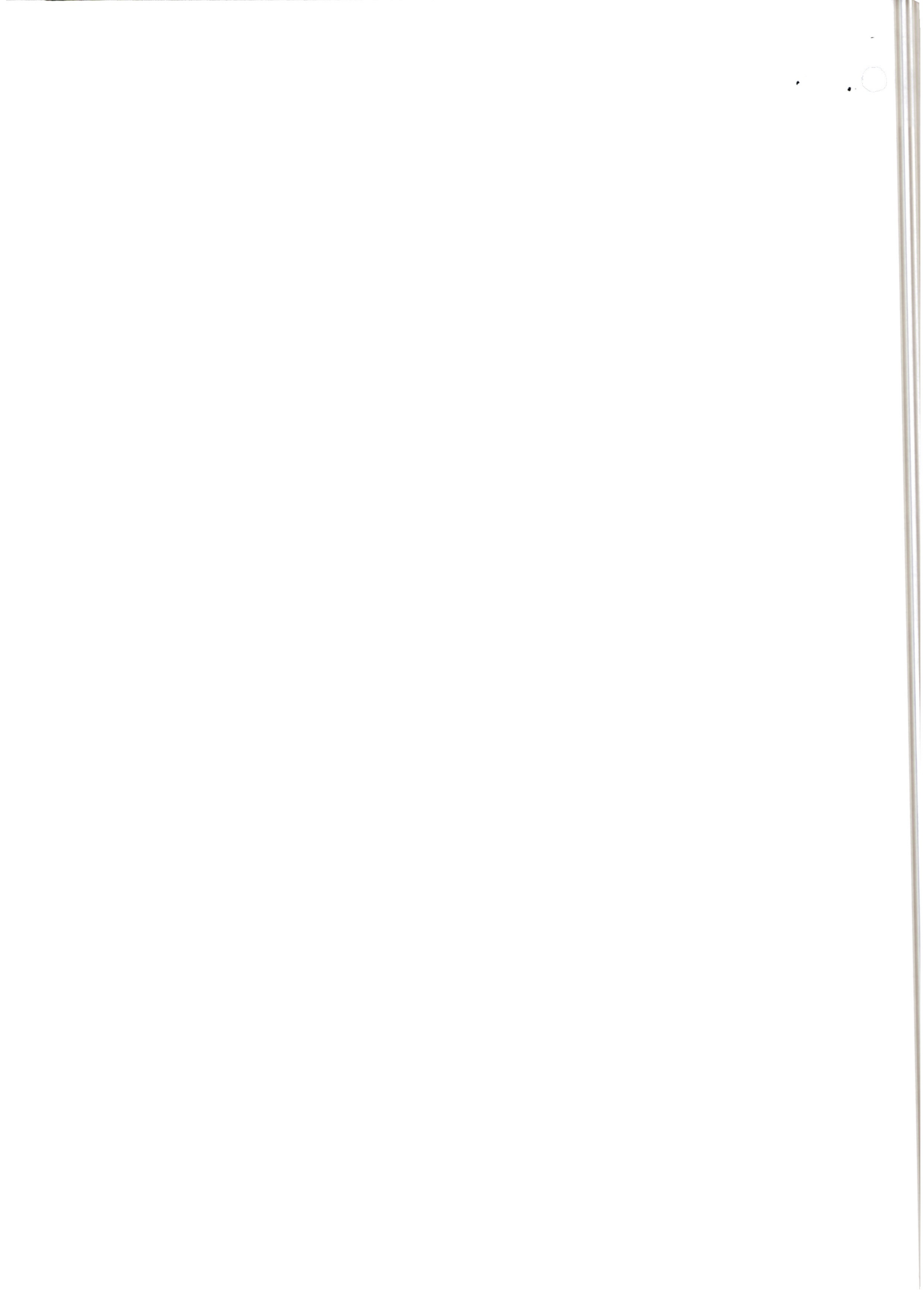
Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 PROPERTY TAXES REVENUE

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

7 PUBLIC CONTRIBUTIONS AND DONATIONS

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



Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINES, PENALTIES AND LEVIES

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

9 TRANSFERS FROM OTHER GOVERNMENTS

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

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
State Department of Livestock	36,800,000	-	-	36,800,000	36,800,000
Ministry	-	-	-	-	-
Total	36,800,000	-	-	36,800,000	36,800,000

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry.)



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENDERING OF SERVICES

Description	2017-2018 KShs	2016-2017 KShs
Veterinary Medicines Dossier / Products Registration Fees.	3,628,665.00	-
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	1,232,800.00	-
Veterinary Medicines Good Manufacturing Practice Fees (local site)	200,000.00	-
Veterinary Medicines Wholesale Dealers Premises Licence Fees	690,000.00	-
Veterinary Medicines Wholesale Premises Inspection Fees	240,000.00	-
Veterinary Medicines Retail Pharmacy Licence Fees	300,000.00	-
Veterinary Medicines Import Verification Fees	7,101,492.25	-
Veterinary Medicines Import Permit Fees	134,042.00	-
Veterinary Medicines Products Retention Fees	5,545,104.00	-
Total revenue from the rendering of services	19,072,103.25	-

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

11 SALE OF GOODS

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

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

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

13 FINANCE INCOME - EXTERNAL INVESTMENTS

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER INCOME

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

15 USE OF GOODS AND SERVICES

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

16 EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	-	-
Employee related costs - contributions to pensions and medical aids	-	-
Travel, motor car, accommodation, subsistence and other allowances	3,458,012	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Expenditure recharged to capital projects	-	-
Employee costs	3,458,012	-

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 REMUNERATION OF DIRECTORS

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

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

19 REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Property	-	-
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	57,428	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
Total repairs and maintenance	57,428	-

20 CONTRACTED SERVICES

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 GRANTS AND SUBSIDIES

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

22 GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Advertising	-	-
Admin fees	-	-
Audit fees	-	-
Conferences and delegations	151,790.00	-
Consulting fees	-	-
Consumables	-	-
Electricity	-	-
Fuel and oil	3,012,500.00	-
Insurance	-	-
Legal expenses	-	-
Licenses and permits	-	-
Chemicals	-	-
Water purification cost	-	-
Postage	-	-
Printing and stationery	365,000.00	-
Hire charges	-	-
Rental	31,946.40	-
Security costs	-	-
Sewage treatment costs	-	-
Skills development levies	-	-
Inventory scrapping	-	-
Telecommunication	-	-
Training	-	-
Other	2,340.06	-
Total general expenses	3,563,576	-

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCE COSTS

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

24 GAIN ON SALE OF ASSETS

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

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

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

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

26 IMPAIRMENT LOSS

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

27 TAXATION

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



Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

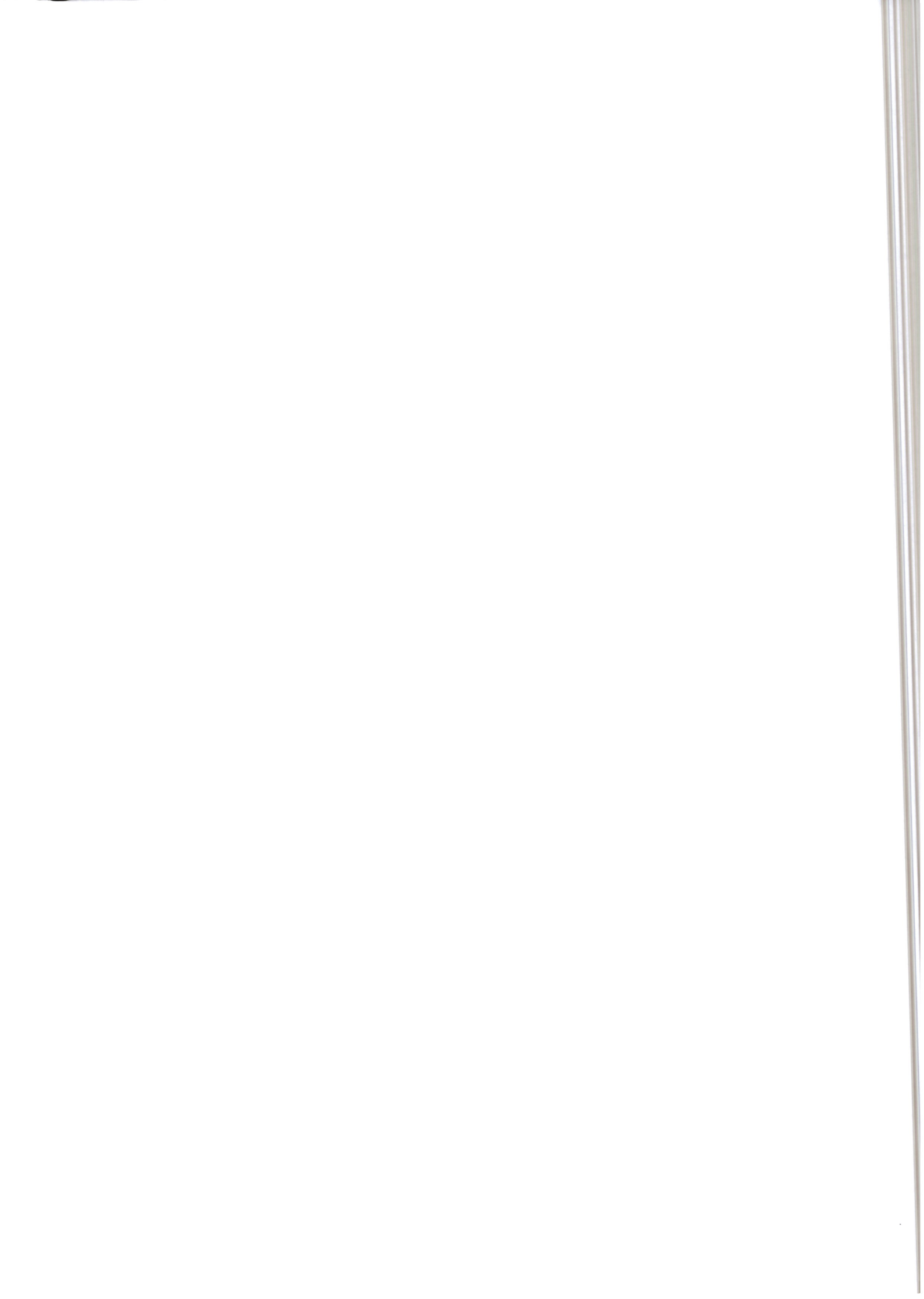
NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Current account	37,152,327	-
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	37,152,327	-

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

Financial Institution	Account number	2017-2018	2016-2017
		KShs	KShs
a) Current account			
National Bank Of Kenya	01071203347300	31,679,691	-
National Bank Of Kenya	02071203347300	5,472,636	-
Sub- total		37,152,327	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
Cash in transit		-	-
cash in hand		-	-
M pesa		-	-
Sub- total		-	-
Grand total		37,152,327	-



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Service ,water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-
Non-current receivables		
Sporting bodies	-	-
Public organizations	-	-
Less: impairment allowance	(-)	(-)
	-	-
Current portion transferred to current receivables	(-)	(-)
Total non-current receivables	-	-
Total receivables	-	-

30 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Property tax debtors	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-

31 INVENTORIES

Description	2017-2018	2016-2017
	KShs	KShs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 INVESTMENTS

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

d) Shareholding in other entities

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

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Current year	Prior year
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other		Plant and equipment		Capital Work in progress		Total		
	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	Shts	
At 1 July 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	(-)	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	11,640,760	11,640,760	-	-	-	-	-	-	-	-	-	-	-	11,640,760	11,640,760
Disposals	(-)	(-)	-	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	(-)	(-)	-	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30th June 2018	-	-	11,640,760	11,640,760	-	-	-	-	-	-	-	-	-	-	-	11,640,760	11,640,760
Depreciation and impairment																	
At 1 July 2016	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At 30th June 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustment	-	-	(-)	(-)	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2018	-	-	11,640,760	11,640,760	-	-	-	-	-	-	-	-	-	-	-	11,640,760	11,640,760
Net book values																	
At 30 th June 2018	-	-	11,640,760	11,640,760	-	-	-	-	-	-	-	-	-	-	-	11,640,760	11,640,760
At 30 th June 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[Include brief description of WIP as a footer]

NOTE: The motor vehicles were delivered after closer of 2017/18 financial year. So no depreciation charged during financial year.



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 INTANGIBLE ASSETS-SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Additions—internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

35 INVESTMENT PROPERTY

Description	2017-2018	2016-2017
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Depreciation	-	-
At end of the year	-	-

36 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Trade payables	-	-
Payments received in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	-	-

37 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2017-2018	2016-2017
	KShs	KShs
Consumer deposits	-	-
Other deposits	-	-
Total deposits	-	-



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
Transfers from non-current provisions	-	-	-	-
Total provisions	-	-	-	-

39 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2017-2018
	KShs	KShs	KShs	KShs
Within current year				
Long term portion of lease payments				
Total provisions	-	-	-	-

40 DEFERRED INCOME

Description	2017-2018	2016-2017
	KShs	KShs
National government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(-)	(-)	(-)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2017-2018	2017-2018
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity doesn't operate a defined benefit scheme.

	2017-2018	2016-2017
	Kshs	Kshs
Valuation at the beginning of the year	-	-
Changes in valuation during the year	-	-
Valuation at end of the year	-	-

The organisation doesn't contribute to the statutory National Social Security Fund (NSSF).

42 NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-
Less: Current portion	(-)	(-)	(-)	(-)
Total deferred income	-	-	-	-

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

43 BORROWINGS

Description	2017-2018	2016-2017
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

The analyses of both external and domestic borrowings are as follows:

Description	2017-2018	2016-2017
	KShs	KShs
External Borrowings		
Dollar denominated loan	-	-
Sterling Pound denominated loan from	-	-
Euro denominated loan	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2017-2018	2016-2017
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

44 SERVICE CONCESSION ARRANGEMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	(-)	-
Net carrying amount	=	=
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	=	=



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Contributed assets	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	(-)	(-)
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	-	-

46 FINANCIAL RISK MANAGEMENT

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

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2017				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

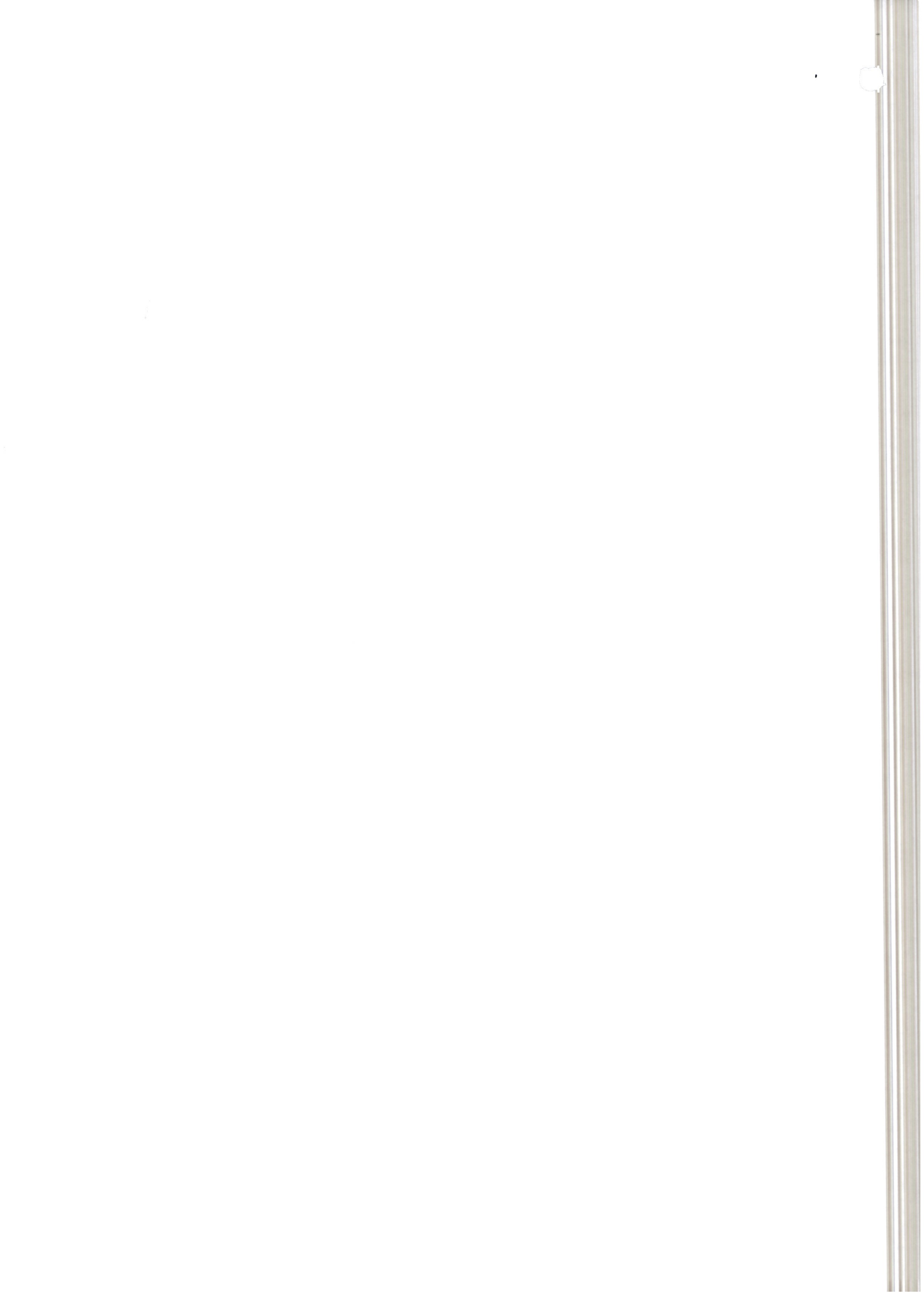


**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2017				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2017			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2018			
Euro	10%	-	-
USD	10%	-	-
2017			
Euro	10%	-	-
USD	10%	-	-



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk

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

Management of interest rate risk

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

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2018	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
At 30 June 2017				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
At 30 June 2018				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
At 30 June 2017				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

(iii) Market risk (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%

**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

47 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the veterinary medicines directorate. Other related parties include:

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



Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018

iii)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the CEO	-	-
Compensation to key management	-	-
Total	-	-



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

48 SEGMENT INFORMATION

The organisation doesn't operate in different geographical/departments,

49 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2017-2018	2016-2017
	Kshs	Kshs
Court case against the company	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

50 CAPITAL COMMITMENTS

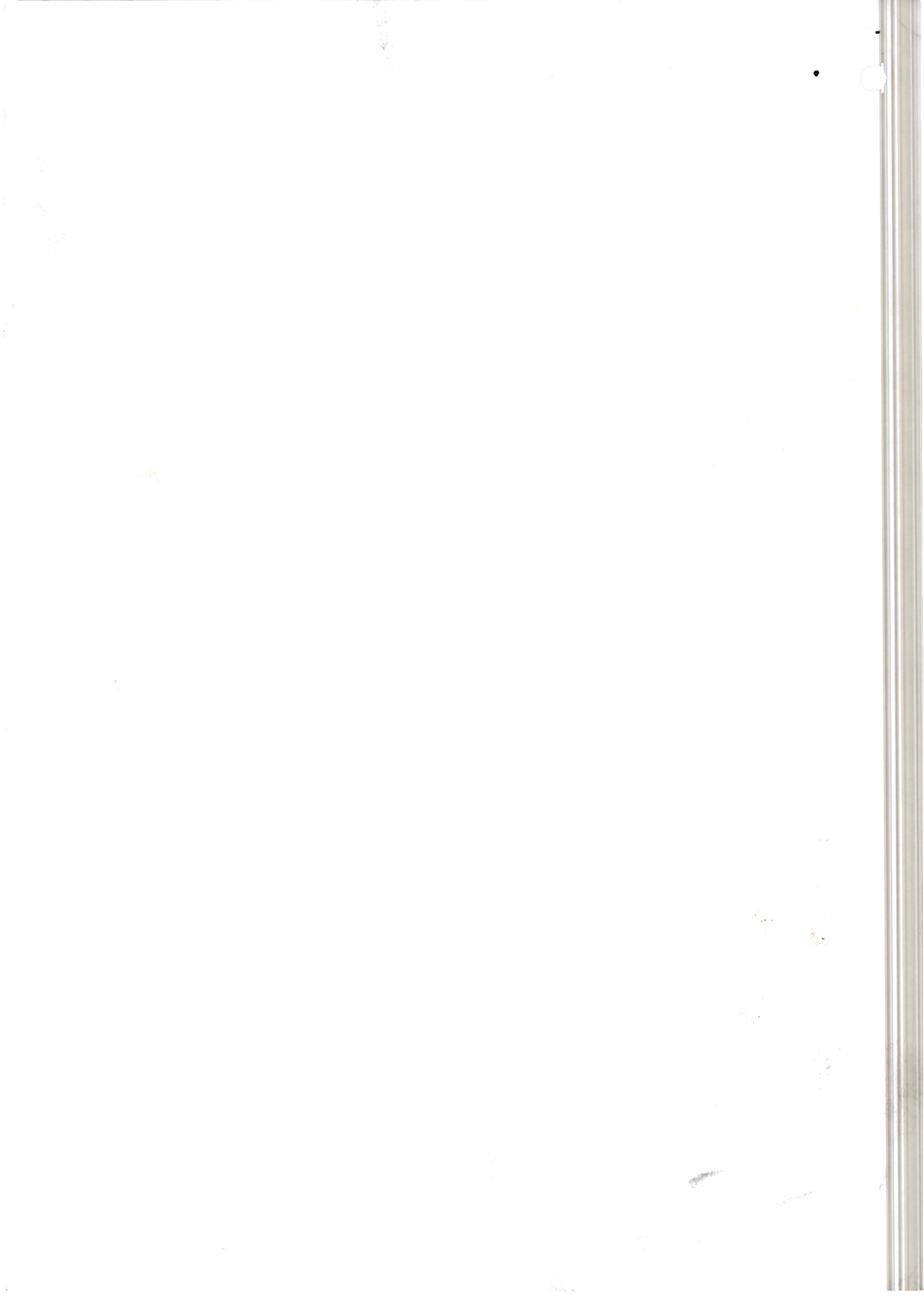
Capital commitments	2017-2018	2016-2017
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

51 DIVIDENDS/SURPLUS REMISSION

Not applicable.

52 TAXATION

	2017-2018	2016-2017
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 27)	-	-
Under/(over) provision in prior year/s (note 27)	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-
	=====	=====



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

53 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2017-2018	2016-2017
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
Net deferred tax liability	-	-
	=====	=====
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-
	=====	=====

[Provide short appropriate explanations as necessary]

54 EVENTS AFTER THE REPORTING PERIOD

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

55 ULTIMATE AND HOLDING ENTITY

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

56 Currency

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



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

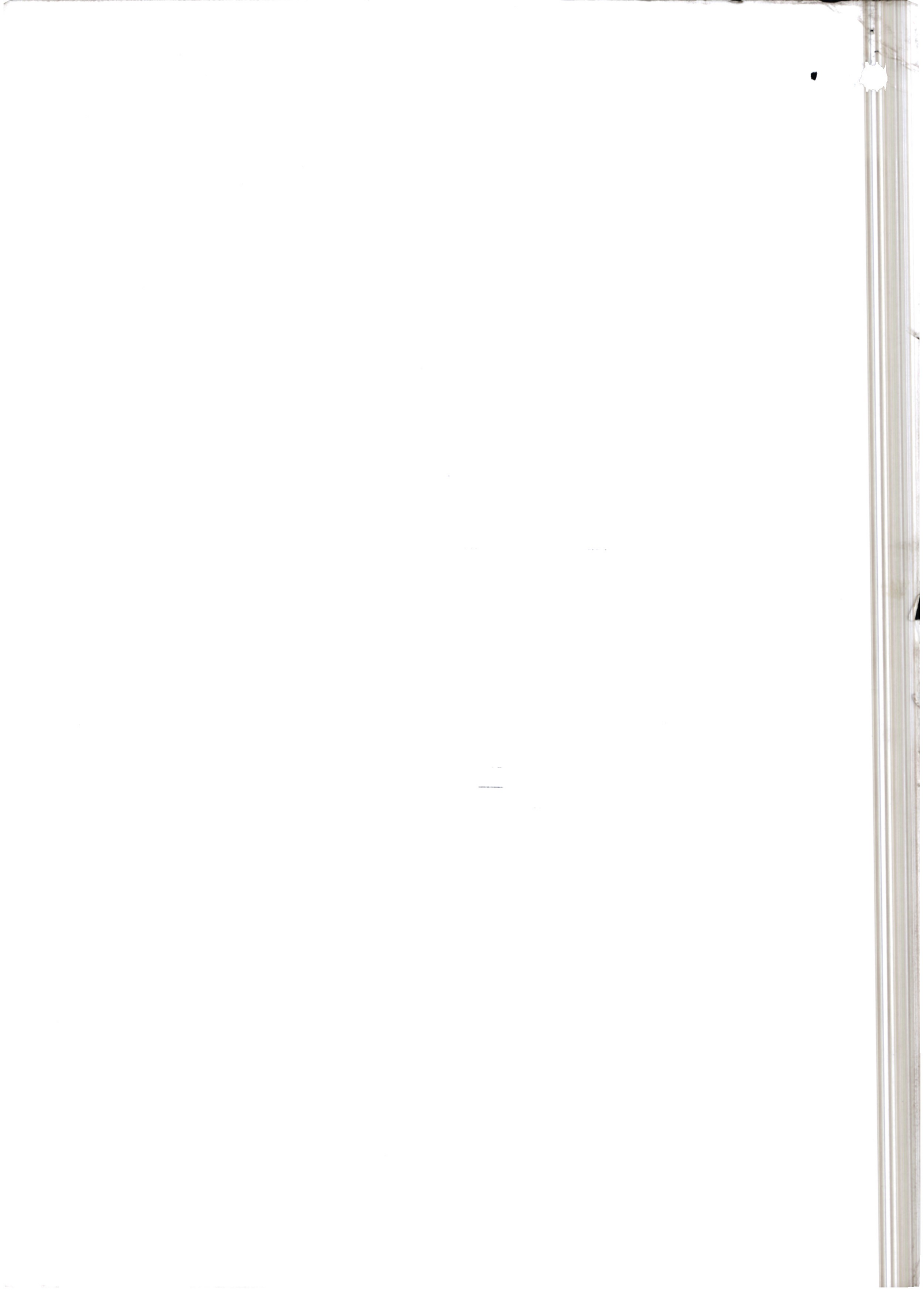
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A	N/A

Guidance Notes:

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

Sign.....
 Dr. Nathan Songok
 A.g C.E.O Veterinary Medicines Directorate

Date.....



**Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Livestock				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		25/06/2018	36,800,000	2017/2018
		Total	36,800,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	

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

Accountant.
Veterinary Medicines Directorate

Sign-----

