

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

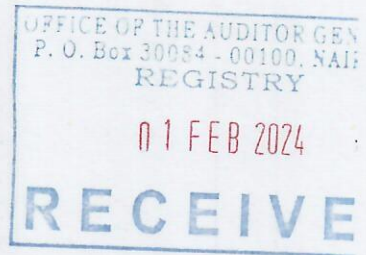
OF

THE AUDITOR-GENERAL

ON

**KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2023**



KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023.**

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**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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I. ACRONYMS AND GLOSSARY OF TERMS

<i>FY</i>	<i>Financial Year</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>KEVEVAPI</i>	Kenya Veterinary Vaccines Production Institute
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFM</i>	<i>Public Finance Management.</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>M</i>	Million

II. KEY ENTITY INFORMATION

(a) Background information

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

(b) Principal Activities

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

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

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(c) Directors

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

1. Prof. Kimathi Mbogori Kigatiira	Chairman	Appointed on 20/04/2023
2. Dr. Geoffrey K. Kamau	Chairman	Left on 20/04/2023
3. Dr. Alex Sabuni	Ag. Managing Director	Appointed on 10.02.2023
4. Dr. Jane W. Wachira	Chief Executive Officer	Left on 10/02/2023
5. Mr. Humphrey Itotia	Independent Director	Appointed on 20/04/2023
6. Dr. Daniel Senerwa	Independent Director	Appointed on 20/04/2023
7. Dr. Jerono Kiptanui	Independent Director	Appointed on 20/04/2023
8. Dr. Sam Okuthe	Independent Director	Appointed on 20/04/2023
9. Ms Mary Kamau	Independent Director	Appointed on 20/04/2023
10. Mr. Stephen Lenarokushu	Independent Director	Appointed on 20/04/2023
11. Dr. Elijah Kabiru	Alternate Director	Principal Secretary National Treasury
12. Dr. Harry Oyas	Alternate Director	Principal Secretary State Department of Livestock
13. Dr. David Changwony	Alternate Director	Director General, Kenya Agricultural and Livestock Research Organization -KALRO
14. Mr. Victor Momanyi	Alternate Director	Inspector-General (Corporations)
15. Mrs. Loise Wanjira Njeru	Independent Director	Left on 20/04/2023
16. Prof. George Karuoya Gitau	Independent Director	Left on 20/04/2023

(d) Corporate Secretary

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

(e) Registered Office

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

(f) Corporate Headquarters

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

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Key Entity Information (continued)

(g) Corporate Contacts

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

(h) Corporate Bankers

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

(i) Other Bankers

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

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

(j) Independent Auditors

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

(k) Principal Legal Adviser

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

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P.K. Mbabu & Company Advocates
Cannon House, 2nd Floor
P.O. Box 6728-0100
Nairobi.

III. THE BOARD OF DIRECTORS



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

Key Academic Qualifications

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

Date of Birth: **6.02.1953**

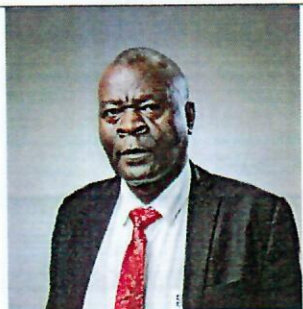

Work Experience:

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


Other Positions Held

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

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

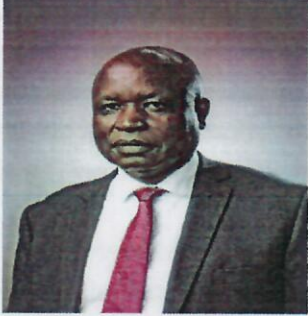
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<p>Key Qualification- MBA from The Institute of Technology Australia, BA-Limkokwing University, Malaysia, CPA</p>	<ul style="list-style-type: none"> • 2013-2014: Finance Manager- Kenya Veterinary Production Institute. • 1990-2013: Senior Accountant-KEVEVAPI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

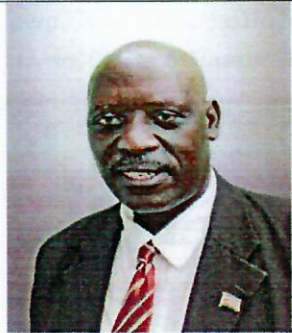
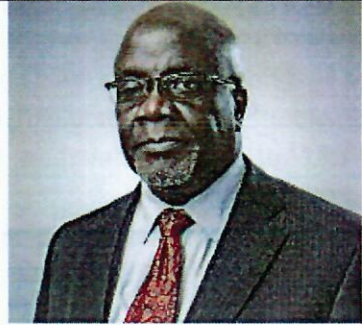
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 <p>Dr. Elijah Kabiru</p> <p>Key Qualification: PhD Candidate in Finance, (University of Nairobi), Masters in Finance (Kenyatta University), Bed Economics & Mathematics (Moi University), CPA (K).</p>	<p>Date of Birth: 1974</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2015: Appointed to KEVEVAPI Board as Alternate to PS Treasury • 2014 to date: Senior Assistant Accountant General-National Treasury. • 2015: Head of Accountant Unit – Ministry of Commerce and Tourism. • 2010: Head office Accountant- Kenya Rural Roads Authority.
 <p>Mary W. Kamau, OGW</p> <p>Key Qualification:</p> <ul style="list-style-type: none"> • Bsc. Agriculture (Upper Second Class) - University of Nairobi (UoN) • Post Graduate Diploma In Tropical Sericulture - Central Sericulture Research and Training Institute, Mysore - India • Senior Management Course - Kenya Institute of Administration (K.I.A.) • Sustainable Agriculture - Svalof Weibull Sweden • Strategic Leadership - Kenya Institute of Administration (K.I.A.) 	<p>Date of Birth: 15.7.1956</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • An Independent Director of KEVEVAPI (wef 20/04/2023). • 1980 - Agriculture Officer II - Kitui District • 1980 - 1983 - Agriculture Officer II - Kitui district • 1983 - 1986 - Agriculture Officer I - Kitui district • 1986 - 1992 - Senior Agricultural Officer • 1992 - 1994 - Senior Agricultural Officer (As the District Agricultural Officer (DAO) Makueni) • 1994 - 1997 - Senior Agricultural Officer (Head of Beverage Crops) - Kilimo HQ • 1998 - 2004 - Assistant Director of Agriculture • 2004 - Senior Assistant Director of Agriculture (SADA) • 2005 - Deputy Director of Agriculture • 2006 - 2007 - Deputy Director of Agriculture Research Liaison Division (Deputizing the SDDA RELD) • April 2007 - June 2016 - Director of Extension and Training Ministry of Agriculture, Livestock & Fisheries <p>Previous Board Memberships</p> <ul style="list-style-type: none"> • Board Member of Agricultural Finance Corporation (AFC) • Board Member of Agriculture Development Cooperation (ADC) • Board Member of National Cereal and Produce Board (NCPB) • Board Member of Tea Board of Kenya (TBK)



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



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

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

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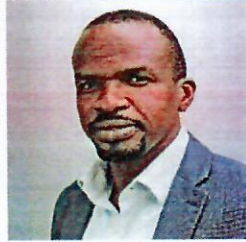


 <p>Dr. Alex Sabuni</p> <p>Ag. Managing Director (MD) and Secretary to the Board, Key Qualification: MSc (UoN), BVM (UON), KCSE, KCPE</p>	<p>Date of Birth: 26.9.1982</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2023/02 to date: Acting Managing Director-KEVEVAPI; • 2021/11 to 2023/01: Deputy Director, Technical services, KEVEVAPI; • 2015- 2021: Chief Veterinary Officer and County Project Monitoring and Evaluation Officer, RPLRP, Narok County; • 2013/04-2015: District Veterinary Officer, Narok South; • 2011/05- 2013/03: Veterinary Officer, Narok South; • 2009/08- 2011/04: Livestock Programs Coordinator, Samaritan’s Purse International Relief; • 2009- 2009/07: Programs Manager, Kenya Veterinary Association, National Office;
 <p>MS. Leah Kiarie</p> <p>Key Qualification: LLM, LL. B, Post graduate Diploma (PgD), MCIArb, Advocate of the High Court. Qualified But not registered with ICS</p>	<p>Date of Birth: 17.8.1991</p> <p>Work Experience;</p> <ul style="list-style-type: none"> • April 2023-Date-Legal Officer KEVEVAPI • Jan 2018 – March 2023-Associate Advocate Jan 2018 – March 2023, Kiarie & Company Advocates • 2014 to 2015- Advocate Trainee, Kinyanjui Njuguna & Company Advocates

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IV. MANAGEMENT TEAM

KEY MANAGER'S PASSPORT-SIZE PHOTO, NAME AND KEY PROFESSION/ACADEMIC QUALIFICATION	MAIN AREA OF RESPONSIBILITY
 <p>Dr. Alex Zephania Sabuni Lucheli MSc, BVM</p>	<p>Ag. Managing Director</p>
 <p>Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, FA, CPA, K</p>	<p>Head of Finance</p>
 <p>Ms. Sabenciah Vivian Achieno BCOM- Human Resource Management Option CHRP-K Higher Diploma -HRM CPS 1 HRM Certified Human Resource Auditor</p>	<p>Ag. Head of Human Resources and Administration Manager</p>
 <p>Ms. Leah Kiarie</p>	<p>Head, Legal Department</p>



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<p>LLM, LL. B, Post graduate Diploma, (PgD), MCI Arb</p>	
 <p>Dr. Jones Mutua MSc- Applied Microbiology BVM, KCSE</p>	<p>Senior Production Officer- Kabete</p>
 <p>M/s Andia A. Khaseke MBA-((UoN), BED-Business Studies & Economics, CPAK</p>	<p>Head of Internal Audit</p>
 <p>Mr. Stephen Gitonga Njeu Pursuing MSc. Infectious Dis, Higher Dip. Applied Biology, Dip. Applied Biology KACE 1P, 1SubKCE DIV I</p>	<p>Quality Assurance Manager</p>

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

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 <p>Dr. Michael Muthamia Kiraithe PhD (University of Freiburg) MSc. Biomedicine BSc. Biomedicine</p>	<p>Head of Research and Development Manager</p>
 <p>Mr. Samwel Mburu BSC. Computer Information System, Cisco Certified Network Associate (CCNA), CCNA- Security, Application Security Specialist (IBM Security Appscan V8.7)</p>	<p>Head of Information Technology</p>

V. CHAIRMAN'S STATEMENT


KEVEVAPI produces vaccines that are used to prevent outbreaks of livestock diseases that leads to reduced animal production and productivity resulting in insecurity in food and nutrition. It plays a strategic role of producing veterinary vaccines to support livestock production and trade. During the FY under audit, the Institute made sales of vaccines worth Kshs. 206.1 million. The sales were low because there was less demand from our main customers -the county governments because of the dry spells experienced in the country where it was not possible to vaccinate weak animals. The institute also lost its international market for its FMD vaccine market in Uganda and Sudan. This led to less sales than budgeted.

The existing vaccine production laboratories were built in 1957 and there is dire need of improving the infrastructure to be more efficient, and modernize machinery and equipment to enhance vaccines production. During the FY 2022/23, the Institute utilized Kshs 15.455million on capital improvement from internally generated funds.

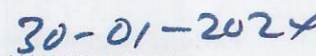
The upgrade will lead to the following outcomes:

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

With the support of the Government in the rehabilitation of our aging plant and equipment, the Institute can compete competitively with other vaccine Institutes in Africa, Middle East, Asia and Europe. Nothing has come to the attention of the Board of Management to indicate the Institute will not remain a going concern for at least the next twelve months from the date of this statement.


.....

Chairman: Prof. Kimathi Mbogori Kigatiira


.....

Date

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established by the Government of Kenya as a parastatals Institution on 5th March 1990 by Legal Notice No.223 under Cap 446 of the Laws of Kenya. The Institute operates under the auspices of the Ministry of Agriculture and Livestock Development.

The Institute operated independently until 2003, when it was merged into the Kenya Agricultural Research Institute under the Ministry of Agriculture following implementation of Presidential Circular No.3/2003 of 31st July 2003. In July 2008, through the effort of the Ministry of Livestock Development, The Institute reverted to operations as an independent public state

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

In order to meet emerging demands, The Institute has embarked on production of three new products. These are an oil-based Foot and Mouth disease vaccine, a thermostable Newcastle disease vaccine and Peste Petits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Tanzania, Rwanda, Burundi, UAE, Northern and Southern Sudan. Significant production increases have been for foot and mouth disease, contagious caprine pleuropneumonia, fowl typhoid and Newcastle disease. A rapid response enabled us to produce over 4 million doses of Rift Valley fever vaccine for the Kenyan and Tanzanian livestock industry. The Institute now is in full capacity.

Vision, Mission, Mandate and Objectives

Vision: A globally recognized institute in the production and supply of high quality and affordable veterinary vaccines and services.

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Mission: To produce safe, efficacious and affordable veterinary vaccines through undertaking research, providing information, marketing and distribution for improvement of the livestock industry.

Mandate: The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) derives its mandate under the State Corporations Act, Cap 446 of the laws of Kenya through legal notice No. 223 of 4th June, 1990.

The mandate of KEVEVAPI include-

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

The Objectives of KEVEVAPI are:

1. To give KEVEVAPI the market presence needed to support marketing and sales goals, and to attract distributors for KEVEVAPI products in local and export markets.
2. To continuously research on and develop two new KEVEVAPI vaccine products by 2028.
3. To increase sales by between 10-15% annually.
4. To control expenditures so as to maximize profits.

BOARD OF DIRECTORS

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

KEVEVAPI is managed by a Board of Management, answerable to the Kenya Government, through the Minister for Agriculture, Livestock and Fisheries. The functions and responsibilities of the Board are provided in Legal Notice No. 223 and the State Corporations Act, Cap. 446, Revised 1987. Members of the Board include a non-executive chairman and eight other members appointed by the Minister responsible for Livestock.

The members include:

- Non – executive Chairman appointed by the President

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- Managing Director
- The Permanent Secretary, State Department of livestock.
- The Permanent Secretary, National Treasury.
- Director, Kenya Agricultural Research Institute
- Not more than four other members not being employees of The Institute of whom not more than two shall be public officers appointed by the Minister.

Committees of the Board

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

- Finance, Human Resource and Administration;
- Technical and Marketing Committee; and
- Audit Committee.

Current Members of the Board of Directors:

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

VACCINES PRODUCED BY KEVEVAPI

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

- Foot and Mouth Disease
- Contagious Bovine Pleuropneumonia
- Rift Valley Fever
- Lumpy Skin Disease
- Contagious Caprine Pleuropneumonia
- Sheep and Goat Pox
- Bluetongue

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- Orf (Contagious echhyma)
- *Peste Petits des Ruminants* (PPR)
- Newcastle disease
- Fowl typhoid
- Fowl pox
- Turkey pox

CONSTRAINTS OF VACCINES PRODUCTION

i) Old Plant and Equipment- The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant requires Kshs 5.6 billion. The Institute decided to phase the requirement and settled on the minimum requirements to be implemented first, costing Kshs. 1,750 million. Currently, implementation of phase one is at Kshs. 1,166 million (67%). For the Financial year 2023/24 budget period, we have been allocated Kshs. 50 million grants from the Government to enable the Institute attain GMP/ISO standards which will enable the Institute to access international markets. We sincerely hope that this will be availed.

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

iii) Lower Selling Price- The selling price of the various vaccines have remained unchanged since November 2013 as the institute caution the farmers against high cost of vaccination. This will need to be adjusted to accommodate inflation and increased cost of production.

iv) Poor planning of vaccination programs- County governments are unable to share their vaccines requirements and vaccination plans with the Institute. This poses a challenge of vaccine stock outs as well as likelihood of expiries.

v) Vaccine donations by international bodies- where vaccines are bought externally and donated to the Government, the county governments stop buying the vaccines over-relying on the donations, quantities notwithstanding.

Ag. Managing Director Dr. Alex Sabuni

Date 29/09/2023

Sign 

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VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

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

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Veterinary Vaccines Production and Marketing	1) To enhance availability of animal vaccines and information on animal vaccines	Doses of vaccines produced Vaccines brochures distributed to stakeholders	-Increase Vaccine doses produced annually -Introduce new vaccines -Increase partnerships with reputable laboratories on franchising for vaccines - Upgrade plant and equipment - Improve energy management - Widen the scope of marketing - Install biometric access controls -Maintain and improve ISO 9001:2015 -Comply with Good - Manufacturing Practices (GMP) -Work towards achieving ISO 17025 Accreditation	KEVEVAPI was able to produce 30.0 million doses of vaccines against a target of 38.1million doses. This fell short because there were dry spells experienced by our major Clients- County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine. Upgrading of infrastructure including tapping of solar energy The Institute partnered with MCI morocco to make available Enterotoxaemia, pasteurella and Rift

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				valley fever vaccines in Kenya. The Institute maintained continuous improvement in ISO 9001:2015 and worked towards good manufacturing practices and ISO 17025 accreditation.
	2) To enhance market access and products utilization	vaccines sale Farmers engaged	Increased sales Participate in Farmers forums	Sales were Kshs. 206.1million against a target of Kshs 465.75 due to the dry spells experienced by our major Clients-County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine
Research and Innovation	1) Upscale research in vaccines	-No. of qualified staff under research - Collaboration with other institutions and labs	Employ Chief Research Officer (CRO) Vaccine failure investigation Engage other organizations	CRD employed Held forums to educate farmers and stakeholders on handling vaccines. The forums included ASK shows and Farmers field days. Collaborated with MCI Morocco and KALRO
Institutional Capacity	1) To strengthen	good corporate governance	Training Board of management on	Board Directors inducted on sensitized and

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

VIII. CORPORATE GOVERNANCE STATEMENT

Corporate governance refers to the principles, processes, and practices by which an organization is operated, regulated and controlled so as to fulfill its goals and objectives in a manner that adds value and benefits to all its stakeholders.

The Kenya Veterinary Vaccines Production Institute's (KEVEVAPI) corporate governance statement shall contribute to clarify the roles between the stakeholders, the board of management and the management of KEVEVAPI.

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

During the Financial year 2022/23 the Board held 4 Full Board meetings, 12 Board Committee meetings (one per quarter for each of the three Board Committees) and 5 Special Full Board meetings to handle urgent matters. All the meetings were attended by the requisite quorum. Besides the meetings, the Board held a Board retreat to induct the new members to the institute affairs.

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

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

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

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

The Institute's Board Member Performance is evaluated annually by the Staff Advisory Committee in line with the Code of Governance for State Corporations (Mwongozo). For FY 2022/23 the Board was evaluated on 04th November 2022.

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

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

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

IX. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

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

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

The 2009 population and housing census revealed that Kenya has a massive livestock resource comprising 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels, 25.8 indigenous chickens and 6.1 million exotic chickens. This is an important resource that if tapped could create more wealth and employment in the country thereby contributing significantly to poverty reduction. The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) is mandated to protect this important resource. As the country gears up towards the realization of the goals of the Kenya Vision 2030, many challenges are bound to arise, key among them being the outbreak of livestock diseases.

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

SECTION A

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

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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Institute performance is as follows in Kshs 'Millions:

Financial Year	2022/ 23	2021/ 22	2020/ 21	2019/ 20	2018/ 19
Sales	206.1	363.1	375.2	402.8	534.8
Production Costs	295.4	372.2	344.1	303.9	296.8
Gross Loss	(89.3)	(9.1)	31.1	98.9	238.0
Other Incomes	53.7	40.7	24.9	48.7	29.7
Administration Expenses	123.7	131.2	134.4	113.3	116.1
Net Profit(Loss)	(159.3)	(99.6)	(78.4)	34.3	151.6

The institute vaccine sales amounted to Kshs.534.8 m in FY 2018/19, Kshs 402.8m in FY 2019/20, Kshs.375.2 m in FY 2020/21, 363.1m in FY 2021/22 and Kshs 206.1 m in FY 2022/23. From FY 2019/20-2021/22 the decline in sales was due to the effects of Covid 19 pandemic that entailed restricted movement, unavailability of production inputs thus lacking vaccine stock when required by customers. In FY 2022/23 there were dry spells experienced by our major Clients-County Governments in Kenya where the animals became weak to be vaccinated thus the low demand of vaccine this led to the sales dropping from Kshs. 363.1 million in FY 2021/22 to Kshs. 206.1 million in the FY 2022/23.

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

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

	Ratios	Budget 2022/23	Actual 2022/23	Actual 2021/22
i.	Gross Profit Margin	25,0%	(43.33%)	(2.50%)
ii.	Net Profit Margin	4.44%	(77.29%)	(27.4%)
iii.	Current Asset Ratio	20.46:1	14.18:1	12.88:1
iv.	Assets Turnover	13.06%	9.81%	15.89%
v.	Return on Assets	0.06%	(7.58%)	(4.36%)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Explanations On Ratios

- i.** Gross Profit Margin-
Gross profit margin is gross income (revenue less cost of goods sold) divided by net revenue. The ratio reflects pricing decisions and product costs. In this case our score is low as compared to the budget and last year due to the low levels of sales revenues caused by dry spells in Kenya where the animals became weak and could not be vaccinated
- ii.** Net Profit Margin-
Net profit margin compares a company's net income to its net revenue. This ratio is calculated by dividing net income, or a company's bottom line, by net revenue. It measures a firm's ability to translate sales into earnings for shareholders. We are low on this because of the reduced sales as per (1) above.
- iii.** Current Asset Ratio-
The current ratio measures a company's current assets against its current liabilities. The current ratio indicates whether a company can pay off its short-term liabilities in an emergency by liquidating its current assets. The ideal is 1:1 and therefore 14:18 is good for the institute.
- iv.** Assets Turnover:
Asset turnover measures how efficiently a company uses its total Assets to generate revenues. The formula to calculate this ratio is simply net revenues divided by average total assets. We are below the budget on this ratio compared to the budget because of the shortfall in revenue target.
- v.** Return on Assets
Return on assets is calculated as net income divided by total assets. It is a measure of how efficiently a firm utilizes its assets. We fell short of our budget on this as a result of the shortfall in meeting our sales target for the financial year.

SECTION B

Entity's compliance with statutory requirements

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is two parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows: -

- i) HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively.
- ii) HCCC ELC Civil Suit No. 945 of 2012 Jasper Singh Birdi vs KEVEVAPI. Land measuring 0.4047 hectares or thereabout.

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant requires Kshs 5.6 billion. For the current phase, Kshs 1.750 billion was required. For the budget period, KEVEVAPI was allocated Kshs. 20 million to enable The Institute attain GMP/ISO standards resulting in The Institute being able to access the outside market. We also plowed back Kshs. 62.286 million from the reserves. We sincerely hope that the government will consider availing more grants in the 2022/23 financial year.

SECTION D

Major Risks/Assumptions facing the entity

The Institute does not have major risks, but the risks and assumptions made are as follows:

- a) Vaccination of Livestock is basically under the County Governments and Director of Veterinary Services and KEVEVAPI is only a producer. The survival of The Institute is very much tied in with the activities of the Counties and DVS. We assume that the GOK will continue to facilitate the vaccination activities of the DVS and the County Governments in the coming years and especially the full activation of the disease-free zones. The Livestock Industry supports a lot of families in Kenya and is a big contributor to the National economy.
- b) KEVEVAPI has court cases affecting its 77.67 hectares' land in Embakasi and part of its 151.2 hectares at Limuru. Assumption is made that The Institute will get a favorable ruling and reclaim its land in full.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- c) It is assumed that the political situation will remain stable especially in our neighboring countries as we endeavor to expand our export market. Somalia has a very huge population of livestock and would be a very big market for KEVEVAPI.
- d) We also assume that economic performance within Kenya and the region will remain stable, so that our vaccines remain affordable to all farmers, big and small.
- e) The assumption is also made that the development Grant requested will be approved

SECTION E

Material arrears in statutory/financial obligations

Though we expected to generate Pre-tax profits of Kshs. 2.169 million in the financial year 2022/2023, The Institute fell short of this target and made a loss of Kshs. 159.298 million because during the year, there was less demand from our customers, mainly the county governments leading to less sales than budgeted. This was as a result of the effects of dry spells in the country where it was not possible to vaccinate weak animals. The instability in Northern Sudan also denied us that foreign market. The Institute is working towards GMP certification which will lead to accessing more foreign markets.

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

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

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

For the Financial Year 2022/23, KEVEVAPI sponsored several Kenya Veterinary Association field days where Dairy farmers and professionals were sensitized on how to improve the health of livestock thus sustain farmer's livelihood.

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

The institute was involved in borehole drilling works at Kamuketha, Ntumburi Area in Meru County. The community are needy pastoralists with no source of water for their livestock and for domestic consumption. The scope of works being borehole drilling, installation of Casings, gravel packing, development, test pumping, water quality analysis and registration with the Ministry of water and Irrigation and presentation of the borehole completion report. The cost of the project for the year was Kshs.1.446 million. The community requested for the help through the parent ministry and was fully involved during the drilling activity and donation of land.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the institute's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1-5.

Dividends

KEVEVAPI made a Loss of Kshs. 159.298 million during the FY 2022/23. In the previous years any profits made was ploughed back for Capital investment which will enable The Institute access international markets for vaccines. To access this market, Good Manufacturing Practices (GMP) certification is a requirement. The Institute has been pursuing this through a five-year plan as a project. The project requires heavy investment in infrastructure development and The Institute intends to plough back the profits generated towards the project as per its dividend policy. This will enable the government, the only shareholder to earn capital gain rather than dividend payout

Directors

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

Auditors

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

By Order of the Board

Sign



Dr. Dr. Alex Sabuni

Corporate Secretary/Secretary to the Board

Date 30/11/24

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year ended 30 June 2023 and the operating results of The Institute for that year. The Directors are also required to ensure that The Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The Directors are also responsible for safeguarding the assets of the institute.

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of The Institute for and as at the end of the financial year ended June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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


The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of the institute's transactions during the financial year ended June 30, 2023, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The Institute's financial statements were approved by the Board on 29 September, 2023 and signed on its behalf

by:


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


.....
Dr. Alex Sabuni
Ag. Managing Director

REPUBLIC OF KENYA

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Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the

provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Veterinary Vaccines Production Institute as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the State Corporations Act, Cap 446 and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs.186,733,000 under trade and other receivables. A scrutiny of the ageing analysis revealed that an amount totalling Kshs.175,505,000 or 93% of the balance, relates to debts that are over one year old. The recoverability of this sum is therefore doubtful. It was further noted that a sum totalling Kshs.123,801,513 related to clients domiciled outside the country, in Uganda and Rwanda, and have been outstanding from the year 2008.

In addition, the Management made a provision against the long outstanding debts amounting to Kshs.1,845,000, the provision appears inadequate in light of the outstanding receivables balance.

In the circumstances, the accuracy and recoverability of the long outstanding trade and other receivables balance of Kshs.186,733,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Veterinary Vaccines Production Institute Management in accordance with ISSAI 130 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.505,750,000 and Kshs.259,817,000 respectively resulting to a revenue shortfall of Kshs.245,933,000 or 48.6% of the projected income.

Similarly, the statement reflects final expense budget and actual on comparable basis amounts of Kshs.503,681,000 and Kshs.419,115,000 respectively, resulting to an under absorption of Kshs.84,566,000 or 16.7% of the projected expenditure.

As a result of under collection of revenue and under expenditure, the planned activities of the Institute may not have been realized thus impacting negatively on the delivery of goods and services to the public.

My opinion is not modified in respect of this matter.

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

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with One Third of Basic Salary Rule

During the year ended, and as previously reported, a sample analysis of the staff payroll revealed that several employees earned less than one third (1/3) of their basic salary in the months of August, 2022 to June, 2023. This was in contravention of Section 19(3) of the Employment Act, 2007 that provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

2. Irregular Payment of Acting/Special Duty Allowance

The statement of profit or loss and other comprehensive incomes reflects administration costs of Kshs.107,349,000 which includes expenditure of Kshs.72,614,000 on staff costs as disclosed in Note 11 to the financial statements. As previously reported, a review of the payroll and other staff records revealed that five (5) employees continued to serve in acting capacity and received acting allowances while two (2) employees received special duty allowances beyond six (6) months contrary to Section 4.5.6 and 4.6.4 of the Kenya Veterinary Vaccines Production Institute Human Resource Policy Manual which provides that appointment on acting basis is a temporary measure pending substantive filling of vacant post and limited to a continuous period of six (6) months and that the maximum period for payment of special duty allowance is six (6) months.

In the circumstances, Management was in breach of the Institutes Human Resource Policy Manual.

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

The Board of Directors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 controls 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 controls 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 noncompliance. 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 Institute's 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Institute's ability to continue as a going concern. 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 Institute to cease to continue as a going concern.
- 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 Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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FOR THE YEAR ENDED JUNE 30, 2023.

XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2023


		2022/23	2021/22
	Notes	Kshs'000	Kshs'000
Revenue			
Sale of Vaccines	6	206,100	363,073
Cost of Goods Sold	7	295,408	372,162
Gross Loss		(89,308)	(9,089)
Finance income –Bank Interest earned	8	20,649	22,176
Other income-Sundry income	9	733	4,633
Other Gains	10	32,335	13,916
Total Revenue		(35,591)	31,636
Operating Expenses			
Administration costs	11	107,349	119,555
Selling and distribution costs	12	5,318	4,900
Finance costs	13	-	-
Board Expenses	14	11,040	6,801
Total Operating Expenses		123,707	131,256
Loss before tax		(159,298)	(99,620)
Taxation		-	-
Loss for the period		(159,298)	(99,620)

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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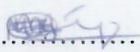
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022/23	2021/22
		Kshs'000	Kshs'000
Assets			
Non-current assets			
Property, plant and equipment	15	592,698	602,106
Intangible Assets	16	8,265	1,221
Total Non-current assets		600,963	603,327
Current assets			
Inventories	17	588,638	593,648
Trade and other Receivables	18	186,733	449,314
Prepayment	19	3,331	4,703
Bank and cash Balances	20	720,773	633,515
Total Current Assets		1,499,475	1,681,180
Total assets		<u>2,100,438</u>	<u>2,284,507</u>
Equity and Liabilities			
Capital and Reserves			
Capital fund	21	367,249	367,249
Capital grant	22	1,166,274	1,166,274
Revaluation reserve	23	272,829	272,829
Retained Earnings	24	188,346	347,644
Capital and Reserves		<u>1,994,698</u>	<u>2,153,996</u>
Current liabilities			
Trade and other payables	25	32,723	27,667
Payments received in advance	26	73,017	102,844
Total liabilities		105,740	130,511
Total Equity and Liabilities		<u>2,100,438</u>	<u>2,284,507</u>


The Financial Statements were approved by the Board on 28th September 2023 and signed on its behalf by:


Date..... 30/1/24

Name: Dr. Alex Sabuni
Chief Executive Officer


Date..... 29/1/2024

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


Date..... 30-01-2024

Name: Prof. Kimathi Kigatiira
Chairman of the Board

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary Share Capital	Revaluation Reserve	Retained Earnings	Capital /Development Grant	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at July 1, 2020	367,249	272,829	525,646	1,101,274	2,266,998
Surplus/Deficit for the period	-	-	(78,382)	-	(78,382)
Surplus to the Treasury					
Additional GOK Grant	-	-		45,000	45,000
Balance as at 30 June 2021	367,249	272,829	447,264	1,146,274	2,233,616
Surplus/Deficit for the period	-	-	(99,620)	-	(99,620)
Surplus to the Treasury					
Additional GOK Grant	-	-		20,000	20,000
Balance as at 30 June 2022	367,249	272,829	347,644	1,166,274	2,153,996
Surplus/Deficit for the period	-	-	(159,298)	-	(159,298)
Surplus to the Treasury					
Additional GOK Grant	-	-		-	
Balance as at 30 June 2023	367,249	272,829	188,346	1,166,274	1,994,698

See note 20,21,22 and 23

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	<u>Note</u>	2022/23 Kshs'000	2021/2022 Kshs'000
Cash flows from operating activities			
Loss for the period		(159,298)	(99,620)
Add Depreciation & Amortization	15&16	17,820	84,852
Provision for bad debts	11c	(2,662)	1,998
Operating Loss		(144,140)	(12,770)
Working Capital Changes			
Decrease in stocks	17	5,010	(19,948)
Decrease in Receivables	18	265,241	(199,363)
Decrease in Payables	25&26	(24,770)	(13,399)
Decrease in prepayment	19	1,372	1,312
Net cash outflow from operating activities		102,713	(244,168)
Investing Activities			
Purchase of Property, Plant and Equipment	15	(11,620)	(80,455)
Purchase of Intangible Assets	16	(3,835)	(1,831)
Net Cash used in Investing Activities		(15,455)	(82,286)
Net cash outflow from operating and investing activities		87,258	(326,454)
Financing Activities			
GOK Capital Grant	21	-	20,000
Net Decrease In Cash & Cash Equivalents		87,258	(306,454)
Cash and Cash Equivalents At 1 JULY,2022	20	633,515	939,969
Cash and cash equivalents at 30 JUNE,2023	20	720,773	633,515

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023.**

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30 JUNE 2023.**

	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% Of utilization
	Kshs'000	Kshs'000	Kshs '000	Kshs '000	Kshs '000	%
Revenue	A	B	C=(a+b)	D	e=(d-c)	F=d/c
Other Income	7,000	-	7,000	733	-6,267	10
Finance Income	8,000	-	8,000	32,335	24,335	404
Interest Incomer	25,000	-	25,000	20,649	-4,351	83
Sale of vaccines	465,750	-	465,750	206,100	-259,650	44
Total Revenue	505,750	-	505,750	259,817	-245,933	51
Expenses					e=(c-d)	
Depreciation	65,223	-	65,223	17,820	46,688	27
Repair and Maintenance	18,200	-	18,200	12,374	5,826	68
Administrative Expenses	27,200		27,200	21,845	5,355	81
Contracted Services	20,500		20,500	14,221	6,279	69
Medical & Insurance	31,500		31,500	26,811	4,689	85
Board Expenses	15,000		15,000	11,040	3,960	74
Compensation of employees	197,242	-	197,242	176,095	21,147	89
Cost of Sales	128,816	-	128,816	138,909	-10,093	108
Total expenditure	503,681	-	503,681	419,115	84,14	83
Loss for the period	2,069	-	2,069	-159,298	161,367	
Capital Expenditure	164,715	-50,000	114,715	15,455	99,260	13

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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Budget notes

1. Other Income – The Institute earned sundry income of Kshs 733,000 from investment at Limuru farm and sale of eggs, hay and Napier grass
2. Finance Income – The dollar was strong compared to Kenya shilling therefore the rise in foreign exchange gain. (The rate of change of \$.1 to Kenya shilling was 117.8324 on 30/06/2022 compared to 140.5235 on 30/06/2023.
3. Interest Income – The Institute earned interest of Kshs 20.649 million bank interest from a call account it had opened and placed amounts received in advance from clients.
4. Sale of vaccines- This is market driven. During the year, there was less demand from our customers mainly the county governments leading to less sales than budgeted. This was as a result of the effects of dry spells in the country where it was not possible to vaccinate weak animals. The instability in Northern Sudan also denied us that foreign market. The Institute is working towards GMP certification which will lead to accessing more foreign markets.
5. Depreciation –The institute provided for depreciation and amortization of Kshs 17.820 because most of the assets were fully depreciated and we bought less assets.
6. Repair and maintenance – The installation of new equipment and machines has reduced the cost of repairs and maintenance.
7. Administrative Expenses -This was slightly lower because of cost cutting measures by the institute.
8. Contracted Services - This was less because of cost cutting measures by the institute.
9. Insurance and Medical- This was less because of the cost cutting measures The Institute had put in place.
10. Board Expenses – This was less because for most part of the year the Board members were low than budgeted for.
11. Employees Costs- The Institute expected to recruit additional technical & administration staffs on permanent basis but this did not happen within the year. We expect this to happen in the FY 2023/2024.
12. Cost of sales - This was high as a result of increased costs of imported production inputs as a result of the rising value of Dollar compared to Kshs. Further the cost of electricity and fuel negatively affected the cost of production.
13. Capital expenditure -The Institute spend less on equipment and machinery due to the nature of the specialized equipment and most of them have to be imported or customized and manufactured specifically for the institute. The low spend on capital denied the institute future efficiency in production as a result of using old infrastructure.

Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

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

The Institute did not early adopt any new or amended standards in the year 2022/23.

4. Summary of significant accounting policies

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

a) Revenue recognition

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

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

Notes to the Financial Statements (Continued)

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

b) In-kind contributions

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

c) Property, Plant and Equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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Notes to the Financial Statements (Continued)

Summary of significant accounting policies

d) Depreciation and impairment of property, plant and equipment

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

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

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

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

e) Inventories

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

f) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

g) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute

Notes to the Financial Statements (Continued)

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period.

i) Trade and other payables

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

Summary of Significant Accounting Policies

j) Retirement benefit obligations

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

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the

Notes to the Financial Statements (Continued)

dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

l) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

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

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that

Notes to the Financial Statements Continued)

require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

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

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 11. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Example: provision for bad debts and provisions of obsolete stocks

d) Contingent liabilities

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

e) Employees Costs:

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

Notes to the Financial Statements (Continued)

6. Revenue

Description	2022-2023		2021-2022	
	US \$ '000	Kshs '000	US \$'000	Kshs'000
Sales on Account	195,393	140,318	1,936,288	116,280
Cash Sales	129,048	25,703	57.21	24,035
Sub Total	324,441	166,021	1,993.50	140,315
Conversion Rates	Various	-	Various	-
Total Kshs	40,079	166,021	206,100	222,758
				140,315
				363,073

7. Cost of Sales

Description	2022/23	2021-2022
Production Materials	44,815	60,920
Direct Labour	81,112	83,652
Other Staff Benefits	17,856	17,820
General Expenses attributable to production	84,625	88,556
Power, water, Fuel & Gases attributable to production	35,146	27,415
Maintenance, Repairs & Security attributable to Production	19,241	16,463
Depreciation attributable to production	8,175	76,726
Amortization attributable to production	4,438	610
Total production and Manufacturing Expenses	295,408	372,162

8. Finance Income

Description	2022/23	2021-2022
Interest earned from KCB MOI AVENUE Call Account	20,059	21,906
Interest earned from Car and Mortgage Kshs account	532	250
Interest earned from KCB KICC Kshs Account (1109016492)	58	20
Total	20,649	22,176

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Notes to the Financial Statements (Continued)

9. Other Income

Description	2022/23	2021-22
	Ksh'000	Kshs '000
Limuru Farm	414	4,092
Sundry income	<u>319</u>	541
Total	<u>733</u>	<u>4,633</u>

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

Description	2022-2023	2021-2022
	Ksh'000	Ksh'000
Foreign exchange gains / (losses)	10,184	1,070
Unrealized foreign exchange gains/(losses)	22,151	12,846
Total	<u>32,335</u>	<u>13,916</u>

11. Administration Costs

Description	2022-2023	2021-2022
	Ksh'000	Ksh'000
Staff costs (note 11b)	72,614	70,395
Communication services and supplies	3,215	5,888
Local Travel and subsistence	8,105	5,715
Foreign Travel and subsistence	307	43
Motor vehicles	1,655	1,122
Advertising, printing, stationery and photocopying	2,757	2,008
Staff training expenses	1,619	6,023
Office, Hospitality supplies and services	4,604	3,808
Bank charges and commissions	427	535
Auditors' remuneration	580	580
Legal fees	6,222	6,200
Consultancy fees	81	3,263
Licenses and permits/Subscription	107	1,308
Repairs and maintenance	471	465

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Provision for bad and doubtful debts (note 11c)	(2,662)	1,998
Depreciation	5,206	7,516
Other Operating Expenses-CSR	1,446	2,255
Other Operating Expenses-Covid 19 mitigation	176	312
Other Operating Expenses -Withholding tax	-	-
Miscellaneous Expenses-Limuru	419	121
Total	107,349	119,555

11b Staff Costs

Description	2022-2023	2021-2022
	Ksh'000	Ksh'000
Salaries	36,946	37,035
Pensions & NSSF	6,067	5,965
Medical	23,113	21,817
Commuter Allowance	2,727	2,812
Leave Travelling Allowance	2,472	2,496
Recruitment	-	-
Staff welfare	1,289	270
Total	<u>72,614</u>	<u>70,395</u>

11c Provision for Bad Debts

Description	2022/23	2021/22
	Ksh'000	Ksh'000
Trading debtors as at year end	184,542	450,729
Impairment at 1%	1,845	4,507
Provision as at 30/6/2022/23	4,507	2,509
Savings/Increase in provision	<u>2,662</u>	<u>1,998</u>

12. Selling and Distribution Costs

Description	2022-2023	2021/22
	Ksh'000	Ksh'000
Marketing and Promotional expenses	5,318	4,900
Total	5,318	4,900

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13. Finance Costs

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

14. Board Expenses

Description	2022/23	2021/22
	Ksh'000	Ksh'000
Sitting allowances	5,140	3,400
subsistence allowances	3,387	1,827
Transport expenses	1,984	1,274
Training expenses	529	300
Total	<u>11,040</u>	<u>6,801</u>

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Notes to the Financial Statements (Continued)
15. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	WIP	Totals
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Cost								
As at 1 ST July 2020	343,000	222,720	442,211	23,629	14,373	32,463	2,876	1,081,272
Additions	-	45,126	61,914	6,274	-	-	2,827	116,141
As at 1 ST July 2021	343,000	267,846	504,125	29,903	14,373	32,463	5,703	1,197,413
Additions	0	10,352	54,253	12,985	2,866	0	-	80,456
As at 01 July 2022	343,000	278,198	558,378	42,888	17,239	32,463	5,703	1,277,869
Addition	0	4,457	4,661	558	-	-	-	9,676
Disposal/Withdrawal	-	-	-	-	-	-	(5,703)	(5,703)
AT 30th June 2023	343,000	282,655	563,039	43,446	17,239	32,463	-	1,281,842
		DEPRECIATION						
As at 1 ST July 2020	-	39,475	420,966	16,088	11,352	28,367	-	516,247
Depreciation	-	5,357	63,016	3,738	1,797	1,365	-	75,273
As at 1 ST July 2021	-	44,832	483,981	19,826	13,148	29,733	-	591,520
Depreciation	-	5,564	69,797	5,361	2,155	1,365	-	84,242
As at 01 July 2022	-	50,396	553,779	25,187	15,303	31,098	-	675,763
Charge for the year	-	5,653	1,157	3,985	1,221	1,365	-	13,381
As at 30 June 2023	-	56,049	554,936	29,172	16,524	32,463	-	689,144
Net book values								
As at 30 June 2023	343,000	226,606	8,103	14,274	715	-	-	592,698
As at 30 June 2022	343,000	227,802	4,599	17,701	1,936	1,365	5,703	602,106

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Note

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases in court are as follows: -

- i) HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout Respectively.
- ii) ELC Civil Suit No. 1015 of 2016 Bangu Villa Estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.
- iv) JR ELC MISC APP. No 28 of 2010 Renege Projects ltd -VS- Commissioner of Lands & KARI. Leave to appeal to the Supreme Court sought.
- v) ELC 939/2014 KEVEVAPI VS. The AG & 14 Others- The case involves all the illegal acquisitions of KEVEVAPI land except land under suit 1066/2016, 454/2009
- vi) ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has delayed due to the constant unavailability of Kimeo Store's witness due to sickness KEVEVAPI has a case in court of Approximately Kshs. 80 million for FY 2017/18 intended for purchase lot of machinery and equipment for modernizing KEVEVAPI. The dispute is in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may lose money in buying a machine that does not conform to specifications.
- x) WIP -This refers to work in progress. This is the intangible assets (ERP software) The Institute is Installing (Microsoft Navision). By 30th June 2021, KEVEVAPI had paid the vendor Kshs. 5,703,193.

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Notes to the Financial Statements (Continued)

16. Intangible Assets

Description	2022-2023	2021/22
	Kshs'000	Kshs'000
Cost		
At July 1/07/2022	1,831	-
Additions	11,482	1,831
At June 30/06/2023	13,313	1,831
Amortization		
At July 1/07/2022	610	-
Charge For The Year	4,438	610
At June 30/06/2023	5,048	610
Net Book Value		
At June 30/06/2023	8,265	1,221

The intangible asset is composed of an ERP system procured for the institute.

17. Inventories

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Bulky and Filled vaccines	338,931	357,354
Chemicals, Glassware & Filtration	232,546	220,239
Engineering, livestock and lab Equip equipment	6,928	6,187
Fuel Oil	147	346
Others	10,086	9,522
Total inventories at the lower of cost and net realizable value	<u>588,638</u>	<u>593,648</u>

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18. Trade and other Receivables

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Current Receivables (Exchange Transactions)		
Ministry of Livestock	105	105
MTK Uganda	59,091	59,091
Ministry of Agriculture Rwanda	26,029	26,029
Ministry of Agriculture Uganda	38,681	319,494
Others	60,636	46,009
Sub-Total current receivables	<u>184,542</u>	<u>450,728</u>
Receivables from non – exchange contracts		
Staff advances and Imprest (non-exchange Transactions)	1,412	999
Deposits	2,624	2,094
Sub-Total Non-Trade receivables	<u>4,036</u>	<u>3,093</u>
Total Receivables	<u>188,578</u>	<u>453,821</u>
Less provision for Impairment	<u>1,845</u>	<u>4,507</u>
Total Net Receivables	<u>186,733</u>	<u>449,314</u>
Ageing analysis of gross Trade Receivables		
Less than 30 Days	12,373	207
Between 30 and 60 Days	481	
Between 61 and 90 Days	108	
Between 91 and 120 Days	111	
Over 120 Days	175,505	450,522
Total	<u>188,578</u>	<u>450,729</u>

19. Prepayment

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Production Reagents	-	1,697
Medical scheme	3,331	3,006
Totals	<u>3,331</u>	<u>4,703</u>

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20. Bank and Cash Balances

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Bank	202,711	136,045
Mortgage and Car loan	20,783	20,250
Cash-on-hand	1	Nil
Call on deposit (KCB Bank)	497,278	477,220
Total cash and cash equivalents	<u>720,773</u>	<u>633,515</u>

NB: Bank Figure Breakdown

Mpesa Balance	3,369,149.00	200
KCB Account No. 1109016492 Kshs	11,585,662.31	5,052,546.68
KCB Account No 1102301108 Kshs. (Foreign Exchange Account for inputs purchase)	156,393,726.64	53,899,031.92
KCB Account No.1107172764 Kshs	14,612,082.67	77,093,301.31
Bank Guarantee	16,749,900	
Grand Total	<u>202,710,520.62</u>	<u>136,044,879.91</u>

21. Share Capital Fund

	2022/2023	2021/22
	Kshs 000	Kshs 000
Issued Fund	367,249	367,249

22. Capital Grant

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

23. Revaluation Reserve

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

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24. Retained Earnings

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

25. Trade and Other Payables from Exchange Transactions

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Trade payables	15,525	11,014
Accruals rates	13,180	13,180
Accruals security services	-	490
Accruals-Electricity bill	2,381	1,715
Staff Creditors-Stale cheques	-	2
Accruals-Water bill	477	106
Audit fee	1,160	1,160
Total Trade payables	32,723	27,667

26. Payment received in Advance

Description	2022/23	2021/22
	Kshs 000	Kshs 000
Payments received in advance by counties	62,831	96,369
Galvmed Project	1,127	1,127
Kasal project	114	114
Asal project	200	200
Kalro Collaboration	214	3,202
International Dev't Research	285	285
Zoetis Project	6,283	1,547
Gatsby Africa	1,963	-
Total payment in advance	73,017	102,844

Aging Analysis for Trade Payables

	2022/23	% of the total	2021/22	% of the total
Under one year	8,655,033.45	56	4,607,211.45	42
1-2 years	1,478,274.00	10	1,721,483.05	16

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2-3 years	618,935.60	4	346,339.40	3
Over 3 years	4,772,007.95	30	4,339,118.55	39
Total	15,524,251.00	100	11,014,152.45	100

27. Financial Risk Management

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

Fair values

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

Notes to the Financial Statements (Continued)		
Financial Assets	Carrying Amount	Fair value
At 30 June 2023	Kshs,000	Kshs,000
Receivables from non-exchange transactions	4,036	4,036
Receivables exchange transactions	184,542	182,697
Cash and cash equivalents	720,686	720,686
Total	909,264	907,419

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

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

Credit risk

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

other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2023 was:

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	Fully performing	Past due	Impaired	Total
	Kshs,000	Kshs,000	Kshs	Ksh,000
Trade receivables	13,148	175,430	(1,845)	186,733
Cash and cash equivalents	<u>720,773</u>	-	-	<u>720,773</u>
Maximum exposure to credit risk	<u>733,921</u>	<u>175,430</u>	<u>(1,845)</u>	<u>907,506</u>

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

Credit quality

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

Receivables

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

Cash and cash equivalents

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

Liquidity risk

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

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 3 months Kshs 000	Total Kshs 000
At 30 June 2023				
Trade payables from exchange transactions	14,487	58,898	19,175	92,560
Trade payables from Non exchange transactions			13,180	13,180
	14,487	58,898	32,355	105,740

Market risk

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

(i) Price risk

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

(ii) Interest rate risk

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

(iii) Foreign currency risk

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

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

Description	2023	2022	2023	2022
	USD	USD	Kshs	Kshs
Assets	-	-	-	-
Bank and cash balances	1,112,936.46	457,421.15	156,393,726.04	53,899,031.92
Receivables	951,596.77	3,433,883.89	133,721,708.73	404,622,780.42
	2,064,533.23	3,891,305.04	290,115,434.77	458,521,812.34

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At 30 June 2022 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 45,852,181.23 (Shs504,373,993.57 – Shs 458,521,812.34)

Capital risk management policies

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

The capital structure of the Institute consists only of a general fund. The gearing ratio of the Institute is therefore 0%.

28. Related Party Disclosures

Government of Kenya

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

The entity is related to

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

Transactions with related parties

Description	2022-2023	2021-2022
	Kshs'000	Kshs'000
a) Due from related parties		
Due from Parent Ministry	105	105
Due from County Government	13,379	676
Sales of vaccines to govt agencies		
Others (specify)		
Total	13,484	657
b) Due to related parties		
Purchases of electricity from KPLC	2,381	1,715
Purchase of water from govt service providers	477	106
Training and conference fees paid to govt. Agencies	-	-
Due to County Governments	60,711	96,369

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Description	2022-2023	2021-2022
	Kshs'000	Kshs'000
Total	63,569	98,190
c) Grants from the government		
Grants from national govt	Nil	20,000
Grants from county government		
Donations in kind		
Total	Nil	20,000
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	Nil	Nil
Payments for goods and services for xxx	Nil	Nil
Total	Nil	Nil
e) Key management compensation		
Directors' emoluments	11,040	6,801
Chairman's Honoraria	1,020	1,020
Compensation to key management	5,648	5,939
Total	17,708	13,760

29. Capital Commitments

Capital commitments	2022/23	2021/22
	Kshs 'Millions	Kshs' Millions
Authorized for	165	360
Authorized and contracted for	21	82

30. Contingent Assets and Contingent Liabilities

Contingent liabilities	2022/23	2021/22
	Kshs	Kshs
HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued	Not Valued
ELC 939/2014 KEVEVAPI VS. The AG & 14 Others	Not Valued	Not Valued
ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI	Not Valued	Not Valued
Mwaniki Gachuba Advocates -vs- KEVEVAPI	16,885,947	-
Total	Not Valued	Not Valued

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Note

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases currently in in court are as follows: -

1. ELC 939/2014 KEVEVAPI vs. The AG & 14 Others- The case involves 77.67 Ha of KEVEVAPI land. The Institute has lodged a notice of appeal through its External Counsel, P.K Mbaabu and the said Counsel representing the Institute has lodged a fee note of **Kshs. 627,902,935**.
2. ELC 175/2010 Kimeo Stores Limited vs. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has been delayed due to the constant unavailability of Kimeo Store's witness due to sickness.
3. ELC 455 of 2009 - Trust land Developers Limited vs KARI, KEVEVAPI, the Land Registrar and Commissioner of Lands. (Land measuring 2.023 hectares).
4. High Court J.R Misc. Application No. E027 & E028 of 2023 - Mwaniki Gachuba Advocates -vs- KEVEVAPI. The matters involve taxation of an Advocate/client Bill of costs over cases of Approximately Kshs. 80 million for FY 2017/18 intended for purchase lot of machinery and equipment for modernizing KEVEVAPI (on the award of the tender KVVPI/T/2017-18). The two Advocate/Client Bill of costs add up to **Kshs. 16,885,947** and in the event that the Court taxes the Bills as drawn, then the Institute will have to pay the aforementioned Advocate the amount that the Court will award.

31. Surplus Remission to The National Treasury

On 18/11/2018, the Institute paid surplus funds through RTGS of Kshs. 200 million To The National Treasury.

32. Events after the reporting period

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

33. Ultimate and Holding Entity

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

34. Currency

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

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19 Appendix 1 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve the	Status: (Resolved / Not Resolved)	Timeframe:
2022/1-Long Outstanding Receivables	The statement of financial position reflects net receivable balance of Kshs. 449,314,000 and as disclosed in Note 18 to the financial statements. The balance increased by Kshs. 197,365,000 equivalents to 78% more of the balance of Kshs. 251,949,000 reported in 2020/2021 financial year. Although management has made a provision against the long outstanding debts amounting to Kshs. 4,507,280 the provision appears inadequate with the growing receivables balance.	<p><i>Management have initiated serious efforts in collecting these debts and this has yielded good results. As at 31/12/2022 the total receivables stood at Kshs. 169.2 million (attached Annex) compared to Kshs.449.314 million as at 30/06/2021. Further, management is at an advanced stage in procuring a debt collector. Currently the Board is considering legal action and referring the defaulters to credit bureau to enhance recovery.</i></p> <p><i>In the existing policy on provision of bad and doubtful debts, the provision is set at 1%. The management will review this in a comprehensive credit policy to have different rates of provision based on the age of the debt. Further, to be able to collect much of</i></p>	Chief Executive Officer (CEO)	Ongoing	02/10/2023.

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	In the circumstances, the recoverability of the long outstanding accounts receivables totaling Kshs. 449,314,000 as at 30 June, 2022 could not be confirmed	<i>the debts, management has allocated a full-time staff to lead the exercise of debt collection. This is covered under Note 23 Financial Risk Management –Credit Risk</i>			
2022/2- Motor Vehicles Without Logbooks	The statement of financial position reflects property, plant and equipment balance of Kshs. 602,106,000 and as disclosed in Note 15 to the financial statements which includes motor vehicles with a net book value of Kshs. 1,365,000. However, one motor vehicle and one trailer do not have ownership documents while three (3) vehicles are registered under the defunct Kenya Agriculture Research Institute (KARI) yet they are in the custody and control of the Institute. No explanation was provided for failure to	<i>The Presidential Circular No 3 of 2003 transferred the functions of the former KEVEVAPI into the former Kenya Agricultural Research Institute K.A.R.I. (currently the Kenya Agricultural Livestock Research Organization KALRO). Following the merger of KEVEVAPI to KARI, the latter's management integrated the former institution into mainstream KARI as a Centre named The Veterinary Vaccines Production Centre of Kenya Agricultural Research Institute (KARI-VVPC). <i>On transfer of the functions of KEVEVAPI to KARI, the listed motor vehicles/plant registered under former Kenya Agriculture Research Institute (KARI) currently, the Kenya</i></i>	Chief Executive Officer (CEO)	Ongoing	02/10/2023

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	<p>transfer the ownership of the vehicles to the Institute.</p> <p>In the circumstances, the ownership status of the four (4) motor vehicles with a net book value of Kshs 1,365,000 could not be confirmed.</p>	<p><i>Agricultural Livestock Research Organization KALRO) were provided by the former KARI to the Veterinary Vaccines Production Centre for use in support of its operations in veterinary vaccines production.</i></p>			
2022/3- Fixed Assets Register	<p>The Institute did not maintain a proper fixed asset register. The register that was availed for audit did not comply with the guidelines provided by the National Treasury template and lacked critical information like the source of funds, date of delivery, depreciation, net book value of assets and the responsible personnel for the assets. Motor vehicle details were also missing from the asset register.</p> <p>In the circumstances, the existence, ownership, and valuation of assets with a</p>	<p><i>The Management procured valuation services for the Institute's assets through open tender during the 2018/2019 financial year. The contract was awarded to University of Nairobi Enterprises and Services Limited (UNES). The final assets valuation report was presented to the institute on 11 March, 2020 reflecting a total revalued sum of Kshs. 12,775,074,810, a sum which the Institute disputed for arithmetic inaccuracy. The Management could not incorporate the revalued amounts in the financial statements since there were omissions in the final asset valuation draft report. These omissions were raised and</i></p>	Chief Executive Officer (CEO)	Ongoing	02/10/2023

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	<p>cumulative net book value of Kshs. 602,106,000 as at 30 June,2022 could not be confirmed.</p>	<p><i>KEVEVAPI is awaiting a corrected final report.</i></p> <p><i>For the vehicles unaccounted in the valuation forms the basis of KEVEVAPI returning the draft report to University of Nairobi Enterprises and Services Limited (UNES).</i></p> <p><i>The institute has written to UNES to correct the errors of the detailed report verses the summary and classify computers as standalone and to comply with the guidelines provided by the National Treasury template.</i></p>			
<p>1. 2022/4C Corporate Social Responsibility</p>	<p>The statement of profit or loss and other comprehensive incomes reflects an amount of Kshs. 119,555,000 under administration costs. Included in this amount is an expenditure of Kshs. 2,255,000 under corporate social responsibility (CSR) as disclosed at note 11 to the financial statements. The Institute incurred the</p>	<p><i>Management wish to state that in the FY 2021/22, the amount incurred was Kshs. 2,255,000 and not the Kshs. 3,701,000. This was a community project where the community wrote to the CEO with evidence of feasibility study, a report from Kenya water resource management (Mt. Kenya East Region, land ownership Registered under the Community and community registered certificate.</i></p>	<p>Chief Executive Officer (CEO)</p>	<p>Ongoing</p>	<p>02/10/2023.</p>

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	<p>expenditure on Britsel International Ltd for drilling and installation of a borehole at Kamuketha in Meru County. Although the initial contract sum was for Kshs.2,255,000 the geologist noted that there was need to resurvey another drilling point after the first site collapsed. He also noted that the original the bill of quantity had arithmetic errors. The cost of drilling a second site and the correction of arithmetic errors increased the cost to Kshs. 3,701,000. This resulted in the Institute exceeding the approved budget of Kshs. 2,000,000 by Kshs. 1,701,000.</p> <p>Further, the management did not provide for audit, documents to support the criteria used in identifying the corporate social responsibility activity nor explain why a proper feasibility study was not being done prior to the project implementation. In</p>	<p><i>The Kamuketha farmers in Meru County wrote to the Institute to be supported to get source of water through drilling of a borehole. The request was to assist 1,600 livestock farmers, 1,700 households with irrigation and domestic water. The request was presented to the Board of Directors who deliberated and considered the request. The Board tasked management to undertake due diligence and establish the existence and viability of the project. To conduct the due diligence, the Board Chairman, the CEO, the Marketing officer and the Legal Officer made a site visit to confirm the need. After confirmation, the Institute followed the due procurement process and did feasibility study as per the attached documentations.</i></p>			
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	<p>addition, there was no evidence that the drilling was authorized and approved by the Water Resource Authority and National Environment Management Authority among other government institutions.</p> <p>In the circumstances, the regularity of the expenditure of Kshs. 2,255,000 for year ended 30 June,2022 on corporate social responsibility could not be confirmed and value for money may not have been realized.</p>				
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<p>2021/1.1.1.2 &1.3</p>	<p>Property, Plant and Equipment- Land</p>	<p><i>-We have a case in court concerning the illegal allocation of The Institute Land L.R No. 209/11969 at Embakasi awaiting court ruling.</i> <i>-The Land at Kibiko does not exist in our books. An inquiry at the Lands Registrar office in Ngong on 03/08/2017 revealed that we need a title deed to do a search and advised we refer the matter to the Ministry of Lands to establish the LR No. and to whom the land was apportioned.</i> <i>-On the issue of land at Kabete, the land is owned by the DVS and we are relating well as we also house some of the DVS function at our offices in Embakasi.</i> <i>-The land AT Limuru still has a court case. The case started when KEVEVAPI was under KARI and therefore the reason for delayed transfer. As at 30/06/2016, The Institute had instructed the legal counsel to initiate transfer process.</i></p>	<p>Chief Executive Officer (CEO)</p>	<p>Ongoing</p>	<p>Awaiting Court decision.</p>
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Chief Executive Officer
 Date... 30/1/2024

Chairman of the Board
 Date 30-01-2024

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**Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY
Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	1.75 Billion	1,166,273,860	66.64 %	70 Million	Nil	G.O.K Committed

Appendix III: INTER-ENTITY TRANSFERS

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

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

Head of Accounting Department

KEVEVAPI

Sign  Date

Name: Peter Macharia

Head of Accounting Department

Ministry of Agriculture, Livestock and Fisheries,

Department of Livestock.

Sign----- Date

Name:

Appendix IV: Reporting of Climate Relevant Expenditures

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Name of the Organization: Kenya Veterinary Vaccines Production Institute

Telephone Number

Email Address: vaccines@kevevapi.or.ke

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

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

Engineer Bernard Kuria 0725536477

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

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Appendix V: Disaster Expenditure Reporting Template

Date: 30/06/2023

Entity Kenya Veterinary Vaccines Production Institute

Period to which this report refers (FY)	Year Financial Year 2022/2023			Quarter 1,2,3,4		
Name of Reporting Officer	Dr Michael Kiraithe					
Contact details of the reporting officer:	Email michael.kiraithe@kevevapi.or.ke			Telephone 0790563166		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Program me	Sub-program me	Disas ter Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/prep aredness)	Expendit ure item	Amount (Kshs'000)	Commen ts
		Hum an diseas e contr ol	Purchase of mask and sanitizers	Masks and sanitizer s	176	

