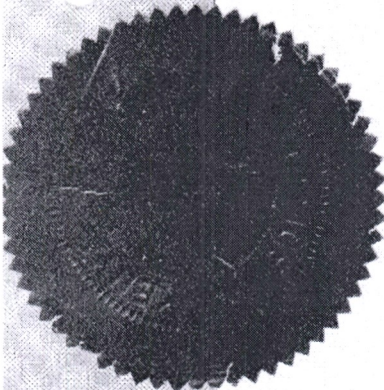




KENYA NATIONAL AUDIT OFFICE



**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**



ON

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**THE FINANCIAL STATEMENTS OF
KENYA INDUSTRIAL PROPERTY
INSTITUTE FOR THE YEAR ENDED
30 JUNE 2009**

KENYA INDUSTRIAL PROPERTY INSTITUTE



Weights & Measures Building
Popo Road, Off-Mombasa Road, South 'C'
P.O. Box 51648 – 00200, NAIROBI
Telephone: 602210/11
Fax: 606312
Wireless: 0202386220
E-mail: info@kipi.go.ke
Website: <http://www.kipi.go.ke>

FINANCIAL STATEMENTS

FOR THE YEAR

1ST JULY, 2008

TO 30TH JUNE, 2009

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GENERAL INFORMATION

BOARD MEMBERS

- | | | |
|-----|-----------------------|--------------------|
| 1. | Prof. Henry M. Thairu | Chairman |
| 2. | Eng. David Mutonga | Director |
| 3. | Dr. Wesley Ronoh | " |
| 4. | Dickson Poloji | " |
| 5. | Betty Maina | " |
| 6. | Marisella Ouma | " |
| 7. | Tom Ojienda | " |
| 8. | Samuel Wambugu | " |
| 9. | Mr. Julius Biginga | " |
| 10. | Mr. Godfrey Kalerwa | " |
| 11. | Ms. Joy Murithi | " |
| 12. | Mr. Abdi Gonjobe | " |
| 13. | Mary Lopokoityit | " |
| 14. | Prof. James Odek, EBS | MD, KIPI/Secretary |

PHYSICAL LOCATION

Weights & Measures Building,
Popo Road, Off Mombasa Road,
South 'C',
P.O. Box 51648 – 00200
City Square,
NAIROBI.

AUDITORS

Controller and Auditor General,
Kenya National Audit Office,
Anniversary Towers,
P.O. Box 30084 – 00100,
NAIROBI.

BANKERS

Kenya Commercial Bank Limited,
Kipande House Branch,
P.O. Box 30012 – 00100,
NAIROBI.

REPORT OF THE BOARD OF DIRECTORS

The Board presents the Financial Statements for the year 1st July, 2008 ended 30th June, 2009.

INTRODUCTION

The Kenya Industrial Property Institute is a body corporate established under the Industrial Property Act 2001. The Act came into effect on 2nd May, 2002, but the Board was inaugurated in 2004 when the Institute was operating as Kenya Industrial Property Office in the Ministry of Trade and Industry. It is also worthy noting that KIPI got authority to open an account in July, 2005.

MANDATE

The principle activity of the Kenya Industrial Property Institute is to examine applications and grant Industrial Property rights for patents, trademarks and industrial designs both local and international.

RESULTS

	2008/2009 KSH.	2007/2008 KSH.
Total Income for the Year	120,056,895	111,242,482
Less: Total Expenditure for the Year	98,804,870	93,759,644
	<hr/>	<hr/>
Operating Surplus	21,252,025	17,482,838
	<hr/> <hr/>	<hr/> <hr/>

BOARD MEMBERS

The present Board members are on Page 2.

AUDITORS

The Controller and Auditor General is the Auditor of the Institute.

BY ORDER OF THE BOARD


PROF. JAMES OTIENO ODEK, EBS

MANAGING DIRECTOR/SECRETARY TO THE BOARD

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of clearly defined authorities and responsibilities which results in the establishment, operation and maintenance of the system of internal control that is regularly tested to ensure effectiveness. The system enables the Board to ensure that the Institute runs smoothly. The Board has now formulated and developed financial procedures for the Institute.

At Kenya Industrial Property Institute we place a great deal of importance on robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. It has also introduced individual targets and performance indicators.

The Board of the Institute has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of the Board, management and the staff.

The Board had set up three key Board committees to help in the implementation of its policy guidelines and strategic plan. These include;

- (i) Human Resource and Administration Committee
- (ii) Audit Committee
- (iii) Finance and General Purposes Committee

These Committees meet when there is need and are chaired by selected chairmen who are Board members.

The Committees report their findings to the Board for further deliberations,

The Board meets regularly and has a formal schedule of matters reserved to it. All Board members have access to the Board secretary. Currently, the Board comprises of fourteen (14) members including the Managing Director who is the secretary to the Board.



PROF. HENRY THAIRU
CHAIRMAN OF THE BOARD

STATEMENT OF THE DIRECTORS RESPONSIBILITIES

The State Corporation Act, the Industrial Property Act 2001 and the Trade Marks Act Cap 506 require the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Institute at the end of the financial year. It also requires the Directors to ensure the Institute keeps proper accounting records, which disclose the reasonable accuracy at any time of the financial position of the Institute. They are also responsible for safeguarding of the assets of the Institute.

The Board members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates in conformity with International Financial Reporting Standards and in the manner required by the State Corporations Act, Industrial Property Act 2001 and the Trade Marks Act Cap 506. The Board members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs. The Board members further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

BOARD MEMBER *Samuel M. Mombembe* **DATE** *7/12/09*

BOARD MEMBER *Godfrey P. Kalerwa* **DATE** *07-12-09*

STATISTICAL INFORMATION

	<u>2008/2009</u>	<u>2007/2008</u>
	<u>AMOUNT (KSH.)</u>	<u>AMOUNT (KSH.)</u>
Capital Fund	35,696,435	35,696,435
Reserve Fund	85,711,347	69,112,631
Special Fund	165,877,344	111,001,004
Current Liabilities	290,880	195,829
Current Assets	266,567,391	193,113,360
Property, Plant and Equipment	21,008,618	22,892,538
Income	120,056,895	111,242,481
Expenditure	98,804,870	93,759,644
Surplus	21,252,025	17,482,838
Current Ratio	916	986



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE 2009

I have audited the financial statements of Kenya Industrial Property Institute set out at pages 7 to 20 which comprise the balance sheet as at 30 June, 2009, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements which give a true and fair view of the Institute's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

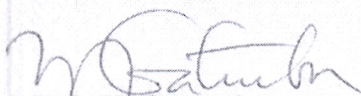
My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Institute's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Institute as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Institute as at 30 June, 2009 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Industrial Property Act, 2001.



A. S. M. Gatumbu
CONTROLLER AND AUDITOR GENERAL

Nairobi

30 November 2009

KENYA INDUSTRIAL PROPERTY INSTITUTE
BALANCE SHEET AS AT 30TH JUNE, 2009

ASSETS	NOTES	<u>2008/2009</u>	<u>2007/2008</u>
NON CURRENT ASSETS		KSH.	KSH.
Property, Plant & Equipment	5 Pg. 18	21,008,618	22,892,538
CURRENT ASSETS			
Inventories	1(g) Pg. 12	3,723,012	5,739,044
Trade & Other Receivables	2(c) Pg. 14	18,131,153	13,509,431
Subscriptions Prepaid & Other Prepayments	2(c) Pg. 14	65,300	305,368
Library Books	6(c) Pg. 19	2,557,416	7,210,725
Investments	6(a) Pg. 19	233,558,766	153,923,317
Cash & Bank Balances	4(b) Pg. 17	8,531,741	12,425,476
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		266,567,388	193,113,360
Total Assets		<u>287,576,006</u>	<u>216,005,899</u>
 FUND, GRANTS AND LIABILITIES			
Capital Fund	3 Pg. 16	35,696,435	35,696,435
Reserve Fund	2(b) Pg. 13	85,711,347	69,112,631
Special Fund	6(b) Pg. 19	165,877,344	111,001,004
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		287,285,126	215,810,070
 CURRENT LIABILITIES			
Trade & Other Payables	7 Pg. 20	290,880	195,829
TOTAL FUNDS AND LIABILITIES		<u>287,576,006</u>	<u>216,005,899</u>


 PROF. HENRY M. THAIRU
CHAIRMAN


 PROF. JAMES OTIENO ODEK, EBS
MANAGING DIRECTOR/SECRETARY TO THE BOARD

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED
30TH JUNE, 2009

<u>INCOME</u>	<u>NOTES</u>	<u>2008/2009</u>	<u>2007/2008</u>
		<u>AMOUNT (KSH.)</u>	<u>AMOUNT (KSH.)</u>
Operating Income	2(a) Pg. 13	88,323,884	84,361,171
Grants Received	2(a) Pg. 13	21,178,378	21,178,608
Operating Income		109,502,262	105,539,779
Other Income (Interest)	2(a) Pg. 13	10,554,633	5,702,702
Total Income		120,056,895	111,242,481
<u>EXPENDITURE</u>			
Operating Expenses	2(e) Pg. 15	25,424,214	22,311,934
Administrative Expenses	2(g) Pg. 16	8,714,624	11,203,182
Staff Costs	2(f) Pg. 15	59,487,551	54,405,833
Audit Fees	7 Pg. 20	150,000	100,000
Depreciation	5 Pg. 18	5,028,481	5,738,695
		98,804,870	93,759,644
Surplus for the Year		21,252,025	17,482,838

**STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR
ENDED 30TH JUNE, 2009**

	CAPITAL FUND KSH.	RESERVES FUND KSH.	SPECIAL FUND KSH.	TOTAL KSH.
As at 1st July, 2008	35,696,435	69,112,631	111,001,004	215,810,070
Surplus for the Year	-	21,252,025	-	21,252,025
Prior Year Adjustments	-	4,653,309	-	4,653,309
Growth in Special Fund During the Year	-	-	54,876,340	54,876,340
As at 30th June, 2009	35,696,435	85,711,347	165,877,344	287,285,126

CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2009

	<u>NOTES</u>	<u>2008/2009</u>	<u>2007/2008</u>
<u>SOURCES OF FUNDS:</u>		<u>KSH.</u>	<u>KSH.</u>
Surplus/Deficit for the Year		21,252,025	17,482,838
<u>ADJUSTMENTS FOR THE YEAR:</u>			
Depreciation	5 Pg. 18	5,028,481	5,738,695
Cash Generated from Trading Activities		26,280,506	23,221,532
<u>OTHER SOURCES OF FUNDS:</u>			
Collections Generated from Non-Operating Activities		54,876,340	43,475,075
Total Generated from Operating Activities	4 (a) Pg. 17	81,156,846	66,696,607
<u>WORKING CAPITAL ITEMS:</u>			
Increase (Decrease) in Subscriptions Prepaid		240,068	-305,368
Increase (Decrease) Trade & Other Payables		95,051	-835,443
Decrease (Increase) in Inventory		2,016,032	-1,360,951
Decrease (Increase) in Trade & Other Receivables	-	4,621,722	-3,508,355
Net Cash Generated from Operating Activities		78,886,275	60,686,490
<u>CASHFLOW FROM INVESTING ACTIVITIES:</u>			
Purchase of Fixed Assets	5 Pg. 18	- 3,144,560	-5,039,150
Increase in Cash and Cash Equivalents		75,741,715	55,647,340
Cash Equivalents at the Beginning of the Year	4(b) Pg. 17	166,348,792	110,701,452
Cash Equivalents at the End of the Year		242,090,507	166,348,792
<u>SUMMARY OF CASH AND BANK BALANCES</u>			
Cash on Hand and Balance with Bank	4(b) Pg. 17	8,531,741	12,425,476
Investments		233,558,766	153,923,317
TOTAL		242,090,507	166,348,792

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 1ST JULY,
2008 TO 30TH JUNE, 2009**

1. SIGNIFICANT POLICIES

The principle accounting policies adopted in preparation of these financial statements are set out as below.

(a) THE BASIS OF ACCOUNTING

The financial statements are prepared in accordance and comply with the international reporting standards (IFRS). These statements have been prepared under the historical cost convention. These policies have been consistently applied to all years presented unless otherwise stated.

(b) ACCOUNTING FOR GRANTS

Grants are accounted for and charged to the Income Statement on accrual basis. The treatment complies with the matching of income and expenditure concept.

(c) INCOME RECOGNITION

- (i) The total income charged to income and expenditure Statement is recognized on cash basis and credited to revenue account.
- (ii) Interest earned on investments is recognized as it accrues unless its collectibility is in doubt.

(d) PROPERTY, PLANT AND EQUIPMENT

- (i) All property, plant and equipment are initially recorded at historical cost less accumulated depreciation. Depreciation is calculated using the reducing balance method to write off the cost of each asset to its residual value over its estimated useful life.

(e) DEPRECIATION

Depreciation of property, plant and equipment is calculated to write off the cost or the revalued amounts on reducing balance basis using the following annual rates:

Furniture and Equipment	12.5%
Computers	30.0%
Motor Vehicles	25.0%

The excess annual depreciation attributable to revaluation surplus on property, plant and equipment is transferred annually from the revaluation surplus to the revenue reserve.

The assets residual values and lives are reviewed and adjusted if appropriate at each balance sheet date.

(f) CAPITAL FUND

This consists of cumulative figure from the donated assets capitalized at the cost price.

(g) INVENTORIES

Inventories are stated at the lower of cost and net realizable value.

(h) CURRENCY TRANSACTIONS

Assets and liabilities that are denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling on the balance sheet date. Transactions during the year which are expressed in foreign currencies are translated at the rates ruling on the dates of the transactions. Gains and losses on exchange are dealt with in the Income Statement.

(i) COMPUTER SOFTWARE DEVELOPMENT COST

Cost associated with maintaining software programmes are recognized as an expense incurred and charged to profit and loss account.

2. (a) INCOME

	<u>2008/2009</u>	<u>2007/2008</u>
	KSH.	KSH.
(i) Operating Income (Collections from Appropriation In Aid)	88,323,884	84,361,171
(iii) Other Income (Interest)		
Interest from Treasury Bills	7,782,883	5,010,138
Accrued Interest	2,696,660	510,309
Interest on Account No. 1104 172 208 - Operation	28,132	2,553
Interest on Account No. 1103 867 768 - Deposit	43,737	96,976
Interest on Account No. 1104 693 363 - Revenue	3,221	82,727
Sub-total of Income	98,878,517	90,063,874
 Add: GOK Grants - Recurrent		
	<u>2008/2009</u>	<u>2007/2008</u>
	KSH.	KSH.
July	1,764,865	1,764,882
August	1,764,865	1,764,910
September	1,764,865	1,764,883
October	1,764,865	1,764,882
November	1,764,865	1,764,882
December	1,764,865	1,764,882
January	1,764,865	1,764,882
February	1,764,865	1,764,882
March	1,764,865	1,764,882
April	1,764,865	1,764,882
May	1,764,865	1,764,882
June	1,764,865	1,764,882
	21,178,378	21,178,608
	120,056,895	111,242,482
(b) RESERVE FUND		
Reserve Fund Charged to the Balance Sheet Consists of:		
(I) Profit & Loss B/F	69,112,631	51,629,793
(ii) Prior Year Adjustments (Library Books)	-	4,653,309
(iii) Profit for the Year	21,252,025	17,482,838
	85,711,347	69,112,631

(c) TRADE & OTHER RECEIVABLES

	2008/2009 KSH.	2007/2008 KSH.
(a) Fees Receivable from ARIPO & WIPO		
Fees Receivable from ARIPO	1,957,748	
Fees Receivable from WIPO	13,476,745	9,469,363
GOK Grants Receivable	-	3,529,760
Interest Receivable	2,696,660	510,308
	18,131,153	13,509,431

The receivable in dollars were converted into Kenya Shillings at the prevailing exchange rate as at 30th June, 2009 of 1 USD = 76.20 and 1 S.Franc = 67.80

These comprised of the following
 ARIPO USD.25,692.23
 WIPO S.Francs 2,000

(b) Prepayments

This consists of the staff advances which are recoverable in one year.

Advance Payment to WIPO	-	305,368
Staff Advances	65,300	-
	65,300	305,368

(d) PERSONAL EMOLUMENTS

Staff Costs charged to the accounts consists of:

- (i) Staff Pension Fund
- (ii) Staff Salaries which includes:-
 - (a) Basic Salary
 - (b) House Allowance
 - (c) Medical Allowance
 - (d) Entertainment Allowance

OPERATING EXPENSES

2 (e)		2008/2009	2007/2008
		KSH	KSH
2210100	Utilities Supplies and Services	19,450	907,263
2210200	Communication Supplies and Services	1,827,279	2,430,606
2210300	Domestic Travel and subsistence, and other Transportation Costs	998,113	700,000
2210400	Foreign Travel and Subsistence, and other Transportation Costs	3,499,875	4,600,000
2210500	Printing, Advertising, and Information supplies and Services	1,713,258	1,508,500
2211000	Specialized Materials and Supplies	492,048	660,160
2211100	Office and General Supplies and Services	5,280,465	4,893,214
2211200	Fuel Oil and Lubricants	1,162,451	1,284,116
2211300	Other Operating Expenses - Contracted Guards, Cleaning Services & Contracted Professional Services	8,581,982	2,796,734
2220100	Routine Maintenance -Vehicles and Other Transport Equipment	596,188	550,000
2220200	Routine Maintenance - Other Assets	999,014	1,500,000
	Bank Charges	254,091	230,405
	Exchange Loss	-	250,935
	TOTAL	25,424,214	22,311,934
3111000	Purchase of Office Furniture & General Equipment	3,144,560	5,039,150
2 (f)	<u>STAFF COSTS</u>	<u>2008/2009</u>	<u>2007/2008</u>
2110100	Basic Salaries - Permanent Employees	35,688,488	33,522,355
2110300	Personal Allowances Paid as Part of Salary	15,120,480	15,299,982
2120202	Medical	3,664,821	
2120302	Pension	5,013,762	5,583,497
		59,487,551	54,405,833

The deviation in the staff costs during the year was caused by recruitment of new staff.

ADMINISTRATIVE EXPENSES

	<u>2008/2009</u> KSH.	<u>2007/2008</u> KSH.
2. (g)		
Training Expenses (Including Capacity Building)	1,249,569	1,250,000
Hospitality Supplies and Services	2,660,181	8,000,000
Board Members Allowances	4,499,506	
Membership Fees and dues, and Subscriptions to International Organizations	305,368	1,953,182
	<hr/>	<hr/>
TOTAL	8,714,624	11,203,182
	<hr/> <hr/>	<hr/> <hr/>

The total expenditure in Administrative Expenses of KSh.8,714,624 consists of the Board Members Allowances amounting to KSh.4,499,506 during the Financial Year.

3. CAPITAL FUND

	<u>2008/2009</u> KSH.	<u>2007/2008</u> KSH.
Balances B/f	35,696,435	30,657,285
New Assets Acquired During the Year		5,039,150
	<hr/>	<hr/>
	35,696,435	35,696,435
	<hr/> <hr/>	<hr/> <hr/>

4. **(a) NOTES TO THE CASH FLOW STATEMENT****(a) Reconciliation of Operation Surplus for the Year to Cash Generated from other Operations**

	<u>2008/2009</u> KSH.	<u>2007/2008</u> KSH.
Operating Surplus for the Year	22,932,049	17,482,838
Depreciation Charge for the Year	5,028,481	5,738,695
Collections from Non Operating Activities Including Adjustments for Investment Income	54,876,340	43,475,075
Net Cash Generated from Operations	82,836,870	66,696,607

(b) Analysis of Cash & Cash Equivalents

for the Purpose of Cashflow Statements, the year end Cash and Cash Equivalents Comprise of the Following

(i) Bank and Cash Balances

Bank Balance	8,343,935	11,519,099
Cash in Hand	187,806	90,993
Cheques at Hand (Reinstated)		815,384
	8,531,741	12,425,476

(ii) Investments

Balance B/F	18,732,458	32,236,310
Treasury Bills	39,403,600	29,513,136
Treasury Bills	142,405,309	91,663,562
Treasury Bills	33,017,399	510,309
	233,558,766	153,923,317
	242,090,507	166,348,792

The Cash and Cash Equivalents include short-term liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2009**5. FIXED ASSETS**

	MOTOR VEHICLES	COMPUTERS	FURNITURE & EQUIPMENT	TOTAL
	KSH.	KSH.	KSH.	KSH.
Cost				
As at 1.7.08	16,681,306	9,737,883	16,209,830	42,629,019
Additions	-	1,153,400	1,991,160	3,144,560
As at 30.06.09	16,681,306	10,891,283	18,200,990	45,773,579
Depreciation				
As at 1.7.08	9,463,880	5,910,338	4,362,262	19,736,480
Charge for the Year	1,804,357	1,494,283	1,729,841	5,028,481
As at 30.06.09	11,268,237	7,404,621	6,092,103	24,764,961
NET BOOK VALUE				
As at 30th June, 2009	5,413,069	3,486,662	12,108,887	21,008,618
As at 30th June, 2008	7,217,426	3,827,545	11,847,568	22,892,538

6. (a) INVESTMENTS

	<u>2008/2009</u>	<u>2007/2008</u>
	KSH.	KSH.
Balance B/F	18,732,458	32,236,310
Treasury Bills	39,403,600	29,513,136
Treasury Bills	142,405,309	91,663,562
Treasury Bills	33,017,399	510,309
	<u>233,558,766</u>	<u>153,923,317</u>

This is the short-term liquid investment in Treasury Bills as at 30th June, 2009 which are convertible to known amounts of cash and within three months to maturity.

6. (b) SPECIAL FUND

These are deposits being collections of publication and advertisement of the Industrial Property Journals

	KSH.
Balances as at 30/6/08	111,001,004
Add Collections and Interest During the Year	<u>54,876,340</u>
Total Charged to the Balance Sheet as per the Accounts	<u><u>165,877,344</u></u>

6 (c) LIBRARY BOOKS

The library books are stated at cost and carried as assets in the balance Sheet and no depreciation is charged on the library books.