

REPUBLIC OF KENYA



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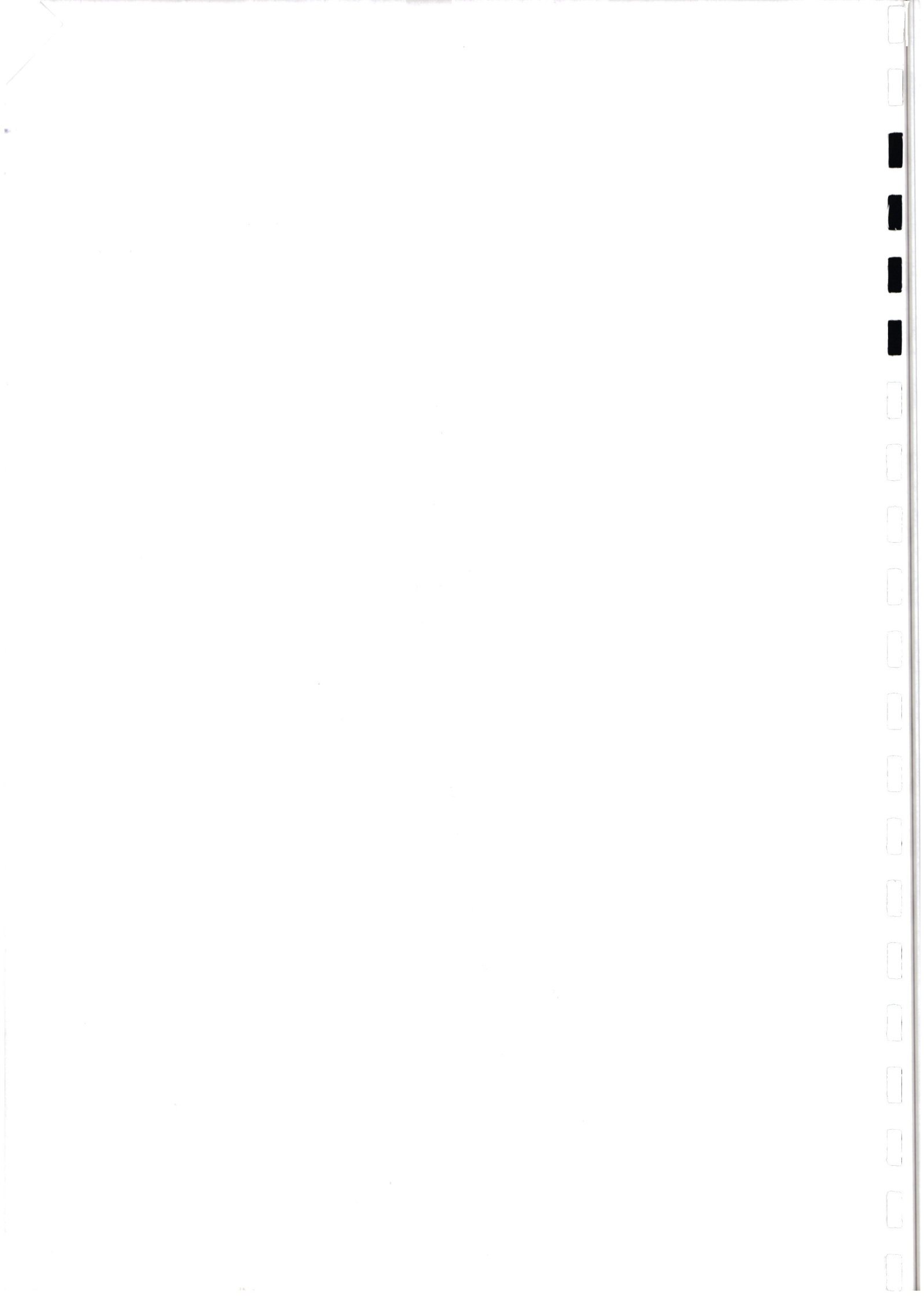
KENYA NATIONAL AUDIT OFFICE



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

ON

**THE FINANCIAL STATEMENTS OF KENYA
INDUSTRIAL PROPERTY INSTITUTE FOR
THE YEAR ENDED 30 JUNE 2006**





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 2006

I have audited the financial statements of Kenya Industrial Property Institute for the year ended 30 June 2006 in accordance with the provisions of Section 14 of 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

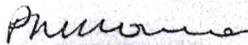
The directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Institute and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require 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 includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

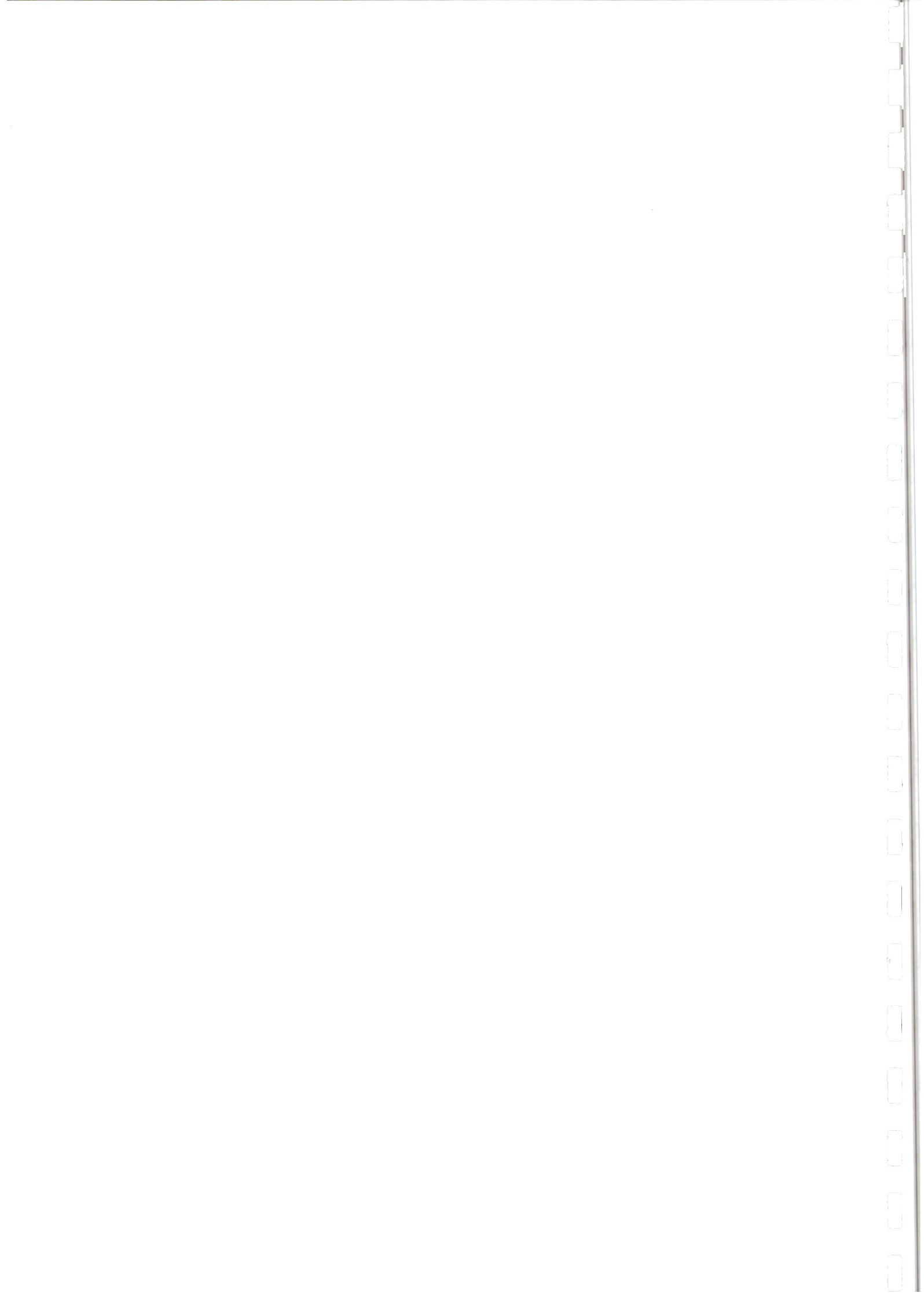
Opinion

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Institute as at 30 June 2006 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Industrial Property Act, 2001.


P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

28 December 2006



KENYA INDUSTRIAL PROPERTY INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR

1ST JULY, 2005 TO 30TH JUNE, 2006

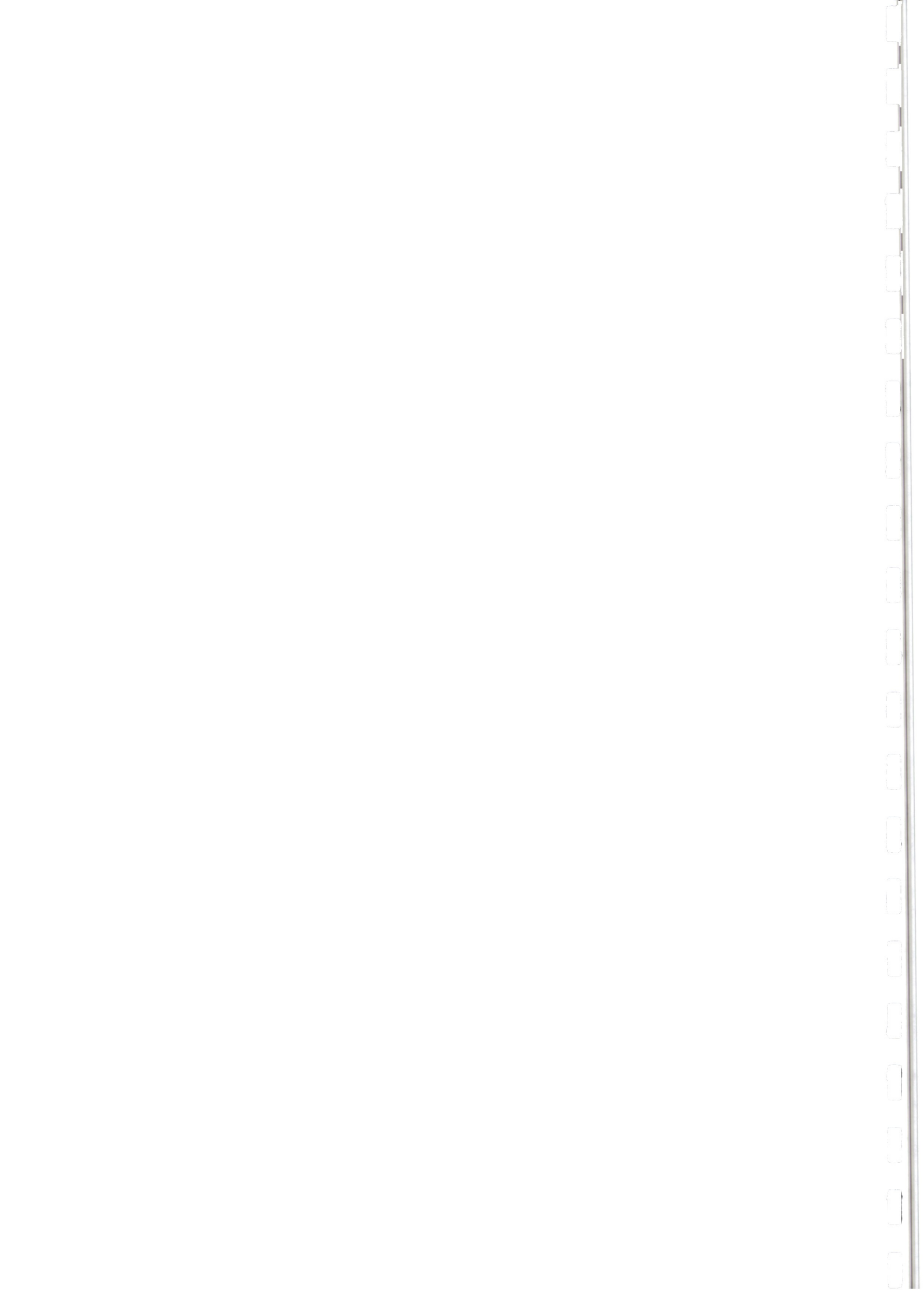
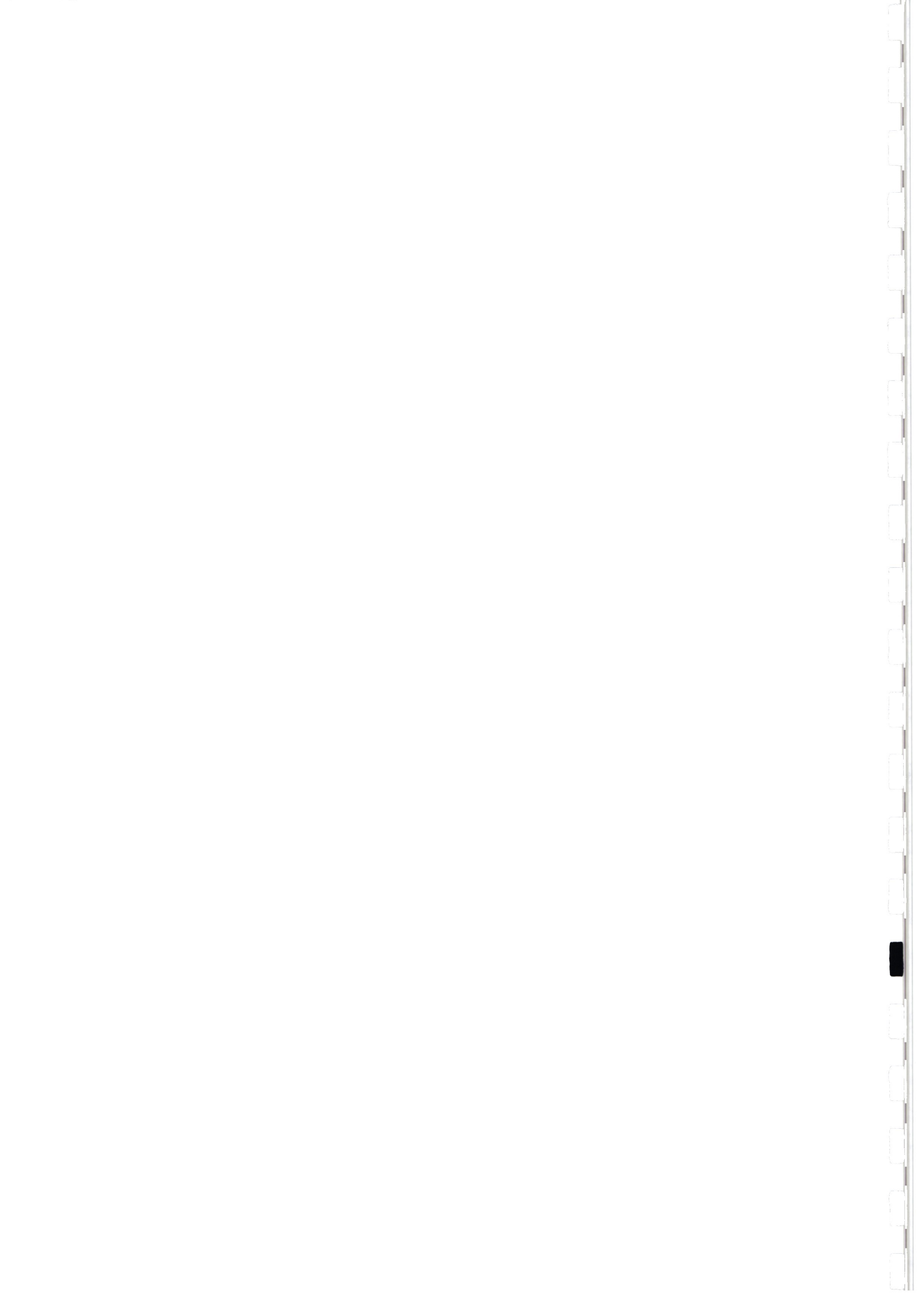


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THE BOARD OF DIRECTORS INFORMATION

BOARD MEMBERS

1. Ms. Rose Waruinge	Chairman
2. Eng. David Mutonga	Director
3. Mr. Dickson Poloji	"
4. Mr. Sylvester Ogello	"
5. Prof. Julius Mwangi	"
6. Mr. Martin Mutuku	"
7. Dr. Kipkerich Koskei	"
8. Mr. Michael Kimani	"
9. Ms. Joy Muriithi	"
10. Mr. James Bwatuti	"
11. Mr. Julius Biginga	"
12. Dr. Davy Koech	"
13. Ms. Joyce Ogundo	"
14. Dr. Mechah Moturi	"
15. Prof. James Odek	MD, KIPI/Secretary

REGISTERED OFFICE:

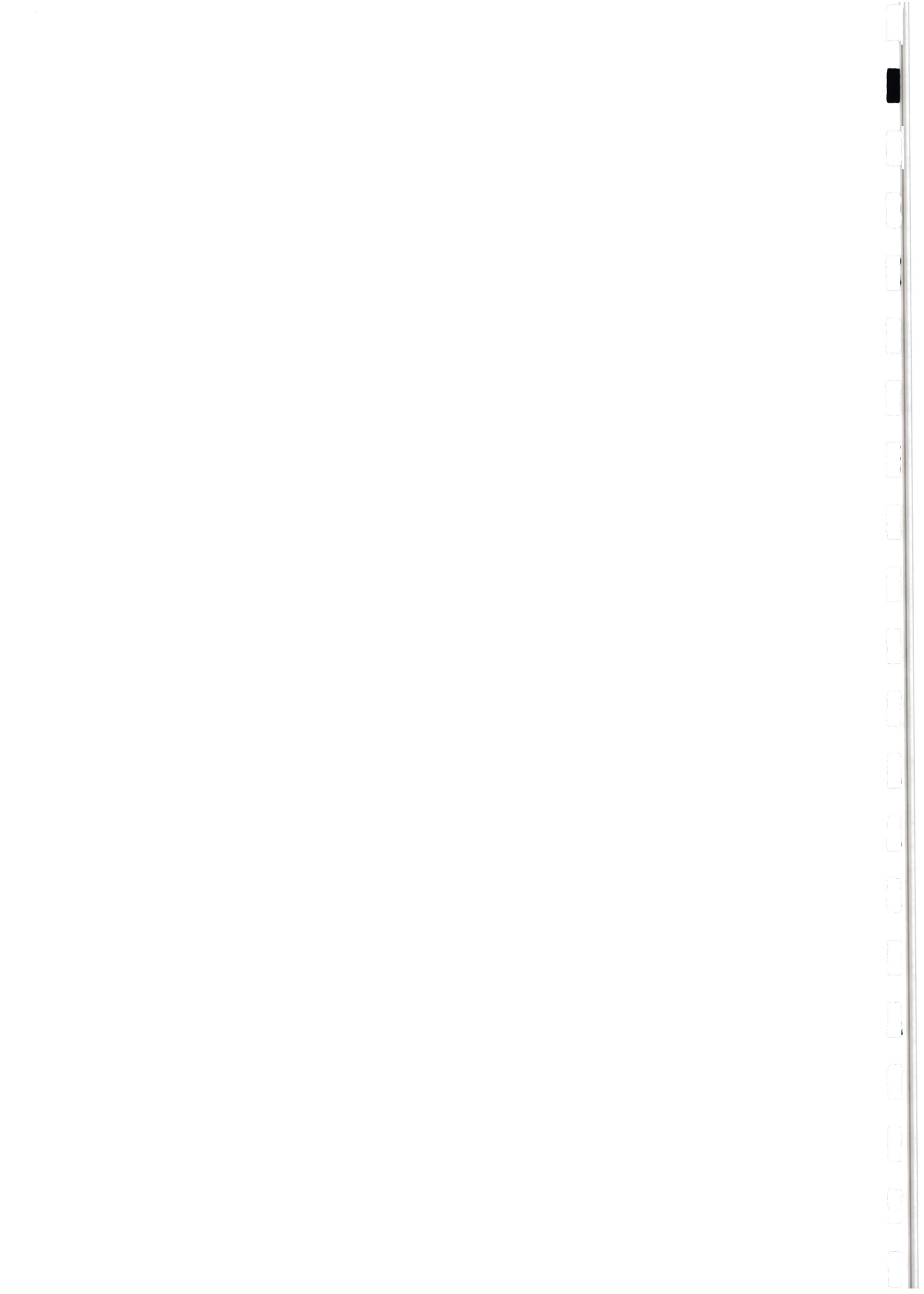
Weights & Measures Building,
Kapiti Road, Off Mombasa Road,
South 'C',
P.O. Box 51648 – 00200
City Square,
NAIROBI.

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, 2005 ended 30th June, 2006.

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.

The Institute is in the process of delinking from the parent Ministry of Trade and Industry.

RESULTS

Total income for the Year	KSh.106,401,300.60
Less: Total Expenditure for Year	KSh. <u>88,580,126.80</u>
Operating Surplus	KSh.17,821,173.80
	=====

BOARD MEMBERS

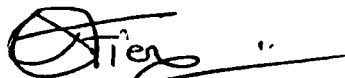
The present Board members are on Page 2.

AUDITORS

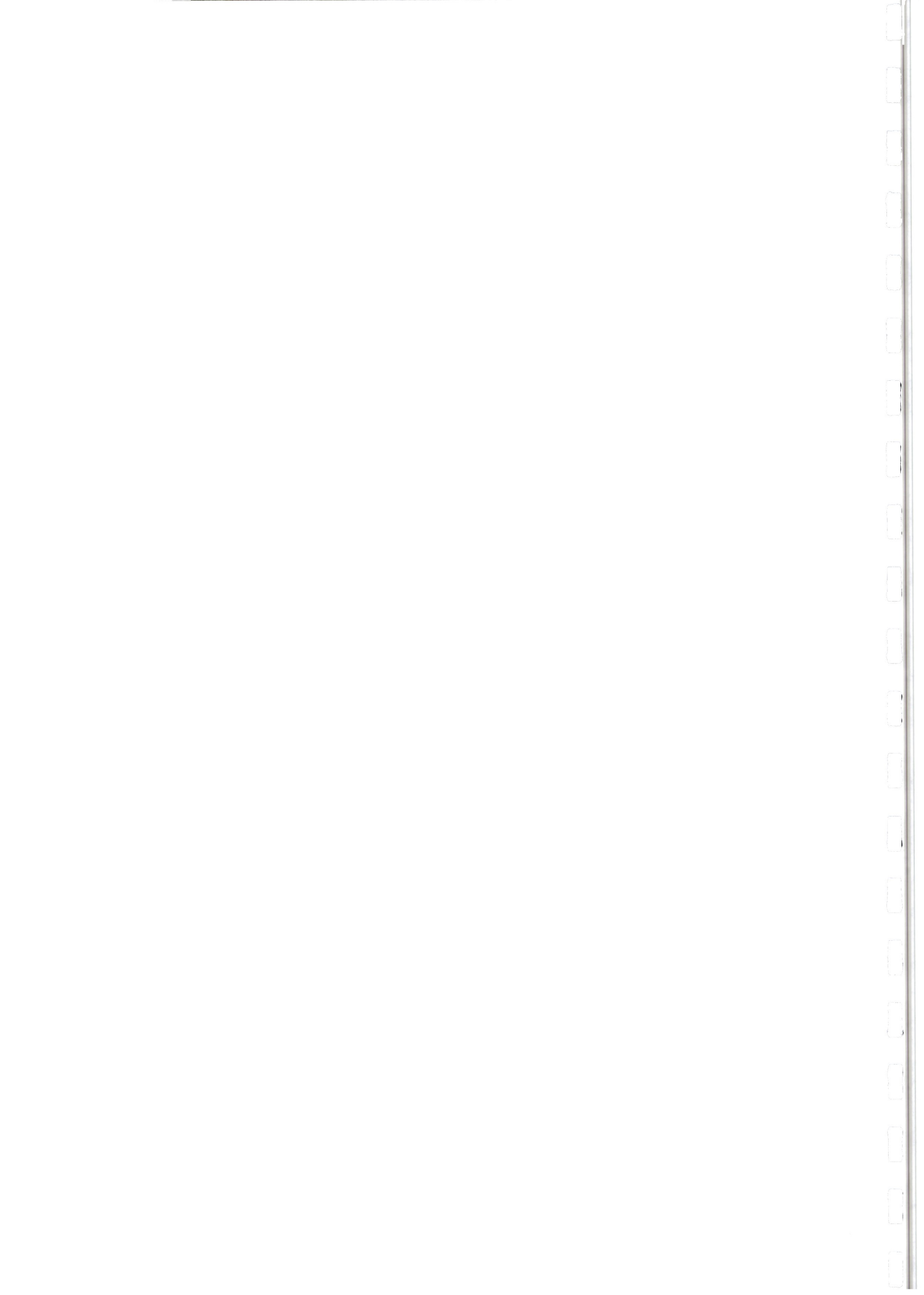
The Controller and Auditor General is the Auditor of the Institute.

BY ORDER OF THE BOARD

PROF. JAMES OTIENO ODEK



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 is in the process of formulating and developing 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 five key Board committees to help in the implementation of its policy guidelines and strategic plan. These include;

- (i) Human Resource and Administration Committee
- (ii) Tender Committee
- (iii) Audit Committee
- (iv) Finance and General Purposes Committee
- (v) Training and Human Resource Development Committee

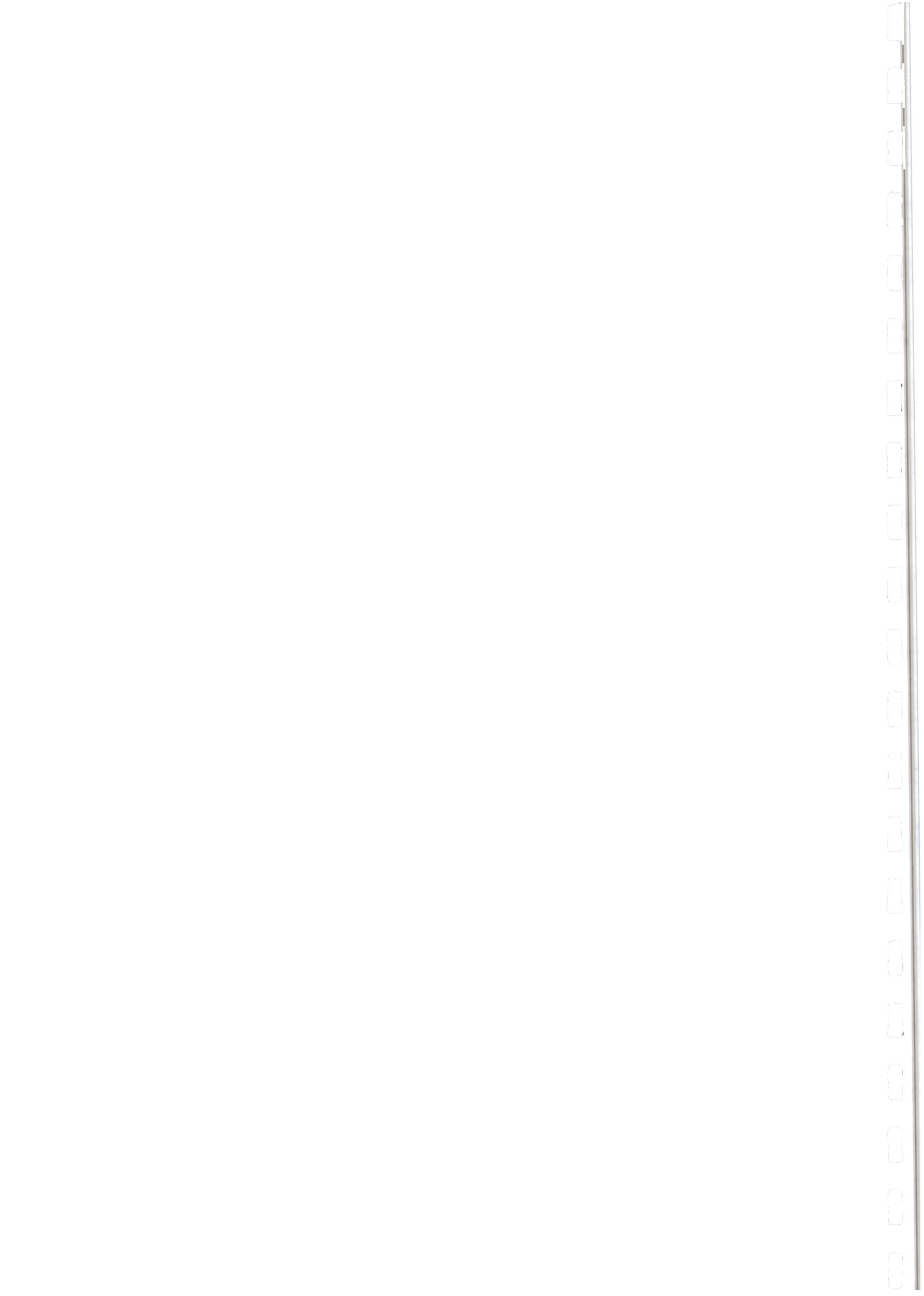
These Committees meet when there is need and are chaired by selected chairmen who are Board members.

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 and the Managing Director who is the secretary to the Board.

ROSE WARUINGE 

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.

The Board members note that the process of delinking the Institute from the parent Ministry will have financial implications in the next financial year.



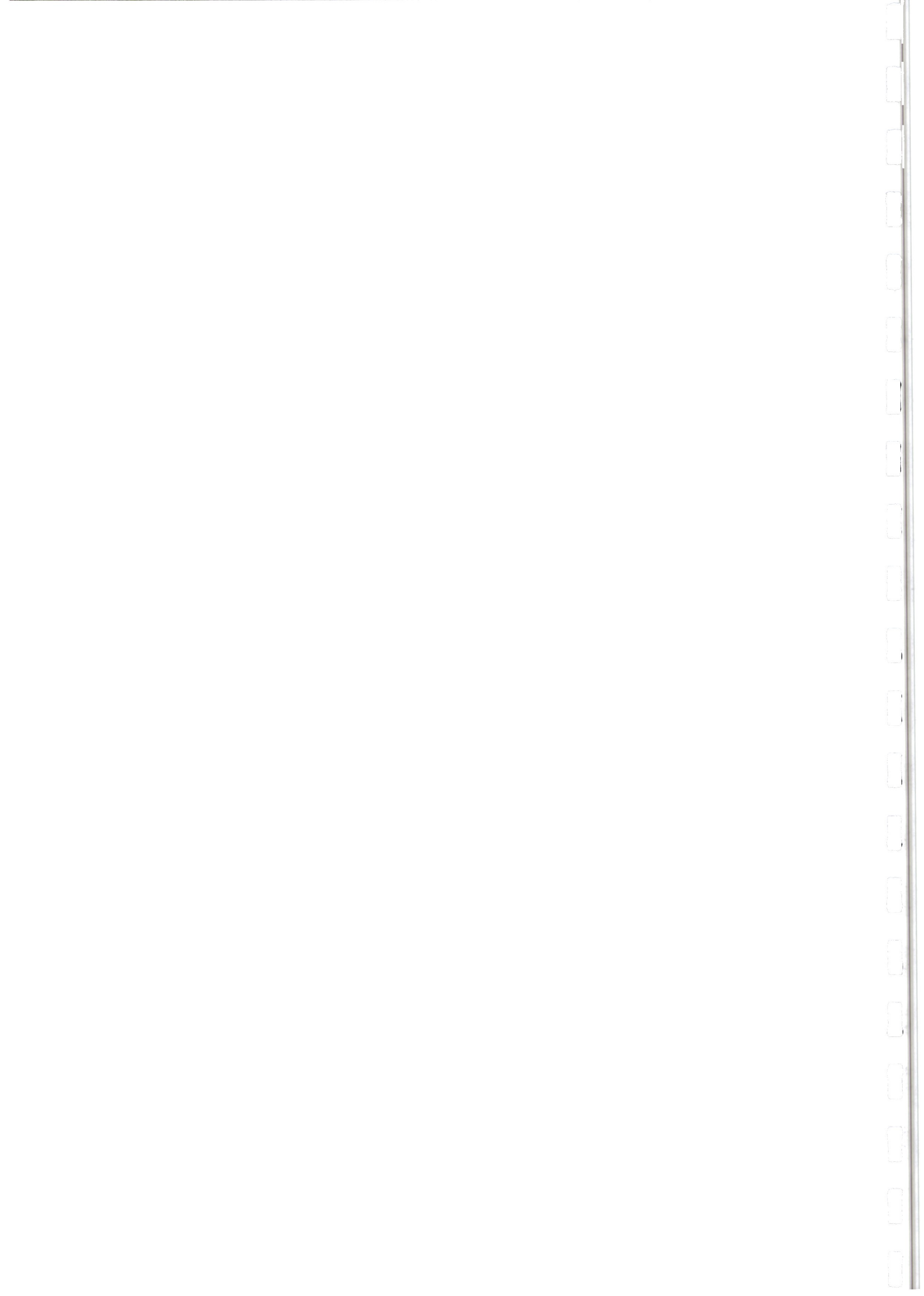
.....
BOARD MEMBER



.....
BOARD MEMBER

DATE 13th DECEMBER 06

13th DEC 2006



BALANCE SHEET AS AT 30TH JUNE, 2006

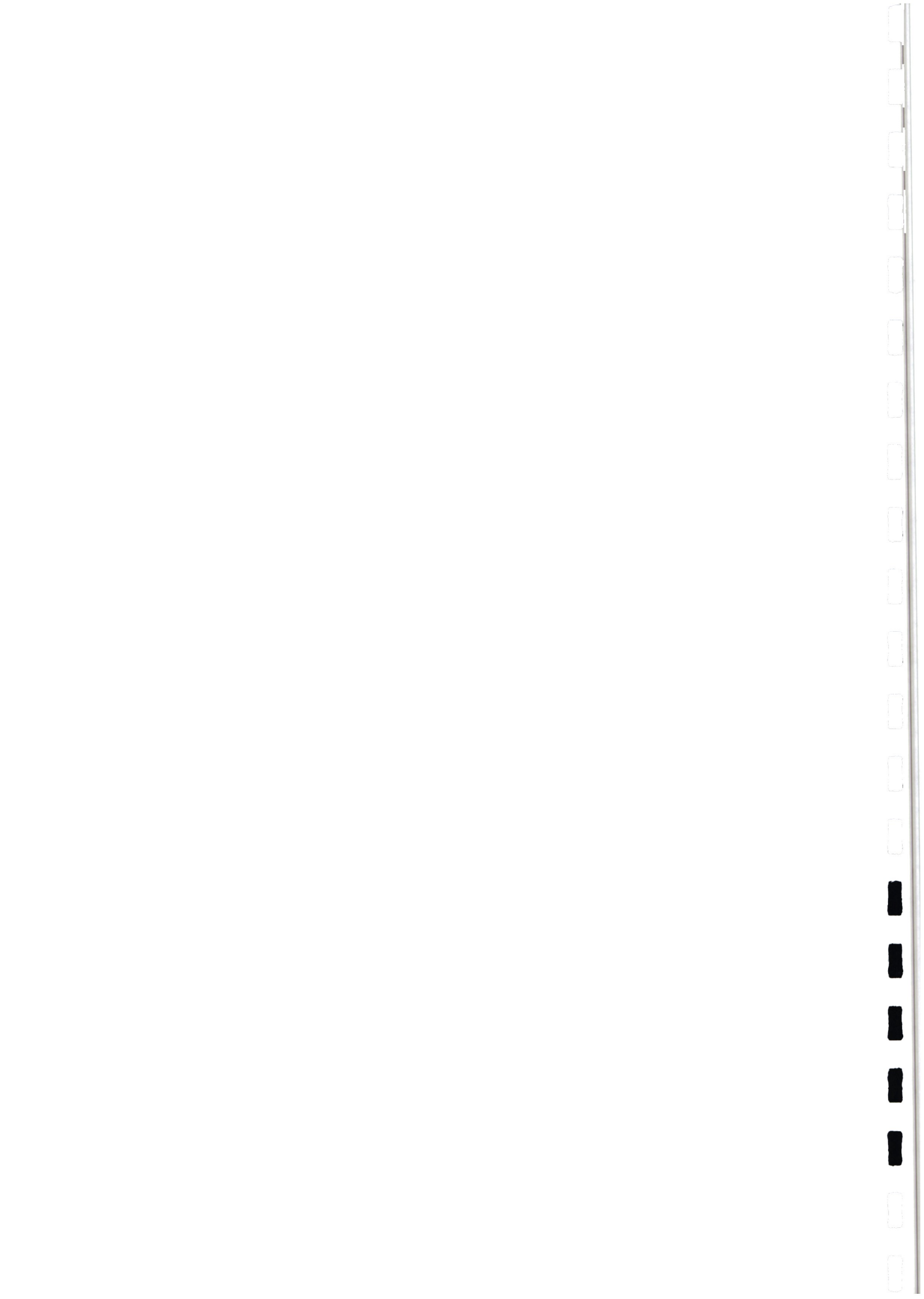
	NOTES	KSH.
NON CURRENT ASSETS		
Property, Plant & Equipment	5	26,233,642.25
CURRENT ASSETS		
Cash and Bank Balance	4 (c)	1,644,390.45
Deposits	6	<u>44,171,642.60</u>
		45,816,033.05
Total Assets		<u><u>72,049,675.30</u></u>
FUND, GRANTS AND LIABILITIES		
Capital Fund	3	26,888,815.20
Revenue Reserve	2 (e)	17,821,173.80
Deposit	6	<u>27,239,686.30</u>
		71,949,675.30
CURRENT LIABILITIES		
Creditors and Accruals	7	<u>100,000.00</u>
TOTAL FUNDS AND LIABILITIES		<u><u>72,049,675.30</u></u>

ROSE WARUINGE


.....
CHAIRMAN

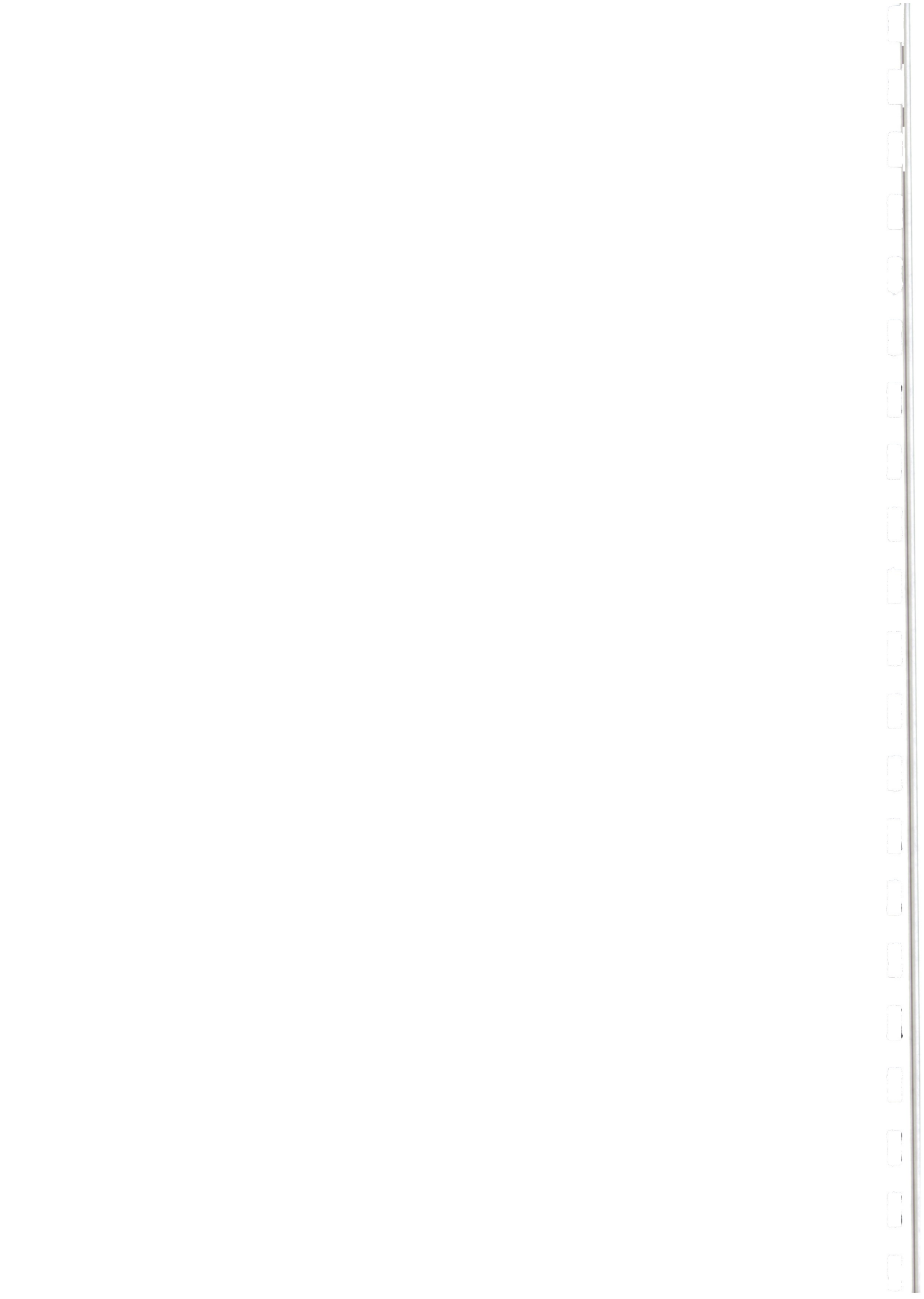

.....
PROF. JAMES OTIENO ODEK

.....
MANAGING DIRECTOR/SECRETARY TO THE BOARD



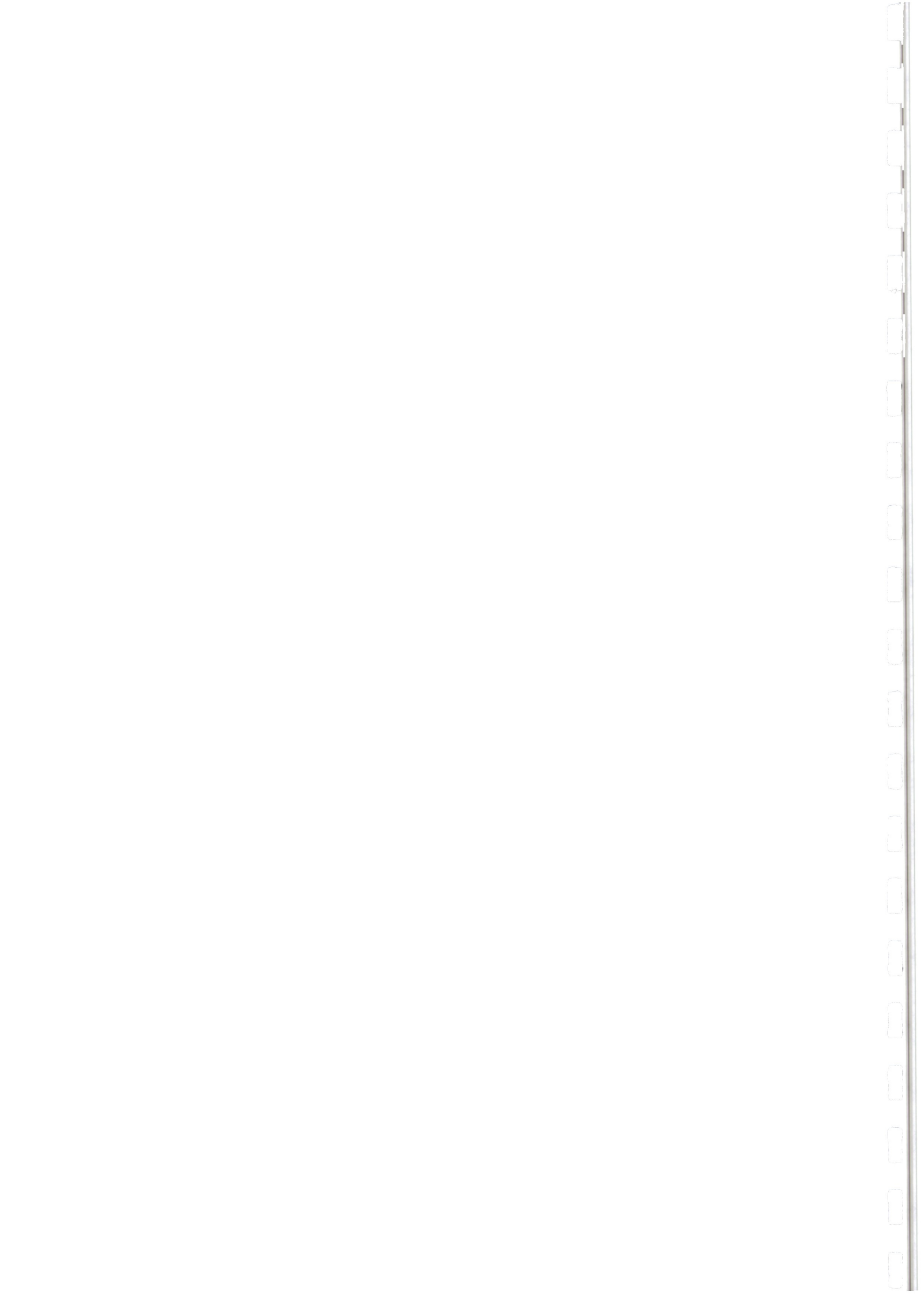
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2006

	<u>NOTES</u>	<u>AMOUNT (KSH.)</u>
INCOME		
Operating Income	2(a)	63,279,940.60
Grants Received	2(a)	<u>43,121,360.00</u>
Net Operating Income		106,401,300.60
 <u>EXPENDITURE</u>		
Operating Expenses	2(c)	39,057,337.50
Administrative Expenses	2(d)	10,807,077.05
Personal Emoluments	2(b)	31,027,956.00
Audit Fees	7	100,000.00
Depreciation	5	<u>7,587,756.25</u>
		<u>88,580,126.80</u>
SURPLUS FOR THE YEAR	2(e)	<u>17,821,173.80</u>



CASHFLOW STATEMENT FOR THE YEARE ENDED 30TH JUNE, 2006

	<u>NOTES</u>	<u>KSH.</u>
<u>SOURCES OF FUNDS:</u>		
Surplus/Deficit for the Year	2 (e)	17,821,173.80
<u>ADJUSTMENTS FOR THE YEAR:</u>		
Depreciation	5	<u>7,587,756.25</u>
Cash Generated from Trading Activities		25,408,930.05
<u>OTHER SOURCES OF FUNDS:</u>		
Collections Generated from Non-Operating Activities		<u>27,239,686.30</u>
Total Generated from Operating Activities	4 (a)	52,648,616.35
<u>WORKING CAPITAL ITEMS:</u>		
Creditors		<u>100,000.00</u>
Net Cash Generated from Operating Activities		52,748,616.35
<u>CASHFLOW FROM INVESTING ACTIVITIES:</u>		
Purchase of Fixed Assets	4 (b)	<u>- 6,932,583.30</u>
Cash and Cash Equivalents		45,816,033.05
<u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Cash Equivalents at the Beginning of the Year		-
Cash Equivalents at the End of the Year	4 (c)	<u>45,816,033.05</u>
		<u>45,816,033.05</u>
<u>SUMMARY OF CASH AND BANK BALANCES</u>		
Cash on Hand and Balance with Bank		1,644,390.45
Short-term Deposits		<u>44,171,642.60</u>
TOTAL		45,816,033.05



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 1ST JULY,
2005 TO 30TH JUNE, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) THE BASIS OF ACCOUNTING

The financial statements are prepared under the Historical Cost Convention as modified by the revaluation of certain assets.

(b) ACCOUNTING FOR GRANTS

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

It is also important to note that since the Institute has been in operation for only one year all the assets in the Institute can be called donations from the parent Ministry with exception of the ones bought by the Institute in the year 2005/2006.

(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 short-term deposits is recognized on the accrual basis.

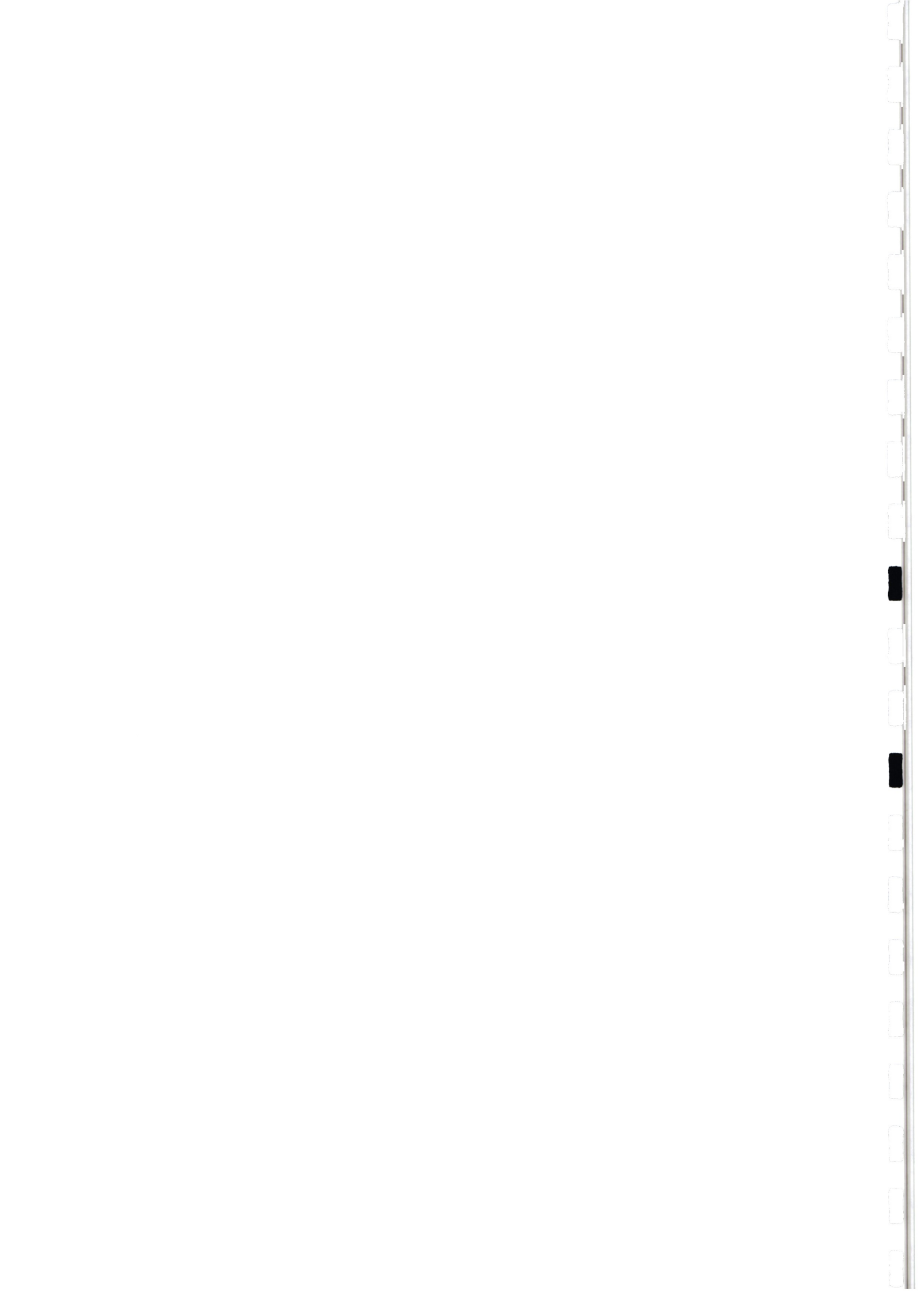
(d) PROPERTY, PLANT AND EQUIPMENT

(i) Property, plant and equipment are stated at cost or at professionally revalued amounts less accumulated depreciation.

(ii) Donated assets are capitalized at the cost value. The value is credited to the Fixed Assets Capital Fund.

(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%
Motor Vehicles	25%

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

(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.

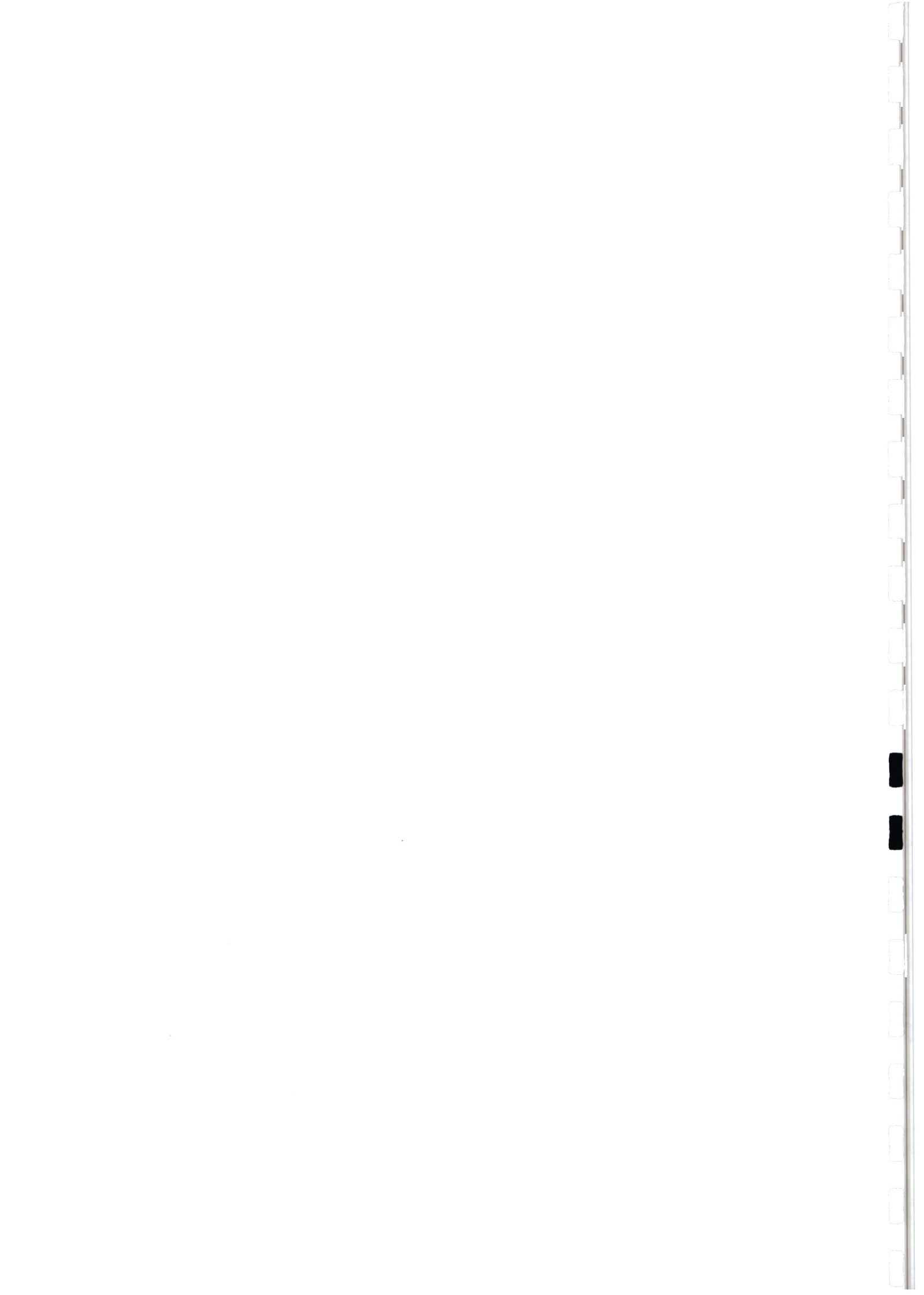
(i) **VALUE OF DONATED ASSETS**

Value of donated assets is estimated by the Institute or as advised by the donors.

2. (a) <u>INCOME</u>	KSH.
Operating Income (Collections from Appropriation In Aid)	70,130,793.00
Less: Payment to Treasury (Excess of A.I.A.)	<u>(6,850,852.60)</u>
	63,279,940.60
Add: Grants from the Ministry	<u>43,121,360.00</u>
	106,401,300.60
	=====

(b) **PERSONAL EMOLUMENTS – KSH.31,027,956.00**

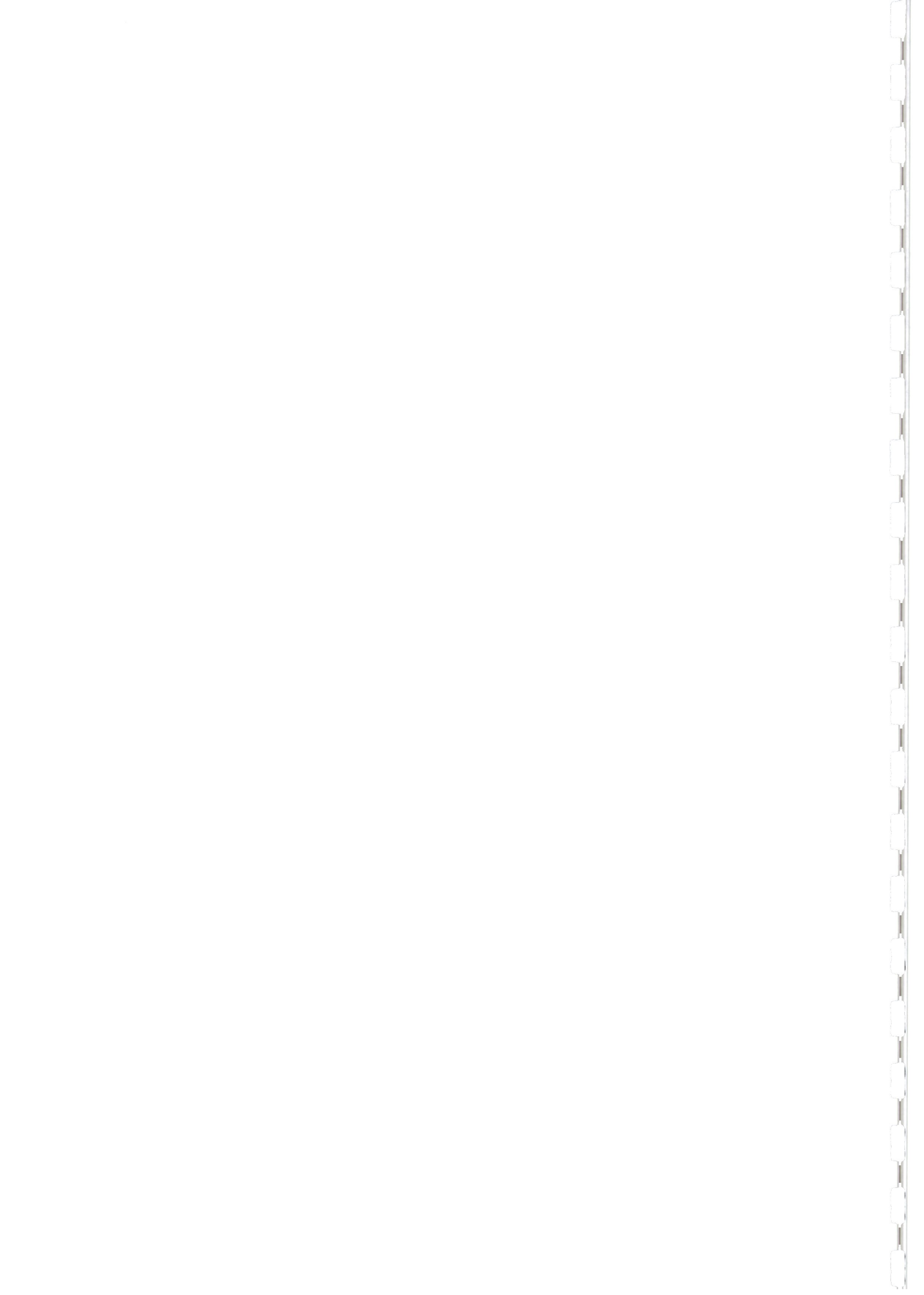
This relates to staff salaries paid at the Headquarters on behalf of the Institute since the Institute's payroll had not been delinked from the parent Ministry. The payments forms part of the grants from the Ministry.



OPERATING EXPENSES

2. (c)

2210100	Utilities Supplies and Services	228,581.30
2210200	Communication Supplies and Services	3,478,136.60
2210300	Domestic Travel and subsistence, and other Transportation Costs	2,859,119.95
2210400	Foreign Travel and Subsistence, and other Transportation Costs	6,119,794.60
2210500	Printing, Advertising, and Information supplies and Services	2,244,361.35
2211000	Specialized Materials and Supplies	914,681.90
2211100	Office and General Supplies and Services	9,162,440.50
2211200	Fuel Oil and Lubricants	1,185,874.80
	Bank Charges	32,886.80
2211300	Other Operating Expenses - Contracted Guards, Cleaning Services & Contracted Professional Services	6,225,114.90
2220100	Routine Maintenance -Vehicles and Other Transport Equipment	2,333,357.80
2220200	Routine Maintenance - Other Assets	<u>4,272,987.00</u>
	TOTAL	<u><u>39,057,337.50</u></u>



ADMINISTRATIVE EXPENSES

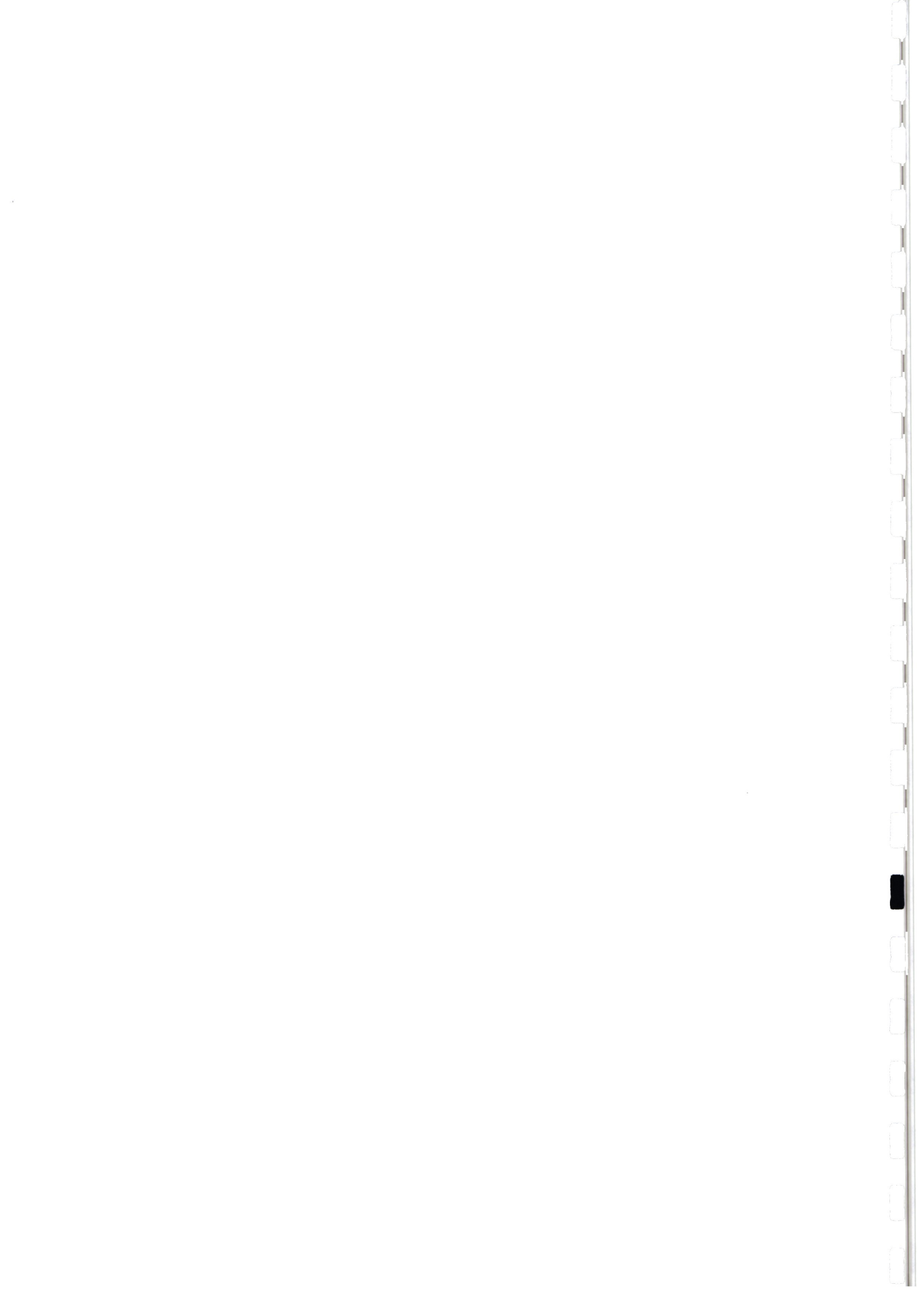
2. (d)

2210700	Training Expenses (Including Capacity Building)	810,236.50
2210800	Hospitality Supplies and Services Board Allowances	6,163,579.65
2620100	Membership Fees and dues, and Subscriptions to International Organizations	3,833,260.90
TOTAL		<u>10,807,077.05</u>

3. **CAPITAL FUND**

KSH.

Total Assets	33,821,398.50
Less: Assets bought by KIPi from Internally Generated Funds	<u>(6,932,583.30)</u>
	26,888,815.20 =====



4. (a) NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Operating Surplus for the Year to Cash Generated from other Operations.

	KSH.
Operating Surplus for the Year	17,821,173.80
Depreciating Charge for the Year	7,587,756.25
Collections from Non Operating Activities	<u>27,239,686.30</u>
Total Cash Used in Operations	<u>52,648,616.35</u>

(b) MOTOR VEHICLES AND EQUIPMENT

Total Additions	6,932,583.30
Assets Donated in the Year in Form of Grants	<u>19,956,231.90</u>
	<u>26,888,815.20</u>

(c) CASH AND CASH EQUIVALENTS

Bank and Cash Balances	1,644,390.45
Deposits	<u>44,171,642.60</u>
	<u>45,816,033.05</u> =====

6. DEPOSITS

This comprises of the money for the publication of the Industrial Property Journals and balance of the grants deposited in the same account.

Grants	16,931,956.30
Deposits for Publication	27,239,686.30

7. CREDITORS AND ACCURALS KSH.

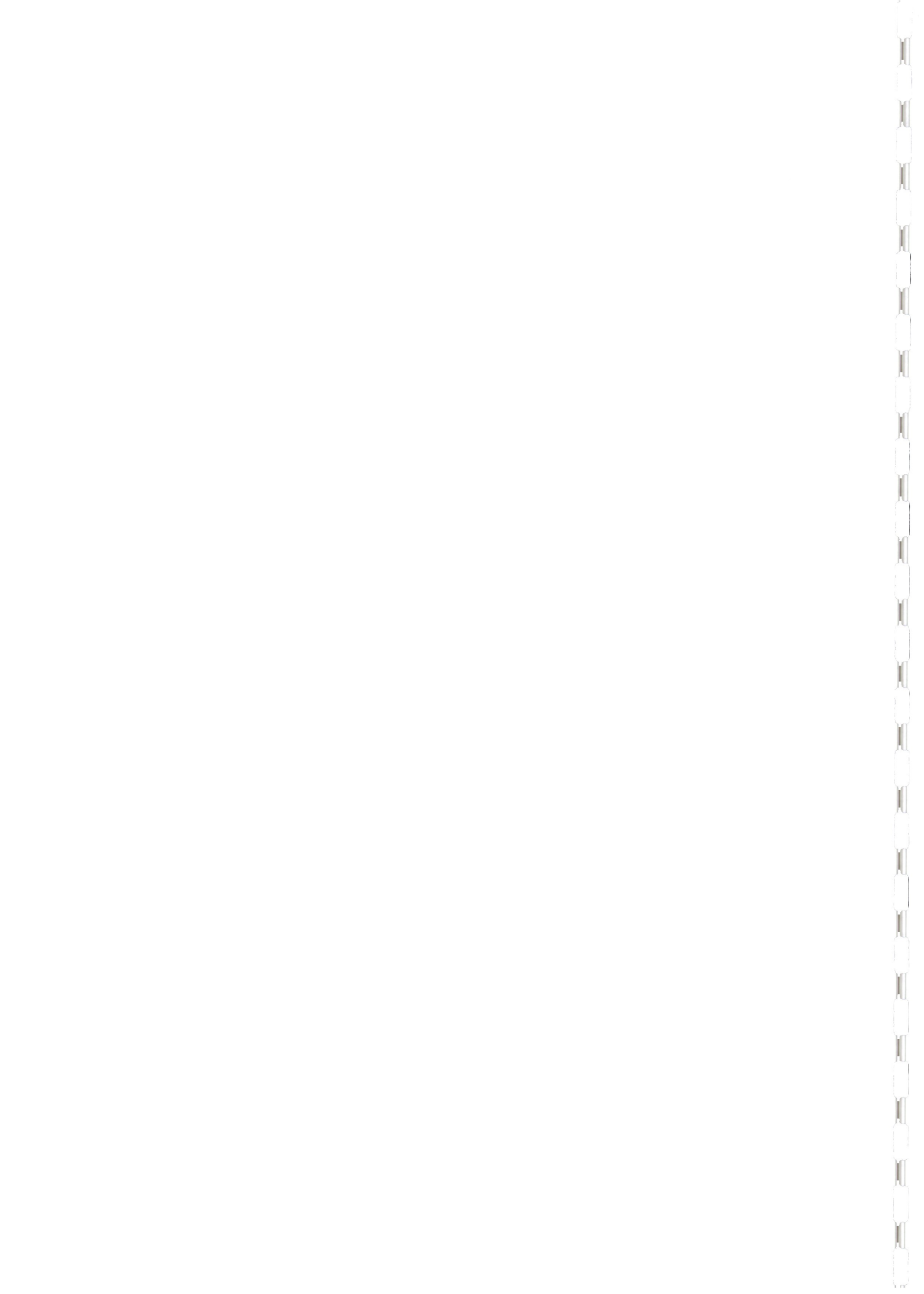
Audit Fees	<u>100,000.00</u>
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2006

5. FIXED ASSETS

	<u>MOTOR VEHICLES</u> <u>KSH.</u>	<u>COMPUTERS</u> <u>KSH.</u>	<u>FURNITURE &</u> <u>EQUIPMENT</u> <u>KSH.</u>	<u>TOTAL</u> <u>KSH.</u>
<u>Cost</u>				
As at 1/7/05	-	-	-	-
Additions	<u>15,401,306.00</u>	<u>8,199,532.50</u>	<u>10,220,560.00</u>	<u>33,821,398.50</u>
As at 30/6/06	<u>15,401,306.00</u>	<u>8,199,532.50</u>	<u>10,220,560.00</u>	<u>33,821,398.50</u>
<u>Depreciation</u>				
As at 1/7/05	-	-	-	-
Charge for the Year	<u>3,850,326.50</u>	<u>2,459,859.75</u>	<u>1,277,570.00</u>	<u>7,587,756.25</u>
	<u>3,850,326.50</u>	<u>2,459,859.75</u>	<u>1,277,570.00</u>	<u>7,587,756.25</u>
NET BOOK VALUE				
30-6-06	<u>11,550,979.50</u>	<u>5,739,672.75</u>	<u>8,942,990.00</u>	<u>26,233,642.25</u>



8. GENERAL NOTES

(a) STATUS

The Kenya Industrial Property Institute is a corporate body established under the Industrial Property Act 2001. Prior to this, it was known as Kenya Industrial Property Office.

(b) PAYROLL

The KIPI's payroll is still being administered by the Ministry Headquarters since the delinking is still in process.

(c) PREMISES

KIPI is currently occupying the Department of Weights and Measures offices, which are Government owned.

(d) OWNERSHIP

KIPI is 100% Government owned and does not have shares.

(e) TRIBUNAL

KIPI up to now pays the salaries for the Tribunal.

(f) TAXATION

The nature of the work done by the Institute only leaves the Institute with value added tax deducted from the supplier to remit to the Kenya Revenue Authority.

(g) RETIREMENT BENEFIT OBLIGATIONS

The Institute contracted M/S. Alexander Forbes to draft the Institute's Retirement Benefits Scheme, which they did and presented the draft to the meeting of Board members and staff. The scheme is still waiting for the final delinking process.

