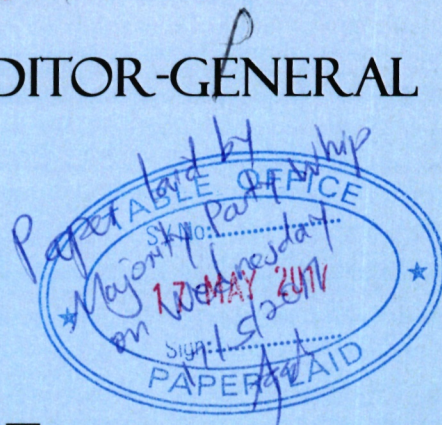
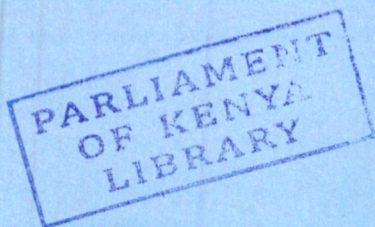


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA INDUSTRIAL PROPERTY INSTITUTE**

**FOR THE YEAR ENDED  
30 JUNE 2016**



KENYA INDUSTRIAL PROPERTY INSTITUTE



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**KENYA INDUSTRIAL PROPERTY  
INSTITUTE**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2016**

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

# KENYA INDUSTRIAL PROPERTY INSTITUTE

## VISION

Be a leader in the promotion of Industrial Property for wealth creation.

## MISSION

To grant Industrial Property Rights and promote innovation for social and economic development.

## CORE VALUES

Pursuant to its mandate and functions, the Institute is guided by the following core values;

**(i) Customer Satisfaction**

The Institute is committed to satisfying its customers in service delivery.

**(ii) Team Work**

The Institute is committed to nurturing a team work culture as a means of assuring quality in the delivery of services.

**(iii) Professionalism**

In order to realize its vision and mission, the Institute is committed to maintaining high standards of professionalism.

**(iv) Integrity**

The Institute is committed to maintaining high standards of integrity.

**(v) Creativity and Innovation**

To cope with the emerging national, regional and international issues, the Institute will continue to be creative and innovative.

# KENYA INDUSTRIAL PROPERTY INSTITUTE

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# KENYA INDUSTRIAL PROPERTY INSTITUTE

## I. KENYA INDUSTRIAL PROPERTY INSTITUTE'S INFORMATION AND MANAGEMENT

### (a) Background Information

The Kenya Industrial Property Institute (the Institute) is a body corporate established under the Industrial Property Act, No. 3 of 2001. The Institute is mandated to implement the Industrial Property Act and the Trade Marks Act, Cap 506 of the Laws of Kenya.

### (b) Core Functions

The core functions of the Kenya Industrial Property Institute are to;

- (i) Examine applications for and grant industrial property rights;
- (ii) Provide technological information to the public;
- (iii) Promote inventiveness and innovativeness in Kenya;
- (iv) Screen technology transfer agreements and licences; and
- (v) Organise and conduct training, competitions and awards in industrial property

### (c) Key Management

The Institute's day-to-day management is under the following key organs:

- Managing Director;
- Deputy Managing Director/Finance, Planning & Administration; and
- Deputy Managing Director/Technical Services

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

<b>Designation</b>	<b>Name</b>
1. Managing Director	Mr. Sylvance Sange
2. Deputy Managing Director/Finance, Planning & Administration	Mr. John Onyango
3. Chief Legal Officer	Mrs. Eunice Njuguna
4. Chief Information & Documentation Officer	Mr. Charles Bariti
5. Chief Patent Examiner	Mr. David Njuguna
6. Chief Trade Mark Examiner	Mr. Leonard Kosgey
7. Chief Administrative Officer	Mr. Samuel Ng'ethe
8. Senior Accountant	CPA Caroline Mawathe

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### (e) Fiduciary Oversight Functions of the Institute

As part of corporate governance, KIPi's oversight role is discharged through the following Committees:

#### (1) Finance and Administration Committee

The Committee is made up of the following members:

1. Eng. Michael Ezekiel Okonji      Chairperson
2. Mr. John Muhoro Maina
3. Mr. Christopher M. Oisebe
4. Ms. Eunice Miima, MBS
5. Ms. Catherine Kamali Bunyassi

The roles of the Committee are:

- Discussions of financial reports;
- Assessing and monitoring performance of the Institute as per the Strategic Plan and annual Performance Contract;
- Consideration and approval of the Institute's budget and procurement plan; and
- Advising the Institute on major capital expenditure projects.

#### (2) Strategy and Human Resource Committee

The Committee is comprised of the following members:

1. Mr. Juma Mwashuruti      Chairperson
2. Mr. David M. Nguru
3. Dr. Moses Makayoto, OGW
4. Mr. Godfrey P. Kalerwa
5. Prof. Ben Murumbi Sihanya

The roles of the Committee are:

- Reviewing the terms and conditions of service for the Institute employees;
- Carrying out recruitment and promotion of staff;
- Reviewing the Institute's human resource policies; and
- Advising the Board on the best human resource management practices.



## KENYA INDUSTRIAL PROPERTY INSTITUTE

### (3) Audit and Compliance Committee

The Committee is comprised of the following members:

1. Mr. David M. Nguru                      Chairperson
2. Mr Christopher Oisebe
3. Mrs Eunice Miima, MBS
4. Mr Juma Mwashuruti
5. Mrs.Phyllis Osoro Wakiaga
6. Ms. Peris Wanjohi                      Internal Auditor- Secretary

The roles of the Committee are:

- Corporate governance - provides support to the Board of Directors in reviewing the effectiveness of the Institute's corporate governance by ensuring the Institute's compliance with legal and regulatory provisions;
- Financial statements and reports - review the adequacy, reliability and accuracy of the financial statements and reports provided to the Board and other users of such information;
- External Audit - ensuring the management has arrangements to support the audit work of the Auditor-General, being fully briefed on all audit work relating to the Institute through reports by the Auditor-General describing any material issues raised by their internal control reviews, or by inquiry/ investigation by governmental or professional authorities; and
- Internal control, risk management and internal audit - Consider the effectiveness of the Institute's internal control systems established by Management to ensure compliance with policies, laws and regulations.

### (4) Technical Committee

The Committee is comprised of the following members:

1. Dr. Moses Makayoto, OGW                      Chairperson
2. Prof. Ben Murumbi Sihanya
3. Mrs Eunice Miima, MBS
4. Mr. Godfrey P. Kalerwa
5. Ms. Catherine Kamali Bunyassi
6. Mr. John Muhoro Maina

## KENYA INDUSTRIAL PROPERTY INSTITUTE

The roles of the Committee are:

- Monitor delivery of the Institute's mandate relating to the Constitution of Kenya, 2010, the Industrial Property Act and the Trade Marks Act;
- Monitor progress of implementation of the functions of the Institute relating to protection of industrial property rights, screening of technological transfer agreements and licences, promotion of innovativeness and inventiveness, industrial property information and training;
- Monitor development and review of the Institute's policy relating to the functions that create stakeholder value and ensure that statutory mandates are effectively fulfilled;
- Ensure that the implementation of the Institute's technical projects, programs and activities is done in line with the Institute's Strategic Plan;
- Ensure that technical operational strategies are based on the current social, economic and political factors and Kenya Vision 2030;
- Review systems as well as investments in new operational models to ensure efficient and effective service delivery;
- Monitor creation of partnerships and alliances with relevant collaborating institutions at national, regional and international levels for promotion of industrial property protection;
- Evaluate and monitor the performance of Technical Services Department; and
- Review proposals made for amendments to the Industrial Property Act and the Trade Marks Act.

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### **(f) The Institute's Headquarters**

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

### **(g) The Institute's Contacts**

Telephone: (254) 0206002210/11  
Fax: (254)0206006312  
Wireless: (254) 0202386220  
E-mail: info@kipi.go.ke  
Website: www.kipi.go.ke

### **(h) The Institute's Bankers**

- (i) Kenya Commercial Bank Limited,  
Kipande House Branch,  
P.O. Box 30012 – 00100, Nairobi, Kenya
- (ii) National Bank of Kenya Limited,  
South C Branch,  
KEBS Compound, South C Nairobi,  
P.O. Box 38645 – 00100, Nairobi, Kenya

### **(i) Independent Auditors**




Auditor General,  
Kenya National Audit Office,  
Anniversary Towers, University Way,  
P.O. Box 30084 - 00100, Nairobi, Kenya

### **(j) Principal Legal Adviser**

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

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### II. THE BOARD OF DIRECTORS

 <b>Mr. Kulow Maalim Hassan</b> <b>Chairman</b>	<p>Mr. Kulow Maalim Hassan was appointed Chairman of the Kenya Industrial Property Institute (KIPI) in 2015 by the Minister of Industrialization, Trade and Investment. Prior to the appointment, Mr. Kulow had been a Director at the Kenya Airports Authority (KAA) during which time he served as Chair of the Human Resource Committee of the Board as well as Chair of the Finance Committee of the Board.</p> <p>Mr. Kulow served as a Lecturer at St. Marks - Kigari Teachers College, Embu and taught various schools, rising to become Deputy Principal – Sheikh Ali High School, Rhamu, Mandera.</p> <p>Mr Kulow holds an M.A. in Philosophy and Religious Studies and Bachelor of Education (First Class Honours) both from Kenyatta University. He initially did a Diploma in Education from the then Siriba Teachers College – Maseno.</p>
 <b>Prof. Ben Murumbi Sihanya</b> <b>Director</b>	<p>Prof Ben Sihanya represents the Law Society of Kenya on the KIPI Board. Prof Sihanya is a legal scholar, Intellectual Property lawyer, professor-in-residence, researcher, advocate, public interest lawyer, consultant, mentor and poet at the University of Nairobi Law School and Sihanya Mentoring. He has been a litigator and an expert witness in IP and constitutional democracy. He studied at the Universities of Nairobi, Warwick and Stanford where he obtained his JSD (PhD). Sihanya was Dean and trains on African Perspectives on TRIPs on the WTO's RTPC across Africa.</p> <p>Prof. Sihanya is the author and editor of numerous books, monographs, chapters and articles, including Intellectual Property and Innovation Law in Kenya and Africa: Transferring Technology for Sustainable Development (2016). Constitutional Democracy in Kenya and Africa (2016); IP Rights in Kenya (Co-editor).</p> <p>Prof. Sihanya served on the Kenya Copyright Board since July 2015. He has presented in more than 16 states in Africa, North and South America, and Europe.</p>
 <b>Ms. Catherine Kamali Bunyassi</b> <b>Director</b>	<p>Ms. Catherine Bunyassi-Kahuria is the Alternate to the Attorney General in the KIPI Board. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and Notary Public with fifteen (15) years of experience in law specializing in Companies and Insolvency laws, International Law and Intellectual Property Law. She holds a Bachelor of Laws (LLB) Degree from the University of Pune, India 1992-1997; Diploma, Kenya School of Law, 1998; a Masters in International Studies from the University of Nairobi, Institute of Diplomacy and International Studies (IDIS) 2008-2010 and a Masters in Intellectual Property from the Africa University, Mutare, Institute of Peace, Leadership and Governance (IPLG) jointly organized by WIPO, ARIPO and AU 2010-2011.</p> <p>She was instrumental in coming up with a legislative framework for the Protection of Traditional Knowledge and Traditional Cultural Expressions and has served as a Senior Legal Counsel at the Kenya Copyright Board. She is currently a Senior Principal State Counsel in the International Law Division, Office of Attorney General and Department of Justice.</p>

**KENYA INDUSTRIAL PROPERTY INSTITUTE**



**Mr. Godfrey P. Kalerwa**  
Director

Mr. Godfrey P. Kalerwa is the Alternate to the Director General National Commission for Science, Technology & Innovation (NACOSTI). Mr. Kalerwa holds MBA (Moi University), MSc. (University of Botswana) and BSc (Kenyatta University). He is currently serving as a Principal Scientist at the National Commission for Science, Technology and Innovation. His duties and responsibilities include being in-charge of licensing and monitoring of research projects. He is also the Team Leader in publicity of the organization's activities.

Mr. Kalerwa previously served as a director on the Boards of Kenya Industrial Research and Development Institute and Numerical Machining Complex. He is a Full Member of the Kenya Institute of Management and the Kenya Chemical Society.



**Mrs. Phyllis Osoro Wakiaga**  
Director

Ms. Phyllis Wakiaga sits on the Board by virtue of being the Chief Executive Officer of the Kenya Association of Manufacturers (KAM), one of Kenya's leading business associations with over 800 members, from June 2015. Phyllis had been the Head of Policy Research and Advocacy Unit at KAM since 2013. The Unit provides the overall direction in the policy and advocacy work of the Association.

She has successfully led the partnership with the National Council on the Administration of Justice to develop the Enforcement Manual to Combat Illicit Trade in Kenya and worked with the Commission on Revenue Allocation on the County Money Bills Project amongst other achievements. She represents KAM, Anti Counterfeit Agency (ACA), COMESA Business Council and she is a member of the Kenya Consumer Protection Advisory Committee (KECOPAC).

Before joining KAM she was the Manager for Government and Industry Affairs at Kenya Airways where she was a key member of the Government of Kenya delegations negotiating bilateral air services agreements and was responsible for building and maintaining Government and Industry relations. She was a member of the East African Community Facilitation Team that ensured improvements across all airports in East Africa. She previously worked at Otieno Omuga and Ouma Advocates.

Phyllis is an Advocate of the High Court of Kenya and holds a Masters in International Trade and Investment Law at the University of Nairobi, Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Law Degree from the University of Nairobi, Diploma in Law from Kenya School of Law, a and a Higher Diploma in Human Resource Management from the Institute of Human Resources Management Kenya.

She is an alumni of the Swedish Institute Management Program on Sustainable Business Leadership and Corporate Social Responsibility and was part of the inaugural program for Africa in 2014. She has also been trained in the Role of Private Sector in Government Policy by Strathmore Business School and John Hopkins University; Investment Treaty Law and Arbitration- Africa International Legal Awareness (AILA) UK London and High Performance Boardrooms- Institute of Directors. She has also undertaken a number of leadership and management courses.

Phyllis is also the United Nations Global Compact Network Representative in Kenya.

**KENYA INDUSTRIAL PROPERTY INSTITUTE**



**Mrs. Eunice Miima, MBS  
Director**

Mrs. Eunice Miima is the Alternate to the Principal Secretary, State Department of Industry & Enterprise Development, Ministry of Industry, Trade and Co-operatives. She has served as a Civil Servant for the last 34 years as an Administrator, gradually rising to the level of Director of Administration. From 2007 to 2009, she served in the Ministry of Tourism as Acting Permanent Secretary whereby the ministry recorded one of the highest performances.

She has served in other Government ministries such as Water Development, Irrigation, Office of the President, Ministry of Science and Technology, ministries of Education, Roads & Public Works, and Industrialization. Throughout her working life, she has had intensive training including paramilitary. She has travelled widely and is exposed to Government policies, structures, organizations, laws and practices.

Mrs. Miima holds an MBA from ESAMI, Arusha, a Bachelor of Arts Degree from the University of Nairobi and is currently pursuing a PhD in Entrepreneurship.



**Mr. John Maina Muhoro  
Director**

Mr. John Maina Muhoro represents the Kenya National Federation of Jua Kali Associations on the Board. He serves the Micro and Small Enterprises sector in various capacities both within Kenya, East African community and the African region in general.

Mr. Maina is the national Chairman of the Kenya National Federation of Jua Kali Associations (KNFJA), an umbrella association of primary Artisans small business association across Kenya. He is also Vice Chairman of the Confederation of informal sector organizations Kenya Chapter and sits at the Apex Regional EAC Umbrella body of CISO East Africa.

In 2005, he was appointed Chairman of the UNDP Project executed by the Asian Foundation to the Ziwani Jua Kali Demonstration and Training Centre. He has served in other capacities including being the Chairman of the Starehe Constituency Development Fund (CDF), Board member of the Kenya National Chamber of Commerce and Industry and Kenya Polytechnic. Mr. Maina is currently the Chairman of the Ziwani Jua Kali Engineering works Association as well as Chairman of Kenya National Jua Kali Savings and Credit Society. Mr. Maina holds a Diploma in Motor Vehicle Mechanics among other qualifications in management and related courses.



**Mr. Juma Mwashuruti  
Director**

Mr. Juma Mwashuruti represents the KAM on the Board is a security and anti-illicit trade specialist working in corporate organizations. He contributed immensely to the national anti-illicit trade action plans and strategy through the Multi-stakeholder committee led by the Kenya Association of Manufacturers and the development of the Kenya Anti-Illicit Trade Manual that was published in 2015. He has vast experience in national and corporate security having served at various capacities in the national security sector for over 10 years. He has worked at the national carrier Kenya Airways as a senior Security Manager and currently is the Business Security Manager, Operations at BAT East and Central Africa Area (ECAA).

He holds a BA (Hons) and Master's Degree in International Relations from the Institute of Diplomacy and International Studies (IDIS), University of Nairobi and a Masters of Arts degree in Political Science from the University of Kansas, USA. He was a Fullbright Scholar at the University of Kansas (2004-2006) and alumni of Sasakawa Young Leadership Fellowship Fund (SYLFF) at the University of Nairobi. He is an International Civil Aviation Organisation (ICAO) certified Aviation Security specialist and a Certified Security Management Professional (CSMP) and a member of the International Institute of Security Management Professional (UK).

## KENYA INDUSTRIAL PROPERTY INSTITUTE



**Dr. Moses Makayoto, OGW**  
**Director**

Dr. Moses Makayoto, OGW is currently the Chief Research Scientist and Head of Kenya Industrial Research and Development (KIRDI) Enterprise Services. He has a PhD in Chemical Engineering from the Norwegian University of Science and Technology (NUS&T), MSc. Chemical Engineering from Dar-E-Salaam University and BSc (Hons) from University of Nairobi.

Professionally, he is a Fellow of the Institution of Chemical Engineers (UK), a Chartered Engineer(UK), a Member of the American Institute of Chemical Engineers with over 35 years' experience in University, Research Institutes (national and international), Private Sector, and Public Sector. He has published widely, patented technologies, and developed numerous products and technologies. He has attended several national and international conferences as Speaker and Guest Speaker. Dr. Makayoto has pioneered establishment of National Productivity Centre where he was a Board Member at Kenya National Productivity Centre (KNPC).



**Mr. David Maithori Nguru**  
**Director**

Mr. David Maithori Nguru represents the Kenya Medical Research Institute (KEMRI). He is currently the Head of the Marketing, Intellectual Property and Technology Transfer Department at KEMRI. He holds a Masters of Business Administration (MBA) degree from Kenyatta University, a Master in Intellectual Property (MIP) from Africa University – organized jointly with ARIPO and WIPO – and a B. Ed – Arts (Business Studies and Geography) degree from Kenyatta University.

David is a member of the Association of University Technology Managers (AUTM), Public Interest Intellectual Property Advisors (PIIPA) IP Corps and a former Student Associate of IQsensato. He also represents KEMRI on the Intellectual Property Technical Committee at the Kenya Bureau of Standards (KeBS). Public Interest Intellectual Property Advisors (PIIPA) IP Corps and a former Student Associate of IQsensato. He also represents KEMRI on the Intellectual Property Technical Committee at the Kenya Bureau of Standards (KeBS).



**Eng. Michael Ezekiel Okonji**  
**Director**

Eng. Michael Ezekiel Okonji represents the Institution of Engineers of Kenya. He is the President of the Institution with has many years' in electrical engineering and has worked for the Government for the Department of the Chief Electrical and Mechanical Engineering of the Ministry of Public Works before setting up his consulting firm in Building Services Engineering where he is the Principal Partner.

He holds a Bachelor of Science Degree in Electrical Engineering and Full Technological certificate in Radio, TV and Electronic Engineering. He is a registered professional and consulting engineer by the Engineers Board of Kenya, a Fellow of the Institution of Engineers of Kenya and an Associate Member of the Chartered Institute of Arbitrators, UK.

He was one of the Founder members of the Board of Directors of the Kenya National Accreditation Services and is currently a Board Member of the Engineers Board of Kenya. He is a panelist in the Interviewing Panel of the Engineers Board of Kenya, the Institution of Engineers of Kenya and the Energy Regulatory Commission of Kenya. He is an Independent Observer of the Tender Processing Committees for both the Kenya Pipeline and Kenya Power Companies. He is executive Committee member of the Federation of the East African Engineering Organisation, member of the National Committee of the International Eletrotechnical and World Federation of Engineering Organisation.

## KENYA INDUSTRIAL PROPERTY INSTITUTE



**Mr. Christopher M. Oisebe**  
**Director**

Mr. Christopher Oisebe represents the National Treasury at the Board. He joined the civil servant in 1989 and previously served in the Ministries of Roads and Public Works as well as Tourism and Wildlife. He has previously served in the Kenya Industrial Estates Board, Betting Control and Licensing Board and the National Archives Council. Currently, he is also serving in the Board of the LAPSET Corridor Development Authority.

Mr. Oisebe has a Masters degree in Economic Policy Management, a Bachelor of Philosophy (Economics) degree and a Bachelor of Science (Mathematics and Statistics) degree, all from the University of Nairobi. He is a qualified Certified Public Accountant. He is currently doing his PhD (Economics) at the University of Nairobi.

Mr. Oisebe is a Chief Economist heading the Budget and Expenditure Reporting Division of the Macro and Fiscal Affairs Department of the National Treasury. He oversees the preparation of the Quarterly Economic and Budgetary Review. He also reviews draft policies and cabinet memorandums for line ministries, departments and agencies. He was instrumental in the development of the government's Electronic Projects Monitoring Information System (e-ProMIS) of which he is the manager.



**Mr. Sylvance Sange**  
**Managing Director**

Mr. Sylvance Sange is the Managing Director of the Institute. Previously, he was Deputy Managing Director in charge of Technical Services at the Institute. He has been in the IP field for the last 21 years.





He holds a Bachelor of Science degree in Physics and a Bachelor of Laws degree both from the University of Nairobi. He has a Master of Intellectual Property degree from Franklin Pierce Law Center, in Concord New Hampshire USA.

He was once a fellow with the International Atomic Energy Agency (IAEA) as a Research Scholar in the field of Nuclear Techniques at Clemson University, South Carolina, USA.



## KENYA INDUSTRIAL PROPERTY INSTITUTE

### III. MANAGEMENT TEAM

MANAGER	AREA OF RESPONSIBILITY
 <b>Mr. Sylvance Anderson Sange</b> <b>Managing Director</b>	<p>Mr. Sylvance Anderson Sange, who was born on 10<sup>th</sup> August, 1965, is the Managing Director of the Institute. He is an ex officio member of the Board and is responsible for the day to day affairs of the Institute. He holds a Bachelor of Science degree in Physics and a Bachelor of Laws degree, University of Nairobi. He has a Master of Intellectual Property degree from Franklin Pierce Law Center, in Concord New Hampshire USA.</p>
 <b>Mr. John Onyango</b> <b>Deputy Managing Director/Finance, Planning &amp; Administration</b>	<p>Mr. John Onyango, who was born on 4<sup>th</sup> November, 1965, is the Head of Department of Finance, Planning and Administration that is in charge of the Institute's finance, human resource and ICT policies. He holds a Bachelor of Commerce Degree from the University of Nairobi and previously worked with the Standard Bank of Kenya.</p>
 <b>Mrs. Eunice Njuguna</b> <b>Chief Legal Officer</b>	<p>Mrs. Eunice Njuguna, who was born on 17<sup>th</sup> July, 1966, is in charge of the Legal Division that advises the Institute on compliance with all the relevant legislation. She is also the Institute Corporation Secretary and holds a Bachelor of Laws Degree, University of Nairobi, Diploma in Law, Kenya School of Law and Master of Laws Degree, University of Nairobi. She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.</p>
 <b>Mr. Charles Bariti</b> <b>Chief Information &amp; Documentation Officer</b>	<p>Mr. Charles Bariti, who was born on 20<sup>th</sup> July, 1960, is in charge of Information and Documentation Services that is in charge of publication of the monthly Industrial Property Journal where applications made under the Industrial Property Act and the Trade Marks Act are published. He holds a Bachelor's Degree in Library and Information.</p>

## KENYA INDUSTRIAL PROPERTY INSTITUTE



**Mr. David Njuguna**  
**Chief Patent Examiner**

Mr. David Njuguna, who was born on 8<sup>th</sup> August, 1966, is in charge of the Patent Division that processes applications for grant and registration of patents, utility models and industrial designs. He holds a Bachelor's Degree in Science, University of Nairobi and a Master's Degree in Intellectual Property, University of Melbourne.



**Mr. Leonard Kosgey**  
**Chief Trademarks Examiner**

Mr. Leonard Kosgey, who was born on 23<sup>rd</sup> June, 1968, is in charge of the Trade Mark Division that processes applications for registration of trade marks. He holds a Bachelor of Science Degree, Egerton University and a Master's Degree in Intellectual Property, Franklin Pierce Law Center, USA.



**Mr. Samuel Ng'ethe**  
**Chief Administrative Officer**

Mr. Samuel Ng'ethe, who was born on 31<sup>st</sup> August, 1969, oversees the overall management of human resource and administration services. He holds a Bachelor's Degree in Administration, Master's Degree in Arts and a Higher National Diploma in Human Resource Management.



**CPA Caroline Mawathe**  
**Senior Accountant**

Miss Caroline Mawathe, who was born on 29<sup>th</sup> December, 1969, is in charge of Supervision of Accounting Activities. She is a holder of CPA K, a Bachelor's Degree in Commerce and a Master's Degree in Business Administration. She is a member of the Institute of Certified Public Accountants of Kenya. She is currently pursuing her PHD.

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### IV. CHAIRMAN'S STATEMENT

On behalf of the Board, I am delighted to present the Annual Report and Financial Statements of Kenya Industrial Property Institute for the financial year 2015/2016.

During the year, the Institute realised significant achievements. The Institute has seen its revenue grow from KSh.201,336,794 in 2014/2015 to KSh.216,966,050 in 2015/2016. This revenue increment is linked to the industrial property awareness the Institute has raised in the country.

In executing its mandate, the Institute targeted more on universities and colleges to educate the youth more on industrial property rights and the opportunities they have in the field. This was achieved by organising workshops and conferences in various universities and colleges.



**Mr. Juma Mwashuruti**  
**For: Chairman**

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### V. REPORT OF THE MANAGING DIRECTOR

Since its establishment, the Institute has continuously endeavored to offer the best services to its customers with the number of applications for registration increasing over the years. With the introduction of automation, the quality of processing applications has been enhanced and this has led to growth in revenues. For the period under review, the Institute processed and registered 471 patents, industrial designs and utility models. A total of 4083 trade mark applications were registered.

To support the growth momentum, the Institute has laid emphasis on automation and digitization of core processes as a way of enhancing efficiency, productivity and quality of services offered. This included acquisition of computer and related equipment, upgrade and modernization of application systems and introduction of payment systems such as M-PESA as a way of facilitating the ease of doing business.

In the near future, a platform enabling customers to make applications online will be established and this will lead to more applications. An Electronic Document Management System has been introduced for Patent and Trade Mark Divisions to facilitate digitization of records with the support of World Intellectual Property Organization.

The infrastructure upgrade and digitization of operations is expected to cost KSh.300,000,000. The Institute has made requests for financial support as the existing budget cannot support the initiative. In terms of financial performance, the Institute has achieved a steady growth in revenue. Revenue collection grew from KSh.201,336,794 in the year 2014/2015, to KSh.216,966,050 at the end of 2015/2016, whereas expenses have grown over the same period from KSh.197,947,697 for the period 2014/2015 to KSh.199,343,937 for 2015/2016. This is largely attributable to increase of the cost of goods and services as well as increased outreach activities.



**Mr. Sylvance Anderson Sange**

**Managing Director**

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### VI. 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 Institute places a great deal of importance on robust corporate governance practices and is committed to applying the highest standards of business integrity and professionalism in all 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 has set up four key Board committees to help in the implementation of its policy guidelines and strategic plan as follows:

- (i) Strategy and Human Resource Committee;
- (ii) Audit and Compliance Committee;
- (iii) Finance and Administration Committee; and
- (iv) Technical 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 in compliance with the provisions of the Industrial Property Act.



**Mr. Juma Mwashuruti**

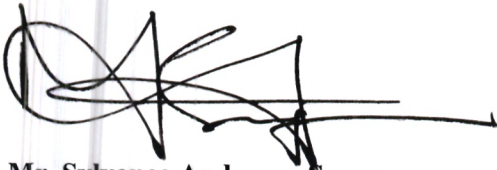
**For: Chairman**

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a responsible corporate citizen, the Institute recognizes the need to engage with its diverse public and stakeholders through Corporate Social Responsibility (CSR) in order to cultivate good relations in the environment. The Institute works closely with its various stakeholders to pursue the enhancement and fulfillment of corporate values through sound business practices in order to promote a sustainable society.

The long term strategy is to engage in strategic CSR which will not only benefit the Institute stakeholders but will also strengthen the Institute's corporate strategy and leverage on key focus areas. Some of the key drivers of CSR initiatives in the year 2015/2016 include a follow up by the Institute on the tree planting exercise that was carried out at the end of 2014/2015 Financial Year.



**Mr. Sylvance Anderson Sange**

**Managing Director**

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2016.

#### Results

The results of Kenya Industrial Property Institute for the year ended 30<sup>th</sup> June 2016 are as follows:

	2015/16 KSh.	2014/15 KSh.
Total Income for the Year	232,380,581	233,971,566
Less: Total Expenditure for the Year	199,343,937	197,947,697
	<hr/>	<hr/>
Operating Surplus	<b>33,036,644</b>	<b>36,023,869</b>
	<hr/>	<hr/>

#### Appointment of Board of Directors

Appointment of the Board members is done under the provisions of section 6 of the Industrial Property Act. The Chairman to the Board is appointed by the Cabinet Secretary and holds Office for a period of three years from the date of appointment. Other members of the Board are directly nominated by their representative organizations to the Board. The nominees' names are then forwarded to the Cabinet Secretary for the Ministry of Industry, Trade and Co-operatives for appointment Board of Directors through a Kenya Gazette Notice.

#### Membership of Board of Directors

The Institute has thirteen (13) Board of Directors as stipulated in the Industrial Property Act. The members are drawn from the following organisations: Kenya Medical Research Institute;

- a) Kenya Industrial Research and Development Institute;
- b) Institution of Engineers of Kenya;
- c) Law Society of Kenya;
- d) State Law Office;
- e) The National Treasury;
- f) Kenya National Federation of Jua Kali Artisans;
- g) Ministry of Industry, Trade and Co-operatives;
- h) National Commission for Science, Technology and Innovations (NACOSTI); and
- i) Kenya Association of Manufacturers.

The members of the Board of Directors who served during the year under review are shown on pages vii & viii.

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### Board of Directors' Mandate

The Board has set generally accepted reporting standards for the development and management of accounting and financial systems of the Institute and in particular performs the following functions:

- a) Prescribes the minimum standards of maintenance of proper books of accounts by the Institute;
- b) Prescribes sound internal audit procedures that are compliant with the set standards;
- c) Performs any other functions related to advancing financial and accounting systems management and reporting by the Institute; and
- d) Ensures that the standards adopted by the Board promote transparency and other constitutional values and principles in effective, prudent and efficient management of revenue, expenditure, assets and liabilities of the Institute.

### Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Section 68 (1) of the Public Finance Management Act, 2012, which empowers the Auditor General to nominate auditors to carry out the audit on his behalf.



**Mr. Juma Mwashuruti**

**For: Chairman**



## KENYA INDUSTRIAL PROPERTY INSTITUTE

### IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 19 of the Industrial Property Act, Section 15 of the Second Schedule of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act Cap. 446 of the Laws of Kenya require the Directors to prepare financial statements 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 and the Industrial Property Act 2001. 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 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 every financial year. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Institute;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

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 signed on behalf of the Board by:



Eng. Michael Ezekiel Okonji

Director



Mr. John Muhoro Maina

Director

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Industrial Property Institute set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, statement of comparison of budget and actual amounts 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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 of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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*Report of the Auditor-General on the Financial Statements of Kenya Industrial Property Institute for the year ended 30 June 2016*

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

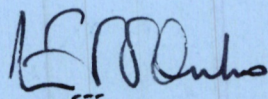
In my opinion, the financial statement present fairly, in the all material respects, the financial position of the Institute as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and comply with Kenya Industrial Property Act, 2001.

### **Emphasis of Matter**

#### **Property, Plant and Equipment**

As was reported in the previous year, the Institute acquired office premises in 2013/2014 valued at Kshs.370,000,000 but which it had not occupied as at 30 June 2016, three years after acquisition. The management has since initiated the tendering process for partitioning, renovation and refurbishment of the premises. The works were expected to be completed in four months' time from the date of the audit.

My opinion is however not qualified in respect to this matter.



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

**Nairobi**

**23 March 2017**

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

	NOTES	2015/16	2014/15
		KSh.	KSh.
<b>Revenue from Exchange Transactions</b>			
Income from Fees	3	216,966,050	201,336,794
<b>Revenue from Non-Exchange Transactions</b>			
GOK Grants - Recurrent	3 & 4	3,000,000	15,000,000
GOK Grants - Development		-	-
<b>Other Incomes</b>			
Fees (ARIPO)	5	12,082,887	16,846,924
Interest Income	5	331,644	787,848
<b>Total Revenue</b>		<b>232,380,581</b>	<b>233,971,566</b>
<b>Expenses</b>			
Employee Costs	6	103,660,509	109,018,331
Hospitality	7	9,566,173	9,682,083
Board Expenses	7	8,413,585	2,531,198
Depreciation and Amortization Expense	8	6,986,934	7,049,145
Repairs and Maintenance	9	9,817,003	10,319,542
General Expenses	10	60,899,733	59,347,398
<b>Total Expenses</b>		<b>199,343,937</b>	<b>197,947,697</b>
<b>Other Gains/(Losses)</b>		-	-
<b>Surplus Before Tax</b>		<b>33,036,644</b>	<b>36,023,869</b>
<b>Surplus for the Period</b>		<b>33,036,644</b>	<b>36,023,869</b>

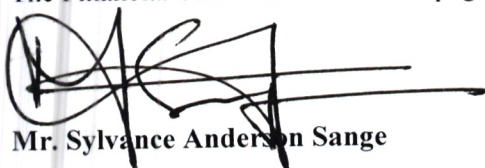
The notes set out on pages 6 to 22 form an integral part of the Financial Statements.


**KENYA INDUSTRIAL PROPERTY INSTITUTE**

**XII. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2016**

Assets	NOTES	2015/16	2014/15
		<b>KSh.</b>	<b>KSh.</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	11 & 12	190,540,165	50,086,397
Receivables	13	82,764,808	101,574,619
Inventories	14	9,521,427	12,100,828
<b>Sub-Total</b>		<b><u>282,826,400</u></b>	<b><u>163,761,844</u></b>
 <b>Non-current Assets</b>			
Property, Plant and Equipment	15	399,009,017	398,434,542
Intangible Assets	16	1,334,865	1,906,950
<b>Sub-total</b>		<b><u>400,343,882</u></b>	<b><u>400,341,492</u></b>
<b>Total Assets</b>		<b><u>683,170,282</u></b>	<b><u>564,103,336</u></b>
 <b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	17	464,000	464,000
<b>Total Liabilities</b>		<b><u>464,000</u></b>	<b><u>464,000</u></b>
<b>Net Assets</b>		<b><u>682,706,282</u></b>	<b><u>563,639,336</u></b>
Reserves	18	566,748,514	480,718,212
Accumulated Surplus	19	115,957,768	82,921,124
<b>Total net Assets and Liabilities</b>		<b><u>682,706,282</u></b>	<b><u>563,639,336</u></b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board by

  
**Mr. Sylvance Anderson Sange**  
**Managing Director**

  
**Mr. Juma Mwashuruti**  
**For: Chairman**

**KENYA INDUSTRIAL PROPERTY INSTITUTE**

**XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

Attributable to the Owners of the Controlling Entity Reserves

	Capital Replacement Development Reserve	Reserve Fund	Special Fund	Minority Interest	Total  Restated
	KSh.	KSh.	KSh.	KSh.	KSh.
<b>Balance as at 30th June 2014</b>	416,748,514	46,897,255	63,969,698	-	527,615,467
Transfer from Special Fund	-	36,023,869	-	-	36,023,869
Surplus/(deficit) for the Period	-				
Transfers from Reserves					
Transfers from Special Fund					
Development Grants		-			-
<b>Balance as at 1st July 2015</b>	<b>416,748,514</b>	<b>82,921,124</b>	<b>63,969,698</b>	<b>-</b>	<b>563,639,336</b>
Surplus/Deficit for the Period		33,036,644			33,036,644
Transfers from Reserves					
Transfers from Special Fund					
- Operation			(51,419,633)		(51,419,633)
- Medical Scheme			(12,550,065)		(12,550,065)
Development Grants	150,000,000	-			150,000,000
<b>Balance as at 30th June 2016</b>	<b>566,748,514</b>	<b>115,957,768</b>	<b>-</b>	<b>-</b>	<b>682,706,282</b>
<b>Balance as at 30th June 2015</b>	<b>416,748,514</b>	<b>82,921,124</b>	<b>63,969,698</b>	<b>-</b>	<b>563,639,336</b>

**Notes to the Statement of Changes in Net Assets**

The change in the net assets was as a result of the additions from the surplus realized during the year 2016 and the transfers made from the Special Fund to meet operational expenses.

**Development Grants**

The Institute received the development grants during the financial year 2015/2016 of Sh.150,000,000 from the Ministry of Industry, Trade and Co-operatives.

**KENYA INDUSTRIAL PROPERTY INSTITUTE**

**XIV. STATEMENT OF CASH FLOWS AS AT 30<sup>TH</sup> JUNE 2016**

	NOTES	2015/16	2014/15
<b>Cash Flows from Operating Activities</b>		<b>KSh.</b>	<b>KSh.</b>
<b>SOURCES OF FUNDS</b>			
Surplus/Deficit for the Year	19	33,036,644	36,023,869
<b>ADJUSTMENTS FOR THE YEAR</b>			
Depreciation	15 & 16	6,986,934	7,049,145
<b>OTHER SOURCES</b>			
Collections From Non-Operating Activities		-	-
<b>Cash Generated from Operating Activities</b>		<b>40,023,578</b>	<b>43,073,014</b>
<b>WORKING CAPITAL ITEMS</b>			
Increase/Decrease in Trade & Other Payables	20	-	(2,002,500)
Increase/Decrease in Inventory	20	2,579,401	(3,082,570)
Increase/Decrease in Trade & Other Receivables	20	18,809,811	(34,098,857)
<b>Net Cash Flows from Operating Activities</b>		<b>61,412,790</b>	<b>3,889,087</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of Property, Plant, Equipment and Intangible Assets	15 & 16	(6,989,324)	(14,561,546)
<b>Net Cash Flows used in Investing Activities</b>		<b>(6,989,324)</b>	<b>(14,561,546)</b>
<b>FINANCING ACTIVITIES</b>			
Development Grants		150,000,000	-
Decrease in Deposits	13	-	-
Transfers from Special Fund (Deposit)		(63,969,698)	-
<b>Net Cash Flows used in Financing Activities</b>		<b>86,030,302</b>	<b>-</b>
<b>Increase/Decrease of Cash and Cash Equivalents</b>		<b>140,453,768</b>	<b>(10,672,459)</b>
<b>Cash and Cash Equivalents at 1st July 2015</b>	<b>11 &amp; 12</b>	<b>50,086,397</b>	<b>60,758,856</b>
<b>Cash and Cash Equivalents at 30th June 2015</b>	<b>11 &amp; 12</b>	<b>190,540,165</b>	<b>50,086,397</b>

**KENYA INDUSTRIAL PROPERTY INSTITUTE**

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
	KSh.	KSh.	KSh.	KSh.	KSh.
<b>Revenue</b>					
Government Grants and Subsidies	4,000,000	(1,000,000)	3,000,000	3,000,000	-
Rendering of Services	226,360,000	-	226,360,000	216,966,050	(9,393,950)
Finance Income	-	-	-	331,644	
Other Incomes (ARIPO)	-	-	-	12,082,887	
<b>Total Income</b>	<b>230,360,000</b>	<b>(1,000,000)</b>	<b>229,360,000</b>	<b>232,380,581</b>	<b>1,688,937</b>
<b>Expenses</b>					
Compensation of Employees	134,200,000	(23,000,000)	111,200,000	103,660,509	30,539,491
Goods and Services	96,160,000	23,000,000	119,160,000	88,696,494	7,463,506
Other Provisions (Dep)	-	-	-	6,986,934	-
<b>Total Expenditure</b>	<b>230,360,000</b>	<b>-</b>	<b>230,360,000</b>	<b>199,343,937</b>	<b>31,016,063</b>
<b>Surplus for the Period</b>				<b>33,036,644</b>	<b>-</b>
<b>Development Grants</b>	<b>150,000,000</b>	<b>-</b>	<b>150,000,000</b>	<b>150,000,000</b>	<b>-</b>

**NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE**

**Rendering of Services**

The budgeted collections by the Institute was KSh.226,360,000. However, the Institute managed to collect only KSh.216,966,050 leading to an under-collection of KSh.9,393,950 occasioned by the fact that owners of trade marks did not renew their marks as anticipated by the Institute.

**Compensation of Employees**

The budgeted staff costs amounted to KSh.134,200,000. There was revision in staff costs during the year 2015/2016 from KSh.134,200,000 to KSh.111,200,000. The Institute eventually spent KSh.103,660,509 thereby realizing a savings of KSh.7,539,491 on staff costs.

**Provision of Goods and Services**

The Institute budgeted for KSh.96,160,000 to be used on payment of expenses on provision of goods and services. The Institute eventually utilized KSh.88,696,494 on payment of goods and services leading to an under-expenditure of KSh.7,463,506. All the reallocations were however done within the budgetary total budgetary allocation and therefore the total budgetary allocation was not surpassed.



XVI. NOTES TO THE FINANCIAL STATEMENTS

**1. Statement of Compliance and Basis of Preparation**

The Institute's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is its functional and reporting currency. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis. The Institute complied with IPSAS from 2013/2014 following the gazettelement of the Public Section Accounting Standards Board (PSASB) which was established by Public Finance Management Act No. 18 on 24<sup>th</sup> July, 2012. Public Section Accounting Standards Board (PSASB) issued financial reporting standards and guidelines to be adopted by the State organisations and Public Sector entities which the Institute complied with.

**2. Summary of Significant Accounting Policies**

**a) Revenue Recognition**

**Revenue from Exchange Transactions**

**Fees**

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

**Interest Income**

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

**b) Budget Information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis, timing or differences that would require reconciliation

## **KENYA INDUSTRIAL PROPERTY INSTITUTE**

between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **c) Property, Plant and Equipment**

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

### **d) Intangible Assets**

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

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

### **e) Financial Instruments**

The Institute did not hold any significant financial instruments during the year under review. There was no investment in form of held-to-maturity instruments that would yield any fixed or determinable receipts during the reporting period.

### **f) Financial Liabilities**

#### **Initial Recognition and Measurement**

Financial liabilities within the scope of International Public Sector Accounting Standards (IPSAS) 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

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

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### **g) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

### **h) Provisions**

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

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

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

### **Contingent Liabilities**

The Institute held only one claim payable in form of audit fees amounting to KSh.464,000. The provision has been made in these financial statements for the amount therefore the management is of the opinion that no significant liabilities will arise that may affect the Financial Statements after the reporting date.

### **Contingent Assets**

The Institute does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within its control in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has

## **KENYA INDUSTRIAL PROPERTY INSTITUTE**

become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### **i) Nature and Purpose of Reserves**

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

### **j) Changes in Accounting Policies and Estimates**

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

### **(k) Employee Benefits**

#### **Retirement Benefit Plans**

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

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

#### **l) Foreign Currency Transactions**

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

#### **m) Related Parties**

The related parties to the Institute are the Government, key management and the Board of Directors. The Institute paid the Board allowances amounting to KSh.8,413,585 and therefore, the Financial Statements do not include any outstanding balances relating to transactions entered into with the third

## KENYA INDUSTRIAL PROPERTY INSTITUTE

parties. There is no significant claims from the related parties that would significantly affect the position of the Institute on crystallization.

### **n) 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 Kenya Commercial Bank and National Bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to employees of the Institute which were not surrendered or accounted for at the end of the financial year.

### **o) Comparative Figures**

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

### **p) Significant Judgments and Sources of Estimation Uncertainty**

The Institute is required to make judgements and assumptions that would affect the reported amounts of revenues, expenses, assets and liabilities and also the disclosure of contingent liabilities in line with International Public Sector Standards (IPSAS) 1. The management has no reason to believe that there would be any subsequent events that would significantly affect the values of the revenues, expenses, assets and liabilities after the financial statements report and therefore such estimates and assumptions were not made at the reporting date as there were no significant risks that would have caused any material adjustment to the carrying amounts of the assets and liabilities within the next financial year performance.

### **q) Government Grants**

#### **Recurrent Grants**

Recurrent grants from the Government are accounted for under the Income approach where they are recognized as income over the period necessary to match them with the related assets which they are intended to compensate on a systematic basis. During the period under review the Board received KSh.3,000,000 recurrent Government grants from the Ministry of Industry, Trade and Co-operatives.

#### **Development Grants**

The Institute received development grants of KSh.150,000,000 from the Ministry of Industry, Trade and Co-operatives during the financial year 2015/2016.

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### r) 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 30<sup>th</sup> June 2016.

### s) Risks

For the Institute to achieve its mandate effectively, measures have been put in place to seal off leakages and avoid the would-be inherent risks. Risk management plays a major role in financial planning and hence aids in the attainment of the organization goals. To proactively mitigate against the risks, the risks management has been tied to the organization's strategic plan.

- Operational risks – these are risks of loss as result of system failure, human error and fraud. The controls that the Management has put in place to contain these include;
  - (i) Staff training;
  - (ii) Authorization level;
  - (iii) Periodic risk assessment;
  - (iv) Duty rotations and segregation; and
  - (v) Internal audit.
- Liquidity risk –these risks relate to inability to realize sufficient cash to meet commitments. To address this risk, the Management has adopted a prudent management of its cash flows. Investment of surplus cash in low risk Government securities has also been a policy of the Management.

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### 3. Revenue From Transactions

	KSh.	KSh.
<b>Revenue from Exchange Transactions</b>		
Operating Income	216,966,050	201,336,794
<b>Revenue from Non-Exchange Transactions</b>		
GOK Grants - Recurrent	3,000,000	15,000,000
GOK Grants - Development	-	-
<b>Total Revenue from Transactions</b>	<b>219,966,050</b>	<b>216,336,794</b>

### 4. G.O.K. Grants

Name of Entity Sending the Grants	Amount Recognized to Statement of Comprehensive Income  KSh.	Amount Deferred /Capital Development  KSh.	Total Grant Income During the Year 2016  KSh.	Total Grant Income During the Year 2015  KSh.
Ministry of Industry, Trade & Co-operatives - Development Recurrent Grants	3,000,000	-	3,000,000	-
Ministry of Industry, Trade & Co-operatives - Recurrent Grants	-	150,000,000	150,000,000	15,000,000
<b>Total</b>	<b>3,000,000</b>	<b>150,000,000</b>	<b>153,000,000</b>	<b>15,000,000</b>

The operating income consists of the fees received in respect of trade marks and patents which form the core activities of the Institute. Grants from the Government were received for the purpose of meeting the recurrent expenditure and was recognised as income during the period under review.

The Institute received development grants of KSh.150,000,000 and recurrent grants of KSh.3,000,000 during the year 2015/2016 from the Ministry of Industry, Trade and Co-operatives.

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### 5. Other Incomes

	2015/16	2014/15
	KSh.	KSh.
<b>Other Incomes</b>		
ARIPO	12,082,887	16,846,924
Other Incomes (Interests)	331,644	787,848
<b>Total Other Incomes</b>	<b>12,414,531</b>	<b>17,634,772</b>

The Institute earns fees from the World Intellectual Property Organisation under the Madrid System and from the African Regional Intellectual Property Organisation which is treated by the Institute as Other Operating Income. In the Financial Year 2015/2016, the Institute received KSh.12,082,887 from the African Regional Intellectual Property Organisation.

Interest Income is the interest earned during the year on the balances on deposits at the bank.

### 6. Employee Costs

	2015/16	2014/15
	KSh.	KSh.
Employee Related Costs - Salaries & Wages	82,957,429	86,890,105
Employee Related Costs - Contributions to Pension & Medical Aids	20,703,080	22,128,226
<b>Total Employee Costs</b>	<b>103,660,509</b>	<b>109,018,331</b>

These are costs relating to the employee salaries, wages, pension and medical schemes incurred during the year.

### 7. Hospitality Costs

	2015/16	2014/15
	KSh.	KSh.
Hospitality, Supplies and Services	9,566,173	9,682,083
Board Expenses	8,413,585	2,531,198
<b>Total Hospitality Costs</b>	<b>17,979,758</b>	<b>12,213,281</b>

The above costs under hospitality consist of the Board expenses amounting to KSh.8,413,585 while the difference relates to costs incurred on seminars, workshops and provision of staff tea.



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### 8. Depreciation and Amortization Expenses

	2015/16	2014/15
	KSh.	KSh.
Property, Plant & Equipment	6,414,849	6,231,881
Intangible Assets	572,085	817,264
<b>Total Depreciation and Amortization</b>	<b>6,986,934</b>	<b>7,049,145</b>

The Institute charges depreciation of its assets on reducing balance method based on the following rates:

Motor Vehicles	25%
Computers	30%
Furniture and Equipment	12.5%
Intangible Assets	30%

It is the policy of the Institute not to charge any depreciation on land and building.

### 9. Repairs and Maintenance

These are costs relating to repairs to motor vehicles, computers, equipment and machinery and the general Maintenance of the office compound.

	2015/16	2014/15
	KSh.	KSh.
Vehicles	3,609,877	6,307,005
Other Assets	6,207,126	4,012,537
<b>Total Repairs and Maintenance</b>	<b>9,817,003</b>	<b>10,319,542</b>

## KENYA INDUSTRIAL PROPERTY INSTITUTE

### 10. General Expenses

The following are included in General Expenses

	2015/16	2014/15
	KSh.	KSh.
Utilities Supplies & Service - Water & Electricity	421,790	882,838
Telecommunication, Supplies & Services	2,491,737	3,026,599
Travel & Subsistence, & Other Transportation Costs	14,052,492	11,317,070
Printing, Advertising & Information Supplies & Services	8,587,303	10,499,010
Skills Development & Training	7,469,924	6,184,812
Audit Fees	464,000	464,000
Specialized Materials & Supplies	1,235,320	1,715,000
Office & General Supplies & Services	13,101,904	9,916,901
Insurance	1,699,500	493,532
Contracted/Legal	-	-
Bank Charges	599,248	637,823
Administration/Subscriptions	452,341	991,100
Other Operating Expenses	10,324,174	13,218,713
	<b>60,899,733</b>	<b>59,347,398</b>

These are various expenditures incurred by the Institute for the purpose of facilitating various functions that are geared towards attainment of the objectives of the Institute.

### 11. Cash and Cash Equivalents

	2015/16	2014/15
	KSh.	KSh.
Bank 2(a)	190,409,565	50,069,384
Cash on Hand	130,600	17,013
Shortterm Deposits	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>190,540,165</b>	<b>50,086,397</b>

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### 12. Detailed Analysis of Cash and Cash Equivalents

Banks	Account No.	2015/16	2014/15
Name of the Bank		KSh.	KSh.
Kenya Commercial Bank	1103867768	176,230,042	30,925,295
Kenya Commercial Bank	1104172208	3,831,100	5,629,591
Cash in Hand		130,960	-
National Bank of Kenya	0117311500	333,044	6,425,428
Mpesa - Safaricom	924850	-	68,000
Kenya Commercial Bank	1104169363	10,015,019	7,021,070
<b>Total</b>		<b>190,540,165</b>	<b>50,069,384</b>

### 13. Receivables

	2015/16	2014/15
	KSh.	KSh.
<b>Current Receivables</b>		
WIPO	30,870,000	38,267,635
ARIPO	12,241,976	16,096,418
Staff Advances	45,832	229,691
Other Receivables (Renewal Fees Due)	39,607,000	46,980,875
<b>Total Receivables</b>	<b>82,764,808</b>	<b>101,574,619</b>

These are amounts due from World Intellectual Property Organisation and African Regional Intellectual Property Organisation in respect of the Institute's share of the fees collected on behalf of the Institute. The staff advances consists of salary advances made by the Institute towards emergency financial needs of the various staff members during the period under review.

Other receivables consist of renewal fees due from expired trade marks and patents which have not been received. The amount is treated as receivables in the books of accounts.

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### 14. Inventories

	2015/16	2014/15
	KSh.	KSh.
Consumable Stores	5,053,443	7,632,844
Library	4,467,984	4,467,984
<b>Total Inventories at the Lower of Cost &amp; Net Realizable Value</b>	<b>9,521,427</b>	<b>12,100,828</b>

The inventories consist of the stock of consumable items held in the Institute's stores during the Financial Year end and the stock of various reference books held at the Institute's Library. It is the Institute's policy not to charge wear and tear on the Library books.

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**15. Property, Plant and Equipment**

	<b>Land &amp; Buildings KSh.</b>	<b>Motor Vehicles KSh.</b>	<b>Computers KSh.</b>	<b>Furniture &amp; Equipment KSh.</b>	<b>Total KSh.</b>
<b>Cost</b>					
As at a 1st July 2014	374,126,250	16,681,306	21,044,504	25,118,409	436,970,469
Additions	-	7,843,418	1,796,499	2,753,915	12,393,832
Transfer/Adjustments	-	-	-	-	-
<b>As at 30th June 2014</b>	<b>374,126,250</b>	<b>24,524,724</b>	<b>22,841,003</b>	<b>27,872,324</b>	<b>449,364,301</b>
<b>Depreciation</b>					
As at a 1st July 2014	-	15,396,760	15,564,639	13,736,479	44,697,878
Charge for the Year 2014	-	2,281,991	2,182,909	1,766,981	6,231,881
<b>As at 30th June, 2014</b>	<b>-</b>	<b>17,678,751</b>	<b>17,747,548</b>	<b>15,503,460</b>	<b>50,929,759</b>
<b>NET BOOK VALUE</b>					
As at 30th June 2015	374,126,250	6,845,973	5,093,455	12,368,864	398,434,542
As at 1st June 2014	374,126,250	1,284,546	5,479,865	11,381,930	392,272,591
<b>Cost</b>					
As at 1st July 2015	374,126,250	24,524,724	22,841,003	27,872,324	449,364,301
Additions	-	-	4,317,400	2,671,924	6,989,324
Transfer/Adjustment	-	-	-	-	-
	<b>374,126,250</b>	<b>24,524,724</b>	<b>27,158,403</b>	<b>30,544,248</b>	<b>456,353,625</b>
<b>Depreciation</b>					
As at a 1st July 2015	-	17,678,751	17,747,548	15,503,460	50,929,759
Charge for the Year 2015/16	-	1,711,493	2,823,257	1,880,099	6,414,849
	<b>-</b>	<b>19,390,244</b>	<b>20,570,805</b>	<b>17,383,559</b>	<b>57,344,608</b>
<b>NET BOOK VALUE</b>					
As at 30th June 2016	374,126,250	5,134,480	6,587,598	13,160,689	399,009,017
As at 1st June 2015	374,126,250	6,845,973	5,093,455	12,368,864	398,434,542

**NOTE TO DEPRECIATION AND AMORTIZATION ON PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

No depreciation is provided on freehold and long leasehold land and buildings. Other property, plant and electronic equipment are depreciated on a reducing balance basis to write the cost or valuation over their estimated useful life. Such depreciation has been calculated on reducing balance method based on the following rates:

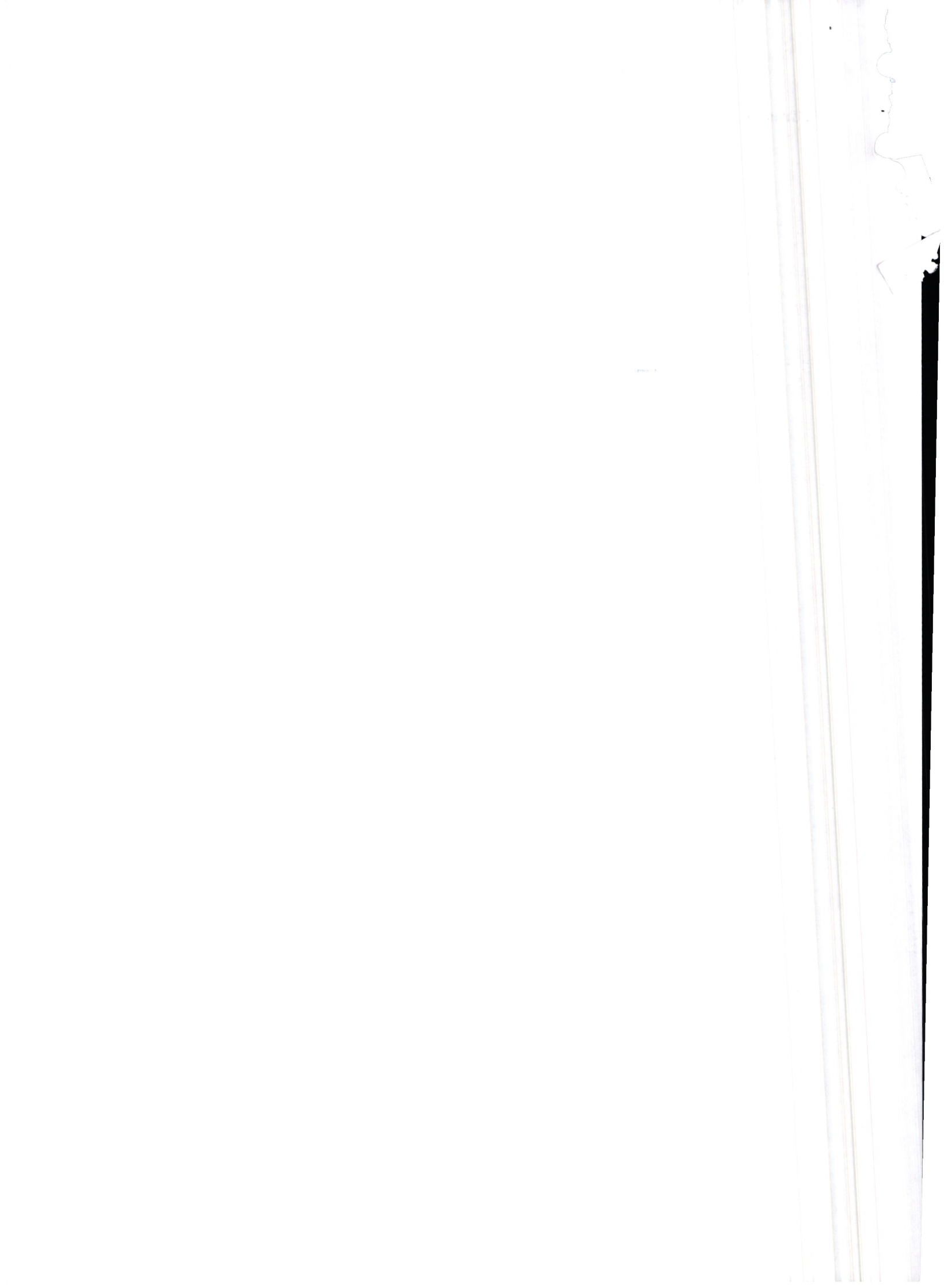
Motor Vehicles	25%
Computers	30%
Furniture and Equipment	12.5%
Intangible Assets	30%

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### 16. Intangible Assets – Software

DETAILS	KSh.
<b>Cost</b>	
1st July 2014	1,305,000
Additions	2,167,714
Transfers/Adjustments	-
	<b>3,472,714</b>
 <b>Amortisation</b>	
As at 1st July 2014	748,500
Charge for the Year	817,264
	<b>1,565,764</b>
 <b>NET BOOK VALUE</b>	
As at 30th June 2015	<b>1,906,950</b>
As at 30th June 2014	<b>556,500</b>
 <b>Cost</b>	
1st July 2015	3,472,714
Additions	-
Transfers/Adjustments	-
	<b>3,472,714</b>
 <b>Amortisation</b>	
As at 1st July 2015	1,565,764
Charge for the Year	572,085
	<b>2,137,849</b>
 <b>NET BOOK VALUE</b>	
As at 30th June 2016	<b>1,334,865</b>
As at 30th June 2015	<b>1,906,950</b>

The intangible assets comprise of the cost incurred for the purpose of the software development. It is the Institute's policy to charge amortization on such software costs at the rate of 30% on reducing balance Method.



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### 17. Trade and Other Payables

	2015/16	2014/15
	KSh.	KSh.
Trade Payables	464,000	464,000
<b>Total Trade and Other Payables</b>	<b>464,000</b>	<b>464,000</b>

This consists of the provision made in respect to the amount owed to the Kenya National Audit Office in respect of audit fees.

### 18. Reserves

	2015/16	2014/15
	KSh.	KSh.
Special Fund	-	63,969,698
Capital Reserve	566,748,514	416,748,541
Accumulated Surplus	115,957,768	82,921,124
<b>Total Reserves</b>	<b>682,706,282</b>	<b>563,639,363</b>

Reserves comprise of the accumulated balances in respect of Special Fund set up by the Institute and the accumulated surplus from operating activities.

### 19. Accumulated Surplus

	2015/16	2014/15
	KSh.	KSh.
Total Income for the Year	232,380,581	233,971,566
Less: Total Expenditure for the Year	199,343,937	197,947,697
<b>Accumulated Surplus</b>	<b>33,036,644</b>	<b>36,023,869</b>

This represents the excess of the revenue over the expenditure incurred to realize that income during the period under review.

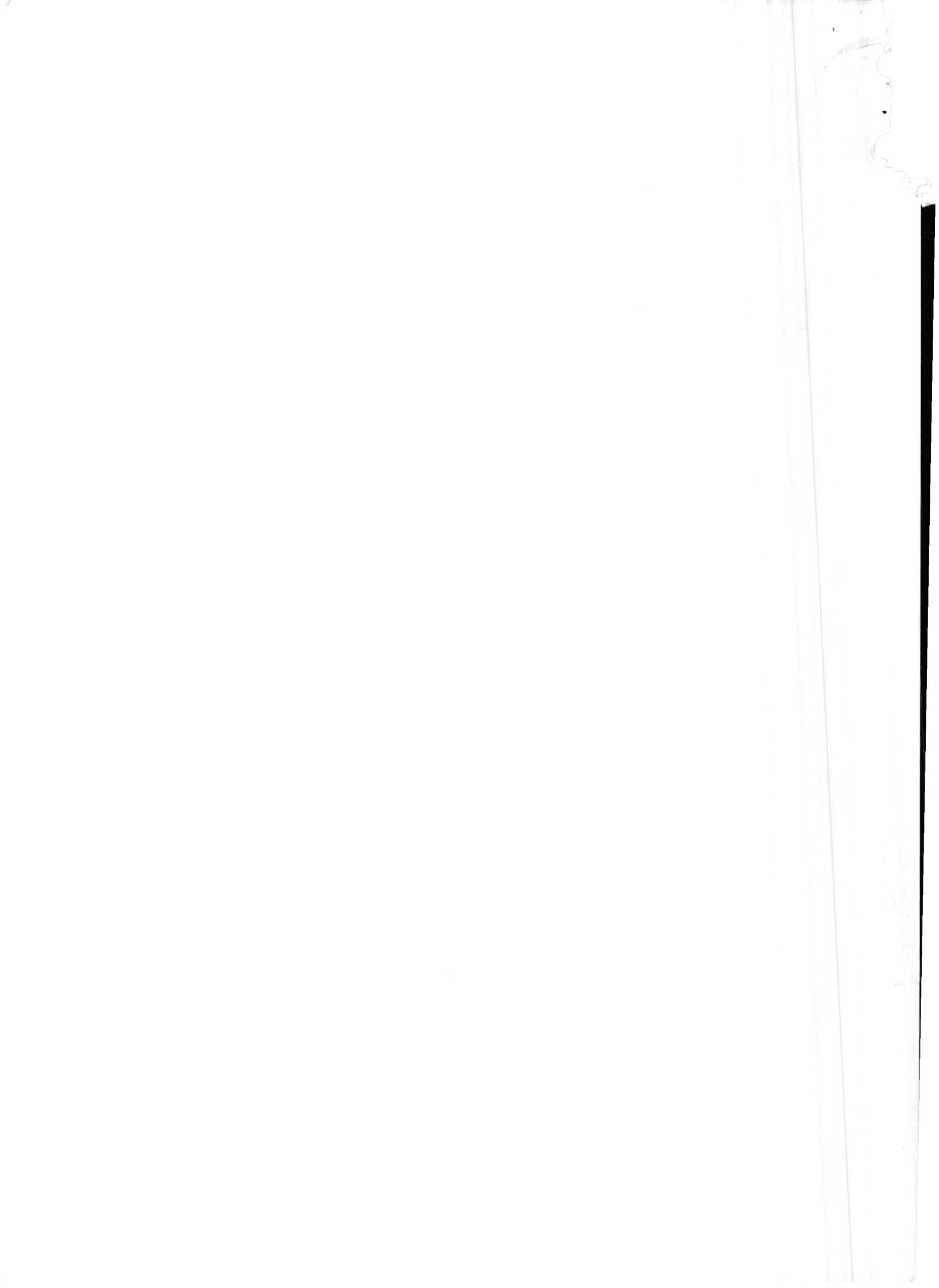




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### 20. Cash Generated from Operations

	2015/16	2014/15
	KSh.	KSh.
Surplus for the Year Before Tax	33,036,644	36,023,869
<b>Adjusted for:</b>		
Depreciation	6,414,849	6,231,881
Impairment	572,085	817,264
Other Collections from Non-Operating Activities	-	-
<b>Working Capital Adjustments:</b>		
Increase in Inventory	2,579,401	(3,082,570)
Increase in Receivables	18,809,811	(34,098,857)
Increase in Payables	-	(2,002,500)
<b>Net Cash Flow From Operating Activities</b>	<b>61,412,790</b>	<b>3,889,087</b>



## KENYA INDUSTRIAL PROPERTY INSTITUTE

### XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor and the management comments that were provided to the auditor. Focal point persons have been nominated to resolve the various issues as shown below and the time frame within which the issues are expected to be resolved:

Reference No. on the External Audit Report	Issue/Observations from Auditor	Management Comments	Focal Point Person to Resolve the Issue	Status	Timeframe
<b>Property Plant and Equipment</b>					
1	During the 2013/2014, the Institute had bought a building got office occupation at a cost of KSh.370,000,000. Although the cost/value had been included in the financial statements under Property, Plant and Equipment balance of KSh.398,434,542, the management had not relocated to the new office over one year after the procurement of the building.	The Management has since initiated the tendering process for partitioning, renovation and refurbishment of the premises and upon conclusion, the work is expected to be completed in four months' time.	The Managing Director and the Board of Directors	Work in Progress	30th June, 2017
<b>Other Matters</b>					
<b>Lack of a Functional ICT Steering Committee</b>					
2	The Institute did not have a functional ICT Steering Committee and the Internal Audit Unit that is adequately staffed to enhance data integrity and undertake effective risk assessment and mitigation by having effective internal controls.	The Management has noted the lapse and has instituted measures to safeguard data integrity as well as beefing up the operations of the Internal Audit by deploying additional staff.	The Managing Director and the top Management team	Resolved	30th June, 2017

