


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA INDUSTRIAL PROPERTY
INSTITUTE

FOR THE YEAR
ENDED 30 JUNE 2018

KENYA INDUSTRIAL PROPERTY INSTITUTE



**KENYA INDUSTRIAL PROPERTY
INSTITUTE**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

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

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 world class institution in administration of industrial property rights.

MISSION

To protect and promote industrial property rights to foster innovation for sustainable development in Kenya.

CORE VALUES

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

(i) Confidentiality

The Institute endeavours to guarantee the privacy and confidentiality of its customers' information.

(ii) Customer Focus

The Institute strives to understand and meet customer needs and aim to exceed their expectations.

(iii) Innovation

The Institute commits to foster an enabling environment that encourages creativity, continuous learning and improvement for sufficient and effective service delivery.

(iv) Integrity

The Institute endeavors to be honest, fair and ethical in creating a culture of trust and accountability in all its activities and decision making.

(v) Professionalism

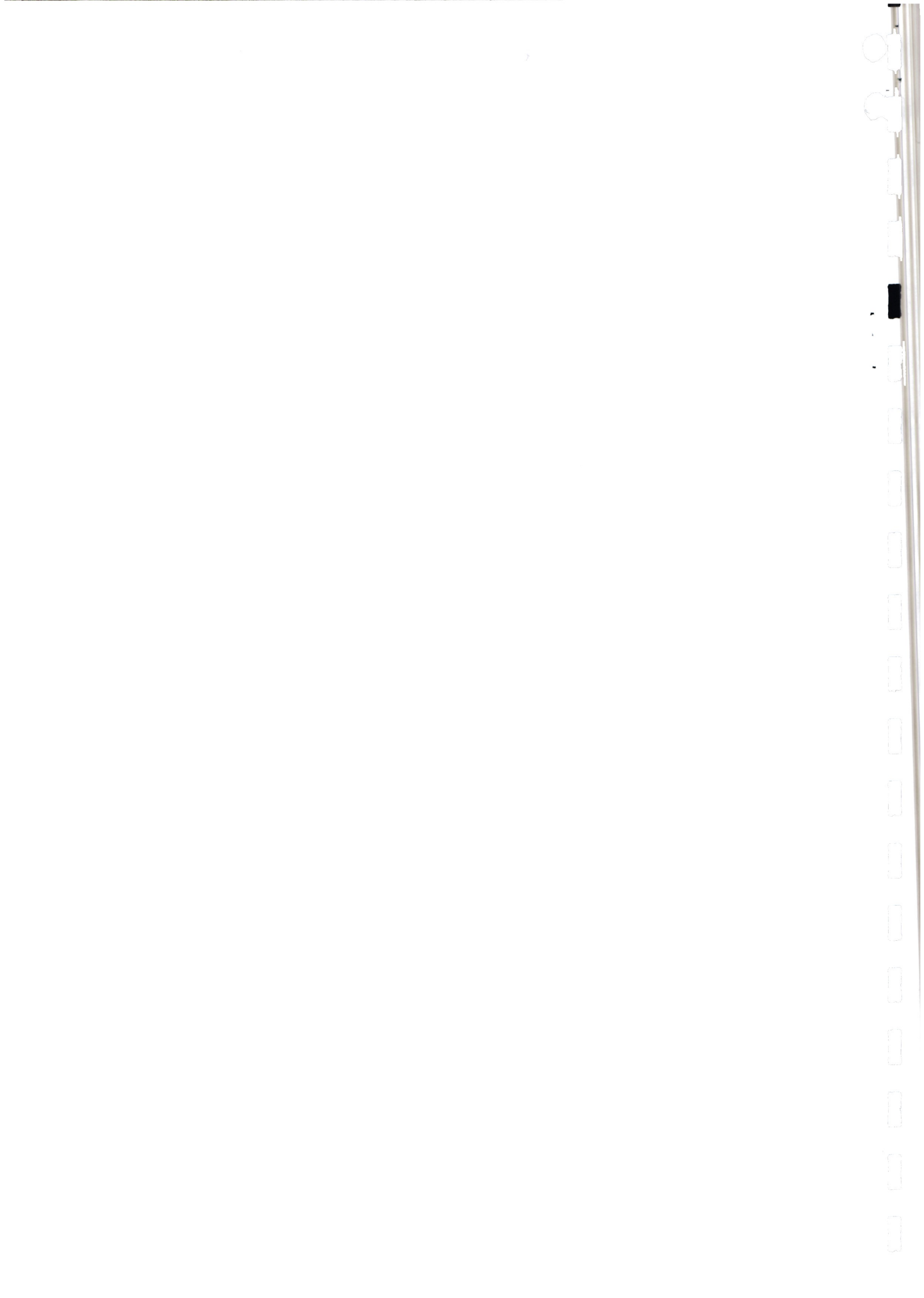
The Institute will maintain high standards and professional competence in the discharge of service. It will abide to professional and considerations on the methods, standards and procedures in its work.

(vi) Team Work

The Institute creates a unique atmosphere of collaboration, mutual support and genuine interest in each other's success. Its diverse mix of cultures and experiences provides a variety of perspectives and talents that, when united through teamwork, strengthens the ability to achieve goals.



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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 30th June, 2018 and who had direct fiduciary responsibility were:

Designation	Name
1. Managing Director	Mr. Sylvance Sange
2. Deputy Managing Director/Corporate Services	Mr. John Onyango
3. Manager, Legal Services	Mrs. Eunice Njuguna
4. Manager, Research and Innovation	Mr. Charles Bariti
5. Manager, Patents	Mr. David Njuguna
6. Manager, Trade Marks	Mr. Leonard Kosgei
7. Assistant Manager, Administration	Mr. Samuel Ng'ethe
8. Assistant Manager, Finance	CPA Caroline Mawathe



(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. Mr. Joseph Mutuku Mbeva
5. Ms. Catherine Kamali Bunyasi

The roles of the Committee are:

- Approval 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. Joseph Mutuku Mbeva
5. Mr. Godfrey P. Kalerwa
6. Prof. Ben Murumbi Sihanya
7. Mr. Tobias Ouma Alando

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

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

FIVE YEAR FINANCIAL REVIEW

a) STATEMENT OF FINANCIAL PERFORMANCE

	2017/18	2016/17	2015/16	2014/15	2013/14
	KSh.	KSh.	KSh.	KSh.	KSh.
Income from Fees	326,301,757	296,550,149	229,048,937	218,183,718	210,684,097
GOK Grants	10,290,595	8,228,754	3,000,000	15,000,000	10,852,920
Other Incomes (Interest)	70,275	596,693	331,644	787,848	563,300
Total Revenue	336,662,627	305,375,596	232,380,581	233,971,566	222,100,317
Less Expenses					
Hospitality	15,431,715	13,048,894	9,566,173	9,682,083	10,434,807
Board Expenses	12,488,032	11,464,053	8,413,585	2,531,198	5,001,379
Staff Costs	161,343,070	108,854,411	103,660,509	109,018,331	108,560,240
Repairs and Maintenance	8,673,795	9,476,491	9,817,003	10,319,542	8,093,646
General Expenses	96,237,591	81,808,590	60,899,733	59,347,398	36,469,305
Depreciation	13,674,809	9,442,133	6,986,934	7,049,145	4,641,185
Total Operating Expenses	307,849,012	234,094,572	199,343,937	197,947,697	173,200,562
Surplus for the Period	28,813,615	71,281,024	33,036,644	36,023,869	48,899,755



KENYA INDUSTRIAL PROPERTY INSTITUTE

b) STATEMENT OF FINANCIAL POSITION

	2017/18	2016/17	2015/16	2014/15	2013/14
	KSh.	KSh.	KSh.	KSh.	KSh.
Current Assets					
Cash and Cash Equivalents	132,012,259	239,013,108	190,540,165	50,086,397	60,758,856
Receivables	176,234,523	89,555,720	82,764,808	101,574,619	67,475,762
Inventories	12,751,198	18,883,558	9,521,427	12,100,828	9,018,258
Total Current Assets	320,997,980	347,452,386	282,826,400	163,761,844	137,252,876
Non-current Assets					
Property, Plant and Equipment	438,141,444	405,022,511	399,009,017	398,434,542	392,272,591
Intangible Assets	29,812,546	2,199,275	1,334,865	1,906,950	556,500
Library Books	4,467,984	-	-	-	-
Total Non-Current Assets	472,421,974	407,221,786	400,343,882	400,341,492	392,829,091
Total Assets	793,419,954	754,674,172	683,170,282	564,103,336	530,081,967
Capital and Reserves					
Capital Reserves	611,636,760	611,636,760	566,748,514	480,718,212	480,718,212
General Reserves	171,387,027	142,573,412	115,957,768	82,921,124	48,899,755
Total Assets	783,023,787	754,210,172	682,706,282	563,639,336	529,617,967
Current Liabilities					
Trade & Other Payables	464,000	464,000	464,000	464,000	464,000
Contracted Services	9,932,167	-	-	-	-
Total Current Liabilities	10,396,167	464,000	464,000	464,000	464,000
Total Capital & Liabilities	793,419,954	754,674,172	683,170,282	564,103,336	530,081,967



KENYA INDUSTRIAL PROPERTY INSTITUTE

II. THE BOARD OF DIRECTORS

 <p>Prof. Ben Murumbi Sihanya Director</p>	<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). Prof. 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>
 <p>Ms. Catherine Kamali Bunyassi Director</p>	<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>
 <p>Mr. Godfrey P. Kalerwa Director</p>	<p>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.</p> <p>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.</p>



KENYA INDUSTRIAL PROPERTY INSTITUTE



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.

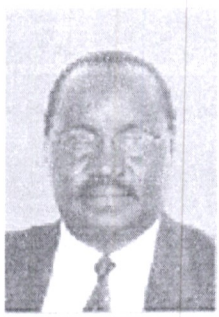
In 2005, he was appointed Chairman of the UNDP Project executed by the Asian Foundation to the Ziwani Jua Kali Demonstration and Training Centre. He has served in other capacities including being the Chairman of the Starehe Constituency Development Fund (CDF), Board member of the Kenya National Chamber 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).



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).



KENYA INDUSTRIAL PROPERTY INSTITUTE



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.



Mr. Tobias Alando Ouma
Director

Mr. Tobias Alando is the head of Membership Development at the Kenya Association of Manufacturers and currently heading a program under KAM & supported by the Danish Institute of Political Parties (DIPD) & Liberal Alliance on Fostering issue based political dialogue that works towards promoting Dialogue between the Political Parties and the Civil Societies and Business Membership Organizations, Capacity Building key stakeholders, Assessment of Political parties Manifestos and establishment of County Economic debates across the Counties.

He holds a Masters in Management & Leadership at the Management University of Africa, a Bachelor of Science Degree in Computer Science from Marathwada University in India and a Postgraduate degree on Information systems Management from the same University. He also holds a Diploma in Private Sector Development from International Swedish Institute for Public Administration (SIPU)-Sweden.



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 LAPSSET 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.



Dr. Eric Karanja Mwangi
Director

Dr. Eric Mwangi holds a PhD in Veterinary Medicine from the University of Glasgow, UK. He has published widely in scientific journals. Currently, he is involved in science, technology and innovation policy. He is engaged in Science, technology and innovation collaboration and international linkages. The portfolio includes several development of joint strategies including research and innovation promotion, as well identification of bi-regional programmes and resource mobilisation to support S.T. &I. programmes. In the last seven years, has been involved several European Union scientific cooperation projects which have major aspects of innovation.



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.




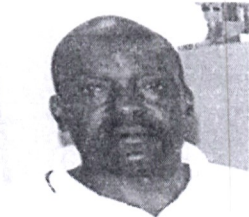
He holds a Bachelor of Science degree in Physics and a Bachelor of Laws degree both from the University of Nairobi. He has a Master of Intellectual Property degree from Franklin Pierce Law Center, in Concord New Hampshire USA.

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
 Mr. Sylvance Anderson Sange Managing Director	<p>Mr. Sylvance Anderson Sange, who was born on 10th 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>
 Mr. John Onyango Deputy Managing Director/Corporate Services	<p>Mr. John Onyango, who was born on 4th 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>
 Mrs. Eunice Njuguna Manager, Legal Services	<p>Mrs. Eunice Njuguna, who was born on 17th 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>
 Mr. Charles Bariti Manager, Research & Innovation	<p>Mr. Charles Bariti, who was born on 20th 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
Manager, Patents

Mr. David Njuguna, who was born on 8th 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
Manager, Trademarks

Mr. Leonard Kosgey, who was born on 23rd 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
Assistant Manager,
Administration

Mr. Samuel Ng'ethe, who was born on 31st 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
Assistant Manager, Finance

Miss Caroline Mawathe, who was born on 29th 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 Masters Degree in Business Administration. She is a member of the Institute of Certified Public Accountants of Kenya. She is currently pursuing her PhD.



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 2017/2018.

During the year, the Institute realised significant achievements. The Institute has seen its revenue grow from KSh.296,550,149 in 2016/2017 to KSh.336,662,627 in 2017/2018. This revenue increment is linked to the industrial property awareness the Institute has raised in the country.

The mandate of the Institute is to administer and promote Industrial Property Rights in Kenya. To deliver on this, the Institute has developed a strategic plan that will contribute to high and sustainable socio-economic development in line with national development goals espoused in Kenya Vision 2030. Appropriate structures and systems have been developed and essential staff recruited to enable the realization of the vision, mission and strategic objectives of the Institute.

Every year, the Board and Management develop and sign annual performance contract as a means of delivering on the strategic goals as contained in the strategic plan. In line with its mandate, the Institute continues to play a leading role in supporting Kenya's innovation performance, through delivery of quality and timely intellectual property (IP) rights and promoting utilization of IP rights by disseminating IP information.

The Institute has transformed itself from one that was wholly dependent on funding from the Exchequer to a point where much of the activities are met from internally generated sources of finance.

Employees now enjoy better terms and conditions of service through better remuneration and work environment including necessary working tools. Due to the growing number of employees, issue of adequate office space to accommodate staff has remained a challenge forcing officers to share offices. The Institute has now purchased a new premise to house its staff and procurement for partitioning, renovation and refurbishment works has commenced.

As part of creating awareness on intellectual property, the Institute engaged in a number of outreach and sensitization activities during the year under review. This included participation in national shows, county investment conferences, University exhibitions and undertaking decentralization of IP services in partnership with the parent Ministry of Industry, Trade and Co-operatives as well as County Industrialization and Development Officers (CIDO's) and County Enterprise and Development Officers (CEDO's).

Ahmed Issack Hassan
Chairman



KENYA INDUSTRIAL PROPERTY INSTITUTE

V. REPORT OF THE MANAGING DIRECTOR

Kenya Industrial Property Institute was established in 1990 through an Act of Parliament to discharge the mandate of industrial property administration. The core functions of the Institute include:

- To provide protection of industrial property (IP) rights;
- To develop human resource capacity;
- To promote inventiveness and innovation in Kenya;
- To organize and conduct training on intellectual property;
- To expand information technology and institutional infrastructure; and
- To provide timely and accurate technological information to the public.

Since its establishment, the Institute has continuously endeavored to offer the best services to its customers with the number of applications for registration dramatically increasing over the years. The introduction of automation has led to quality of processing applications resulting into growth in revenues. The Institute created an outreach unit responsible for creating public awareness on intellectual property. The unit carries out campaigns through different channels including shows, seminars, workshops, exhibitions, and media (both print and electronic) among others. For the period under review, the Institute received 439 new patent applications and processed to completion 404 applications. New applications for trade marks were 4852. A total of 4264 trade mark applications were registered and clients given technical advice.

To support this growth, the Institute has invested in the acquisition of new premises to accommodate the growing number of staff and planned for digitization of its processes as a means of enhancing efficiency, productivity and quality of services offered. This includes introduction and installation of an Enterprise Resource Planning (ERP) system making it possible to receive and process applications electronically. The Institute is equipping its data centre with modern servers and IT infrastructure to improve the service delivery to its customers. An Electronic Document Management System (EDMS) has been introduced for patents and trade mark divisions to fasten the capture of information with the support of World Intellectual Property Organization (WIPO).

The infrastructure upgrade and digitization projects are expected to cost KSh.175,000,000. These investments will be financed by development grant from the National Treasury approved in 2017/2018 budget.

In terms of financial performance, the Institute has achieved a steady growth in revenue over the years since delinking from mainstream Government to become a State Corporation in 2005/2006. .



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Revenue collection has grown and now stands at KSh. 336,662,627 in 2017/2018 against expenditure of KSh.293,994,763 for 2017/2018. Much of the expenditure is on personal emoluments as a result of recruitment of more staff and improvement in terms and conditions of service as well as on operational and administrative expenses.

Despite the achievements, KIPi still faces the challenges of modern office accommodation as it awaits refurbishment and renovation, capacity building, retention of human resource through competitive compensation scheme and creation of IP awareness. Some of these challenges have affected the achievement of the Institute's Strategic Plan for 2013-2017 whose objectives are:

- To provide protection of industrial property (IP) rights;
- To develop human resource capacity;
- To promote inventiveness and innovation in Kenya;
- To organize and conduct training on intellectual property;
- To expand information technology and institutional infrastructure; and
- To provide timely and accurate technological information to the public.



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 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.

Ahmed Issack Hassan
Chairman



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's stakeholders but will also strengthen the Institute's corporate strategy and leverage on key focus areas. However, during the financial year ended 30th June, 2018, the Institute did not undertake any significant activities through the corporate social responsibility due to turbulent political environment which also had effects on business growth.



Mr. Sylvance Anderson Sange
Managing Director



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VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the period ended 30th June, 2018 which shows the state of Institute's affairs.

Principle Activities

The principle Activities of the Institute include:

- To provide protection of industrial property (IP) rights;
- To develop human resource capacity;
- To promote inventiveness and innovation in Kenya;
- To organize and conduct training on intellectual property;
- To expand information technology and institutional infrastructure; and
- To provide timely and accurate technological information to the public.

Results

The results of Kenya Industrial Property Institute for the year ended 30th June 2018 are as follows:

	2017/18	2016/17
	KSh.	KSh.
Total Income for the Year	336,662,627	305,375,596
Less: Total Expenditure for the Year	<u>307,849,012</u>	<u>234,094,572</u>
Operating Surplus	<u>28,813,615</u>	<u>71,281,024</u>

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) members of the Board of Directors as stipulated in the Industrial Property Act. The members are drawn from the following organisations:



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

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

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.

Ahmed Issack Hassan
Chairman



IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act 2012 and Section 14 of the State Corporations Act require the directors to prepare the financial statements in respect of the Institute, which give a true and fair view of the affairs of the Institute at the end of a financial year. The directors are also charged with the responsibility of ensuring that the Institute maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Institute. Equally, the directors are also responsible for safeguarding the assets of the Institute, selecting and applying appropriate accounting policies and also making accounting estimates that are reasonable and applicable to the Institute circumstances.

To this end, the directors 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 Public Sector Accounting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial transactions the financial year ended 30th June, 2018 and the Institutes financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the financial statements as well as adequate systems of internal financial control. Nothing has come to the attention of the directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

The directors therefore, have the pleasure of submitting the report, together with the financial statements for the second quarter ended year ended 30th June, 2018.

Approval of the Financial Statements

The Institute's financial statements were approved by the directors on *19 June 2019* and signed on its behalf by:

Mr. Tobias Ouma Alando
Director

Mr. John Muhoro Maina
Director



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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Industrial Property Institute set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2018, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Industrial Property Institute as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Industrial Property Institute Act, 2001.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCE

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Report of the Auditor-General on the Financial Statements of Kenya Industrial Property Institute for the year ended 30 June 2018

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

Report of the Auditor-General on the Financial Statements of Kenya Industrial Property Institute for the year ended 30 June 2018

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

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

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



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

Nairobi

28 June 2019

KENYA INDUSTRIAL PROPERTY INSTITUTE

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

	NOTES	2017/18	2016/17
		KSh.	KSh.
Revenue from Exchange Transactions			
Income from Fees	3	297,523,179	282,376,632
Revenue from Non-Exchange Transactions			
GOK Grants - Recurrent	3	-	3,093,000
GOK Grants - Development	3 & 4	10,290,595	5,135,754
Other Incomes			
Fees (ARIPO)	5	28,778,578	14,173,517
Interest Income	5	70,275	596,693
Total Revenue		336,662,627	305,375,596
Expenses			
Employee Costs	6	161,343,070	108,854,411
Hospitality	7	15,431,715	13,048,894
Board Expenses	8	12,488,032	11,464,053
Depreciation and Amortization Expense	9	13,674,809	9,442,133
Repairs and Maintenance	10	8,673,795	9,476,491
General Expenses	11	96,237,591	81,808,590
Total Expenses		307,849,012	234,094,572
Other Gains/(Losses)		-	71,281,024
Surplus/Deficit Before Tax		28,813,615	71,281,024
Surplus/Deficit for the Period		28,813,615	71,281,024

The notes set out on pages 6 to 26 form an integral part of the Financial Statements.



KENYA INDUSTRIAL PROPERTY INSTITUTE

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2018

Assets	NOTES	2017/18	2016/17
Current Assets		KSh.	KSh.
Cash and Cash Equivalents	12 & 13	132,012,259	239,013,108
Receivables	14	176,234,523	89,555,720
Inventories	15	12,751,198	18,883,558
Sub-Total		320,997,980	347,452,386
Non-current Assets			
Property, Plant and Equipment	16	438,141,444	405,022,511
Intangible Assets	17	29,812,546	2,199,275
Library Books		4,467,984	
Sub-total		472,421,974	407,221,786
Total Assets		793,419,954	754,674,172
Liabilities			
Current Liabilities			
Trade and Other Payables	18	10,396,167	464,000
Total Liabilities		10,396,167	464,000
Net Assets		783,023,787	754,210,172
Reserves	19	611,636,760	611,636,760
Accumulated Surplus	20	171,387,027	142,573,412
Total net Assets and Liabilities		783,023,787	754,210,172

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


Mr. Sylvance Anderson Sange
 Managing Director


CPA Caroline Mawathe
 Assistant Manager-Finance

Ahmed Isaack Hassan
 Chairman

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XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2018

Attributable to the Owners of the Controlling Entity Reserves

	Note	Capital Replacement Development Reserve	Reserve Fund	Minority Interest	Total
		KSh.	KSh.	KSh.	KSh.
Balance as at 1st July, 2016	19 & 20	566,748,514	125,718,894	-	692,467,408
Surplus/(deficit) for the Period	20	-	71,281,024	-	71,281,024
Transfers from Reserves					-
Transfers from Special Fund					-
- Operations			(29,414,506)	-	(29,414,506)
- Deposit			(25,012,000)	-	(25,012,000)
Transfers from Reserves to Deposit		25,012,000	-	-	25,012,000
Development Grants		19,876,246	-	-	19,876,246
Balance as at 1st July, 2017	19 & 20	611,636,760	142,573,412	-	754,210,172
Surplus/Deficit for the Period	20		28,813,615		28,813,615
Transfers from Reserves		-	-		-
Development Grants		-	-		-
Balance as at 30th June, 2018	19 & 20	611,636,760	171,387,027	-	783,023,787
Balance as at 30th June, 2017		611,636,760	142,573,412	-	754,210,172

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 2017/2018.

Development Grants

The Institute did not receive any further development grants during the financial year 2017/2018 for development projects from the Ministry of Industry, Trade and Co-operatives but had earlier received KSh.175,000,000 development funds for multi-year development projects that are financed by the Government of Kenya roll-over funds. The amount of KSh.10,290,595 reflected in the statement of financial performance relates to the transfer from the same development fund approved and granted by the Treasury in the 2015/2016 and it is only recognized in the financial statement when the expenditure relating to the same is incurred. It is therefore a roll-over fund from the development expenditure approved in 2015/2016 and not new grants from the Government.



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XIV. STATEMENT OF CASH FLOWS AS AT 30TH JUNE, 2018

	NOTES	2017/18	2016/17
		KSh.	KSh.
Cash Flows from Operating Activities			
Receipts			
Government Grants and Subsidies	3	10,290,595	3,093,000
Rendering of Services		297,523,179	272,271,397
Sale of Goods		-	-
Finance Income	5	70,275	596,693
Other Income		-	-
Total Receipts		307,884,049	275,961,090
Payments			
Compensation of Employees	6	161,343,070	108,854,411
Goods and Services	7, 8, 10 & 11	132,831,133	115,798,028
Finance Cost		-	-
Other Payments		-	-
Total Payments		294,174,203	224,652,439
Net Cash Flows from Operating Activities		13,709,846	51,308,651
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets	16 & 17	(74,407,013)	(16,320,037)
Proceeds from Sale of Property, Plant and Equipment		-	-
Net Decrease/Increase in Current Assets		(70,614,276)	(6,391,917)
Increase in Investments		-	-
Net Cash Flows used in Investing Activities		(145,021,289)	(22,711,954)
Cash Flows from Financing Activities			
Proceeds from Borrowings/Other Accounts		24,310,594	19,876,246
Transfers from Reserves		-	-
Net Cash Flows used in Financing Activities		24,310,594	19,876,246
Net Increase/Decrease in Cash and Cash Equivalents	12	(107,000,849)	48,472,943
Cash and Cash Equivalents at 1st July, 2017	12	239,013,108	190,540,165
Cash and Cash Equivalents at 30th June, 2018	12	132,012,259	239,013,108



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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.
Revenue					
Government Grants and Subsidies - Recurrent	-	-	-	-	-
- Development	-			10,290,595	10,290,595
Rendering of Services	307,500,000	-	307,500,000	297,523,179	(9,976,821)
Finance Income	-	-	-	70,275	70,275
Other Incomes (ARIPO)	-	-		28,778,578	28,778,578
Total Income	307,500,000	-	307,500,000	336,662,627	29,162,627
Expenses					
Compensation of Employees	162,604,000	-	162,604,000	161,343,070	1,260,930
Goods and Services	144,896,000	-	144,896,000	132,831,133	12,064,867
Other Provisions (Dep)	-			13,674,809	(13,674,809)
Total Expenditure	307,500,000	-	307,500,000	307,849,012	(349,012)
Surplus for the Period			-	28,813,615	28,813,615
Development Grants	-	-	-	-	-

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

A.I.A.

The budgeted collections by the Institute was KSh.307,500,000. However, the Institute managed to collect KSh.326,301,757 leading to an over-collection of KSh.18,801,757 occasioned by the increased outreach programmes and the ability to collect the renewal fees on the trademarks that was due during the financial year.

Compensation of Employees

The budgeted staff costs amounted to KSh.162,604,000. There was no revision in staff costs during the year. The Institute eventually spent KSh.161,343,070, thus, an under-absorption of KSh.1,260,930 on staff costs. The under absorption in staff costs was caused by the retirement of some staff members during the financial year ended June, 2018.

Provision of Goods and Services

The Institute budgeted for KSh.144,896,000 to be used on payment of expenses on provision of goods and services. The Institute eventually utilized KSh.132,831,133 on payment of goods and services. This resulted to an under-absorption of KSh.12,064,867 caused by delayed procurement procedures as at the closure of the Financial Year.



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Development Grants

The approved development grants was KSh.175,000,000 is 2015. The Institute has been running several approved projects using the approved development budget o KSh.175,000,000 which is expected to spread over several years to its completion. No additional development grants were approved by the Ministry hence utilization of development roll-over funds.

During the financial year ended 30th June, 2018, the Institute undertook part of the digitization programs classified under the development budget but whose expenditure was more of recurrent in nature being payment of allowances to the participants and accommodation expenses for officers involved in initialization of the digitization process.

The expenditure amounted to KSh.10,290,595 which was transferred from the Development fund and recognized as income then subsequently expensed off through the statement of financial performance.

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 the Institute's 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 gazettment of the Public Section Accounting Standards Board (PSASB) which was established by Public Finance Management Act No. 18 on 24th July, 2012. PSASB issued financial reporting standards and guidelines to be adopted by the State Corporations and other 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



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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.

e) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.



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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.

i) Contingent Liabilities

The Institute held some claims payable in form of audit fees and other contracted services amounting to KSh.10,396,167. The provision had 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.

j) 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

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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.

k) Nature and Purpose of Reserves

The Institute maintains reserves in respect of accumulated surplus, whose purpose is for the replacement of worn out assets due to wear and tear and also as an emergency to fund operations during times when collections targets are not met.

l) 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.

m) 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.

n) 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.



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o) 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.10,978,027 and therefore, the Financial Statements do not include any outstanding balances relating to transactions entered into with the third parties. There is no significant claims from the related parties that would significantly affect the position of the Institute on crystallization.

p) 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.

q) Comparative Figures

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

r) 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 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.

s) 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 did not receive any recurrent Government grants from the Ministry of Industry, Trade and Co-operatives.



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t) 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 30th June 2018.

u) 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.

- Financial risk – these are risks associated with the way an entity finances its operations, including the financial transactions. It involves analysing such factors as would make it impossible for an entity to manage its debts and how such causes should be mitigated. To this end, the Institute adopted the following measures to reduce the exposure:

- (i) Building of an emergency fund;
- (ii) Prudent control and management of the cashflows;
- (iii) Revenue diversification measures;
- (iv) Cost control measures; and
- (v) Proper control measures of financial leverage.

- 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.

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

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

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

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

3. Revenue From Transactions

	KSh.	KSh.
Revenue from Exchange Transactions		
Operating Income		
Local Generated Income	210,577,057	203,417,672
Fees from WIPO	86,946,122	78,958,960
Sub-Total	297,523,179	282,376,632
Revenue from Non-Exchange Transactions		
GOK Grants - Recurrent	-	3,093,000
GOK Grants - Development	10,290,595	5,135,754
Total Revenue from Transactions	307,813,774	290,605,386

Development Grants

The Institute did not receive any further development grants during the financial year 2017/2018 for development projects from the Ministry of Industry, Trade and Co-operatives but had earlier received KSh.175,000,000 development funds for multi-year development projects that are financed by the Government of Kenya roll-over funds. The amount of KSh.10,290,595 reflected in the statement of financial performance relates to the transfer from the same development fund approved and granted by the Treasury in the 2015/2016 and it is only recognized in the financial statement when the expenditure

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relating to the same is incurred. It is therefore a roll-over fund from the development expenditure approved in 2015/2016 and not new grants from the Government.

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 Development Grants Year 2017/2018 KSh.	Total Development Grants Year 2017/2018 KSh.
Ministry of Industry, Trade & Co-operatives - Development Recurrent Grants	10,290,595	102,925,753	175,000,000	175,000,000
Ministry of Industry, Trade & Co-operatives - Recurrent Grants	-	-	-	-
Total	10,290,595	102,925,753	175,000,000	175,000,000

The revenues from exchange transactions 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 development expenditure and KSh.10,290,595 was recognised as income during the period under review.

5. Other Incomes

	2017/18 KSh.	2016/17 KSh.
Other Incomes		
ARIPO & WIPO	28,778,578	14,173,517
Other Incomes (Interests)	70,275	596,693
Total Other Incomes	28,848,853	14,770,210

The Institute earns fees from the African Regional Intellectual Property Organisation which is treated by the Institute as Other Operating Income. In the Financial Year 2017/2018, there was an accrued income of KSh.28,778,578 from the African Regional Intellectual Property Organisation and the accrued trade mark renewals.

This Interest Income is the interest earned during the year on the balances on deposits at the bank. The Institute earned an interest of KSh.70,275 on its bank balances in the year under review.

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6. Employee Costs

	2017/18	2016/17
	KSh.	KSh.
Salaries & Wages	81,163,948	54,864,121
Contribution to Pension Schemes	11,690,176	8,498,672
Housing Allowance	53,356,052	31,652,574
Social Contributions	202,700	209,800
Medical	14,930,194	13,629,244
Total Employee Costs	161,343,070	108,854,411

These are costs incurred on the employee salaries, wages, pension and medical scheme. During the financial 2017/2018 there was salary increment approved by State Corporations Advisory Committee (SCAC).

7. Hospitality Costs

	2017/18	2016/17
	KSh.	KSh.
Hospitality, Supplies and Services	15,431,715	13,048,894
Total Hospitality Costs	15,431,715	13,048,894

The above costs under hospitality consist of KSh.15,431,715 which relates to cost incurred on seminars, workshops and provision of staff tea during the year 2017/2018.

8. Board Expenses

	2017/18	2016/17
	KSh.	KSh.
Chairman's Honoraria	-	560,000
Board Expenses on Retreats	1,510,005	840,186
Other Board Allowances	10,978,027	10,063,867
Total Board Expenses	12,488,032	11,464,053

The Institute also incurred KSh.10,978,027 on Board allowances and other directors emoluments while KSh.1,510,005 was incurred on Board retreats.



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9. Depreciation and Amortization Expenses

	2017/18	2016/17
	KSh.	KSh.
Property, Plant & Equipment	12,464,610	8,499,587
Intangible Assets	1,210,199	942,546
Total Depreciation and Amortization	13,674,809	9,442,133

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.

10. Repairs and Maintenance

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

	2017/18	2016/17
	KSh.	KSh.
Vehicles	2,523,957	4,456,616
Other Assets	6,149,838	5,019,875
Total Repairs and Maintenance	8,673,795	9,476,491



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11. General Expenses

The following are included in General Expenses

	2017/18	2016/17
	KSh.	KSh.
Utilities Supplies & Service - Water & Electricity	2,575,288	1,689,255
Telecommunication, Supplies & Services	3,316,606	2,737,475
Travel & Subsistence, & Other Transportation Costs	19,801,858	16,405,445
Printing, Advertising & Information Supplies & Services	14,357,000	12,505,395
Skills Development & Training	5,667,403	8,383,049
Audit Fees	464,000	464,000
Specialized Materials & Supplies	3,447,300	2,491,008
Office & General Supplies & Services	13,848,480	13,482,638
Insurance	1,930,678	1,936,059
Cyberroam Renewal Licences	179,500	-
Contracted/Legal	-	-
Bank Charges	326,204	595,567
Administration/Subscriptions	1,106,459	1,123,685
Other Operating Expenses	17,657,200	14,859,260
Decentralization of IP	11,559,615	5,135,754
	96,237,591	81,808,590

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.

12. Cash and Cash Equivalents

	2017/18	2016/17
	KSh.	KSh.
Bank 2(a)	131,848,784	238,513,000
Cash on Hand	163,475	500,108
Shortterm Deposits	-	-
Total Cash & Cash Equivalents	132,012,259	239,013,108



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13. Detailed Analysis of Cash and Cash Equivalents

Banks	USD. Rate	Exchange Rate	Account No.	2017/18	2016/17
Name of the Bank				KSh.	KSh.
Kenya Commercial Bank			1103867768	116,335,787	206,939,743
Kenya Commercial Bank			1104172208	3,276,669	19,339,177
Cash in Hand				163,475	500,108
National Bank of Kenya			0117311500	479,912	494,912
Mpesa - Safaricom			924850	3,219,300	1,099,500
Kenya Commercial Bank			1104169363	1,665,014	10,639,668
Kenya Commercial Bank	70,133.49	98	1217036415	6,872,102	10,639,668
Total				132,012,259	239,013,108

14. Receivables

	2017/18	2016/17
	KSh.	KSh.
Current Receivables		
WIPO	34,741,296	38,303,483
ARIPO	25,753,686	14,173,517
Staff Advances	102,500	89,160
Other Receivables (Renewal Fees Due)	115,637,041	36,989,560
Total Receivables	176,234,523	89,555,720

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 consist 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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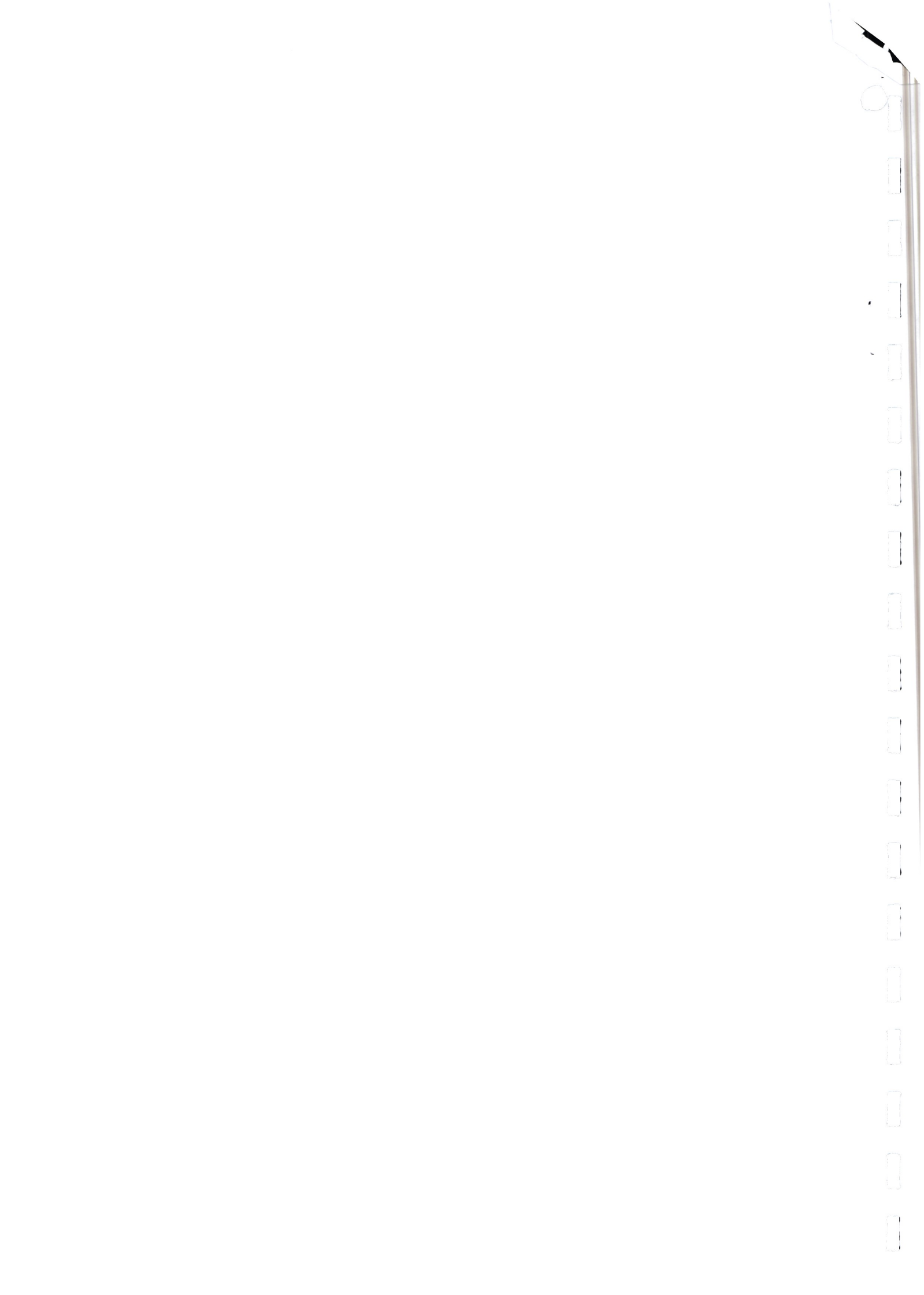
15. Inventories

	2017/18	2016/17
	KSh.	KSh.
Consumable Stores	12,751,198	14,415,574
Library	-	4,467,984
Total Inventories at the Lower of Cost & Net Realizable Value	12,751,198	18,883,558

The inventories consist of the stock of consumable items held in the Institute's stores at the closure of Financial Year.

Library Books

The Institute has a stock of Library books amounting to KSh.4,467,984 used for reference purposes on various disciplines of Intellectual Property. It is the Institute's policy not to recognize depreciation of Library books and the same is treated as an asset in the financial statements since they have a useful life of more than four years.



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16. Property, Plant and Equipment

	Land & Buildings KSh.	Motor Vehicles KSh.	Computers KSh.	Furniture & Equipment KSh.	Total KSh.
Cost					
As at a 1st July, 2016	374,126,250	24,524,724	27,158,403	30,544,248	456,353,625
Additions for 2016/2017	-	6,784,357	5,328,130	2,400,594	14,513,081
Transfer/Adjustments	-	-	-	-	-
	374,126,250	31,309,081	32,486,533	32,944,842	470,866,706
Depreciation					
As at a 1st July, 2016	-	19,390,244	20,570,805	17,383,559	57,344,608
Charge for 2016/2017	-	2,979,709	3,574,718	1,945,160	8,499,587
	-	22,369,953	24,145,523	19,328,719	65,844,195
NET BOOK VALUE					
As at 30th June, 2017	374,126,250	8,939,128	8,341,010	13,616,123	405,022,511
As at 1st June, 2016	374,126,250	5,134,480	6,587,598	13,160,689	399,009,017
Cost					
As at 1st July, 2017	374,126,250	31,309,081	32,486,533	32,944,842	470,866,706
Additions for 2017/2018	18,774,126	13,825,000	5,406,900	7,577,517	45,583,543
Transfer/Adjustment	-	-	-	-	-
	392,900,376	45,134,081	37,893,433	40,522,359	516,450,249
Depreciation					
As at a 1st July, 2017	-	22,369,953	24,145,523	19,328,719	65,844,195
Charge for the Year 2017/18	-	5,691,032	4,124,373	2,649,205	12,464,610
	-	28,060,985	28,269,896	21,977,924	78,308,805
NET BOOK VALUE					
As at 30th June, 2018	392,900,376	17,073,096	9,623,537	18,544,435	438,141,444
As at 30th June, 2017	374,126,250	8,939,128	8,341,010	13,616,123	405,022,511

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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17. Intangible Assets – Software

DETAILS	KSh.
Cost	
1st July, 2016	3,472,714
Additions	1,806,956
Transfers/Adjustments	-
	<u>5,279,670</u>
Amortisation	
As at 1st July, 2016	2,137,849
Charge for 2016/2017	942,546
	<u>3,080,395</u>
NET BOOK VALUE	
As at 30th June, 2017	<u>2,199,275</u>
As at 30th June, 2016	<u>1,334,865</u>
Cost	
1st July, 2017	5,279,670
Additions for 2017/2018	1,834,720
Work in Progress	26,988,750
Transfers/Adjustments	-
	<u>34,103,140</u>
Amortisation	
As at 1st July, 2017	3,080,395
Charge for 2017/2018	1,210,199
	<u>4,290,594</u>
NET BOOK VALUE	
As at 30th June, 2018	<u>29,812,546</u>
As at 30th June, 2017	<u>2,199,275</u>

The intangible assets comprise of the cost incurred for the purpose of the software development. Also included in the schedule of intangible assets is an amount of KSh.26,988,750 being Work in Progress for software development and the same has not been subjected to amortisation pending completion. 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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18. Trade and Other Payables

	KSh.	KSh.
Audit Fees	464,000	464,000
Contractors	8,519,509	-
Retention	1,412,658	-
Total Trade and Other Payables	10,396,167	464,000

This consists of the provision made in respect to the amount owed to the Kenya National Audit Office in respect of audit fees and amounts payable to contractors for services rendered on capital projects and the retention money thereof.

19. Reserves

	2017/18	2016/17
	KSh.	KSh.
Capital Reserve	611,636,760	611,636,760
Accumulated Surplus	171,387,027	142,573,412
Total Reserves	783,023,787	754,210,172

Reserves comprise of the balances in respect to the capital replacement development reserve and accumulated surplus reserves set up by the Institute for the purpose of replacement of worn out assets due to wear and tear and catering for emergencies in times of failure to meet target collections.

20. Accumulated Surplus

	2017/18	2016/17
	KSh.	KSh.
Balances B/f	142,573,412	125,718,894
Less: Transfers to Operation	-	(54,426,506)
Add: Surplus for the Year	28,813,615	71,281,024
Accumulated Surplus	171,387,027	142,573,412



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This represents the excess of the revenue over the expenditure incurred to realize that income during the period under review. These are revenue reserves accumulated over periods for the purpose of capital assets replacement and operations during the period of emergencies.

21. Financial Risk Management

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

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

22 (a) Credit risk

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

During the year under review the Institute was exposed to credit risk labelled below at the carrying amounts;

Details	Total Amount KSh.	Fully Performing KSh.	Past Due KSh.	Impaired KSh.
As at 30th June, 2018				
Receivables from exchange transactions	150,378,337	100,982,596	49,395,741	-
Receivables from non exchange transactions	25,856,186	25,856,186	-	-
Bank balances	132,012,259	132,012,259	-	-
Total	308,246,782	258,851,041	49,395,741	-



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22 (b) Liquidity Risk

Details	Less than 1 Month KSh.	Between 1-3 Months KSh.	Over 5 Months KSh.	Total KSh.
As at 30th June, 2018				
Trade Payables	-	-	10,396,167	10,396,167
Current Portion of Borrowing	-	-	-	-
Provisions	-	-		-
Deferred Income	-	-		-
Employee Benefits Obligations	-	-		-
Total	-	-	10,396,167	10,396,167

23. Market Risk

Foreign currency risk – refers to transactional currency exposure as a result of the changes in the prevailing exchange rates.

The carrying amount of the Institute’s foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows;

24 (a) Foreign Currency Risk

Details	KSh.	Other Currencies KSh.	Total KSh.
As at 30th June, 2018			
Financial Assets (Investments, Cash, Deposits)	176,234,523	6,872,102	183,106,625
Liabilities	-	-	-
Trade and Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/Liability	176,234,523	6,872,102	183,106,625

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24 (b) Capital Risk Management

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

Details	2017-2018	2016-2017
	KSh.	KSh.
Revaluation Reserve	-	-
Rerined Earnings	171,387,027	142,573,412
Capital Reserve	611,636,760	611,636,760
Total Funds	783,023,787	754,210,172
Total Borrowing	-	-
Less: Cash and Bank Balances	132,012,259	239,013,108
Net Debt/Excess Cash and Cash Equivalents	132,012,259	239,013,108
Gearing	0%	0%

25. Related Party Transactions

Related party transactions or expenditures incurred by the Institute comprise of the following:

Details	2017-2018	2016-2017
	KSh.	KSh.
Directors Emoluments	10,978,027	10,063,867
Compensation to the Managing Director	6,300,000	6,300,000
Compensation to Key Management	16,000,800	15,400,000
Total	33,278,827	31,763,867



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26. Status of Project Completion

	PROJECT	APPROVED BUDGET	TOTAL EXPENDED TO DATE	COMPLETION % TO DATE	SOURCES
1	Refurbishment of KIPi's New Premises at Lavington	63,000,000	32,393,300	51%	G.O.K.
2	Decentralization of IP	30,000,000	15,426,349	51%	G.O.K.
3	Establishment of a Research Unit	10,000,000	Project Concept Development	Project Concept Development	G.O.K.
4	IP Promotion for Productivity and Competitiveness	7,000,000	Project Concept Development	Project Concept Development	G.O.K.
5	Digitization of IP Systems	65,000,000	30,466,150	47%	G.O.K.
		175,000,000	78,285,799		

