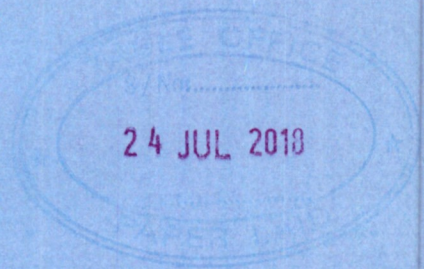


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper Laid on the
Table of the House
by the Leader of
the Majority Party
on Tuesday
24th July 2018
(Afternoon)*

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR
ENDED 30 JUNE 2017**





**KENYA INDUSTRIAL PROPERTY
INSTITUTE**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2017**

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

VISION

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

MISSION

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

CORE VALUES

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

(i) Customer Satisfaction

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

(ii) Team Work

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

(iii) Professionalism

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

(iv) Integrity

The Institute is committed to maintaining high standards of integrity.

(v) Creativity and Innovation

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



TABLE OF CONTENT	PAGE
I. KENYA INDUSTRIAL PROPERTY INSTITUTE'S INFORMATION AND MANAGEMENT	iii
II. THE BOARD OF DIRECTORS	viii
III. MANAGEMENT TEAM	xii
IV. CHAIRMAN'S STATEMENT	xiv
V. REPORT OF THE MANAGING DIRECTOR	xv
VI. CORPORATE GOVERNANCE STATEMENT	xvii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xviii
VIII. REPORT OF THE DIRECTORS	xix
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxi
X. REPORT OF THE AUDITOR GENERAL ON KIPi'S FINANCIAL STATEMENTS AS AT 30 TH JUNE, 2017.....	xxii
XI. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII. STATEMENT OF FINANCIAL POSITION	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVI. NOTES TO THE FINANCIAL STATEMENTS	7



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, 2017 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 Bunyassi

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.



(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



II. THE BOARD OF DIRECTORS

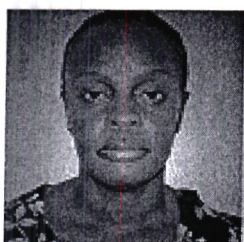


Prof. Ben Murumbi Sihanya
Director

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.

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).

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.



Ms. Catherine Kamali Bunyassi
Director

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.

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.



Mr. Godfrey P. Kalerwa
Director

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

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



KENYA INDUSTRIAL PROPERTY INSTITUTE

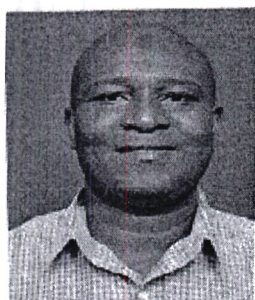


Mr. John Maina Muhoro
Director

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.

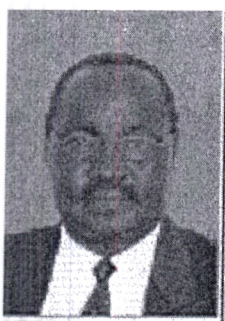
In 2005, he was appointed Chairman of the UNDP Project executed by the Asian Foundation to the Ziwani Jua Kali Demonstration and Training Centre. He has served in other capacities including being the Chairman of the Starehe Constituency Development Fund (CDF), Board member of the Kenya National Chamber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

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

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



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 2016/2017.

During the year, the Institute realised significant achievements. The Institute has seen its revenue grow from KSh.238,810,063 in 2015/2016 to KSh.296,550,149 in 2016/2017. 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).


Eng. Michael Ezekiel Okonji
For: Chairman



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 2016/2017 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.



KENYA INDUSTRIAL PROPERTY INSTITUTE

Revenue collection has grown and now stands at KSh.296,550,149 in 2016/2017 against expenditure of KSh.234,094,572 for 2016/2017. 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. Sylvan 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.

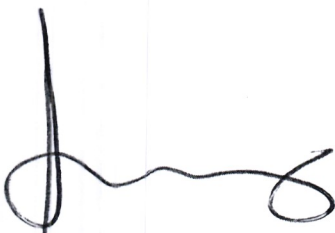
The Board has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of the Board, management and the staff.

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.



Eng. Michael Ezekiel Okonji
For: 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, 2017, 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



KENYA INDUSTRIAL PROPERTY INSTITUTE

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the period ended 30th June, 2017 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 2016 are as follows:

	2016/17	2015/16
	KSh.	KSh.
		Restated
Total Income for the Year	305,375,596	242,141,707
Less: Total Expenditure for the Year	234,094,572	199,343,937

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:

- a) Kenya Medical Research Institute;
- b) Kenya Industrial Research and Development Institute;



KENYA INDUSTRIAL PROPERTY 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.

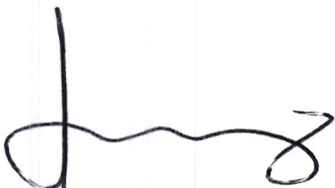
Board of Directors' Mandate

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.



Eng. Michael Ezekiel Okonji
For: Chairman

KENYA INDUSTRIAL PROPERTY INSTITUTE

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.

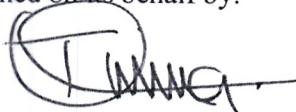
To this end, the directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates in conformity with International Public Sector Accounting Standards and in the manner required 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, 2017 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.

The directors therefore, have the pleasure of submitting the report, together with the financial statements for the second quarter ended year ended 30th June, 2017.

Approval of the Financial Statements

The Institute's financial statements were approved by the directors.

Signed on its behalf by:



Mr. Tobias Ouma Alando
Director



Mr. John Muhoro Maina
Director



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Industrial Property Institute set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2017, and the 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, 2017, 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 Kenya Industrial Property Act, 2001.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matter described in the Emphasis of Matter section of my report, public money has been applied lawfully and in an effective way.

Basis for 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.

Emphasis of Matter

Property, Plant and Equipment

I draw your attention to Note 15 to the financial statements and as reported in the previous year, the Institute acquired office premises in 2013/2014 valued at

Report of the Auditor-General on the Financial Statements of Kenya Industrial Property Institute for the year ended 30 June 2017

Kshs.370,000,000 but which it had not occupied as at 30 June 2017, four years after acquisition. According to management non-occupation has been occasioned by delays in completion of partitioning, renovation and refurbishment of the premises. Information available however indicate that the partitioning has been completed and the premises handed-over to management on 18 May 2018. The Institute intend to relocate to the new premises by July 2018 after the on-going installation of a power generator and access control system is completed. My opinion is not qualified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current year. Except for the matter described in the Emphasis of Matter section of my report, there were no Key Audit Matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the Institute cease operations.

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

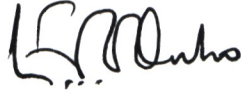
aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's 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 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 of the entities or business activities 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

05 July 2018

KENYA INDUSTRIAL PROPERTY INSTITUTE

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017

	NOTES	2016/17	2015/16
			Restated
		KSh.	KSh.
Revenue from Exchange Transactions			
Income from Fees	3	282,376,632	226,727,176
Revenue from Non-Exchange Transactions			
GOK Grants - Recurrent	3 & 4	3,093,000	3,000,000
GOK Grants - Development		5,135,754	-
Other Incomes			
Fees (ARIPO)	5	14,173,517	12,082,887
Interest Income	5	596,693	331,644
Total Revenue		305,375,596	242,141,707
Expenses			
Employee Costs	6	108,854,411	103,660,509
Hospitality	7	13,048,894	9,566,173
Board Expenses	7	11,464,053	8,413,585
Depreciation and Amortization Expense	8	9,442,133	6,986,934
Repairs and Maintenance	9	9,476,491	9,817,003
General Expenses	10	81,808,590	60,899,733
Total Expenses		234,094,572	199,343,937
Other Gains/(Losses)		71,281,024	-
Surplus/Deficit Before Tax		71,281,024	42,797,770
Surplus/Deficit for the Period		71,281,024	42,797,770

The notes set out on pages 6 to 21 form an integral part of the Financial Statements.




KENYA INDUSTRIAL PROPERTY INSTITUTE

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2017

Assets	NOTES	2016/17	2015/16
			Restated
Current Assets		KSh.	KSh.
Cash and Cash Equivalents	11 & 12	239,013,108	190,540,165
Receivables	13	89,555,720	92,525,934
Inventories	14	18,883,558	9,521,427
Sub-Total		347,452,386	292,587,526
Non-current Assets			
Property, Plant and Equipment	15	405,022,511	399,009,017
Intangible Assets	16	2,199,275	1,334,865
Sub-total		407,221,786	400,343,882
Total Assets		754,674,172	692,931,408
Liabilities			
Current Liabilities			
Trade and Other Payables	17	464,000	464,000
Total Liabilities		464,000	464,000
Net Assets		754,210,172	692,467,408
Reserves	18	611,636,760	566,748,514
Accumulated Surplus	19	142,573,412	125,718,894
Total net Assets and Liabilities		754,210,172	692,467,408

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


Mr. Sylvance Anderson Sange
Managing Director


Eng. Michael Ezekiel Okonji
For: Chairman



KENYA INDUSTRIAL PROPERTY INSTITUTE

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2017

Attributable to the Owners of the Controlling Entity Reserves

	Note	Capital Replacement Development Reserve	Reserve Fund	Special Fund	Minority Interest	Total
		KSh.	KSh.	KSh.	KSh.	Restated KSh.
Balance as at 1st July, 2015	18 & 19	416,748,514	82,921,124	63,969,698	-	563,639,336
Surplus/(deficit) for the Period	19	-	42,797,770			42,797,770
Transfers from Reserves						-
Transfers from Special Fund						-
- Operations				(51,419,633)	-	(51,419,633)
- Medical Scheme				(12,550,065)	-	(12,550,065)
Development Grants		150,000,000	-	-		150,000,000
Balance as at 1st July, 2016	18 & 19	566,748,514	125,718,894	-	-	692,467,408
Surplus/Deficit for the Period	19		71,281,024			71,281,024
Transfers from Reserves						
- Operation			(29,414,506)	-		(29,414,506)
- Deposit Fund			(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 30th June, 2017	18 & 19	611,636,760	142,573,412	-	-	754,210,172
Balance as at 30th June, 2016		566,748,514	125,718,894	-	-	692,467,408

Notes to the Statement of Changes in Net Assets

The change in the net assets was as a result of the additions from the surplus realized during the year 2016/2017 and the transfers made from the Reserve Fund to meet operational expenses, during periods of severe cashflow crisis causing undercollections in revenue. The Institute had also transferred KSh.25,012,000 from development reserve for the purpose of meeting the operational expenditure as a result of inability to meet its revenue collections after the effects of elections but transferred the same when the situation normalized back to the development reserves. The Institute transferred KSh.5,135,754 to the income statement for the purpose of defraying the development expenditure on KIPi Digitization project and the balance of KSh.19,876,346 was transferred to development reserve awaiting full utilization on digitization.

Development Grants

The Institute received the development grants during the financial year 2016/2017 of KSh.25,012,000 from the Ministry of Industry, Trade and Co-operatives.



KENYA INDUSTRIAL PROPERTY INSTITUTE

XIV. STATEMENT OF CASH FLOWS AS AT 30TH JUNE, 2017

	NOTES	2016/17	2015/16
		KSh.	Restated KSh.
Cash Flows from Operating Activities			
SOURCES OF FUNDS			
Surplus/Deficit for the Year	19	71,281,024	42,797,770
ADJUSTMENTS FOR THE YEAR			
Depreciation	15 & 16	9,442,133	6,986,934
OTHER SOURCES			
Development Grants		(5,135,754)	
Collections From Non-Operating Activities		-	-
Cash Generated from Operating Activities		75,587,403	49,784,704
WORKING CAPITAL ITEMS			
Increase/Decrease in Trade & Other Payables		-	-
Increase/Decrease in Inventory	20	(9,362,131)	2,579,401
Increase/Decrease in Trade & Other Receivables	20	2,970,214	9,048,685
Net Cash Flows from Operating Activities		(6,391,917)	11,628,086
INVESTING ACTIVITIES			
Purchase of Property, Plant, Equipment and Intangible Assets	15 & 16	(16,320,037)	(6,989,324)
Net Cash Flows used in Investing Activities		(16,320,037)	(6,989,324)
FINANCING ACTIVITIES			
Development Grants		19,876,246	150,000,000
Development Grants to Operations	13	5,135,754	-
Transfers from Reserves		(29,414,506)	(63,969,698)
Net Cash Flows used in Financing Activities		(4,402,506)	86,030,302
Increase/Decrease of Cash and Cash Equivalents		48,472,943	140,453,768
Cash and Cash Equivalents at 1st July 2015	11 & 12	190,540,165	50,086,397
Cash and Cash Equivalents at 30th June 2015	11 & 12	239,013,108	190,540,165



KENYA INDUSTRIAL PROPERTY INSTITUTE

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
	KSh.	KSh.	KSh.	KSh.	KSh.
Revenue					
Government Grants and Subsidies - Recurrent	2,850,000	243,000	2,850,000	3,093,000	243,000
- Development	-			5,135,754	5,135,754
Rendering of Services	256,200,000	-	256,200,000	282,376,632	26,176,632
Finance Income	-	-	-	596,693	596,693
Other Incomes (ARIPO)	-	-		14,173,517	14,173,517
Total Income	259,050,000	243,000	259,050,000	305,375,596	46,325,596
Expenses					
Compensation of Employees	131,050,000	-	131,050,000	108,854,411	22,195,589
Goods and Services	125,150,000	-	125,150,000	115,798,028	9,351,972
Other Provisions (Dep)	-			9,442,133	(9,442,133)
Total Expenditure	256,200,000	-	256,200,000	234,094,572	22,105,428
Surplus for the Period			-	71,281,024	71,281,024
Development Grants	50,000,000	-	50,000,000	25,012,000	(24,988,000)

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

A.I.A.

The budgeted collections by the Institute was KSh.256,200,000. However, the Institute managed to collect KSh.282,376,632 leading to an over-collection of KSh.26,176,632 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.131,050,000. There was no revision in staff costs during the year. The Institute eventually spent KSh.108,854,411, thus, an under-absorption of KSh.22,195,589 on staff costs. The under absorption in staff costs was caused by the delayed approval of the revised staff salaries.

Provision of Goods and Services

The Institute budgeted for KSh.125,150,000 to be used on payment of expenses on provision of goods and services. The Institute eventually utilized KSh.115,798,028 on payment of goods and services leading to an under-absorption of KSh.9,351,972. The under-absorption was caused by the inability to complete various procurement procedures on time during the financial year.



KENYA INDUSTRIAL PROPERTY INSTITUTE

Recurrent Grants

The approved recurrent grants for the financial year 2016/2017 was KSh.2,850,000. However the Institute received a total of KSh.3,093,000, thereby realizing a favourable deviation of KSh.243,000, which could have risen from minor adjustment from the Ministry. The same was however treated as part of the receipts from the Ministry and recognized as income for the year 2016/2017.

Development Grants

The approved development grants for the financial year 2016/2017 was KSh.50,000,000. However, this was revised to KSh.25,000,000 and the Institute received as amount of KSh.25,012,000 during the financial year ended 30th June, 2017 with a positive deviation of KSh.12,000 which could have been an adjustment from the Ministry. The grant was recognized and credited to the development grants fund account and the corresponding cash position adjusted accordingly by the same figure.

During the financial year ended 30th June, 2017, 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.5,135,754 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 gazette of the Public Sector 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



KENYA INDUSTRIAL PROPERTY INSTITUTE

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

c) **Property, Plant and Equipment**

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

d) **Intangible Assets**

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

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

e) **Financial Instruments**

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

f) **Financial Liabilities**

Initial Recognition and Measurement

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

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



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 only one claim payable in form of audit fees amounting to KSh.464,000. The provision has been made in these financial statements for the amount. Therefore, 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



KENYA INDUSTRIAL PROPERTY INSTITUTE

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

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.



Development Grants

The Institute received development grants of KSh.25,012,000 from the Ministry of Industry, Trade and Co-operatives during the financial year 2016/2017.

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 2017.

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.
- 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 – these are risks associated with holding of investment assets. The risk that changes in the market will cause the assets to fluctuate in value. The Institute did not hold any investment assets during the financial year ended 30th June, 2017 and therefore was not significantly exposed to market risk.
- 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;



KENYA INDUSTRIAL PROPERTY INSTITUTE

- (iii) Revenue diversification measures;
- (iv) Cost control measures; and
- (v) Proper control measures of financial leverage.

3. Revenue From Transactions

	2016/2017	2015/2016
	KSh.	KSh.
Revenue from Exchange Transactions		
Operating Income		
Local Generated Income	203,417,672	226,727,176
Fees from WIPO	78,958,960	-
Revenue from Non-Exchange Transactions		
GOK Grants - Recurrent	-	3,000,000
GOK Grants - Development	-	-
Total Revenue from Transactions	282,376,632	229,727,176

4. G.O.K. Grants

Name of Entity Sending the Grants	Amount Recognized to Statement of Comprehensive Income	Amount Deferred /Capital Development	Total Grant Income During the Year 2016	Total Grant Income During the Year 2016/17
	KSh.	KSh.	KSh.	KSh.
Ministry of Industry, Trade & Co-operatives - Development Recurrent Grants	25,012,000	19,876,246	5,135,754	25,012,000
Ministry of Industry, Trade & Co-operatives - Recurrent Grants	3,093,000	-	3,093,000	3,093,000
Total	28,105,000	19,876,246	8,228,754	28,105,000

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



KENYA INDUSTRIAL PROPERTY INSTITUTE

The Institute received development grants of KSh.25,012,000 and recurrent grants of KSh.3,093,000 during the year 2016/2017 from the Ministry of Industry, Trade and Co-operatives.

5. Other Incomes

	2016/17	2015/16
	KSh.	KSh.
Other Incomes		
ARIPO & WIPO	14,173,517	12,082,887
Other Incomes (Interests)	596,693	331,644
Total Other Incomes	14,770,210	12,414,531

The Institute earns fees from the World Intellectual Property Organisation under the Madrid System and from the African Regional Intellectual Property Organisation which is treated by the Institute as Other Operating Income. In the Financial Year 2016/2017, there was an accrued income of KSh.21,607,000 from both the African Regional Intellectual Property Organisation and World Intellectual Property Organisation.

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

6. Employee Costs

	2016/17	2015/16
	KSh.	KSh.
Salaries & Wages	54,864,121	53,356,547
Contribution to Pension Schemes	8,498,672	7,952,415
Housing Allowance	31,652,574	29,600,882
Social Contributions	209,800	200,600
Medical	13,629,244	12,550,065
Total Employee Costs	108,854,411	103,660,509

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



KENYA INDUSTRIAL PROPERTY INSTITUTE

7. Hospitality Costs

	2016/17	2015/16
	KSh.	KSh.
Hospitality, Supplies and Services	13,048,894	9,566,173
Chairman's Honoraria	560,000	960,000
Other Allowances	840,186	332,675
Director's Emoluments	10,063,867	7,120,910
Total Hospitality Costs	24,512,947	17,979,758

The above costs under hospitality consist of the Board expenses amounting to KSh.11,464,053 while the difference relates to costs incurred on seminars, workshops and provision of staff tea.

8. Depreciation and Amortization Expenses

	2016/17	2015/16
	KSh.	KSh.
Property, Plant & Equipment	8,499,587	6,414,849
Intangible Assets	942,546	572,085
Total Depreciation and Amortization	9,442,133	6,986,934

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.



KENYA INDUSTRIAL PROPERTY INSTITUTE

9. Repairs and Maintenance

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

	2016/17 KSh.	2015/16 KSh.
Vehicles	4,456,616	3,609,877
Other Assets	5,019,875	6,207,126
Total Repairs and Maintenance	9,476,491	9,817,003

10. General Expenses

The following are included in General Expenses

	2016/17 KSh.	2015/16 KSh.
Utilities Supplies & Service - Water & Electricity	1,689,255	421,790
Telecommunication, Supplies & Services	2,737,475	2,491,737
Travel & Subsistence, & Other Transportation Costs	16,405,445	14,052,492
Printing, Advertising & Information Supplies & Services	12,505,395	8,587,303
Skills Development & Training	8,383,049	7,469,924
Audit Fees	464,000	464,000
Specialized Materials & Supplies	2,491,008	1,235,320
Office & General Supplies & Services	13,482,638	13,101,904
Insurance	1,936,059	1,699,500
Contracted/Legal	-	-
Bank Charges	595,567	599,248
Administration/Subscriptions	1,123,685	452,341
Other Operating Expenses	14,859,260	10,324,174
Decentralization of IP	5,135,754	-
	81,808,590	60,899,733

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.

KENYA INDUSTRIAL PROPERTY INSTITUTE

11. Cash and Cash Equivalents

	2016/17	2015/16
	KSh.	KSh.
Bank 2(a)	238,513,000	190,409,565
Cash on Hand	500,108	130,600
Shortterm Deposits	-	-
Total Cash & Cash Equivalents	239,013,108	190,540,165

12. Detailed Analysis of Cash and Cash Equivalents

Banks	Account No.	2016/17	2015/16
Name of the Bank		KSh.	KSh.
Kenya Commercial Bank	1103867768	206,939,743	176,230,042
Kenya Commercial Bank	1104172208	19,339,177	3,831,100
Cash in Hand		500,108	130,960
National Bank of Kenya	0117311500	494,912	333,044
Mpesa - Safaricom	924850	1,099,500	-
Kenya Commercial Bank	1104169363	10,639,668	10,015,019
Total		239,013,108	190,540,165

13. Receivables

	2016/17	2015/16
	KSh.	KSh.
Current Receivables		
WIPO	38,303,483	40,631,126
ARIPO	14,173,517	12,241,976
Staff Advances	89,160	45,832
Other Receivables (Renewal Fees Due)	36,989,560	39,607,000
Total Receivables	89,555,720	92,525,934

KENYA INDUSTRIAL PROPERTY INSTITUTE

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.

14. Inventories

	2016/17	2015/16
	KSh.	KSh.
Consumable Stores	14,415,574	5,053,443
Library	4,467,984	4,467,984
Total Inventories at the Lower of Cost & Net Realizable Value	18,883,558	9,521,427

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



KENYA INDUSTRIAL PROPERTY INSTITUTE

15. Property, Plant and Equipment

	Land & Buildings KSh.	Motor Vehicles KSh.	Computers KSh.	Furniture & Equipment KSh.	Total KSh.
Cost					
As at a 1st July, 2015	374,126,250	24,524,724	22,841,003	27,872,324	449,364,301
Additions for 2015/2016	-	-	4,317,400	2,671,924	6,989,324
Transfer/Adjustments	-	-	-	-	-
As at 30th June, 2015	374,126,250	24,524,724	27,158,403	30,544,248	456,353,625
Depreciation					
As at a 1st July, 2015	-	17,678,751	17,747,548	15,503,460	50,929,759
Charge for 2015/2016	-	1,711,493	2,823,257	1,880,099	6,414,849
As at 30th June, 2015	-	19,390,244	20,570,805	17,383,559	57,344,608
NET BOOK VALUE					
As at 30th June, 2016	374,126,250	5,134,480	6,587,598	13,160,689	399,009,017
As at 1st June, 2015	374,126,250	6,845,973	5,093,455	12,368,864	398,434,542
Cost					
As at 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/Adjustment	-	-	-	-	-
	374,126,250	31,309,081	32,486,533	32,944,842	470,866,706
Depreciation					
As at 1st July, 2016	-	19,390,244	20,570,805	17,383,559	57,344,608
Charge for the Year 2016/17	-	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 30th June, 2016	374,126,250	5,134,480	6,587,598	13,160,689	399,009,017

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:

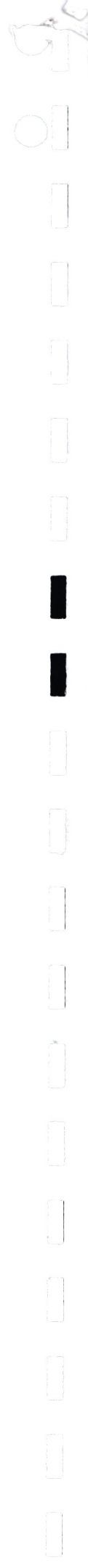
Motor Vehicles	25%
Computers	30%
Furniture and Equipment	12.5%
Intangible Assets	30%

KENYA INDUSTRIAL PROPERTY INSTITUTE

16. Intangible Assets – Software

DETAILS	KSh.
Cost	
1st July, 2015	3,472,714
Additions	-
Transfers/Adjustments	-
	<u>3,472,714</u>
Amortisation	
As at 1st July, 2015	1,565,764
Charge for 2015/2016	572,085
	<u>2,137,849</u>
NET BOOK VALUE	
As at 30th June, 2016	<u>1,334,865</u>
As at 30th June, 2015	<u>1,906,950</u>
Cost	
1st July, 2016	3,472,714
Additions for 2016/2017	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>

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



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KENYA INDUSTRIAL PROPERTY INSTITUTE

17. Trade and Other Payables

	2016/17	2015/16
	KSh.	KSh.
Trade Payables	464,000	464,000
Total Trade and Other Payables	464,000	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.

18. Reserves

	2016/17	2015/16
	KSh.	KSh.
Special Fund	-	-
Capital Reserve	611,636,760	566,748,514
Accumulated Surplus	142,573,412	125,718,894
Total Reserves	754,210,172	692,467,408

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.

19. Accumulated Surplus

	2016/17	2015/16
	KSh.	KSh.
Balances B/f	125,718,894	82,921,124
Less: Transfers to Operation	(54,426,506)	-
Add: Surplus for the Year	71,281,024	42,797,770
Accumulated Surplus	142,573,412	125,718,894



KENYA INDUSTRIAL PROPERTY INSTITUTE

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.

20. Cash Generated from Operations

	2016/17	2015/16
	KSh.	KSh.
Surplus for the Year Before Tax	71,281,024	42,797,770
Adjusted for:		
Depreciation	8,499,587	6,414,849
Impairment	942,546	572,085
Other Collections from Non-Operating Activities	(5,135,754)	-
Working Capital Adjustments:		
Increase in Inventory	(9,362,131)	2,579,401
Decrease/Increase in Receivables	2,970,214	9,048,685
Increase in Payables	-	-
Net Cash Flow From Operating Activities	69,195,486	61,412,790

