

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAID		DAY Thurs
DATE: 24 FEB 2021		
TABLED REPORT	LOM	
CLERK-AT THE-TABLE:	Mairah Wangiku	

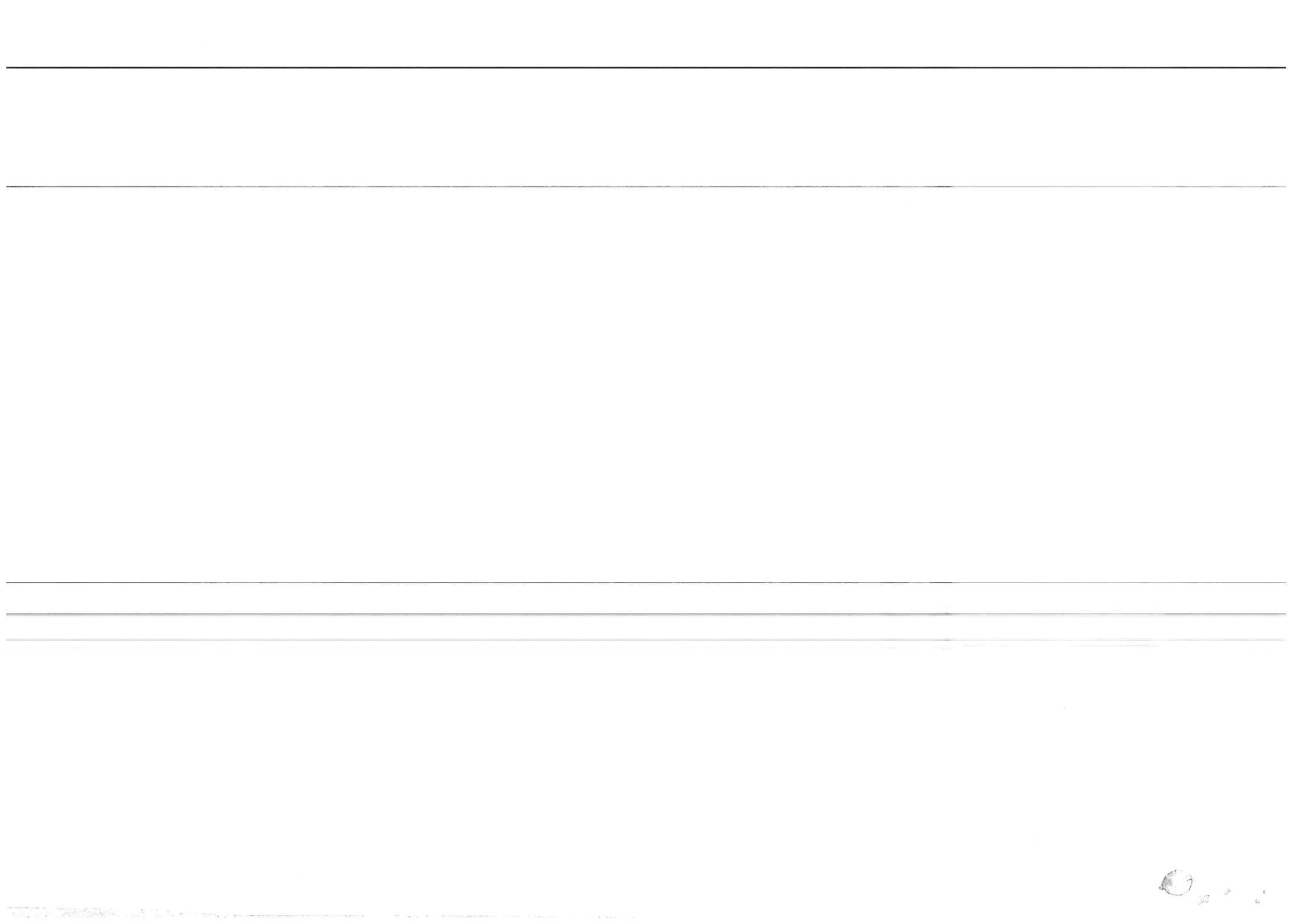
OF

THE AUDITOR-GENERAL

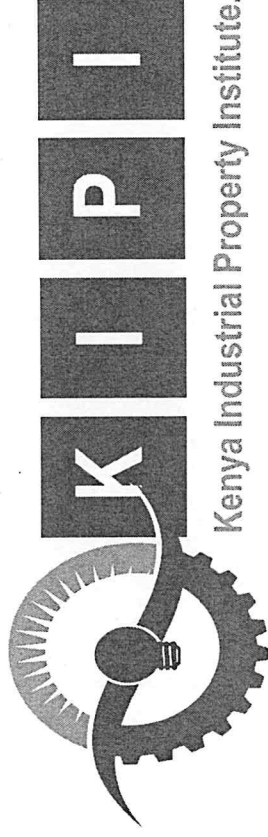
ON

KENYA INDUSTRIAL PROPERTY
INSTITUTE

FOR THE YEAR ENDED
30 JUNE, 2020



KENYA INDUSTRIAL PROPERTY INSTITUTE



**KENYA INDUSTRIAL PROPERTY
INSTITUTE**

FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2020**

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.

KENYA INDUSTRIAL PROPERTY INSTITUTE

TABLE OF CONTENT

PAGE

I. KENYA INDUSTRIAL PROPERTY INSTITUTE'S INFORMATION AND MANAGEMENT	iii
II. THE BOARD OF DIRECTORS	ix
III. MANAGEMENT TEAM	xiii
IV. CHAIRMAN'S STATEMENT	xiii
V. REPORT OF THE MANAGING DIRECTOR	xvi
VI. CORPORATE GOVERNANCE STATEMENT	xviii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xviii
VIII. REPORT OF THE DIRECTORS	xx
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxii
X. REPORT OF THE AUDITOR GENERAL	xxiii
XI. MANAGEMENT DISCUSSION AND ANALYSIS	xxv
XII. STATEMENT OF FINANCIAL PERFORMANCE	1
XIII. STATEMENT OF FINANCIAL POSITION	2
XIV. STATEMENT OF CHANGES IN NET ASSETS	3
XV. STATEMENT OF CASH FLOWS	4
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVII. NOTES TO THE FINANCIAL STATEMENTS	6

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 Institute are to;

- (i) Consider applications for, grant and registration of industrial property rights;
- (ii) Screen technology transfer agreements and licences;
- (iii) Provide to the public, industrial property information for technological and economic development;
- (iv) Promote inventiveness and innovativeness in Kenya; and
- (v) Organize and conduct training, competitions and awards relating to industrial property matters.

(c) Key Management

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

- Managing Director;
- Deputy Managing Director/Finance, Corporate Services; and
- Deputy Managing Director/Technical Services.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2020 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. Assistant Manager, Administration	Mr. Samuel Ng'ethe
7. Assistant Manager, Finance	CPA Caroline Mawathe

KENYA INDUSTRIAL PROPERTY INSTITUTE

(e) Fiduciary Oversight Functions of the Institute

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

(1) Finance and Administration Committee

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 roles of the Committee are:

- Reviewing the terms and conditions of Service for the Institute's 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.

(3) Audit and Compliance Committee

The roles of the Committee are:

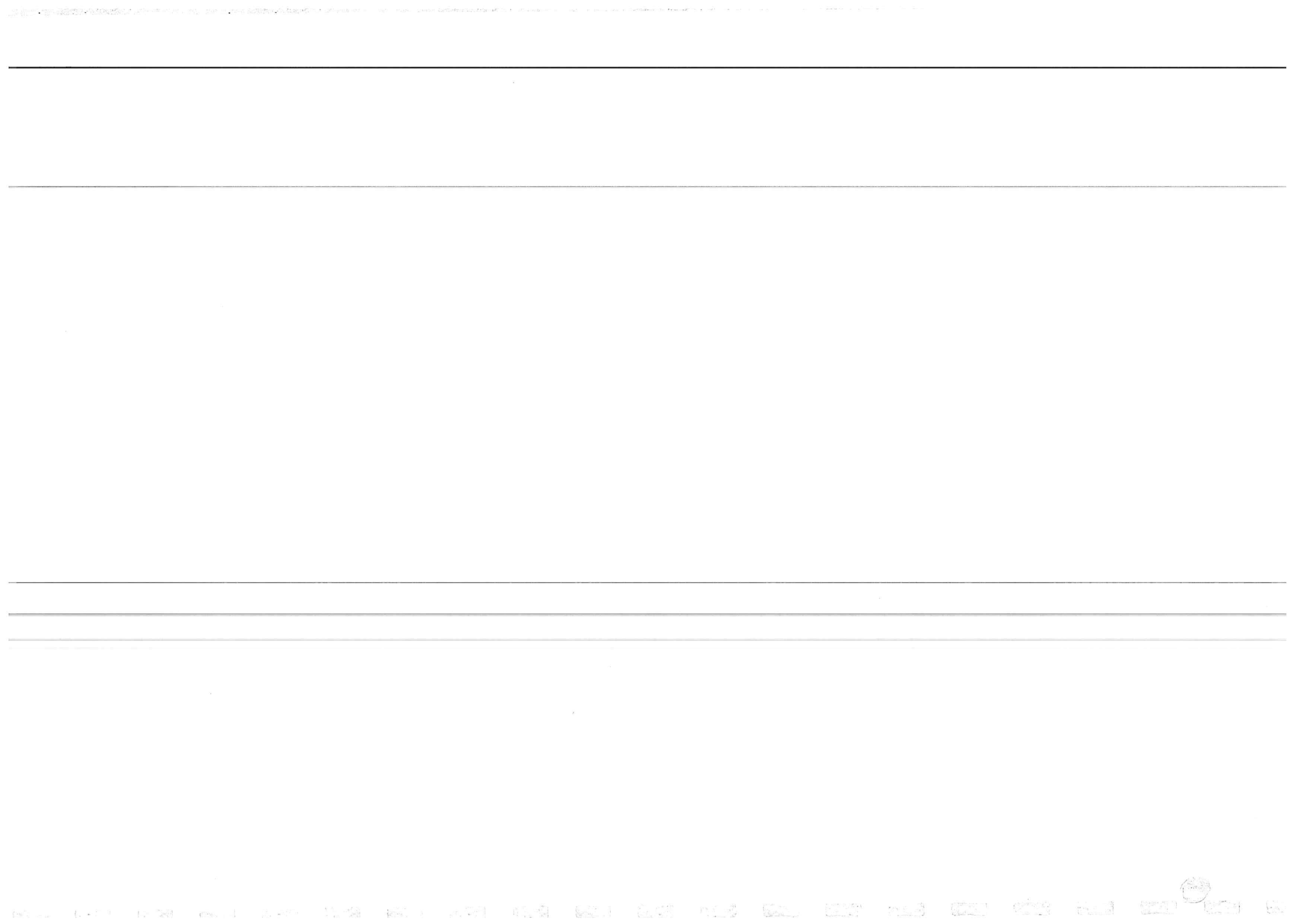
- Corporate governance - provides support to the Board of Directors in reviewing the effectiveness of the Institute's corporate governance by ensuring the Institute's compliance with legal and regulatory provisions;
- Financial statements and reports - review the adequacy, reliability and accuracy of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

KENYA INDUSTRIAL PROPERTY INSTITUTE

(4) Technical Committee

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

KIPI Premises, Lavington, Along
Kabarsian Avenue,
Off Waiyaki Way,
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,
Office of the Auditor General,
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 - 00200, Nairobi, Kenya

**KENYA INDUSTRIAL PROPERTY INSTITUTE
FIVE YEAR FINANCIAL REVIEW**

a) STATEMENT OF FINANCIAL PERFORMANCE

	2019/20	2018/19	2017/18	2016/17	2015/16
	KSh.	KSh.	KSh.	KSh.	KSh.
Income from Fees	320,420,640	305,535,783	326,301,757	296,550,149	229,048,937
GOK Grants	-	-	10,290,595	8,228,754	3,000,000
Other Incomes (Interest)	25,400,049	33,747,093	70,275	596,693	331,644
Total Revenue	345,820,689	339,282,876	336,662,627	305,375,596	232,380,581
Less Expenses					
Hospitality	16,389,574	15,470,614	15,431,715	13,048,894	9,566,173
Board Expenses	13,097,891	936,667	12,488,032	11,464,053	8,413,585
Staff Costs	162,952,469	150,231,082	161,343,070	108,854,411	103,660,509
Repairs and Maintenance	12,373,612	9,350,930	8,673,795	9,476,491	9,817,003
General Expenses	106,931,615	107,230,565	96,237,591	81,808,590	60,899,733
Depreciation	9,268,005	10,914,402	13,674,809	9,442,133	6,986,934
Total Operating Expenses	321,013,166	294,134,260	307,849,012	234,094,572	199,343,937
Surplus for the Period	24,807,523	45,148,616	28,813,615	71,281,024	33,036,644

KENYA INDUSTRIAL PROPERTY INSTITUTE

b) STATEMENT OF FINANCIAL POSITION

	2019/20	2018/19	2017/18	2016/17	2015/16
Current Assets	KSh.	KSh.	KSh.	KSh.	KSh.
Cash and Cash Equivalents	76,468,718	121,266,769	132,012,259	239,013,108	190,540,165
Receivables	126,659,919	113,828,998	176,234,523	89,555,720	82,764,808
Inventories	15,675,692	15,611,152	12,751,198	18,883,558	9,521,427
Total Current Assets	218,804,329	250,706,919	320,997,980	347,452,386	282,826,400
Non-current Assets					
Property, Plant and Equipment	461,973,591	452,012,845	438,141,444	405,022,511	399,009,017
Intangible Assets	49,363,660	49,956,657	29,812,546	2,199,275	1,334,865
Library Books	4,467,984	4,467,984	4,467,984	-	-
Total Non-Current Assets	515,805,235	506,437,486	472,421,974	407,221,786	400,343,882
Total Assets	734,609,564	757,144,405	793,419,954	754,674,172	683,170,282
Capital and Reserves					
Capital Reserves	611,636,760	611,636,760	611,636,760	611,636,760	566,748,514
General Reserves	122,508,804	142,597,619	171,387,027	142,573,412	115,957,768
Total Assets	734,145,564	754,234,379	783,023,787	754,210,172	682,706,282
Current Liabilities					
Trade & Other Payables	464,000	464,000	464,000	464,000	464,000
Contracted Services	-	2,446,026	9,932,167	-	-
Total Current Liabilities	464,000	2,910,026	10,396,167	464,000	464,000
Total Capital & Liabilities	734,609,564	757,144,405	793,419,954	754,674,172	683,170,282



KENYA INDUSTRIAL PROPERTY INSTITUTE

II. THE BOARD OF DIRECTORS

The Board of Directors during the period ended 30th June, 2020 were:

 <p style="text-align: center;">Ahmed Issack Hassan, CBS Chairman</p>	<p>Mr. Ahmed Issack Hassan, CBS is an Advocate of the High Court of Kenya, a Commissioner for Oaths, Notary Public and a Certified Public Secretary. He has an over 25-year progressive experience in legal practice, public service and election administration. He is the former Chairman of the Independent Electoral and Boundaries Commission of Kenya. He also served as a Commissioner in the Constitution of Kenya Review Commission and as a Legal Consultant to UNDP Somalia in the Somalia Constitution Making Project. He has practiced law in Kenya specializing in constitutional and civil law as the Managing Partner of the law firm, Ibrahim, Issack & amp; Co. Advocates.</p> <p>He has a Bachelor’s Degree in Law (LLB) from University of Nairobi, Post graduate Diploma in legal practice from Kenya School of Law and Diploma in Advanced Public Administration Management from Galilee Institute of Management in Israel.</p>
 <p style="text-align: center;">Eng. Elephas Kangangi Gikungi Director</p>	<p>Eng. Elephas Kangangi Gikungi is currently practicing engineer under Engineers Board of Kenya practicing License with experience in Design, Innovation/Invention, Manufacturing, Construction, Operation and Maintenance of energy and Air Conditioning systems. He is a registered member of Engineer with Engineers Board of Kenya (EBK); Institution of Engineers of Kenya (IEK)</p> <p>He holds Masters in Business Administration in specialization in Strategic management (MBA) from Catholic University of Eastern African (CUEA); Masters of Science in specialization in Energy Management (MSc) from University of Nairobi; Bachelor of Science (BSc) in Mechanical Engineering from University of Nairobi.</p>
 <p style="text-align: center;">Ms. Catherine Kamali Bunyassi-Kahuria Director</p>	<p>Ms. Catherine Kamali Bunyassi-Kahuria, an Advocate of the High Court of Kenya, an Authorized Commissioner for Oaths and Notary Public with nineteen (19) years of experience in law specializing in International Law matters and Intellectual Property Law.</p> <p>She holds a Bachelor of Laws (LLB) Degree from 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 served as a Senior Legal Counsel at the Kenya Copyright Board. She has vast experience in International Relations and Diplomacy.</p> <p>Currently a Deputy Chief State Counsel in the International Law Division, Office of Attorney General and Department of Justice.</p>

Blank lined writing area with horizontal lines.

KENYA INDUSTRIAL PROPERTY INSTITUTE

Prof. Walter O. Oyawa, is currently the Director General of the National Commission for Science, Technology & Innovation (NACOSTI). He is a Professor of Civil Engineering, a holder of a PhD in Civil Engineering, and a holder of Executive MBA. He is a Registered Professional Engineer, and a Lead Expert-NEMA.

In addition to his current position as Director General of NACOSTI, Prof. Oyawa has served in various senior leadership/management positions. He is endowed with vast experience in research/scholarly work, as evidenced by publications in peer reviewed papers, conference papers, reports, and presentations. He has supervised many postgraduate students, and undertaken impacting research in the area of sustainable construction materials.

Mr. Tobias Alando is the Head of Membership & Governance 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.

John Maina Muhoro serves the Micro and Small Enterprises sector in various capacities both within Kenya, the East African Community and African region in general.

He is the National Chairman of the Kenya National Federation of Jua Kali Associations (KNFJA), an umbrella association of primary Artisans small business associations across Kenya and 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.

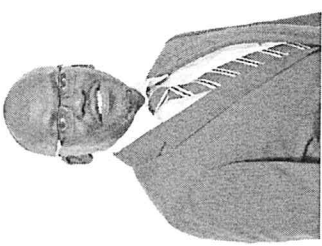
In 2005, he was appointed the Chairman of a UNDP Project executed by the Asian Foundation to the Ziwani Jua Kali Demonstration and training Centre. Mr. Maina has served in other capacities including being the Board Member/Secretary NG-CDF Starehe Constituency, Board Member Micro and Small Enterprise Authority, Board Member St. George's Technical Training, Board Member of Kenya National Chamber of Commerce and Industry, Chairman of Finance Committee Kenya Polytechnic.

He is currently the Chairman of the Ziwani Jua Kali Engineering Works Association, Manufacturer and Innovation, Chairman of Kenya National Jua Kali Savings and Credit Society, Board Member, Finance and Administration at Kenya Industrial Property Institute.

He has a Diploma in Motor Vehicle Mechanics and Administration, Diploma in Leadership and Business Management among other qualifications in management and related courses.



Prof. Walter Odhiambo Oyawa
Director



Mr. Tobias Ouma Alando
Director



Mr. John Maina Muhoro
Director

KENYA INDUSTRIAL PROPERTY INSTITUTE

Mr. Julius K. Kirima, HSC was born in Meru County on 20th November, 1962. He attended Ukuu Primary School (1971-1977), Meru School (1978-1981), Nkubu High School (1982-1984), University of Nairobi (1986-1989) - Bsc. in Chemistry & Mathematics, Jomo Kenyatta of Agriculture & Technology (2007-2009) – Msc. In Entrepreneurship and currently omo Kenyatta of Agriculture & Technology (currently PhD Thesis-writing).

His other courses include Ceramic Kiln and Firing Technology; Industrialization Promotion Policy in Africa; Intellectual Property Management; Small Enterprises Policy and Promotion; and Integrated Value Chain in Oil and Gas, among others

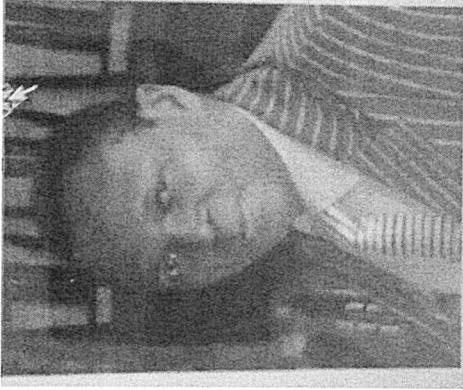
His current position is Director of Industries, Chemical & Mineral Industries Directorate & Mineral Industries Directorate, State Department of Industrialization, Ministry of Industrialization, Trade and Enterprise Development.

Some notable other assignments are;

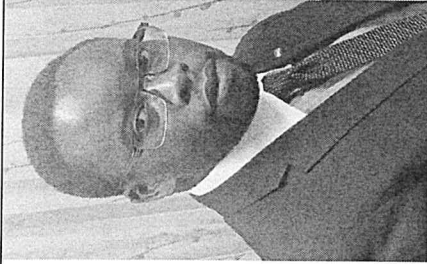
- 1) Successfully served as Coordinator for Kenya Trade and Poverty Programme (KTPP) whose objectives were to champion trade as a tool for development and fighting poverty (2005-2007).
- 2) Chaired and Convened the Technical Committee which drafted the Anti- Counterfeit Bill 2008 and engaged the stakeholders including members of Parliament for its Validation, debate and enactment. Was subsequently assigned operationalization of the Anti-Counterfeit Agency and Served as the 1st Ag. Executive Director of the Agency.
- 3) Served as a member of the High-Level Task Force that negotiated the East African Community (EAC) Common Market Protocol and Prepared the EAC Common Industrialization Policy and EAC Anti-Counterfeit Policy.

He is a registered Lead Expert on Environment Impact Assessment and Environment Audit.

On 12th December 2011, he was awarded Head of State Commendation (Civilian Division) for distinguished service to the Republic of Kenya.



Julius K. Kirima, HSC
Director



Mr. Manasses K. Mwangi
*(Advocate, Commissioner for Oaths,
Notary Public)*
Director

Mr. Manasses K. Mwangi is an Advocate of the High Court of Kenya practising law in Nairobi. He is a Senior partner at the Law firm of Manasses, Mwangi & Associates – MMAS Advocates. He is a Registered Patent Agent in Kenya.


He is a member of various Professional bodies **Including:-**

- International Trademarks Association -INTA;
- A Member of Law Society of Kenya -LSK;
- East Africa Law Society -EALS;

Mr. Mwangi Serves in various boards, including:-

- Board of Directors Kenya Industrial Property Institute – **KIPI**;
- A member of Rotary International. He is a director at Rotary Club of Nairobi Muthaiga North.


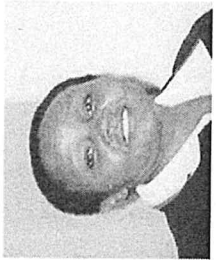



KENYA INDUSTRIAL PROPERTY INSTITUTE

	<p>➤ The Board of Trustee of Intellectual Property Specialists Network – IPSN (A Not for profit Organisation)</p> <p>Mr. Mwangi is Associate Member:- Chartered Institute of Arbitrators of United Kingdom - AMCiArb.</p> <p>Mr. Mwangi is an experienced civil and commercial Law Litigation advocate. He has practiced law for over a decade in the areas of Real Property, Intellectual Property Rights management, Alternative Dispute Resolution, conveyancing, building and construction. Mr. Mwangi is an expert in Constitutional Law and Intellectual Property Law. He has argued multiple precedent-setting cases at the High Court, the Court of Appeal and the Supreme Court of Kenya.</p>
 <p>Mr. John Onyango Acting Managing Director</p>	<p>Mr. John Onyango, who was born on 4th November, 1965, is the Acting Managing Director. He holds a Bachelor of Commerce Degree from the University of Nairobi and previously worked with the Standard Bank of Kenya.</p>



KENYA INDUSTRIAL PROPERTY INSTITUTE

III. MANAGEMENT TEAM

MANAGER	AREA OF RESPONSIBILITY
 <p>Mr. John Onyango Acting Managing Director</p>	<p>Mr. John Onyango, who was born on 4th November, 1965, is the Acting Managing Director. He holds a Bachelor of Commerce Degree from the University of Nairobi and previously worked with the Standard Bank of Kenya.</p>
 <p>Mrs. Eunice Njuguna Manager, Legal Services</p>	<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>
 <p>Mr. Charles Bariti Manager, Research & Innovation</p>	<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>
 <p>Mr. David Njuguna Manager, Patents</p>	<p>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.</p>
 <p>Mr. Samuel Ng'ethe Assistant Manager, Administration</p>	<p>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.</p>

Blank header area with horizontal lines.

KENYA INDUSTRIAL PROPERTY INSTITUTE



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.

KENYA INDUSTRIAL PROPERTY INSTITUTE
IV. CHAIRMAN'S STATEMENT

On behalf of the Board, I am delighted to present the annual Report and Financial Statements of Kenya Industrial Property Institute for the financial year 2019/2020.

During the last financial year, the Institute realised significant achievements. The revenue during this financial year revenue increased from KSh.339,282,876 in the period ended 30th June, 2019 to KSh.345,820,689 in the financial year 2019/2020. This revenue increase is linked to the increased number of applications received due to accelerated Intellectual Property awareness campaigns by the Institute.

The mandate of the Institute is to promote inventive and innovative activities, facilitate the acquisition of technology through registration and regulation of patents, utility models, technovations, industrial designs and trade marks. 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 one point where most 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. The Institute has now relocated to its new premises in Lavington after completion of renovation and refurbishment works.

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, CBS
Chairman

Blank writing area with horizontal lines.

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:

- Consider applications for, grant and registration of industrial property rights;
- Screen technology transfer agreements and licences;
- Provide to the public, industrial property information for technological and economic development;
- Promote inventiveness and innovativeness in Kenya; and
- Organize and conduct training, competitions and awards relating to industrial property matters.

Since its establishment, the Institute has continuously endeavoured 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 processing of 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.

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).

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. Revenue collection stands at KSh.345,820,689 in the financial year 2019/2020 against expenditure of KSh.321,013,166. 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.



KENYA INDUSTRIAL PROPERTY INSTITUTE

Despite the achievements, KIPI still faces the challenges of modern office accommodation as it awaits completion of refurbishment and renovation of the new building, 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 2018-2022 whose objectives are:

- To facilitate acquisition of industrial property rights;
- To strengthen the IP legal and policy framework;
- To promote commercialization of Industrial Property;
- To provide IP information to the public;
- To inculcate a culture that promotes and respects creativity and innovativeness;
- To improve productivity and competitiveness of MSMEs;
- To enhance corporate image of the Institute;
- To attract, develop and retain competent staff;
- To improve mobilization and management of financial resources; and
- To strengthen internal systems and processes for efficient service delivery.



Mr. John Onyango
Acting 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) Human Resource Committee;
- (ii) Audit Committee;
- (iii) Finance and Strategy 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, CBS
Chairman



KENYA INDUSTRIAL PROPERTY INSTITUTE

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Industrial Property Institute (KIPI) recognizes the importance of Corporate Social Responsibility (CSR) as a means of promoting sustainable development as well as enhancing relationships with its various stakeholders. This engagement will continue to be part of the Institute's business practices.

The Institute is developing a CSR strategy that will go a long way in entrenching CSR practices within the Organization. During the financial year ended 30th June, 2020, the Institute participated in a national tree planting exercise in which over 5,000 seedlings were planted in the Kibuku area of Ngong Forest.



Mr. John Onyango
Acting Managing Director

KENYA INDUSTRIAL PROPERTY INSTITUTE

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with financial statements for the financial year ended 30th June, 2020 which shows the state of Institute's affairs.

Principle Activities

The principle Activities of the Institute include:

- Consider applications for, grant and registration of industrial property rights;
- Screen technology transfer agreements and licences;
- Provide to the public, industrial property information for technological and economic development;
- Promote inventiveness and innovativeness in Kenya; and
- Organize and conduct training, competitions and awards relating to industrial property matters.

Results

The results of Kenya Industrial Property Institute for the financial year ended 30th June, 2020 are as follows:

	2019/20	2018/19
	KSh.	KSh.
Total Income for the Year	345,820,689	339,282,876
Less: Total Expenditure for the Year	321,013,166	294,134,260
Operating Surplus	<u>24,807,523</u>	<u>45,148,616</u>

Appointment of Board of Directors

Appointment of the Board members is done by the Cabinet Secretary in exercise of the powers conferred by 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 through a Kenya Gazette Notice.

KENYA INDUSTRIAL PROPERTY INSTITUTE
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;
- c) Institute of Engineers of Kenya;
- d) Law Society of Kenya;
- e) State Law Office;
- f) The National Treasury;
- g) Kenya National Federation of Jua Kali Artisans;
- h) Ministry of Industry, Trade and Co-operatives;
- i) National Commission for Science, Technology and Innovations; and
- j) Kenya Association of Manufacturers.

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 Article 229 of the Constitution of Kenya and the Public Audit Act, 2015 to nominate auditors to carry out the audit on his behalf.


Ahmed Issack Hassan, CBS
Chairman

KENYA INDUSTRIAL PROPERTY INSTITUTE
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

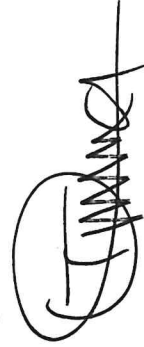
Section 83 of the Public Finance Management Act 2012 and Section 14 of the State Corporations Act require the directors to prepare the financial statements in respect of the Institute, which give a true and fair view of the affairs of the Institute at the end of a financial year. The directors are also 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 of the financial year ended 30th June, 2020 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 financial year ended 30th June, 2020.

Approval of the Financial Statements

The Institute's financial statements were approved by the directors on 22nd October, 2020 and signed on its behalf.



Director



Director



KENYA INDUSTRIAL PROPERTY INSTITUTE

XI. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Kenya Industrial Property Institute's Operational and Financial Performance

The Institute targeted to collect KSh.361,000,000 as per the Performance Contract. The actual collection was KSh.345,820,689 in the financial year, of which the accrued revenue amounted to KSh.11,867,209 which was recognized as income earned and also treated as receivables.

SECTION B

Kenya Industrial Property Institute's Compliance with Statutory Requirements

The Institute complied with statutory requirements by withholding and remitting VAT at 2% as required.

From the payroll, the Institute makes statutory deductions and remits them to various institutions including KRA, NSSF, HELB and NITA.

SECTION C

Key Projects and Investment Decisions Kenya Industrial Property Institute is Planning/Implementing

The Institute is undertaking the following projects in 2019/2020 financial year;

- (i) Refurbishment of the new premises;
- (ii) Decentralization of IP; and
- (iii) Digitization of KIPPI systems.

SECTION D

Major Risks Facing Kenya Industrial Property Institute

Kenya Industrial Property Institute is a regulatory body. Most of the clients are foreigners and fee is charged in local and foreign currency (USD.) Any economic slump which affects the exchange rate is a risk to the Institute.

Blank writing area with horizontal lines.

KENYA INDUSTRIAL PROPERTY INSTITUTE

SECTION E

Materials Arrears in Statutory/Financial Obligations

The Institute adheres strictly to the implementation of the procurement plan and absorption of the approved budget and has no material arrears in statutory or financial obligations.

SECTION F

Kenya Industrial Property Institute Financial Probity and Serious Governance Issues

One of the core values of the Institute is integrity. The Institute is committed to high standards of integrity and strong moral principles.

The Institute has maintained high standards of financial probity.





REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Property Institute set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2020, 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Industrial Property Institute as at 30 June, 2020, 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 Industrial Property Act, 2001 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects a property, plant and equipment balance of Kshs.461,973,591 which as disclosed under Note 17 to the financial statements, includes Kshs.425,580,509 being the combined net book value of both land and buildings. In addition, the Institute did not provide for depreciation of the buildings. This is contrary to Paragraph 74 of the International Public Sector Accounting Standards (IPSAS) 17 - property, plant and equipment which provides that land and buildings are separable assets and are accounted for separately, even when they are acquired together and that buildings have a limited useful life and therefore, are depreciable assets.

In the circumstances, the accuracy of the reported balance of Kshs.461,973,591 and Kshs.9,268,005 for property, plant and equipment and depreciation and amortization expenses respectively, could not be confirmed.

2. Overstated Receivables

The statement of financial position reflects receivables of Kshs.126,659,919 which as disclosed under Note 14 to the financial statements, included other receivables (renewal

fees due) amounting to Kshs.114,662,710 or 90% consisting of renewal fees due from expired trademarks and patents. However, the trademark / patent owners were not legally bound to renew the trademarks / patents. In addition, the receivables were over one (1) year old and no provision for bad and doubtful receivables had been made.

In the circumstances, the validity and full recoverability of the reported receivables balance of Kshs.126,659,919 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Industrial Property Institute Management in accordance with ISSAI 130 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 qualified 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 RESOURCES

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.

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 overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 the Board of Directors

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Institute or to 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.

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.

The Board of Directors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Institute 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 overall 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 overall 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 ISSAls. 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 ISSAls, I exercise professional judgement 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.
- 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 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 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.

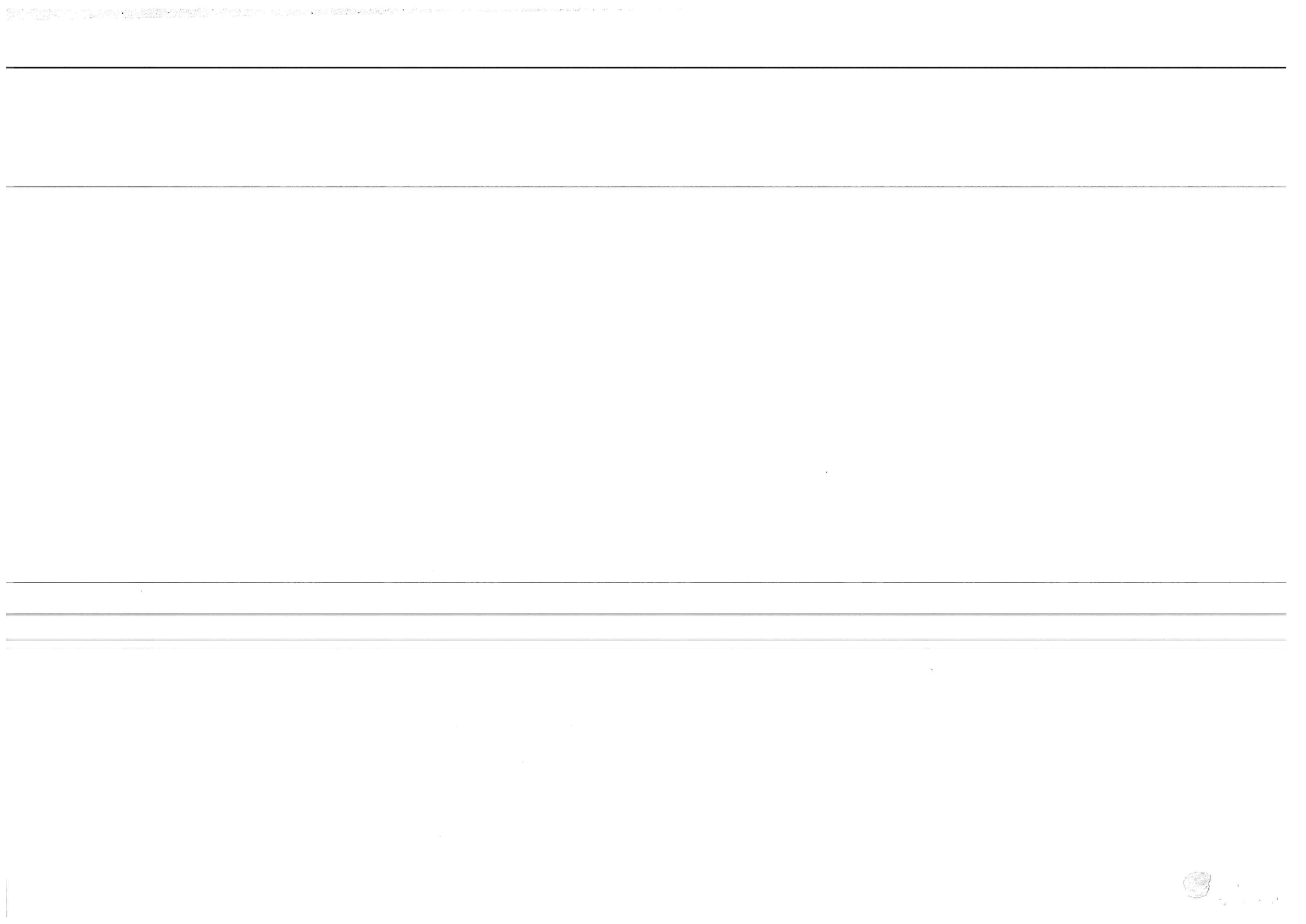
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.


CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

28 January, 2022



KENYA INDUSTRIAL PROPERTY INSTITUTE

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE, 2020

	NOTES	2019/20	2018/19
		KSh.	KSh.
Revenue from Exchange Transactions			
Income from Fees	3	320,420,640	305,535,783
Revenue from Non-Exchange Transactions			
GOK Grants - Recurrent	3	-	-
GOK Grants - Development	3 & 4	-	-
Other Incomes			
Fees (ARIPO)	5	25,400,049	33,677,147
Interest Income	5	-	69,946
Total Revenue		345,820,689	339,282,876
Expenses			
Employee Costs	6	162,952,469	150,231,082
Hospitality	7	16,389,574	15,470,614
Board Expenses	8	13,097,891	936,667
Depreciation and Amortization Expense	9	9,268,005	10,914,402
Repairs and Maintenance	10	12,373,612	9,350,930
General Expenses	11	106,931,615	107,230,565
Total Expenses		321,013,166	294,134,260
Other Gains/(Losses)			
		-	-
Surplus/Deficit Before Tax		24,807,523	45,148,616
Surplus/Deficit for the Period		24,807,523	45,148,616


The notes set out on pages 6 to 24 form an integral part of the Financial Statements.


KENYA INDUSTRIAL PROPERTY INSTITUTE

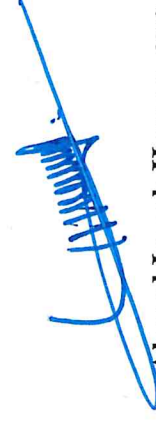
XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2020

Assets	NOTES	2019/20	2018/19
Current Assets		KSh.	KSh.
Cash and Cash Equivalents	12 & 13	76,468,718	121,266,769
Receivables	14	126,659,919	113,828,998
Inventories	16	15,675,692	15,611,152
Sub-Total		218,804,329	250,706,919
Non-current Assets			
Property, Plant and Equipment	17	461,973,591	452,012,845
Intangible Assets	18	49,363,660	49,956,657
Library Books	16	4,467,984	4,467,984
Sub-total		515,805,235	506,437,486
Total Assets		734,609,564	757,144,405
Liabilities			
Current Liabilities			
Trade and Other Payables	19	464,000	2,910,026
Total Liabilities		464,000	2,910,026
Net Assets		734,145,564	754,234,379
Reserves	20	611,636,760	611,636,760
Accumulated Surplus	21	122,508,804	142,597,619
Total net Assets and Liabilities		734,145,564	754,234,379

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board by


Mr. John Onyango
 Acting Managing Director


CPA Caroline Mawathe
 Assistant Manager-Finance


Ahmed Issack Hassan, CBS
 Chairman



KENYA INDUSTRIAL PROPERTY INSTITUTE

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30TH JUNE, 2020

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, 2018	20	611,636,760	171,387,027	-	783,023,787
Surplus/(deficit) for the Period	21	-	45,148,616		45,148,616
Transfers from Reserves			(61,719,515)		(61,719,515)
Development Grants			-		-
Prior Year Adjustments			(12,218,509)		(12,218,509)
Balance as at 1st July, 2019	20	611,636,760	142,597,619	-	754,234,379
Surplus/Deficit for the Period	21		24,807,523		24,807,523
Transfers from Reserves			(44,896,338)		(44,896,338)
Development Grants					
Prior Year Adjustment			-		-
Balance as at 30th June, 2020	20	611,636,760	122,508,804	-	734,145,564
Balance as at 30th June, 2019		611,636,760	142,597,619	-	754,234,379

Notes to the Statement of Changes in Net Assets

The changes in the net assets are as a result of the additions from the surplus realized during the period ended 30th June, 2020 and transfers made from reserves to finance the Institute's operations.

Development Grants

The Institute did not receive development grants during the period ended 30th June, 2020, but has been working with the budget approved in 2015/2016 by rolling over the funds over a period of time upto the time the project will be completed.

KENYA INDUSTRIAL PROPERTY INSTITUTE
XV. STATEMENT OF CASH FLOWS AS AT 30TH JUNE, 2020

	NOTES	2019/20 KSh.	2018/19 KSh.
Cash Flows from Operating Activities			
Receipts			
Government Grants and Subsidies	3	-	-
Rendering of Services		333,953,480	322,182,351
Sale of Goods		-	-
Finance Income	5	-	69,946
Other Income		-	-
Total Receipts		333,953,480	322,252,297
Payments			
Compensation of Employees	6	162,952,469	150,231,082
Goods and Services	7, 8, 10 & 11	148,792,692	132,988,776
Finance Cost		-	-
Other Payments		-	-
Total Payments		311,745,161	283,219,858
Net Cash Flows from Operating Activities		22,208,319	39,032,439
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets	17 & 18	(18,635,754)	(40,117,844)
Proceeds from Sale of Property, Plant and Equipment		-	-
Net Decrease/Increase in Current Assets		(15,341,487)	52,059,430
Increase in Investments			
Net Cash Flows used in Investing Activities		(33,977,241)	11,941,586
Cash Flows from Financing Activities			
Proceeds from Borrowings/Other Accounts		11,867,209	-
Decrease/Increase in Deposit (Development Projects)		-	-
Transfers from Reserves (Development Projects)		(44,896,338)	(61,719,515)
Net Cash Flows used in Financing Activities		(33,029,129)	(61,719,515)
Net Increase/Decrease in Cash and Cash Equivalents	12	(44,798,051)	(10,745,490)
Cash and Cash Equivalents at 1st July, 2018	12	121,266,769	132,012,259
Cash and Cash Equivalents at 30th June, 2019	12	76,468,718	121,266,769

KENYA INDUSTRIAL PROPERTY INSTITUTE

XVI. 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	-	-	-	-	-
Rendering of Services	346,200,000	-	346,200,000	320,420,640	(25,779,360)
Finance Income	-	-	-	-	-
Other Incomes (ARIPO)	-	-	-	25,400,049	25,400,049
Total Income	346,200,000	-	346,200,000	345,820,689	(379,311)
Expenses					
Compensation of Employees	181,050,000	-	181,050,000	162,952,469	18,097,531
Goods and Services	165,150,000	-	165,150,000	148,792,692	16,357,308
Other Provisions (Dep)	-	-	-	9,268,005	(9,268,005)
Total Expenditure	346,200,000	-	346,200,000	321,013,166	25,186,834
Surplus for the Period				24,807,523	24,807,523
Development Grants	-	-	-	-	-

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

A.I.A.

The targeted budget collection by the Institute was KSh.346,200,000. However, the actual collection was KSh.345,820,689. The Institute under-collected by KSh.379,311 and this was attributed to the global effects on the economy by the outbreak of coronavirus epidemic..

Compensation of Employees

The budget for the staff cost amounted to KSh.181,050,000. There was no revision in staff costs during the period ended 30th June, 2020. The Institute's expenditure for the period was KSh.162,952,469 which was below the period budget by KSh.18,097,531 for the reason that the several vacant posts are yet to be filled up.

Provision of Goods and Services

The Institute budgeted for KSh.165,150,000 to be used on payment of expenses on provision of goods and services. The Institute eventually utilized KSh.148,792,692 on payment of goods and services leading to an under-absorption of KSh.16,357,308. The under-absorption was caused by several other procurement of goods and services not undertaken due to the effects of global spread of coronavirus disease.

KENYA INDUSTRIAL PROPERTY INSTITUTE

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation

The Institute's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, 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 State Corporations and other Public Sector entities.

2. Summary of Significant Accounting Policies

a) Revenue Recognition

Revenue from Exchange Transactions

Fees

The Institute recognizes revenues from fees, on accrual basis 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 Institute's 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 are no basis, timing or differences that would require

KENYA INDUSTRIAL PROPERTY INSTITUTE

reconciliation 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

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 IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

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

KENYA INDUSTRIAL PROPERTY INSTITUTE

g) Inventories

Inventories are 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



KENYA INDUSTRIAL PROPERTY INSTITUTE

continually to ensure that developments are appropriately reflected in the financial statements. If it has 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 creates and maintains reserves in terms of specific requirements.

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.

KENYA INDUSTRIAL PROPERTY INSTITUTE

o) Related Parties

The related parties to the Institute are the Government, key management staff members and the Board of Directors. The Institute did not have Board members due to expiry of their term and therefore, the Financial Statements do not include any outstanding balances relating to transactions entered into with third parties.

p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and cash in the MPESA line as at the end of the quarter, and short term cash imprests and advances to staff members which were not surrendered or accounted for at the end of the quarter.

q) Comparative Figures

Where necessary, comparative figures for the previous quarter 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 International Public Sector Standards (IPSSAS). 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 quarterly 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 quarterly 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.

Development Grants

The Institute did not receive any development grants during the quarter ended 30th June, 2020, but has been working with the budget approved in 2015/2016 by rolling over the funds over a period of time upto the time the project is completed.

KENYA INDUSTRIAL PROPERTY INSTITUTE

t) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended 30th June, 2020.

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) Strong internal control systems;
 - (ii) Authorization level;
 - (iii) Impact assessment procedures;
 - (iv) Internal audit.
- Liquidity risk –these risks relate to inability to realize sufficient cash to meet commitments. To address this risk, 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 Management.

KENYA INDUSTRIAL PROPERTY INSTITUTE

3. Revenue From Transactions

Operating Income		
Local Generated Income	234,965,195	216,023,272
Fees from WIPO	85,455,445	89,512,511
Sub-Total	320,420,640	305,535,783

Revenue from Non-Exchange Transactions

GOK Grants - Development	-	-
Fees from ARIPO	25,400,049	33,677,147
Interest Income	-	69,946
Total Revenue from Transactions	345,820,689	339,282,876

The operating income consists of the fees received in respect of trade mark and grants of patents Rights which form the core activities of the Institute.

4. G.O.K. Grants

Name of Entity Sending the Grants	Amount	Amount	Total	Cummulative
	Recognized to Statement of Comprehensive Income	Deferred /Capital Development	Development Grants Year 2019/2020	Expenditure Date
	KSh.	KSh.	KSh.	KSh.
Ministry of Industry, Trade & Co-operatives - Development Recurrent Grants	-	18,418,942	175,000,000	149,581,058
Ministry of Industry, Trade & Co-operatives - Recurrent Grants	-	-	-	-
Transfers to National Treasury	-	-	-	7,000,000
Total	-	18,418,942	175,000,000	156,581,058

The Institute did not receive any grants during the period ended 30th June, 2020 from the Ministry of Industry, Trade and Co-operatives.

KENYA INDUSTRIAL PROPERTY INSTITUTE

5. Other Incomes

	2019/20	2018/19
	KSh.	KSh.
Other Incomes		
ARIPO & WIPO	25,400,049	33,677,147
Other Incomes (Interests)	-	69,946
Total Other Incomes	<u>25,400,049</u>	<u>33,747,093</u>

The Institute earns fees from the African Regional Intellectual Property Organisation which is treated by the Institute as Other Operating Income. In the period ended 30th June, 2020, the Institute had received KSh.18,116,794 as fees earned on behalf of the Institute, while KSh.7,283,255 was still outstanding as at the closure of the financial year.

6. Employee Costs

	2019/20	2018/19
	KSh.	KSh.
Salaries & Wages	76,384,500	73,883,200
Contribution to Pension Schemes	10,737,675	10,290,801
Housing Allowance	61,807,550	48,956,171
Social Contributions	188,200	192,400
Medical	13,834,544	16,908,510
Total Employee Costs	<u>162,952,469</u>	<u>150,231,082</u>

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

During the period ended 30th June, 2020, the Institute incurred KSh.162,952,469 as staff costs on salaries and other allowances. The Institute paid allowances and salaries amounting to KSh.28,992,000 to the key staff members with the balance of KSh.109,200,050 being paid to the rest of the support staff members. The Institute also incurred a total of KSh.24,760,419 on staff pension schemes and medical expenses.



KENYA INDUSTRIAL PROPERTY INSTITUTE

7. Hospitality Costs

	2019/20	2018/19
	KSh.	KSh.
Hospitality, Supplies and Services	16,389,574	15,470,614
Total Hospitality Costs	<u>16,389,574</u>	<u>15,470,614</u>

The above costs under hospitality amounting to KSh.16,389,574 relates to costs incurred on seminars, workshops and provision of staff tea during the quarter under review.

8. Board Expenses

	2019/20	2018/19
	KSh.	KSh.
Chairman's Honoraria	848,500	936,667
Board Expenses on Retreats	5,386,956	-
Other Board Allowances	6,862,435	-
Total Board Expenses	<u>13,097,891</u>	<u>936,667</u>

The Institute only incurred KSh.13,097,891 which was paid as honoraria to the Board Chairman. Other Board members are yet to be appointed.

9. Depreciation and Amortization Expenses

	2019/20	2018/19
	KSh.	KSh.
Property, Plant & Equipment	8,675,008	10,067,263
Intangible Assets	592,997	847,139
Total Depreciation and Amortization	<u>9,268,005</u>	<u>10,914,402</u>

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%

KENYA INDUSTRIAL PROPERTY INSTITUTE

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 the office compound.

	2019/20	2018/19
	KSh.	KSh.
Vehicles	4,010,310	3,166,328
Other Assets	8,363,302	6,184,602
Total Repairs and Maintenance	12,373,612	9,350,930

11. General Expenses

The following are included in General Expenses

	2019/20	2018/19
	KSh.	KSh.
Utilities Supplies & Service - Water & Electricity	4,402,159	2,453,930
Telecommunication, Supplies & Services	5,651,361	3,906,251
Travel & Subsistence, & Other Transportation Costs	15,276,641	18,854,868
Printing, Advertising & Information Supplies & Services	15,729,117	15,540,437
Skills Development & Training	5,537,057	5,110,710
Audit Fees	464,000	464,000
Specialized Materials & Supplies	7,425,333	3,203,000
Office & General Supplies & Services	21,238,452	18,574,257
Insurance	1,963,587	2,134,870
Medical Grants W/O	2,256,178	-
Bank Charges	126,216	197,628
Administration/Subscriptions	690,360	851,907
Other Operating Expenses	23,976,024	23,640,581
Decentralization of IP	2,195,130	12,298,126
	106,931,615	107,230,565

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. The medical grant written off was in respect of financial assistance to staff members recoverable over some months that had been approved by the Board of Directors to be expensed off.

KENYA INDUSTRIAL PROPERTY INSTITUTE

12. Cash and Cash Equivalents

	2019/20	2018/19
	KSh.	KSh.
Bank 2(a)	76,318,718	121,145,990
Cash on Hand	150,000	120,779
Shortterm Deposits	-	-
Total Cash & Cash Equivalents	76,468,718	121,266,769

13. Detailed Analysis of Cash and Cash Equivalents

Banks	USD. Rate	Exchange Rate	Account No.	2019/20	2018/19
Name of the Bank				KSh.	KSh.
Kenya Commercial Bank			1103867768	37,922,610	54,698,192
Kenya Commercial Bank			1104172208	5,018,883	9,448,557
Cash in Hand				150,000	120,779
National Bank of Kenya			0117311500	3,954,472	1,431,892
Mpesa - Safaricom			924850	4,036,549	23,806,010
Kenya Commercial Bank			1104169363	5,642,069	9,866,244
Kenya Commercial Bank	191,702.71	103.15	1217036415	19,774,135	21,895,095
Total				76,498,718	121,266,769

14. Receivables

	2019/20	2018/19
	KSh.	KSh.
Current Receivables		
WIPO	4,583,954	4,891,990
ARIPO	7,283,255	12,138,589
Staff Advances	130,000	2,256,178
Other Receivables (Renewal Fees Due)	114,662,710	94,542,241
Total Receivables	126,659,919	113,828,998



KENYA INDUSTRIAL PROPERTY INSTITUTE

These are amounts due from WIPO and ARIPO 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 to staff members during the year 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.

15. Aging Analysis of Accounts Receivables

	Months	Months	Months	Total
	3-6	6-9	Over 1 Year	
Current Receivables				
WIPO	4,583,954			4,583,954
ARIPO	7,283,255			7,283,255
Staff Advances	130,000			130,000
Other Receivables (Renewal Fees Due)	-	114,662,710		114,662,710
Total Receivables	11,997,209	-	114,662,710	126,659,919

16. Inventories

2019/20 2018/19

	KSh.	KSh.
Consumable Stores	15,675,692	15,611,152
Total Inventories at the Lower of Cost & Net Realizable Value	15,675,692	15,611,152

The inventories consist of the stock of consumable items held in the Institute's stores during the Quarter.

Library Books

The Institute has a stock of library books amounting to KSh.4,467,984 used for reference purpose 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.

KENYA INDUSTRIAL PROPERTY INSTITUTE

17. Property, Plant and Equipment

	Land & Buildings KSh.	Motor Vehicles KSh.	Computers KSh.	Furniture & Equipment KSh.	Total KSh.
As at 1st July, 2018	392,900,376	45,134,081	37,893,433	40,522,359	516,450,249
Additions for 2018/2019	16,828,408	-	-	4,750,986	21,579,394
Transfer/Adjustments	2,359,270	-	-	-	2,359,270
	412,088,054	45,134,081	37,893,433	45,273,345	540,388,913

Depreciation

As at 1st July, 2018	-	28,060,985	28,269,896	21,977,924	78,308,805
Charge for Year	-	4,268,274	2,887,061	2,911,928	10,067,263
	-	32,329,259	31,156,957	24,889,852	88,376,068

NET BOOK VALUE

As at 30th June, 2019	412,088,054	12,804,822	6,736,476	20,383,493	452,012,845
As at 30th June, 2018	392,900,376	17,073,096	9,623,537	18,544,435	438,141,444

Cost

As at 1st July, 2019	412,088,054	45,134,081	37,893,433	45,273,345	540,388,913
Additions for 2019/2020	13,492,455	-	1,497,200	3,646,099	18,635,754
Transfer/Adjustment	-	-	-	-	-
	425,580,509	45,134,081	39,390,633	48,919,444	559,024,667

Depreciation

As at 1st July, 2019	-	32,329,259	31,156,957	24,889,852	88,376,068
Charge for the Year 2019/20	-	3,201,206	2,470,103	3,003,699	8,675,008
	-	35,530,465	33,627,060	27,893,551	97,051,076

NET BOOK VALUE

As at 30th June, 2020	425,580,509	9,603,616	5,763,573	21,025,893	461,973,591
As at 30th June, 2019	412,088,054	12,804,822	6,736,476	20,383,493	452,012,845

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

18. Intangible Assets – Software

DETAILS

KSh.

Cost	
1st July, 2018	7,114,390
Additions for 2018/2019	-
Work in Progress	47,980,000
Transfers/Adjustments	-
	<u><u>55,094,390</u></u>
Amortisation	
As at 1st July, 2018	4,290,594
Charge for 2018/2019	847,139
	<u><u>5,137,733</u></u>
NET BOOK VALUE	
As at 30th June, 2019	<u><u>49,956,657</u></u>
As at 30th June, 2018	<u><u>29,812,546</u></u>
Cost	
1st July, 2019	7,114,390
Additions for 2019/2020	-
Work in Progress	47,980,000
Transfers/Adjustments	-
	<u><u>55,094,390</u></u>
Amortisation	
As at 1st July, 2019	5,137,733
Charge for 2019/2020	592,997
	<u><u>5,730,730</u></u>
NET BOOK VALUE	
As at 30th June, 2020	<u><u>49,363,660</u></u>
As at 30th June, 2019	<u><u>49,956,657</u></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. The Institute also incurred an amount of KSh.47,980,000 on the procurement of Enterprise Resource Programme Software applications which is yet to be completed hence no amortisation was recognized on the same.

KENYA INDUSTRIAL PROPERTY INSTITUTE

19. Trade and Other Payables

	2019/20	2018/19
	KSh.	KSh.
Audit Fees	464,000	464,000
Contractors	-	-
Retention		2,446,026
Total Trade and Other Payables	464,000	2,910,026

This consists of the provision made in respect to the amount owed to the Kenya National Audit Office in respect of audit fees for the period ended 30th June, 2020.

20. Reserves

	2019/20	2018/19
	KSh.	KSh.
Capital Reserve	611,636,760	611,636,760
Accumulated Surplus	122,508,804	142,597,619
Total Reserves	734,145,564	754,234,379

Reserves comprise of balances in form of accumulated surplus from operating activities.

21. Accumulated Surplus

	2019/20	2018/19
	KSh.	KSh.
Balances B/f	142,597,619	171,387,027
Less: Transfers to Operation/Adjustments	(44,896,338)	(73,938,024)
Add: Surplus for the Year	24,807,523	45,148,616
Accumulated Surplus	122,508,804	142,597,619

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



KENYA INDUSTRIAL PROPERTY INSTITUTE

22. 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, 2020				
Receivables from exchange transactions	119,246,664	4,583,954	114,662,710	-
Receivables from non exchange transactions	7,413,255	7,413,255	-	-
Bank balances	76,468,718	76,468,718	-	-
Total	203,128,637	88,465,927	114,662,710	-

KENYA INDUSTRIAL PROPERTY INSTITUTE

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, 2020				
Trade Payables	-	464,000	-	464,000
Current Portion of Borrowing	-	-	-	-
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefits Obligations	-	-	-	-
Total	-	464,000	-	464,000

23. Market Risk

23 (a) 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;

23 (a) Foreign Currency Risk

Details	KSh.	Other Currencies KSh.	Total KSh.
As at 30th June, 2020			
Financial Assets (Investments, Cash, Deposits)	56,724,583	19,744,135	76,468,718
Liabilities	-	-	-
Trade and Other Payables	(464,000)	-	(464,000)
Borrowings	-	-	-
Net Foreign Currency Asset/Liability	56,260,583	19,744,135	76,004,718

KENYA INDUSTRIAL PROPERTY INSTITUTE

23 (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	2019-2020 KSh.	2018-2019 KSh.
Revaluation Reserve	-	-
Retained Earnings	122,508,804	142,597,619
Capital Reserve	611,636,760	611,636,760
Total Funds	734,145,564	754,234,379
Total Borrowing/Debt	(464,000)	(2,910,026)
Less: Cash and Bank Balances	76,468,718	121,266,769
Net Debt/Excess Cash and Cash Equivalents	76,004,718	118,356,743
Gearing	0.1%	2%

24. Related Party Transactions

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

Details	2019-2020 KSh.	2018-2019 KSh.
Directors Emoluments	7,710,935	936,667
Compensation to the Managing Director	11,178,000	6,900,000
Compensation to Key Management	28,992,000	21,260,400
Total	47,880,935	29,097,067

KENYA INDUSTRIAL PROPERTY INSTITUTE

25. Status of Project Completion as at 30th June, 2020

	PROJECT	APPROVED BUDGET	TOTAL EXPENDED TO DATE	COMPLETION % TO DATE	SOURCES
1	Refurbishment of KIPi's New Premises at Lavington	63,000,000	56,189,453	89%	G.O.K.
2	Decentralization of IP	30,000,000	29,939,205	100%	G.O.K.
3	Establishment of a Research Unit	10,000,000	Project Concept Development	Project Concept Development	G.O.K.
4	Digitization of IP Systems	65,000,000	63,452,400	98%	G.O.K.
5	Intellectual Property for Improved Productivity & Competitiveness	7,000,000	7,000,000	100%	G.O.K.
		175,000,000	156,581,058		

**KENYA INDUSTRIAL PROPERTY INSTITUTE
PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS**

Reference No. on the External Audit Report	Issue/Observations from Auditor	Management Comments	Focal Point Person to Resolve the Issue	Status	Timeframe
Board Expenses Accounted for Under Hospitality Expenses					
1	Audit review of payment vouchers under Hospitality Note revealed that some payment vouchers all amounting to KSh.170,520 were incurred on Board members and should have been charged under Board Expenses and not under Hospitality Expenses. Though based on the documentation available for audit, due procurement procedures were followed, it is however prudent that these expenses be accounted for under Board Expenses to give a true view of the cost the Institute incurred for Board related items.	A closer look at the participants during these meetings indicated the number of staff were dominant over the Board members necessitating the expenditure to be charged on Hospitality Vote since the apportionment of these expenses would not have been possible. The Financial Statements have however, been revised by KSh.170,520 under Board Expenses in accordance with your recommendation.	The Management	Resolved	30th June, 2020
Property, Plant & Equipment					
2	As reported in the previous year, and as indicated in the Note 17 of the current Financial Statements included in assets as a combined figure of KSh.412,088,054 of land and building. The combination of the land and building went against the provision of IPSAS 17 resulted to non-depreciation of the building thus over stating the assets of the Institute.	The Institute initiated the process of valuation which has already been done and are awaiting the final report. On the KSh.14,133,104 for generator being included under land and building, only two payments for the generator were erroneously included totalling to KSh.640,649, the balance of KSh.13,492,455 is related to office partitioning and was correctly charged as additions to land and building. Once the final report of valuation is received, we shall separate land from buildings and subject the building to depreciation as required under IPSAS 17 accordingly. The payments totalling to KSh.640,649 relating to generator but erroneously posted under land and building has been adjusted back to furniture and equipment depreciated accordingly in the revised Financial Statements.	The Management	In Progress	30th June, 2021
Understated Inventory					
3	Note 16 of the Financial Statements indicates that consumable balances as at 30th June, 2020 was KSh.15,675,692. The ledger for inventory balances however, indicates that there were also other non-current items classified as inventory worth KSh.2,411,950. There were also Library Books costed at KSh.4,467,984 and disclosed as inventory on Note 16. The inventory amount therefore is understated by KSh.6,879,934 (KSh.2,411,950+KSh.4,467,984).	KSh.15,675,692 on Note 16 of the Financial Statements indicated as stock of consumable balances as at 30th June, 2020 is the right figure. The KSh.2,411,950 captured separately in the stock ledger is related to fixed assets has already been accounted for appropriately under computer, furniture and fittings. The recommendation from Fire Award conducted by the Institute of Certified Public Accountants was that library books be reflected in the books of accounts as a non-current asset. The library books amounting to KSh.4,467,984 were therefore, reported in the Financial Statements under non-current assets as a standalone asset in accordance with the recommendation of the Fire Award.	The Management	Resolved	30th June, 2020
Overstated Receivables					
4	The Financial Statement on Note 14 indicates receivables amount of KSh.126,659,919 out of KSh.114,662,710 are expired patents which the Institute expects the clients to renew. The clients, however, are not bound by any legal agreement to keep renewing their licences; it is possible that the previous patents served the purpose and they closed shops. It is therefore, not prudent for KIPRI to continue classifying such 'prospective' clients as receivables.	The issue of Trade Mark renewal being classified as receivables was brought up during the audit of the Financial Statements for 2018/2019. During the deliberations, it was agreed that the Institute comes up with a policy of writing off long outstanding trade mark renewal since the recovery could not be legally enforced against clients as they were not bound by any legal agreement to keep renewing the licences. The issue was brought before the Board of Directors and after lengthy deliberations, it was agreed that the authority for the write-off be sought from the National Treasury. The Institute still awaits the authority and once received; your recommendation will be implemented.	The C.E.O. and the Board of Directors	In Progress	30th June, 2021

