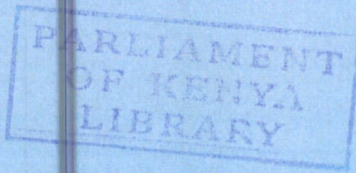


REPUBLIC OF KENYA



*Paper Laid on
the Floor of the House
on 10.10.2017 by
LOM
[Signature]*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA WILDLIFE SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2016**



KENYA WILDLIFE SERVICE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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CORPORATE INFORMATION

Background information

Kenya Wildlife Service (KWS) was established by the Wildlife Conservation and Management Act, 1989 (now repealed and replaced by Wildlife Conservation and Management Act, 2013). The overall mandate of KWS is to conserve and manage wildlife in Kenya.

Our Vision

Save the last great species and places on earth for humanity.

Our Mission

Sustainably conserve, manage and enhance Kenya's wildlife, its habitats and provide a wide range of public uses in collaboration with stakeholders for posterity.

Corporate Values

KWS has adopted four main corporate values, which serve as guiding principles in the provision of quality and acceptable services to our customers. These values include;

- i) Passion
- ii) Professionalism
- iii) Innovation
- iv) Quality

Principal Activities

KWS is committed to sustainably conserve, manage and enhance Kenya's wildlife and its habitats, and provides a wide range of public uses in collaboration with stakeholders, in pursuit of this commitment;

We shall;

- i) Understand our customer and stakeholder challenges, and identify their requirements.
- ii) Continually improve our products and services to meet and exceed customer expectations.
- iii) Ensure that objectives are established and implemented at relevant levels in line with the set strategic directions.
- iv) Improve the effectiveness of the Quality Management System.
- v) Ensure that this policy is well communicated and reviewed for continued suitability.

CORPORATE INFORMATION (CONTINUED)

Key Management

The day-to-day management of the Service is entrusted to the Director General who is the Secretary to the Board and Chief Executive Officer of the Service. The Director General is assisted by a management team of Deputy Directors. The Service is classified as a State Corporation under PC 3A.

Fiduciary Management

KWS is managed by a ten (10) member Board of Trustees, comprising of four (4) Government representatives, five (5) independent members, and the Director General who is the Secretary to the Board and Chief Executive Officer of the Service.

The terms of the current membership of the Board of Trustees are shown below;

Board of Trustees

The Trustees who served the Kenya Wildlife Service Board during the year and to the date of this report were as follows:

- | | | |
|----------------------------|---|------------------------------|
| 1) Dr. Richard Leakey, EGH | Board Chairman | |
| 2) Mr. Peter Kinyua | Vice Chairman | |
| 3) Mr. Brian Heath | | |
| 4) Mr. Tom Lalampaa | | Appointed on 01 July 2015 |
| 5) Ms. Nancy Saumu Pite | | Appointed on 1 July 2015 |
| 6) Mr. Kitili Mbathi | Board Secretary | Appointed on 1 February 2016 |
| 7) Mr. Arthur Nduati | Principal Secretary the National Treasury | |
| 8) Gideon N. Gathaara | Principal Secretary Environment and Natural Resources | |
| 9) Christine Mathu | Principal Secretary Devolution and Planning | |
| 10) Henry Kipkosgei Barmao | Inspector General Kenya Police Service | |

CORPORATE INFORMATION (CONTINUED)

1. REGISTERED OFFICE

KWS Complex
Langata Road
P.O. Box 40241
GPO 00100
Nairobi, Kenya

2. INDEPENDENT AUDITOR

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

3. PRINCIPAL LEGAL ADVISOR

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

4. BANKERS

- | | |
|---|---|
| <p>a) Kenya Commercial Bank Limited
P.O. Box 484000
GPO 00100
Moi Avenue Branch
Nairobi</p> | <p>b) Standard Chartered Bank Kenya Limited
P.O. Box 30003-00100
Langata Branch
GPO 00100
Nairobi</p> |
| <p>c) Equity Bank Limited
Upper Hill
P.O. Box 75104
City Square 00200
Nairobi</p> | <p>d) Cooperative Bank of Kenya
Business Centre, Ngong Road
P.O. Box 30415
GPO 00100
Nairobi</p> |
| <p>e) Citi Bank
Upper hill
P.O. Box 30711
GPO 00100
Nairobi</p> | <p>f) Commercial Bank of Africa Ltd
Upper Hill
P.O. Box 30437
GPO 00100
Nairobi</p> |




BOARD OF TRUSTEES

PROFILE	
 <p>Dr. Richard Leakey, FRS Chairman, Board of Trustees</p>	<p>Dr. Richard Leakey is a world-renown wildlife conservationist. He holds the following qualifications and honors amongst others;</p> <ul style="list-style-type: none"> • Fellow of the Royal Society (FRS) • Fellow of the American Academy of Arts and Sciences • Fellow of the European Academy of Sciences • Prof. Anthropology, Stony Brook University • Honorary Doctorate, Cambridge University • 13 other Honorary Doctorates <p>He is also the Chairman of the International Board for the Turkana Basin Institute and the Chairman of Transparency – Kenya. He has served in the following capacities: Director KWS; Member of Parliament; Head of Civil Service; Vice Chairman KWS and now Chairman of KWS Board</p>
 <p>Mr. Peter Kinyua Vice-Chairman, Board of Trustees</p>	<p>Mr. Peter Kinyua Graduated from Salve Regina University in May 1986 with a Bachelor of Arts and Science Degree. He is a coffee Trader by profession and has been exporting coffee for over 25 years. He is a member of Mild Coffee Traders Association and the founder Chairman of Kenya Coffee Traders Association.</p> <p>He has been a Director of Coffee Board of Kenya. Currently he is a coffee Farmer in Juja, Kenya and has a passion for conservation. He has raised a substantial amount of money for conservation through Rhino Ark. He is currently the Chairman of Kenya Forest Service Board.</p>
 <p>Mr. Brian Heath, OGW Trustee</p>	<p>Mr. Brian Heath Holds an MSc in Tropical Animal Production and Health from Edinburgh University.</p> <p>He is the Chief Executive Officer of the Mara conservancy; the first Public/Private sector partnership in conservation management in Kenya. He is also the Chairman of Seiya Ltd, a private conservation management company managing three Conservancies in the Mara Region and also Chairman of the Mara Elephant Project, a donor funded organization working in elephant conservation in Mara.</p> <p>He was awarded the Order of the Golden Worrier (OGW) in 2013 for his work in conservation. He has 45 years' experience in wildlife and livestock management in Kenya.</p>




BOARD OF TRUSTEES (CONTINUED)

PROFILE	
 <p>Mr. Tom Lalampaa Trustee</p>	<p>Mr. Tom Lalampaa Holds a BA in Social Work, an MBA in Strategic Management and MA in Project Planning and Management from the University of Nairobi. He is currently pursuing PhD programme.</p> <p>He is the Chairman of Kenya Wildlife Conservancies Association (KWCA) a national umbrella body for community and private conservancies in Kenya. He is also the Chief Operations Officer for Northern Rangelands Trust (Trust) an umbrella organization currently supporting 33 community conservancies in Kenya. He has enormous experience in conservation management.</p> <p>He was the winner of the Tusk Award for Conservation in Africa for 2013.</p>
 <p>Ms. Nancy Saumu Pite Trustee</p>	<p>Ms. Nancy Saumu Pite holds a Bachelor's of Science degree in Forestry from Moi University.</p> <p>She is currently a Senior Technical Manager with Tree Biotechnology Programme Trust (TBPT). She is a skilled community mobilizer and a passionate conservationist with significant experience in the community based forest and marine ecosystem management having worked with communities around Arabuko Sokoke and Mkwiro, Majoreni, Shimoni and Vanga Marine Conservation Areas.</p>
 <p>Mr. Gideon N. Gathaara Representative PS, Ministry of Environment and Natural Resources</p>	<p>Mr. Gideon N. Gathaara holds a Bachelor of Science degree and a Master of Science degree. Currently he is the Conservation Secretary - Natural Resources, State Department of Environment & Natural Resources.</p> <p>Previously he worked as the Conservation Secretary, Ministry of Forestry and Wildlife. He has also held other positions in government, including the following: Director of Policy - Ministry of Environment, Chief Conservator of Forests, Acting Chief Conservator of Forests, and Forest Programme Coordinator, Kenya Wildlife Service.</p>




BOARD OF TRUSTEES (CONTINUED)

PROFILE	
 <p>Christine Mathu</p> <p>Representative: PS Ministry of Interior and Coordination of National Government</p>	<p>Ms.Christine.N Mathu holds a Bachelor of Arts Degree in Economics and Government from University of Nairobi and a Master's in Business Administration (MBA) from ESAMI/Maastricht.</p> <p>She has over fourteen years' experience in the Human Resource Management area and is currently the Ag.Deputy Director HRM in the Ministry of Devolution and Planning, State Department of Devolution. She is also the focal point/Team Leader for coordination of development partners on devolution matters under the USAID/AHADI in the Department.</p>
 <p>Mr. Arthur Nduati</p> <p>Representative: PS, The National Treasury</p>	<p>Mr. Arthur Nduati holds a Masters of Business Administration Degree from JKUAT. He is a Certified Public Accountant of Kenya (CPA, K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p>He has over 12 years' experience in Public Finance Management and is currently a Senior Assistant Director of Budget at the National Treasury. Previously, he was Head of Finance in the Ministry of Youth Affairs and Sports, Ministry of Immigration and Registration of Persons and Office of the Director of Public Prosecutions.</p>
 <p>Mr. Henry Kipkosgei Barmao</p> <p>Representative: Inspector General of Police</p>	<p>Mr. Henry Kipkosgei Barmao is a career policeman with 35 years of experience. He has attended many certificate courses in strategic and leadership areas relating to law enforcement including Protection of Civilians; Crisis and Major Events Management; Prevention and the Punishment of the Crimes of Genocide, Crimes against Humanity and all forms of Discrimination as well as Election and Conflict Early Warning among many others. He also served for one year as Liaison Officer of the Siera Leone UN Contingent Mission where he was Commander.</p> <p>He is currently the Deputy Director Operations at Vigilance House - the Kenya Police Service Headquarters, Nairobi.</p>




MANAGEMENT TEAM

PROFILE	
 <p>Mr. Kitili Mbathi Director General</p>	<p>Mr. Kitili Mbathi is the Director General of the Kenya Wildlife Service. He holds a BA from University of Michigan, Masters in Banking and Finance from Milan, Italy.</p> <p>He joined the Service on 1st February, 2016 from CFC Stanbic Bank Limited where he has served as the Regional Director for East Africa since September 2008.</p> <p>He served previously as Investment Secretary in The National Treasury.</p>
 <p>Mr. William Sing'oei Deputy Director Security</p>	<p>Mr. William Sing'oei is the Deputy Director, Security. He has attended Senior Police Management Course at Kenya School of Government, Kabete as well as other higher and middle management Police Training Courses. He is a long serving Police Officer in Kenya's National Police Service having served for ten years in middle management and fifteen years in Senior Management levels.</p> <p>He has been seconded to KWS since November 2015.</p>
 <p>Dr. Samuel Kasiki, PhD, OGW Deputy Director Biodiversity Research & Monitoring</p>	<p>Dr. Samuel Kasiki is the Deputy Director Biodiversity, Research and Monitoring. He holds a PhD in Ecology, a MSc. in Conservation Biology and a BSc. in Botany and Zoology.</p> <p>He has twenty nine (29) years' experience in the Service.</p>

MANAGEMENT TEAM (CONTINUED)

PROFILE	
 <p>Mr. Julius K. Kimani, HSC, ndc (K) Deputy Director Parks & Reserves</p>	<p>Mr. Julius Kimani is the Deputy Director Parks & Reserves. He is a career wildlife conservationist and holds a Diploma in Wildlife Management obtained from Egerton University as well as a Diploma in International Studies from the University of Nairobi. He has twenty eight (28) years' experience in wildlife conservation & management in the Service.</p>
 <p>Mr. Patrick Omondi, OGW Deputy Director Species Conservation & Management</p>	<p>Mr. Patrick Omondi is the Deputy, Director Species Conservation & Management. He holds a MSc. in Wildlife Management & Control, BSc. in Wildlife Management. He is currently pursuing a PhD programme in Animal Ecology. He has twenty three (23) years' experience in the Service.</p>
 <p>Mrs. Lynette Muganda Deputy Director Human Capital</p>	<p>Ms. Lynette Muganda is the Deputy Director, Human Capital. She holds a Master of Business Administration Degree, a Bachelor of Arts as well as a Postgraduate Diploma in Human Resource Management. She is member of the IHRM.</p> <p>She has three (3) years' experience in the Service.</p>

MANAGEMENT TEAM (CONTINUED)

PROFILE	
 <p>Edwin Wanjala Wanyonyi Ag. Deputy Director (Strategy & Change)</p>	<p>Mr. Edwin Wanyonyi is the Ag. Deputy Director Strategy & Change. He holds an MBA in Strategic Management and a Bachelor of Business Administration. He is a member of the Kenya Institute of Supplies Management, Kenya Institute of Management and currently pursuing PhD in Management. He has ten (10) years' experience in the Service.</p>
 <p>Eng. Benson Wamaya Ag. Deputy Director Corporate Service</p>	<p>Eng. Benson Wamaya is the Ag. Deputy Director Corporate Services. He holds a MSc. and a BSc. in Civil Engineering. He has twenty (20) years' experience in the Service. Prior to joining KWS he had worked for the Ministry of Public Works for Thirteen (13) years. He is also chairman of Kewisco Sacco.</p>
 <p>Mr. Francis Mwaita Ag. Deputy Director Finance & Administration</p>	<p>Mr. Francis Mwaita is the Ag. Deputy Director, Finance and Administration. He holds a Masters Degree in Business Administration (Finance) and a Bachelor of Education Science (Statistics). He is an ACCA finalist and Affiliate Member. He has fifteen (15) years' experience in the Service.</p>

CHAIRMAN'S STATEMENT

It is a great honor for me to present the Kenya Wildlife Service's (KWS) financial statements for the year ended 30 June 2016. KWS is charged with the overall mandate of conserving and managing wildlife across this great Nation. This is a huge responsibility bestowed on the Service and thus calls for immense resource allocation.

The current Board of Trustees was inaugurated in 1 July 2015 and the period under review marks the first full year in office. I am proud to report that key committees have been established and are discharging their mandate. In addition the BOT recruited a new Director General through a competitive process for the first time since the establishment of KWS.

During the year under review, the Service discharged its mandate and I am proud to say that KWS made remarkable strides in the following key areas: reduction in poaching, mitigation of human wildlife conflict, independent audit of contraband Rhino horn and Ivory stockpiles and sensitization of donors to lay ground for future funding of wildlife projects and much more. The most remarkable achievement was the destruction of 105 tonnes of ivory, Rhino horn and other wildlife products presided over by the Head of state and attended by dignitaries and celebrities from across the world. This destruction was to send a strong message on the country's seriousness in fighting the poaching menace particularly of its iconic species.

However, notwithstanding the above achievements, the Service faced a number of challenges including; huge funding gap as a result of significant reduction in GoK funding and slump in tourism industry; increased poaching threats, and increased human wildlife conflicts due to land use changes, population growth, and climate change, habitat degradation and livestock incursion in the protected areas. These challenges have continued to impact negatively on wildlife conservation efforts in the country.

For the period ended 30 June 2016, the financial performance of the Service has shown improvement compared to the previous financial year. However, this good performance is mainly attributed to use of SGR and KeNHfunds of KShs 2.6 billion to bridge the huge funding gap. In summary, the Service realized total revenue of KShs.7 billion compared to KShs 6.8 billion in the prior year. The total expenditure for the period was KShs. 7.7 billion compared to KShs 8.3 billion spent during the previous year. As a result, the overall performance recorded a deficit of KShs 571 million compared to KShs 1.5 billion in 2014/15 FY.

From the foregoing, it is very clear that the Service financial performance requires urgent redress to ensure it sustainably carries out its conservation mandate. The Board and management will continue engaging the Government for additional funding while at the same time exploring resource mobilization opportunities to reduce its reliance on the exchequer.

Lastly, I wish to acknowledge and appreciate the great support given to the Service by Government, development partners and other stakeholders towards wildlife conservation efforts. I look forward to your continued support in the fulfillment of the conservation mandate. I would also like to thank the management and staff for their dedication and commitment to the Service.



Dr. Richard Leakey, EGH, FRS
Chairman

REPORT OF THE DIRECTOR GENERAL

Kenya Wildlife Service (KWS) has continued to discharge its mandate of wildlife conservation in line with the Wildlife Conservation & Management Act 2013. The year under review represents the fourth year of the implementation of the KWS 2012-2017 Strategic Plan. In 2015/16 FY the focus was in the following key areas: reduction in poaching, ecological restoration, force modernization, devolution and community engagement, human wildlife conflict mitigation, infrastructural development, institutional review and staff welfare.

The Service derives income from three key sources namely; internally generated revenue, GoK subvention and grants from development partners. For the financial year ended 30 June 2016, the Service recorded a total income of KShs 7 billion. This comprised of internal revenue of KShs.3 billion compared to KShs 2.9 billion in the previous year, GoK subvention of KShs 754 million compared to KShs 3.2 billion prior year. The total grant received was KShs 3.9 billion. It is important to note that this grants figure includes amounts received from KeNHA of KShs 1.2 billion and SGR funds of KShs 1.3 billion which were utilized to bridge the funding gap.

During the year under review the total expenditure amounted to KShs 7.7 billion, compared to KShs 8.3 billion in the previous year. The expenditure comprised of; Salaries and allowances of KShs 4.1 billion while other operating expenses amounted to KShs. 3.5 billion. Due to the significant reduction in GoK funding of KShs 1.5 billion, management resorted to severe austerity measures to ensure only critical operations are undertaken. This explains the reduction on expenditure despite having additional new rangers on board. In general, the Service had a deficit of KShs 571 million compared to KShs 1.5 billion last year.

The total assets as at 30 June 2016 amounted to KShs 10.2 billion comprising Property, Plant and Equipment (PPE) of KShs 6.5 billion and current assets of KShs 3.6 billion. The current liabilities on the other hand amounted to KShs 1.8 billion. These liabilities include unexpended specific donations of KShs 595 million and Endowment funds of KShs 67 million. Previous audits had raised issues concerning treatment of certain categories of assets under PPE mainly touching on roads, bridges and airstrips. I wish to report that management has endeavored to address these concerns in the year under review.

Generally the performance of the year under review indicates persistent financial distress which compromises effective service delivery. Inadequate funding for the Service to match its huge mandate has presented serious challenges in wildlife conservation in the country especially given the emerging issues in the sector. In an effort to address this situation management has embarked on developing a new Strategic Plan which will clearly spell out priority areas for the next five years. It is expected that, once the strategic plan is in place it will guide management in engaging stakeholders to support conservation efforts.

Finally, I would like to acknowledge Government for continued support, the Board for strategic vision and guidance, development partners and other stakeholders for their support for conservation. I also wish to commend staff for their dedication and hard work.



Kitili Mbathi

Director General

CORPORATE GOVERNANCE STATEMENT

The Board of Trustees of KWS is responsible for the governance of the Service and is accountable to the Government of Kenya in ensuring that it complies with the various laws while maintaining high ethical standards and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Trustees

The roles and functions of the Chairman and the Director General are distinct and their respective responsibilities clearly defined within the Wildlife Conservation and Management Act 2013.

The Board defines the policy guidelines for effective management of the Service. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Director General.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary.

Committees of the Board

The Board has set up key Committees to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Board Finance Committee

The Committee has responsibilities for oversight in financial and human capital management. These responsibilities include; -

- a) Policies that maintain and improve the financial sustainability and integrity.
- b) Review and recommend a long-term financial plan for the Service.
- c) Review and recommend an annual operating budget and annual capital budget consistent with the long-term financial plan and financial policies.
- d) Review the financial aspects of major proposed transactions, new programs, projects and services, as well as proposals to discontinue the same and making recommendations to the board.
- e) Review and approve financial statements for release to external auditors.
- f) Review and approve opening of new Bank accounts.
- g) Monitor the financial performance of the Service as a whole against approved budgets and long-term trends.
- h) Requiring and monitoring corrective actions to bring the organization into compliance with laws, policies and applicable financial principles.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Conservation Committee

This Committee has responsibilities for oversight in Wildlife Conservation and Management.

These responsibilities include; -

- a) Review and advise the Board on the development of Protected Area Management Plans, species strategies and conservation policies.
- b) Provide oversight of the organization's programs, projects and activities relating to conservation.
- c) Ensure that programs related to conservation are informed by best practice and leading- edge thinking, incorporating scientific, economic and social trends.
- d) Evaluate and review conservation programs and activities.
- e) Identify and submit risks, including legal, financial and reputational risks, relating to conservation to the Board Audit and Risk Committee.
- f) Undertake an annual self-assessment of its performance.

Board Community Committee

This Committee has responsibilities for oversight in mitigation of human wildlife conflict and compensation to communities. These include:

- a) Facilitate mobilization of requisite resources necessary for the department to carry out its mandate as spelt out in sec 7(n) of the WCM Act 2013 which states that "the service shall promote and undertake extension service programs intended to enhance wildlife conservation, education and training".
- b) Provide strategic policy direction to facilitate effective conservation education and awareness programs to enhance wildlife conservation and management.
- c) To determine incentives required for communities to foster effective Collaborative management of wildlife within a specified conservation area.
- d) Addressing human / wildlife conflicts in targeted conservation areas.
- e) Resources required for community mobilization to advocate for and Support the development and implementation of enabling policy and Legal environment for wildlife conservation.
- f) Facilitate establishment of the wildlife compensation scheme Sec 24 (b) of WCMA 2013.

Kenya Wildlife Service
Statement of comparative budget and actual amounts
For the year ended June 30, 2016

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts / Payments item	Budget Shs (000)	Actual Shs (000)	Variance Shs (000)	% variance	Comments
	(a)	(b)	(c) = (b-a)	(d) = (c/a)	
Receipts					
Grants for recurrent expenditure	4,415,567	1,116,620	(3,298,947)	(75%)	(i)
Turnover	2,483,609	2,295,704	(187,905)	(8%)	(ii)
Other income	339,004	3,543,225	3,204,221	945%	(iii)
Net interest income	-	144,997	144,997	100%	(iv)
Total receipts	7,238,180	7,100,546	(137,634)	(2%)	
Payments					
Salaries, allowances and benefits	4,052,408	4,154,520	102,112	3%	(v)
Operating and maintenance expenses	2,474,963	2,123,607	(351,356)	(14%)	(vi)
Depreciation	500,000	1,227,568	727,568	146%	(vii)
Community expenses	60,186	52,164	(8,022)	(13%)	(viii)
Training and development	150,623	114,038	(36,585)	(24%)	(ix)
Total payments	7,238,180	7,671,897	433,717	6%	

Variations between the actual amounts and the budgeted amounts have been explained below:

(i) and (iii)

During the year, there was a decline in the amount of grants received for recurrent expenditure especially the GoK subvention which decreased from Shs 3.1 billion in 2015 to Shs 754 million in the current year. This left the Service with a funding gap which was filled by grants received from KeNHA and Kenya Railways (SGR) amounting to Shs 1.2 billion and Shs 1.3 billion respectively. These grants were awarded as compensation for part of the park space that was utilized by the Nairobi Southern Bypass and the Standard Gauge Railway (SGR). The amounts have been classified as part of other income in the financial statements.

(ii)

Turnover relates to income earned from park entry fees and accommodation within the parks. The actual amount earned during the year was slightly lower than budget but within the 10% threshold.

(iv)

Net interest income relates to interest earned during the year on funds placed on call deposit with the various banks. For budget preparation purposes, the amount is classified under other income. However, for financial statement purposes, the amount is classified as interest income hence the variance.

(v)

Salaries, allowances and benefits were slightly above budget by 3% as a result of more Rangers being recruited during the year as part of wildlife conservation efforts.

(vi), (viii) and (ix)

As a result of lower funding during the year especially from the Government, management made deliberate efforts towards controlling costs. This meant that only critical operations around operating and maintenance expenses, community expenses and training and development expenses were carried out during the year.

(vii)

The actual depreciation charged in the current year was higher than the budgeted amount by 146% as a result of additional depreciation arising from the depreciation of roads, bridges and airstrips which had not been being depreciated in the previous years.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Wildlife Service (KWS) has over the years established Corporate Social Responsibility projects to win public support towards the conservation effort. In Kenya, about 70% of the wildlife habitats are found on community and private land. This leaves 8% of the total land mass in Kenya being under protected areas and hence the need to cultivate goodwill for additional space for conservation and co-existence between humans and wildlife. This has been achieved through strategic investment in areas that have abundance of wildlife outside the protected areas and also in seasonal dispersal zones.

KWS undertakes diverse Corporate Social Responsibility (CSR) projects with the main objective being to cultivate conservation goodwill and establish networks and mitigate human wildlife conflict for sustained relationships and mutual trust in implementing the organizational mandate. The CSR is based on four thematic areas that affect the social livelihoods of communities in different Conservation Areas (Water, Education, Health, Wildlife barriers and Community based wildlife enterprise projects). In addition, KWS strives to encourage alternative land-uses in wildlife dispersal areas as well as securing key migratory corridors that connect different ecosystems that are critical to conservation efforts.

The guiding principle of the KWS CSR is to address key issues that are critical to the success of the conservation effort in the country especially in wildlife dispersal areas. These issues include: achieving goodwill from the public towards wildlife conservation, creating more space for wildlife, reducing human wildlife conflict and improving corporate image of the Service.

REPORT OF THE BOARD OF TRUSTEES'

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2016 which show the state of affairs for the Kenya Wildlife Service (the "Service").

Principal activities

The principal activities of the Service are;

- i) Conserve and manage national parks, wildlife conservation areas, and sanctuaries under its jurisdiction;
- ii) Provide security for wildlife and visitors in national parks, wildlife conservation areas and sanctuaries;
- iii) Promote or undertake commercial and other activities for the purpose of achieving sustainable wildlife conservation;
- iv) Develop mechanisms for benefit sharing with communities living in wildlife areas;
- v) Coordinate the preparation and implementation of ecosystem plans;
- vi) Prepare and implement national park management plans and advise in the preparation of management plans for community and private wildlife conservancies and sanctuaries;
- vii) Undertake and conduct enforcement activities such as anti- poaching operations, wildlife protection, intelligence gathering, investigations and other enforcement activities for the effective wildlife conservation;
- viii) Conduct and co-ordinate, all research activities in the field of wildlife conservation and management and ensure application of research findings in conservation planning, implementation and decision making;
- ix) Advise on the establishment of national parks, wildlife conservancies and sanctuaries;
- x) Promote and undertake extension service programs intended to enhance wildlife conservation, education and training;

Results

The deficit for the year of KShs 571,351,000 (2015: deficit of KShs 1,504,538,000) has been adjusted on net reserves.

Trustees

The members of the Board of Trustees who served during the year are shown on page 5 - 7.

Auditors

The Auditor General is responsible for the statutory audit of Kenya Wildlife Service in accordance with section 81 of the Public Finance Management (PFM) Act, 2012, & section 69 of the Public Audit Act which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

PricewaterhouseCoopers was nominated by the Auditor General to carry out the audit of Kenya Wildlife Service for the year ended 30 June 2016.

Legislation

Kenya Wildlife Service (KWS) was established by the Wildlife Conservation and Management Act, 1989 (now repealed and replaced by Wildlife Conservation and Management Act, 2013). The overall mandate of KWS is to conserve and manage wildlife in Kenya.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Public Finance Management Act 2015, Public Audit Act 2015 and State Corporation Act 2015 requires the Trustees to prepare financial statements in respect of the Service, which give a true and fair view of the state of affairs of the Service at the end of the financial year and the operating results for the year. The Trustees are also required to ensure that the Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Service. The Trustees are also responsible for safeguarding the assets of the Service.

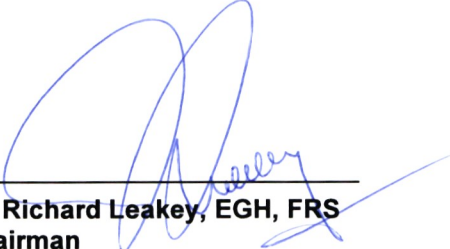
The Trustees are responsible for the preparation and presentation of the Service's financial statements, which give a true and fair view of its state of affairs of the Service at the end of the financial year, ended 30 June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Service ; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Service; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Service's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Trustees are of the opinion that the Service's financial statements give a true and fair view of the state of its transactions during the financial year ended 30 June 2016, and of its financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Service, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the Service will not remain a going concern in the foreseeable future.

Approval of the financial statements

The Service's financial statements were approved by the Board of Trustees on 25 May 2017 and signed on its behalf by:



Dr. Richard Leakey, EGH, FRS
Chairman



Kitili Mbathi
Board Secretary

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Wildlife Service set out on pages 22 to 49, which comprise the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the

Service's internal control. An audit also includes the evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

1. Property, Plant and Equipment

As previously reported, property, plant and equipment balance of Kshs.6,562,115,000 as at 30 June 2016 excludes the undetermined value of various parcels of land across the country without title documents but on which the Service has put up various developments including buildings. These comprise twelve (12) National parks, twenty nine (29) National Reserves, nine (9) Sanctuaries, nine (9) marine parks and one hundred and twenty nine others (129) plots of land.

Further, the Service has not updated its fixed assets register. The fixed assets register balance of Kshs,6,562,304,000 ,is at variance with the ledger balance of Kshs.6,237,115,000 resulting to an unexplained difference of Kshs.325,189,000.

In addition, the depreciation charge for the year amounting to Kshs. 1,227,568,000 was computed based on the gross balance for property, plant and equipment as recorded in the ledger which does not take into account assessment of impairment fully depreciated assets still in use by the service. The depreciation is therefore mis-stated due to inaccuracies of the property, plant and equipment balance on which depreciation is based. In addition, management had not assessed and made necessary transfers to the respective class of assets balance in relation to completed capital works in progress of Kshs.405,415,000 as at 30 June 2016.

In view of the foregoing, it has not been possible to ascertain the accuracy, completeness, valuation and security of the property, plant and equipment balance of Kshs. 6,562,115,000 as at 30 June 2016.

2.0. Compensation for Land Hived-off

2.1. Standard Gauge Railway (SGR)

Compensation for land hived-off from the National park for the construction of Standard Gauge Railway (SGR) as per the agreement was Kshs.1,475,000,000 out of which Kshs.1,469,000,000 was received leaving an unexplained deficit of Kshs.6,000,000. The money was meant for environmental restoration but due to huge underfunding of it's operational activities, the Service utilized the funds under its recurrent expenditure. There was no approval from National Treasury for diversion of the funds contrary to the Public Finance Management Act, 2012.

2.2. Southern Bypass

Similarly, revenue from compensation for land hived-off Nairobi National Park for construction of Southern Bypass road was Kshs.3,740,713,840 as agreed with the National Government, out of which Kshs.1,266,003,840 was received leaving an unexplained deficit

of Kshs.2,474,710,000. The funds were to be deposited in Wildlife Endorsement Fund but due to alleged underfunding of the recurrent operations of the Service, they were utilized on its recurrent operations. However, there was no approval obtained from National Treasury for diversion of the funds, contrary to Public Finance Management Act, 2012.

As a result, there has been excess vote of Kshs.2,735,003,340. Further the unpaid compensation of Kshs.2,480,710,000 has not been accrued in the financial statements for the year under review.

3.0. Trade and Other Receivables

Trade and other receivables balance of Kshs.940,282,000 as at 30 June 2016 include Kshs.80,000,000 being excess medical expenses incurred on staff and out of which Kshs.28,000,000 relate to deceased employees. The likelihood that these advances will be recovered is minimal.

Consequently, the accuracy and recoverability of the trade and other receivables of Kshs.940,282,000 as at 30 June 2016 cannot be ascertained.

4.0. Inventory

The inventory balance of Kshs.308,328,000 as at 30 June 2016 (2015, Kshs.455,946,000) is based on the latest purchase price and not the first-in-first-out method recommended in International Financial Reporting Standards (IFRS 2) under which the financial statements are prepared. Further, the Service does not maintain proper stores records to facilitate effective stock-takes at the year end. No year-end physical stocking exercise was carried out in the year under review to establish the actual stocks as required. Further, management does not analyse inventory to assist in identifying the slow moving stocks to determine the provisions for write-off of such.

Consequently, the accuracy and completeness of the inventory balance of Kshs.308,328,000 as at 30 June 2016 cannot be ascertained.

5.0. Financial Performance

During the year under review, the Service incurred an operational deficit of Kshs.571,351,000 (2014/2015 Kshs.1,504,538,000) thus raising the accumulated deficit to Kshs. 5,823,468,000 (2014/2015: Kshs.5,252,117,000) which is equivalent to 43% of the total assets as at 30 June 2016. The going-concern status of the Service is therefore dependent on continued support by the National Government and creditors.

6.0. Endorsement Fund

The Wildlife Conservation and Management Act, 2013 provided for the establishment of Wildlife Endorsement Fund which would be vested in the Board of Trustees. However, the Fund has not been established fully. It had nonetheless received funds from donors amounting to Kshs.67,804,000 as at 30 June 2016, but reported a bank balance of Kshs.92,000,000 resulting to an unexplained difference of Kshs.24,196,000. Apparently management does not maintain proper records for the Fund and as a result, the accuracy and completeness of the Endorsement Fund balance of Kshs.67,504,000 as at 30 June 2016 cannot be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Kenya Wildlife Service as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, and do not comply with International Financial Reporting Standards and the Wildlife Conservation Act, 2013.



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

Nairobi

24 August 2017

Statement of comprehensive income

	Notes	Year ended 30 June	
		2016	2015
		Shs'000	Restated Shs'000
Revenues from non – exchange transactions			
Grants for recurrent expenditure	5	1,116,620	3,879,786
Revenue from exchange transactions			
Turnover	6	2,295,704	2,120,395
Other income	7	3,543,225	745,884
Net interest income		144,997	62,714
Total revenue		7,100,546	6,808,779
Operating expenses			
Salaries, allowances and benefits	8	4,154,520	3,810,838
Operating and maintenance expenses	9	2,123,607	2,946,257
Depreciation	10	1,227,568	1,332,609
Community expenses	11	52,164	84,847
Training and development	12	114,038	138,766
Total operating expenses		7,671,897	8,313,317
Total deficit for the year		(571,351)	(1,504,538)
Other comprehensive income		-	-
Total comprehensive loss		(571,351)	(1,504,538)

The notes on pages 26 to 49 are an integral part of these financial statements.

Statement of financial position

	Notes	As at 30 June	
		2016 Shs'000	2015 Restated Shs'000
ASSETS			
Non – current assets			
Property, plant and equipment	13	6,562,115	7,547,700
Current assets			
Inventories	14	308,328	455,946
Trade and other receivables	15	940,282	811,304
Cash and cash equivalents	16	2,390,316	2,676,695
		3,638,926	3,943,945
Total assets		10,201,041	11,491,645
RESERVES AND LIABILITIES			
Reserves			
Capital reserve		1,271,887	1,271,887
Revaluation reserve		2,805,102	2,805,102
Capital grants		10,114,157	9,747,629
Revenue reserve		(5,823,468)	(5,252,117)
Total reserves		8,367,678	8,572,501
Liabilities			
Current liabilities			
Trade and other payables	17	1,238,249	1,063,779
Unexpended specific donations	18	595,114	1,855,365
		1,833,363	2,919,144
Total net reserves and liabilities		10,201,041	11,491,645

The financial statements on page 22 to 49 were approved for issue by the Board of Trustees on 25 May 2017 and signed on its behalf by:


 Dr. Richard Leakey
 Chairman


 Kitili Mbathi
 Board Secretary

The notes on pages 26 to 49 are an integral part of these financial statements.

Statement of changes in net reserves

	Capital Reserve Shs'000	Revaluation Reserves Shs'000	Capital Grants Shs'000	Revenue Reserves Shs'000	Total Shs'000
Year ended 30 June 2015					
At start of year	1,271,887	2,805,102	8,878,253	(3,747,579)	9,207,663
Capital donor funds received	-	-	869,376	-	869,376
Net deficit for the year	-	-	-	(1,504,538)	(1,504,538)
At end of year	1,271,887	2,805,102	9,747,629	(5,252,117)	8,572,501
Year ended 30 June 2016					
At start of year (As previously reported)	1,271,887	2,805,102	9,747,629	(4,428,098)	9,396,520
Prior year depreciation charge adjustment (Note 21)	-	-	-	(824,019)	(824,019)
At 1 July 2015 (Restated)	1,271,887	2,805,102	9,747,629	(5,252,117)	8,572,501
Capital donor funds received	-	-	366,528	-	366,528
Net deficit for the year	-	-	-	(571,351)	(571,351)
At end of year	1,271,887	2,805,102	10,114,157	(5,823,468)	8,367,678

Capital reserve represents the aggregate value of the property, plant and equipment taken over from the Wildlife Conservation and Management Department (WCMD) of the Ministry of Tourism and Wildlife (MTW) at the value agreed at that time.

Revaluation reserves represent the surplus on the subsequent revaluation of buildings, aircrafts, boats and other assets.

The notes on pages 26 - 49 are an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 30 June	
		2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
Cash generated from operations	20	(1,672,541)	(3,229,600)
Interest received		144,997	62,714
Net cash used in operating activities		(1,527,544)	(3,166,886)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(241,983)	(696,796)
Proceeds from disposal of property, plant and equipment		-	24,119
Net cash used in investing activities		(241,983)	(672,677)
Cash flows from financing activities			
Grants for recurrent expenditure	5	1,116,620	3,879,786
Capital donor funds received		366,528	869,376
Net cash from financing activities		1,483,148	4,749,162
Net (decrease) / increase in cash and cash equivalents		(286,379)	909,599
At start of year		2,676,695	1,767,096
Increase in cash and cash equivalents		(286,379)	909,599
At end of year	16	2,390,316	2,676,695

The notes on pages 26 to 49 are an integral part of these financial statements.

Notes

1 General information

Kenya Wildlife Service (KWS) was established by the Wildlife (Conservation and Management) Act, 1989 (now repealed and replaced by Wildlife Conservation and Management Act, 2013). The overall mandate of KWS is to conserve and manage wildlife in Kenya. The address of its registered office is:

KWS Complex
Langata Road
P.O. Box 40241-00100
Nairobi

The Service is classified as a State Corporation under PC 3A. The operation of the Service covers the entire country and for ease of administration and management, it has been organized into eight (8) Conservation areas. For reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the PFM Act and the State Corporations Act. The accounting policies adopted have been consistently applied to all the years presented. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The financial statements are presented in Kenyan Shillings (KShs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Service's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern

The trustees believe that the Service will continue in operational existence for at least 12 months from the date of these financial statements. The trustees believe that it is appropriate to prepare the Service's financial statements on a going concern basis, which assumes that the Service will continue to meet its obligations as they fall due for the foreseeable future.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Service

The following standards and amendments have been applied by the Service for the first time for the financial year beginning 1 July 2015:

Annual Improvements to IFRSs 2012 -2014 cycles. The following amendments are effective 1 July 2015:-

IFRS 13 - confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.

IFRS 7- specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute "continuing involvement" and therefore, whether the asset qualifies for derecognition.

IAS 19 - that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

Notes - confirmation that the notes do not need to be presented in a particular order.

(ii) New standards, amendments and interpretations not yet effective and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Service, except the following set out below.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet effective and not early adopted (continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurements model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to changes in fair value in OCI without recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to the classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Service is yet to assess the full impact of IFRS 9.

IFRS 15 - Revenue from contracts with customers (effective for financial periods beginning on/after 1 January 2018) – Early application is permitted. The core principle of the new revenue recognition standard is that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. The most significant changes that flow from that principle are:

- any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognised if they are not at significant risk of reversal
- the point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may now be recognised over the contract term and vice versa.

IFRS 15 was intended to become effective on 1 January 2017. On 22 July 2015, the IASB confirmed the deferral of the effective date of IFRS 15 to 1 January 2018.

IFRS 16, "Leases". After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet effective and not early adopted (continued)

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The amendments are effective for annual periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Service.

(b) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Service are measured using the currency of the primary economic environment in which the organization operates ('the functional currency'). The financial statements are presented in 'Kenyan Shillings (KShs), which is the Service's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for-sale financial assets reserve'.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Service's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts.

The Service recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Service and when specific criteria have been met for each of the Service's activities as described below.

Revenue is recognized as follows;

- (i) Sales of services is recognized on an accrual basis in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided.
 - Park entry fees are recognized when accessing the National Parks by cash payment or use of smart cards where the amount is deducted at the point of access.
 - Rental income is recognized in the income statement as it accrues using the effective lease agreements.
 - Aircraft sales are usually aircraft hire services and income is usually recognized immediately the services are offered.
 - Interest income is recognized on a time proportion basis using the effective interest method.

(d) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Service and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment

Freehold land	Nil
Fences and Barriers	10%
Machinery and Water Supplies	10%
Furniture and Equipment	10%
Motor Vehicles and Tractors	20%
Computer and Accessories	20%
Aircraft	7.5%
Boats and Boat engines	10%
Buildings on long leasehold and freehold land	2%
Buildings on short leasehold land	Over the lease period
Roads, bridges and Airstrips	20% (No residual value)

Leasehold land and buildings are amortized and depreciated respectively over the remaining period of the lease term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in other reserves relating to that asset are transferred to retained earnings.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are valued at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Inventories

Inventories are carried at historical cost of acquisition plus any incidental costs incurred to bring them at their present location and condition. Obsolete stocks are segregated and not included in the valuation of stocks. Inventories are stated at the FIFO or Weighted Average cost whichever is lower.

(g) Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Trade Receivables (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Service will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(h) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(i) Provisions

Provisions are recognized when: the Service has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments.

(k) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Service provides money, goods or services directly to a debtor with no intention of trading the receivable and are measured at amortized cost.

At the end of each reporting period, the Service reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

(l) Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the Service as a lessee. All other leases are classified as operating leases.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Accounting for leases (continued)

The Service as a lessee:

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss account on a straight line basis over the period of the lease.

The Service as a lessor:

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. Leased assets are recorded at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of leased assets to their residual values over their estimated useful life using annual rates consistent with the normal depreciation policies for similar assets under property, plant and equipment.

Gains and losses on disposal of leased assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

(m) Reserves

The Service creates and maintains reserves in terms of specific requirements. The Service has a Revenue Reserve which consists of the accumulated surplus and Capital reserve which represents the aggregate value of the assets taken over by the Service.

(n) Grants

(i) Capital grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Service will comply with all attached conditions.

In addition to an annual subvention, the Government of Kenya (GoK) has negotiated financing packages with various donors to fund the Service. This finance is in the form of loans and grants to GoK, all of which are passed on to the Service in the form of government grants. Grants received from and through the GoK have been treated as Capital Grants whether in respect of either development expenditure or acquisition of fixed assets. The Service has no share capital and the Principle Form of Funding is capital grants from the Government which is in effect capital contribution. Assets acquired from these grants are capitalized and then depreciated in accordance with the depreciation policy. The computed depreciation charge is expensed in profit or loss.

ii) Grants for recurrent expenditure

Grants received from and through the GoK have been treated as revenue receipts when in respect of funding recurrent expenditure. Related operating and maintenance expenses are charged to revenue expenditure.

(o) Employee benefits

i) Retirement benefits obligations

The Service employees are eligible for retirement benefits under defined benefit and defined contribution schemes. The funds are administered independently of the Service's assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(a) Defined Benefit Scheme – KWS Staff Superannuation Scheme

The Scheme operates a defined benefits basis and has been closed to new entrants and to future accrual of benefits with effect from 31 December 2006.

The closure of the scheme to new entrants and to future accruals benefits followed a fundamental review by Kenya Wildlife Service of its retirement benefits arrangements. As part of this review, KWS also set up a new defined contribution scheme with effect from 1 January 2007 in which all the pensionable employees participate in with effect 1 January 2007.

KWS discontinued contributions to the old Scheme with effect from 31 December 2006.

The amount in the balance sheet is determined as the present value of the defined past service benefits obligation net of value placed on existing scheme assets as computed by an independent actuary. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to reserves in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

(b) Defined Contribution Scheme – KWS Staff Retirement Benefits Scheme 2006

The service operates a defined contribution scheme whereby it matches contributions to the scheme made by the employees up to 10.57% of the employee's gross salary while the employees contribute 5% of their pensionable salaries. The Service's contributions to the fund are charged in the income statement in the year to which it relate.

The Service also contributes to the National Social Security Fund for its employees. The Service's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of Shs. 1,080 per employee per month. The Service's contributions are charged to the profit or loss in the year to which they relate. The Service has no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees benefits relating to employee service in the current and prior periods.

ii) Termination benefits

Termination benefits are payable when employment is terminated by the Service before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The service recognizes termination benefits at the earlier of the following dates: (a) when the service can no longer withdraw the offer of those benefits; and (b) when the service recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

iii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

Notes (continued)

2 Summary of significant accounting policies (continued)

(p) Comparatives

Where necessary the comparative figures have been restated to conform to current period presentation.

(q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2016.

3 Critical accounting estimates and judgment's

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Service makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment losses

At the end of each reporting period, the Service reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Service estimates the recoverable amount of the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

The Service's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Retirement benefits obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Notes (continued)

4 Financial risk management

The activities of KWS expose it to a variety of financial risks which include market risk, credit risk and the effects of changes in foreign currency exchange rates. The Service's overall risk management focuses on the unpredictability of the tourism market and seeks to minimize potential adverse effect on the organization's performance.

Market risk

i) Foreign exchange risk

The Service is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at 30 June 2016, if the Kenyan Shilling had weakened/strengthened by 10% (2015: 10%) against the US dollar with all other variables held constant, deficit for the year would have been KShs 4,256,469 (2015: KShs 18,453,367) higher/lower.

(ii) Price risk

The Service does not hold any financial instruments subject to price risk

(iii) Cash flows and fair value interest rate risk

As at 30 June 2016, the Service did not have interest bearing financial liabilities (2015: Nil). It has short term deposits which earn a fixed rate of interest. The Service is therefore not exposed to cash flow interest risk.

Credit risk

Credit risk arises from deposits with banks and trade and other receivables. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Service.

Credit risk is managed by the finance department. The treasury manager is responsible for managing and analyzing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Service has no significant concentrations of credit risk.

For banks and financial institutions, only reputable well established financial institutions and officially approved by The National Treasury are accepted. For trade receivables, the Service's finance department assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on limits set by the Board. The utilization of credit limits is regularly monitored.

The amount that best represents the Service's maximum exposure to credit risk as at 30 June 2016 is made up as follows:

	2016	2015
	Shs'000	Shs'000
Cash and cash equivalents – Note 16	2,390,316	2,676,695
Trade receivables – Note 15	367,659	319,508
Other receivables – Note 15	572,263	491,796
	<u>3,330,238</u>	<u>3,487,999</u>

Notes (continued)

4 Financial risk management (continued)

Credit risk (continued)

No collateral is held in respect of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the above assets are either past due or impaired except for the following amounts in trade receivables.

The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2016	2015
	Shs'000	Shs'000
Past due but not impaired:		
- by up to 90 days	198,501	143,937
- by 91 – 180 days	56,289	121,276
- above 181 days	112,869	54,295
	<u>367,659</u>	<u>319,508</u>
Total receivables:		
Carrying amount before provision for impairment loss	550,040	521,430
Provision for impairment loss	(182,381)	(201,922)
	<u>367,659</u>	<u>319,508</u>
Net carrying amount	<u>367,659</u>	<u>319,508</u>

All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated recoverable value.

Liquidity risk

Liquidity risk is the risk that the Service will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management and the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Service's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The Service's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Service's reputation.

Surplus cash held by the Service, over and above the amounts required for working capital management are invested in interest bearing fixed deposit accounts.

Notes (continued)

4 Financial risk management (continued)

Liquidity risk (continued)

The table below analyses the Service's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

	Less than 1 year Shs'000
At 30 June 2016:	
Liabilities	
- Trade and other payables	1,238,249
	<hr/>
Total financial liabilities (contractual maturity dates)	1,238,249
	<hr/>
At 30 June 2015:	
Liabilities	
- Trade and other payables	1,063,779
	<hr/>
Total financial liabilities (contractual maturity dates)	1,063,779
	<hr/>

Capital management

The Service is governed by the Wildlife Conservation and Management Act, 2013, Laws of Kenya, which does not provide for a specific capital structure.

5 Grants for recurrent expenditure	2016 Shs'000	2015 Shs'000
Donor agencies	250,222	452,953
Donations	111,718	240,075
GoK subvention	754,680	3,186,758
	<hr/>	<hr/>
	1,116,620	3,879,786
	<hr/>	<hr/>
6 Turnover		
Analysis of revenue by category:		
Park entry fees	2,226,879	2,084,867
Accommodation	68,825	35,528
	<hr/>	<hr/>
	2,295,704	2,120,395
	<hr/>	<hr/>

These are total revenues generated through collections from the visitors entering various gates to the national parks and accommodation charges at various facilities inside the parks and campsites.

Notes (continued)

7 Other income	2016 Shs'000	2015 Shs'000
Compensation from KeNHA	1,266,004	-
Compensation from Kenya Railways (SGR)	1,374,900	-
Rental income	223,981	208,067
Hire of aircrafts and vehicles	33,798	169,789
Air wing sales	49,205	22,614
Insurance compensation	22,657	24,234
Training services	170,286	47,943
Tuition fees – KWSTI	74,282	95,331
KWS Officers' Mess	8,358	11,996
KWS Shops	11,083	18,331
Other miscellaneous income	308,585	142,083
Telecommunication facilities	86	5,496
	3,543,225	745,884

These are revenues realized from other sources of income other than from visitors to the national parks. During the year, the Service received KShs 1.27 billion from KeNHA being grant of easement of Nairobi National Park and KShs 1.37 billion from Kenya Railways (SGR) being restoration grant of easement.

8 Salaries, allowances and benefits	2016 Shs'000	2015 Shs'000
Salaries and allowances	3,453,069	3,146,147
Leave pay accrual	108,711	106,893
	3,561,780	3,253,040
Gratuity contributions, pension and NSSF	260,364	252,682
Passage and leave expenses	107,883	57,191
Medical expenses	224,493	247,925
	4,154,520	3,810,838

These are costs related to personnel both permanent and temporary that were engaged by the organization during the year.

The average number of employees at the end of the year was:

	2016	2015
Permanent employees	5,212	4,731
Temporary and contract employees	1,300	1,423

Notes (continued)

9 Operating and maintenance expenses	2016 Shs'000	2015 Shs'000
Food and rations	98,092	133,400
Office and other related expenses	12,171	15,941
Motor vehicle running expenses	38,956	222,084
Animal feeds	36,916	36,449
Uniform and clothing	46,501	76,369
Specimens veterinary supplies	6,299	2,196
Fence running expenses	251	1,243
Insurance	105,556	127,076
Legal and professional fee	26,608	35,164
Cleaning and sanitary expenses	11,320	10,065
Radio licenses	58	1,546
Estates maintenance expenses	11,621	16,217
Motor vehicle maintenance	79,645	112,482
Maintenance of computer software	14,539	23,600
Maintenance of water supplies	2,457	2,848
Maintenance of game proof defenses	25,816	(7,606)
Maintenance of bandas and camp sites	8,090	16,844
External training – MFTS	9,608	10,957
Purchase of tyres	24,984	31,433
Travel and accommodation	161,356	269,066
External travel	7,302	32,821
Hospital referral expenses	2,499	3,848
Transfer expenses	2,672	7,158
Court case expenses	6,253	8,692
Entertainment	9,438	20,604
Advertising and publicity	4,282	13,836
Sports and recreation expenses	89	1,137
Special events / public affairs	32,204	45,669
Signage and display	737	2,809
Staff tea	8,131	10,363
Subscriptions	18,459	18,667
Printing and publishing	1,381	9,789
DSTV subscription	1,635	6,588
Bank charges	11,624	15,430
Wildlife compensation	230,837	71,063
Plant and machinery maintenance	6,682	23,288
Aircraft running expenses	31,779	46,061
Equipment, boats & furniture maintenance	10,406	25,981
Shop merchandise	10,065	9,878
Maintenance of buildings and bandas	26,875	65,372
Roads maintenance	213,586	405,766
Telephone and postage	22,974	47,979
Electricity and water	59,179	61,711
Stationery expenses	14,234	33,708
Consultancy and professional fees	13,677	13,325
BOT allowances & expenses	3,749	2,635
Food and drinks	141,445	90,044
Audit fees	15,000	15,113
Other operating and maintenance Expenses	495,569	699,548
	2,123,607	2,946,257

Notes (continued)

10 Depreciation	2016	2015
	Shs'000	Shs'000
Buildings – Residential and Non-Residential	80,596	72,000
Computers and Accessories	543	11,920
Furniture, fittings, machinery & water supplies	104,586	89,248
Motor Vehicles and Tractors	146,754	266,005
Aircrafts	29,016	28,967
Boats and Boat Engines	2,063	2,063
Roads, bridges and airstrips (Note 21)	824,019	824,019
Fences and Barriers	39,991	38,387
	<hr/>	<hr/>
	1,227,568	1,332,609
	<hr/>	<hr/>
11 Community services		
Community projects' support	46,797	84,788
County compensation expenses	4,885	-
Tree nurseries and other support	482	59
	<hr/>	<hr/>
	52,164	84,847
	<hr/>	<hr/>
12 Training and development		
In – service training	21,619	7,739
Seminars, conferences and meetings	26,348	44,075
Other trainings	66,071	86,952
	<hr/>	<hr/>
	114,038	138,766
	<hr/>	<hr/>

Kenya Wildlife Service
Financial Statements
For the year ended June 30, 2016

Notes (continued)

13 Property, plant and equipment

	Buildings	Computers and accessories	Machinery, water supplies and Furniture & Fittings	Motor vehicles and tractors	Aircraft	Boats and boat engines	Roads, bridges and airstrips	Fences and Barriers	Work – In Progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2014										
Cost as at 30 June 2014	2,692,166	259,979	1,540,286	2,120,977	637,899	36,540	4,120,097	744,121	1,007,192	13,159,257
Accumulated depreciation as at 30 June 2014	(1,178,980)	(256,807)	(1,185,165)	(1,790,905)	(185,857)	(19,146)	-	(352,902)	-	(4,969,762)
Net Book Value as at 30 June 2014	1,513,186	3,172	355,121	330,072	452,042	17,394	4,120,097	391,219	1,007,192	8,189,495
Year ended 30 June 2015										
Cost as at 1 July 2014	2,692,166	259,979	1,540,286	2,120,977	637,899	36,540	4,120,097	744,121	1,007,192	13,159,257
Additions	-	11,056	372,528	42,443	-	-	-	58,572	212,197	696,796
Disposals	-	-	-	(119,624)	-	-	-	-	-	(119,624)
Transfers	872,120	-	-	-	-	-	-	-	(872,120)	-
Cost as at 30 June 2015	3,564,286	271,035	1,912,814	2,043,796	637,899	36,540	4,120,097	802,693	347,269	13,736,429
Accumulated depreciation as at 1 July 2014	(1,178,980)	(256,807)	(1,185,165)	(1,790,905)	(185,857)	(19,146)	-	(352,902)	-	(4,969,762)
Disposals	-	-	-	113,642	-	-	-	-	-	113,642
Charge for the year	(72,000)	(11,920)	(89,248)	(266,005)	(28,967)	(2,063)	-	(38,387)	-	(508,590)
Adjustment on depreciation charge (Note 21)	-	-	-	-	-	-	(824,019)	-	-	(824,019)
Accumulated depreciation as at 30 June 2015	(1,250,980)	(268,727)	(1,274,413)	(1,943,268)	(214,824)	(21,209)	(824,019)	(391,289)	-	(6,188,729)
Net Book Value as at 30 June 2015	2,313,306	2,308	638,401	100,528	423,075	15,331	3,296,078	411,404	347,269	7,547,700

Kenya Wildlife Service
Financial Statements
For the year ended June 30, 2016

Notes (continued)

13 Property, plant and equipment (continued)

	Buildings	Computers and accessories	Machinery, water supplies and Furniture & Fittings	Motor vehicles and tractors	Aircraft	Boats and boat engines	Roads, bridges and airstrips	Fences and Barriers	WIP	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2016										
Cost as at 1 July 2015	3,564,286	271,035	1,912,814	2,043,796	637,899	36,540	4,120,097	802,693	347,269	13,736,429
Additions	25,522	1,909	85,256	46,226	20,856	-	-	4,068	58,146	241,983
Cost as at 30 June 2016	3,589,808	272,944	1,998,070	2,090,022	658,755	36,540	4,120,097	806,761	405,415	13,978,412
Accumulated depreciation as at 1 July 2015	(1,250,980)	(268,727)	(1,274,413)	(1,943,268)	(214,824)	(21,209)	(824,019)	(391,289)	-	(6,188,729)
Charge for the year	(80,596)	(543)	(104,586)	(146,754)	(29,016)	(2,063)	(824,019)	(39,991)	-	(1,227,568)
Accumulated depreciation as at 30 June 2016	(1,331,576)	(269,270)	(1,378,999)	(2,090,022)	(243,840)	(23,272)	(1,648,038)	(431,280)	-	(7,416,297)
Net Book Value as at 30 June 2016	2,258,232	3,674	619,071	-	414,915	13,268	2,472,059	375,481	405,415	6,562,115

Property and equipment excluding capital work in progress were professionally valued by CB Richard Ellis as at 23 October 2008 on the basis of depreciated replacement cost, market value or estimated replacement cost applicable in the existing circumstances and incorporated in the figures above.

The Service owns large parcels of land across the country. These are carried at nil cost in the financial statements as no cost was incurred in acquiring them. The parcels are allocated to the Service but title deeds have not been formerly issued for most of them. The Service holds 39 title deeds out of 222 plots of land it owns across the country.

Notes (continued)

14 Inventories	2016 Shs'000	2015 Shs'000
Spare parts and tools	46,434	43,690
Aircraft spares	16,481	65,474
Ammunition	140,737	179,104
Stationery	3,968	6,242
Telecommunication equipment spares	666	1,395
Building, water and fencing materials	66,992	65,278
Uniforms and compositions	66,495	66,061
Shop items	11,738	13,230
Fuel and oils	22,836	5,227
General stores and tools	8,312	10,245
	<hr/>	<hr/>
	384,659	455,946
	<hr/>	<hr/>
Less: Provision for slow moving and obsolete items	(76,331)	-
	<hr/>	<hr/>
	308,328	455,946
	<hr/>	<hr/>
15 Trade and other receivables		
Trade receivables	550,040	521,430
Less: provision for impairment losses	(182,381)	(201,922)
	<hr/>	<hr/>
Net trade receivables	367,659	319,508
Net staff receivables	110,958	163,815
Other receivables	261,665	327,981
Donations receivable	200,000	-
	<hr/>	<hr/>
Net trade and other receivables	940,282	811,304
	<hr/>	<hr/>
Movements on the provision for impairment of trade receivables are as follows		
	2016 Shs'000	2015 Shs'000
At start of year	201,922	66,021
(Recoveries) / provision in the year	(19,541)	135,901
	<hr/>	<hr/>
At end of year	182,381	201,922
	<hr/>	<hr/>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable above. The Service does not hold any collateral security against the receivables. The fair value of trade and other receivables approximates their carrying value.

Notes (continued)

16 Cash and cash equivalents	2016	2015
	Shs'000	Shs'000
For the purpose of the statement of cash flows, cash and cash equivalents include the following:		
Bank balances – KWS Operations	352,636	478,360
Bank balances – Projects	640,822	785,419
Cash in Hand – KWS Operations	5,387	51,845
Short-term Deposits	1,391,471	1,361,071
	2,390,316	2,676,695

The weighted average effective interest rate on short term deposit as at 30 June 2016 was 11.21% (2015: 10.23%). These short term deposits mature within three months from the end of the reporting period date.

17 Trade and other payables	2016	2015
	Shs'000	Shs'000
Trade payables	566,855	451,560
Accruals	213,804	253,132
Payroll deductions	196,627	178,396
Contract retention payable	49,057	57,574
Other payables	144,102	55,313
Endowment fund	67,804	67,804
	1,238,249	1,063,779

The Wildlife Conservation and Management Bill 2013 has provided that the Service shall establish a Wildlife Endowment Fund and which shall be vested in the Board of Trustees. Some of the functions of the Fund will include; development of wildlife conservation initiatives, management and restoration of protected areas and conservancies, protection of endangered species, habitats and ecosystems as well as support of wildlife security operations. The fund has not been fully set up but the process is still ongoing.

18 Unexpended specific donations	2016	2015
	Shs'000	Shs'000
Balance at the beginning of the year	1,855,365	583,099
Additions	-	1,631,296
Utilized in the year	(1,260,251)	(359,030)
	595,114	1,855,365

The amounts relate to unutilized funds for specific projects financed by various donors.

Notes (continued)

19 Retirement benefit obligations	2016 Shs'000	2015 Shs'000
The Service operates a defined benefit scheme. The scheme assets and defined benefit obligations are as follows;		
Assets	2,975,500	3,107,500
Defined obligations	(2,886,400)	(2,743,100)
Surplus	89,100	364,400
Unrecognized actuarial surplus	(89,100)	(364,400)
	-	-

KWS discontinued contributions to the Scheme with effect from 31 December 2006. The Scheme has been closed to new entrants and to future accrual of benefits. The closure of the scheme to new entrants and to future accruals benefits followed a fundamental review by Kenya Wildlife Service of its retirement benefits arrangements. As part of this review, KWS also set up a new defined contribution scheme with effect from 1 January 2007 in which all the pensionable employees participate in with effect from 1 January 2007.

The surplus has not been recognized in the financial statements since there is uncertainty on the recoverability of the asset which can only be realized on winding up of the scheme.

20 Cash generated from operations

Reconciliation of the net deficit to cash outflows from operating activities		
	2016 Shs'000	2015 Shs'000
Operating deficit for the year*	(1,687,971)	(5,384,324)
Adjustments for:		
Depreciation charge (Note 10)	1,227,568	1,332,609
Gain on disposal of assets	-	(18,137)
Interest income	(144,997)	(62,714)
Changes in working capital:		
inventories	147,618	(92,849)
trade and other receivables	(128,978)	(297,604)
trade and other payables	174,470	21,153
unexpended specific donations	(1,260,251)	1,272,266
	(1,672,541)	(3,229,600)

The operating deficit for the year is the total deficit for the year excluding grants for recurrent expenditure.

Notes (continued)

21 Prior period adjustment

The prior period adjustment relates to restatement of the depreciation charge relating to roads, bridges and airstrips which were not being depreciated in the past.

Costs amounting to KShs 4,120,097,528 have so far been incurred in the construction of these assets and had been capitalized without any depreciation being charged to the statement of comprehensive income. An adjustment to reflect the additional depreciation charge of KShs 824,019,000 has been made in the financial statements for the year ended 30 June 2015. The statement of comprehensive income has been restated to reflect this adjustment. It is not necessary to present a third statement of financial position as the adjustment has only been backdated to 1 July 2014.

The effect of the restatement on the previously reported balance sheet for the year ended 30 June 2015 was as follows:

Impact on statement of financial position	Property, plant and equipment Shs 000	Revenue reserve Shs 000
At 30 June 2015		
As previously stated	8,371,719	(4,428,098)
2015 depreciation charge adjustment	(824,019)	(824,019)
	<hr/>	<hr/>
As restated	7,547,700	(5,252,117)
	<hr/>	<hr/>
Impact on statement of comprehensive income		
At 30 June 2015		
As previously stated		(680,519)
2015 depreciation charge adjustment		(824,019)
		<hr/>
As restated		(1,504,538)
		<hr/>

Notes (continued)

22 Related party transactions

i. Government of Kenya

The Service is fully owned by the Government of Kenya. The Government of Kenya provides grants to the entity to finance its operations. It has also provided full guarantees to all long-term lenders of the entity, both domestic and external. The relevant balances are shown in Note 5.

ii. Key management compensation

Key management includes the director and deputy directors. The compensation paid or payable to key management for employee services is shown below:

	2016 Shs'000	2015 Shs'000
Salaries and other short-term employment benefits	47,402	38,674
iii. Trustees' remuneration		
Fees for services as a Trustee	3,750	2,635
Other emoluments included in employee benefits (Note 9)	7,197	13,058
Total remuneration of Trustees of the Service	10,947	15,693

23 Contingent liabilities

The Service has contingent liabilities in respect of legal claims arising in the ordinary course of business as listed below:

- i) NSSF Court case- The Service is faced with a payment demand from NSSF arising from alleged non-compliance with the NSSF ACT, CAP 258 Laws of Kenya. The amount demanded is KShs 1,145 million, of which KShs 146 million relates to the principal contributions. The rest is interest and penalties that have accumulated over the years. The assessment was for the period September 2007 to October 2008. The Service has contested the assessment in court and the case is ongoing.

Notes (continued)

23 Contingent liabilities (continued)

The Trustees do not believe that any significant additional liability will arise from the resolution of these matters. A summary of the pending cases and claims against the Service is as follows:

	2016	2015
	Shs'000	Shs'000
NSSF Claims (principal, penalties and interest)	1,145,564	1,145,564
VAT assessment on park entry fees (principal, penalties and interest)	-	1,473,245
VAT assessment on park entry fees (interest and penalties)	-	46,746
	<hr/>	<hr/>
	1,145,564	2,665,555
	<hr/>	<hr/>
24 Capital commitments	2016	2015
	Shs'000	Shs'000
Authorized and contracted for	65,710	107,292
Authorized but not contracted for	1,491,886	350,440
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	1,557,596	457,732
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