



REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA WILDLIFE SERVICE**

**FOR THE YEAR ENDED  
30 JUNE 2015**

*Paper Laid on  
the Table  
of the  
House by the  
Leader of the  
Majority Party  
on  
Wednesday  
16<sup>th</sup> November  
2016 in  
the Afternoon.*



**KENYA WILDLIFE SERVICE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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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Kenya Wildlife Service (KWS) was established by the Wildlife Conservation and Management Act, 1989 (now repealed and replaced by Wildlife Conservation and Management Act, 2013).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.

### **Core Values**

We are guided by the following core values, which provide an integrated focus towards enhancing provision of acceptable quality service;

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

### **Principal Activities**

Kenya Wildlife Service 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 and Heads of Departments.

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.

### **Fiduciary Management**

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

The term of the current membership of the Board of Trustees is shown below;

### **Board of Trustees**

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

- |  |                                |
|--|--------------------------------|
| 1) Dr. Richard Leakey, EGH - Board Chairman                              | Appointed on 17 April 2015     |
| 2) Mr. Peter Kinyua  | Appointed on 17 April 2015     |
| 3) Mr. Brian Heath   | Appointed on 17 April 2015     |
| 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. William Kibet Kiprono   | Term expired on 1 October 2015 |
| 8) Representative; Principal Secretary the National Treasury             |                                |
| 9) Representative; Principal Secretary Environment and Natural Resources |                                |
| 10) Representative; Principal Secretary Devolution and Planning          |                                |
| 11) Representative; Inspector General Kenya Police Service               |                                |

**CORPORATE INFORMATION (continued)**

**1. REGISTERED OFFICE**

KWS Complex  
Langata Road  
P.O. Box 40241-00100  
**NAIROBI**

**1. 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**

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

**BOARD OF TRUSTEES**

PROFILE	
 <p><b>Dr. Richard Leakey, FRS</b>                      Chairman, Board of Trustees</p>	<p>Dr. Richard Leakey is a world-renown wildlife conservationist. He holds the following qualifications and honours amongst others;</p> <ul style="list-style-type: none"> <li>• Fellow of the Royal Society</li> <li>• Fellow of the American Academy of Arts and Sciences</li> <li>• Fellow of the European Academy of Sciences</li> <li>• Prof. Anthropology, Stony Brook University</li> <li>• Honorary Doctorate, Cambridge University</li> <li>• 13 other Honorary Doctorates</li> </ul> <p>He is also the Chairman of the International Board for the Turkana Basin Institute and the Chairman of Transparency - Kenya</p>
 <p><b>Mr. Peter Kinyua</b>                      Trustee</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.</p>
 <p><b>Mr. Brian Heath, OGW</b>                      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 organisation 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)**

<b>PROFILE</b>	
 <p><b>Mr. Tom Lalampaa</b> 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><b>Ms. Nancy Saumu Pite</b> 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><b>Gideon N. Gathaara</b> 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 &amp; 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)**

<b>PROFILE</b>	
 <p style="text-align: center;"><b>Christine Mathu</b></p> <p>Representative: PS Ministry of Interior and Coordination of National Government</p>	<p>Ms.Chrstine.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 thirteen 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 style="text-align: center;"><b>Mr. Arthur Nduati</b></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 11 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 style="text-align: center;"><b>Henry Kipkosgei Barmao</b></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><b>Mr. Kitili Mbathi</b> 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 1<sup>st</sup> 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><b>Mr. Benjamin Kavuu, HSC</b> Deputy Director Devolution &amp; Community Service</p>	<p>Mr. Benjamin Kavuu is the Deputy Director, Devolution and Community Service. He holds Masters Degree in Technology (Aquaculture) as well as B.Ed (Science), Diploma in Aquaculture Management. He has twenty eight (28) years' experience in the Service.</p>
 <p><b>Dr. Samuel Kasiki, PhD, OGW</b> Deputy Director Biodiversity Research &amp; 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 eight (28) years' experience in the Service.</p>

**MANAGEMENT TEAM (continued)**

<b>PROFILE</b>	
 <p><b>Mr. Julius K. Kimani, HSC, ndc (K)</b> Deputy Director Parks &amp; Reserves</p>	<p>Mr. Julius Kimani is the Deputy Director Parks &amp; 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 seven (27) years' experience in wildlife conservation &amp; management in the Service.</p>
 <p><b>Mr. Patrick Omondi, OGW</b> Deputy Director Species Conservation &amp; Management</p>	<p>Mr. Patrick Omondi is the Deputy, Director Species Conservation &amp; Management. He holds a MSc. in Wildlife Management &amp; Control, BSc. in Wildlife Management. He is currently pursuing a PhD programme in Animal Ecology. He has twenty two (22) years' experience in the Service.</p>
 <p><b>Mrs. Lynette Muganda</b> 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 two (2) years' experience in the Service.</p>

**MANAGEMENT TEAM (continued)**

<b>PROFILE</b>	
	<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 recently seconded to KWS since November 2015.</p>
	<p>Eng. Benson Wamaya is the Ag. Deputy Director Corporate Services. He holds an MSc. and a BSc. in Civil Engineering. He has nineteen (19) years' experience in the Service.</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 fourteen (14) years' experience in the Service.</p>

## **CHAIRMAN'S STATEMENT**

It gives me immense pleasure in presenting Kenya Wildlife Service's (KWS) financial statements for the year ended 30th June 2015. KWS is charged with the overall mandate of conservation and management of wildlife across the country. This is a huge responsibility bestowed on the Service and thus calls for immense resources in accomplishing it.

During the year under review, the Service discharged its mandate albeit numerous challenges. I am proud that KWS made remarkable strides in key areas which includes; reduction in poaching, recruitment and training of more rangers, force modernization, operationalization of the wildlife DNA forensic and genetics laboratory, establishment of additional wildlife Sanctuaries and mobile veterinary units, construction of staff houses and fences to mitigate wildlife conflicts. Additionally, during celebrations to mark the World Wildlife Day on 3rd March 2015, the Service destroyed 15 tonnes of ivory. The function was presided over by the head of state and went a long way to demonstrate the country's seriousness in fighting the poaching menace particularly of iconic species.

However, notwithstanding the above achievements, the Service faced various challenges including; significant reduction of revenues due to slump in tourism industry which is a key revenue stream, increased demand for wildlife trophies resulting to more operational cost, increased human wildlife conflicts due to land use changes, invasive alien species in protected areas and adverse impacts of climate change, livestock incursion in the protected areas. All these factors weighed heavily on delivery of service given limited resources.

During the year ended 30th June, 2015, the Service realized total revenue of Kshs.6.8 billion compared to Kshs6.4 billion prior year. This revenue comprised of internally generated revenues of Kshs. 2.9 billion, GOK subventions of Kshs 3.2 billion and Kshs. 693 million as grants from various donors. The total expenditure for the period was Shs. 7.5 billion compared to Kshs. 6.9 billion spent during the same period prior year. As a result the overall performance recorded a deficit of Kshs.680 million compared to a deficit of Kshs. 546 million for the previous year.

The term for the previous Board ended on 10th January 2014 after the enactment of the new Wildlife Conservation and Management (WCM) Act, 2013. During the period when the Government was undertaking parastatal reforms, an inter-ministerial team was formed to oversee the running of KWS. However, with effect from 17th April, 2015, the current Board of Trustees was formally appointed to run the Service for the three years.

The Board is now fully constituted and a new Director General has been recruited through a competitive process. It is now expected that the new Board under my leadership will roll out its blueprint for guiding the Service in the next three years.

I wish to acknowledge with appreciation the vital support given by GOK, development partners and other stakeholders to KWS. I look forward to your continued support in fulfilment of the conservation mandate.

I would like to thank the management and staff for their dedication and commitment to the noble task of wildlife conservation.

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**DR. RICHARD LEAKEY, FRS**  
**CHAIRMAN**

## REPORT OF THE DIRECTOR GENERAL

Kenya Wildlife Service (KWS) has continued to discharge its mandate of wildlife conservation in line with the WCM Act 2013, and the Strategic Plan 2012-2017. The focus for the period under review was in following key areas: reduction in poaching, diversification of revenue generation streams, force modernization, devolution and community engagement, human wildlife conflict alleviation, staff housing and infrastructural development, mitigating and adapting to effects of climate change, winning more space for wildlife, staff welfare among others.

The Service derives income from three key sources namely; internally generated revenue, GOK subvention and grants from development partners. Internal revenue accounts for approximately 50 % of the all revenues. For the financial year ended 30th June, 2015, the Service realized total internal revenues of Kshs.2.9 billion against a revised projection of Kshs 3.0 billion. This performance was lower than the revenues generated during the previous financial year ended 30th June, 2014 by Kshs.1.1billion (Ksh.4bn in 2013/2014FY). The poor performance was attributed to reduced visitation by non-residents who contribute 80% of internal revenues.

As a result of the revenue drop, management sought government intervention of Kshs. 2.5 billion. I am pleased to report that an additional supplementary funding of Kshs. 1 billion was approved to support salaries and operations. In addition, management embarked on expenditure rationalization to ensure the Service operated within the available resources. This affected implementation of planned activities.

Despite the significant drop in revenues, the Service was able to accomplish the following:

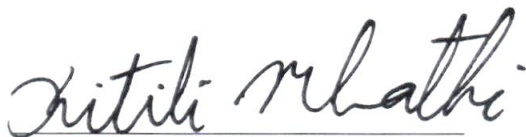
- Reduction in elephants and rhino poaching by 67.6%. This was achieved by increased coverage through reorganization of anti-poaching companies and platoons as a result of deployment of 565 new rangers.
- Acquisition of assorted security equipment
- Constructed and commissioned the wildlife DNA forensic and genetics laboratory at KWS headquarters to support wildlife crime prosecution.
- Operationalization of KWS prosecution unit and incorporation of KWS in court users committees. This has improved conviction rates of wildlife crime cases.
- Increase space for wildlife through establishment of Elementaita Sanctuary, Sera conservancy and securing of space adjacent to Lake Nakuru N. Park.
- Aerial census undertaken for elephants and large herbivores.
- A five-year Strategy on the Management of Invasive Species developed; huge acreage of wildlife habitat cleared of invasive species in various parks.
- Development of Management Plans for protected areas
- Establishment of 3 additional mobile veterinary units in Eastern, Southern & Central Rift.
- Refurbishment of tourism facilities in parks
- Marketing and promotion of products internally and externally
- Construction of various staff houses
- Constructed fences in various parks around the country to mitigate wildlife conflict.
- Rehabilitation of park access roads in parks for tourism and security operations.
- Creation of wildlife crime unit by the ODPP and inclusion in National judicial dialogue on wildlife crime.

**REPORT OF THE DIRECTOR GENERAL (continued)**

The total net book value of the Service's Assets as at 30<sup>th</sup> June, 2015 amounted to Kshs. 8.4 billion. The Service's Assets include; Buildings (residential and non-residential), Computers, Machinery and Water Equipment's, Motor Vehicles, Aircrafts, Boats, Airstrips, Furniture & Fittings, Fences and Work in Progress (ongoing constructions). It is important to note that the Service Assets are due for a comprehensive valuation. During the year under review the Service spent Kshs.696 million on capital items. The current assets during the year amounted to Kshs.3.9 billion against current liabilities of Kshs2.9 billion.

Conservation of wildlife is a very expensive undertaking which requires collaborative effort from all stakeholders to ensure we save the last great species and places on Earth for humanity. We shall therefore continue engaging the government for additional funding and other development partners as the management diversifies revenue sources. The future outlook of conservation is faced with numerous challenges which call for new approaches in tackling the same in our conservation efforts.

Lastly, I would like to acknowledge the roles played by the Government, Board of Trustees, Staff, development partners and other stakeholders who have been instrumental in supporting conservation.



**KITILI MBATHI**  
**DIRECTOR GENERAL**

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Trustees of Kenya Wildlife Service 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.

During the year under review, the Service did not have a fully constituted Board for 10 months but was being run by an inter-ministerial committee of 5 members. As advised by Attorney General the five constituted a quorum hence matters of importance were deliberated and dispensed.

On 17 April 2015 the Board Chairman was appointed together with two independent board members.

### **Committees of the Board**

Following the appointment of the three new Board members, this raised the number to eight hence possible to constitute critical Board committees. On 1<sup>st</sup> of July 2015, the remaining two independent Board members were appointed making the Board fully constituted. The Board initially set up two Committees before it was fully constituted. These are intended 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 management

Finance, the Committee is responsible to the board on; -

- a) Policies that maintain and improve the financial sustainability and integrity
- b) Review and recommend a long-term financial plan for the organization
- 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 organization 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**

The Committee has responsibilities for oversight in Wildlife Conservation and Management: Conservation, the Committee is responsible to the board on; -

- a) Reviews and advice 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.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

In Kenya, about 70% of the wildlife is found on community land. With only about 8% of the total land mass in Kenya being protected areas, there is need to cultivate goodwill for additional space for conservation and harmonious 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 is to address the following key issues that are critical to the success of our conservation efforts especially in wildlife dispersal areas. These are; achieve goodwill towards wildlife conservation and KWS, create more space for wildlife, reduce human wildlife conflict and improve corporate image.

During the financial year 2014/2015 KWS undertook various activities to the communities bordering the Conservation Areas. They included construction of classes and dormitories such as Kuku, Syamatani, Elsa primary schools. Also the Service constructed fences meant to control problematic wildlife and relieve farmers from sufferings resulting from crop destruction and or injury by wildlife these includes Makitau-Ndii, Jipe –Rombo, Mt. Kenya, Eburu. KWS also sunk boreholes to increase water availability to communities' example El Mutoroki, Mwamuko Mashinani, Mbale, Mutuguruyi, El-Masich/Surge.

## TRUSTEES' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2015 which show the state of affairs for the Kenya Wildlife Service (the "Service").

### Principal activities

The principal activities of the Service are;

- Conserve and manage national parks, wildlife conservation areas, and sanctuaries under its jurisdiction;
- Provide security for wildlife and visitors in national parks, wildlife conservation areas and sanctuaries;
- Promote or undertake commercial and other activities for the purpose of achieving sustainable wildlife conservation;
- Develop mechanisms for benefit sharing with communities living in wildlife areas;
- Coordinate the preparation and implementation of ecosystem plans
- Prepare and implement national park management plans and advise in the preparation of management plans for community and private wildlife conservancies and sanctuaries;
- Undertake and conduct enforcement activities such as anti- poaching operations, wildlife protection, intelligence gathering, investigations and other enforcement activities for the effective wildlife conservation;
- 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;
- Advise on the establishment of national parks, wildlife conservancies and sanctuaries;
- Promote and undertake extension service programmes intended to enhance wildlife conservation, education and training;

### Results

The deficit for the year of Shs. 680,519,000 (2014: Deficit of Shs. 546,253,000) has been deducted from net reserves.

### Trustees

The members of the Board of Trustees who served during the year are shown on page 3.

### Auditors

The Auditor General is responsible for the statutory audit of the 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 the Kenya Wildlife Service for the year ended 30 June 2015.

By Order of the Board

*Mitili Mbatia*

Date: 26<sup>TH</sup> MAY .....2016

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Public Finance Management Act, Public Audit Act 2003 and State Corporation Act require 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 2015. 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 2015, 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 for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Service's financial statements were approved by the Board of Trustees on 26 May 2016 and signed on its behalf by:

  
DR. RICHARD LEAKEY, EGH  
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 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Wildlife Service set out on pages 21- 47, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in net reserves 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 39 of the Public Audit Act, 2003. 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 Responsibility for the Financial Statements**

The Trustees are responsible for preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control as trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The trustees are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **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 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with the International Standards on Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Accuracy and Completeness of the Financial Statements**

The financial statements for the year 2014/2015 contain uncorrected misstatements in regard to profit and loss, assets and reserves of Kshs.95,259,000, Kshs.106,824,000 and Kshs.11,565,000 respectively.

Consequently, the accuracy and completeness of the financial statements of Kenya Wildlife Service could not be confirmed.

#### **2. Property, Plant and Equipment**

As previously reported, property, plant and equipment balance of Kshs.8,371,719,000 as at 30 June 2015 excludes the undetermined value of various parcels of land across the country without title documents 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 (129) plots.

The Service did not also maintain an updated fixed assets register. The fixed assets register balance of Kshs.3,331,474,000 as at 30 June 2015 is in variance with the ledger balance of Kshs.8,371,719,000 resulting to an unexplained difference of Kshs.5,035,589,000.

In addition, the general ledger has not been correctly updated over the years to reflect disposal of fixed assets.

Further, the depreciation charge for the year of Kshs.508,590,000 was computed based on gross balance for property, plant and equipment as recorded in the ledger which does not take into account the fully depreciated assets. Airstrips, roads and bridges have also not been depreciated. The depreciation charge may be misstated due to inaccuracies reflected in the general ledger.

Consequently, it has not been possible to ascertain the accuracy and completeness of the property, plant and equipment balance of Kshs.8,371,719,000.

#### **3. Inventories**

The inventories balance of Kshs.455,946,000 as at 30 June 2015 was based on the latest purchase price and not on the recommended method of first in first out or

weighted average cost basis. This was an unexplained departure from the International Financial Reporting Standards under which the financial statements are prepared. Further, the Service did not maintain proper stores records to conduct effective year end stock take.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.455,946,000 could not be ascertained.

#### **4. Financial Performance and Service Sustainability**

During the year under review, the Service recorded a deficit of Kshs.680,519,000 (2013/2014) deficit of Kshs.546,253,000) bringing the accumulated deficit to Kshs.4,428,098,000 (2013/2014 accumulated deficit of Kshs.3,747,579,000). The continued sustainability of the Service is therefore dependent on the regular Government support, creditors and or development partners support. This scenario is untenable considering the vital importance of Wildlife Conservation for the present and future generations as envisioned in the Constitution of Kenya.

#### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Wildlife Service as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Wildlife Conservation Act, 2013.

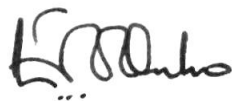
#### **Other Matter**

##### **Weak Internal Information Technology Control**

During the period under review, some users of the system who had either retired or resigned had active accounts. Staff who had been transferred during the period had their old accounts still active. Further one vendor account which was activated was not monitored. In addition, password parameters had not been enabled as per the ICT policy providing room for abuse of user access rights.

Consequently, the service is operating a weak information system that casts doubt on the integrity of the financial information from the system.

My opinion is not qualified in respect of this matter



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

**Nairobi**

**26 September 2016**

## Statement of comprehensive income

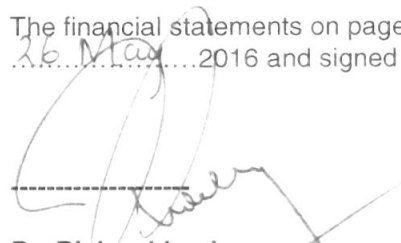
	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
<b>Revenues from non-exchange transactions</b>			
Government grants - recurrent	5	3,879,786	2,329,146
<b>Revenue from exchange transactions</b>			
Turnover	6	2,120,395	3,512,941
Other income	7	745,884	502,261
Net interest income		62,714	47,872
<b>Total revenue</b>		<b>6,808,779</b>	<b>6,392,220</b>
<b>Operating expenses</b>			
Salaries, allowances and benefits	8	3,810,838	3,644,655
Operating and maintenance expenses	9	2,946,257	2,572,172
Depreciation	10	508,590	490,663
Community expenses	11	84,847	133,177
Training and development	12	138,766	97,806
<b>Total operating expenses</b>		<b>7,489,298</b>	<b>6,938,473</b>
Total deficit for the year		(680,519)	(546,253)
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(680,519)</b>	<b>(546,253)</b>

The notes on pages 13 to 47 are an integral part of these financial statements.

## Statement of financial position

	Notes	30 June 2015 Shs'000	30 June 2014 Shs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	8,371,719	8,189,495
<b>Current assets</b>			
Inventories	14	455,946	363,097
Trade and other receivables	15	811,304	513,700
Cash and cash equivalents	16	2,676,695	1,767,096
		3,943,945	2,643,893
<b>Total assets</b>		<b>12,315,664</b>	<b>10,833,388</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Capital reserve		1,271,887	1,271,887
Revaluation reserve		2,805,102	2,805,102
Capital grants		9,747,629	8,878,253
Revenue reserve		(4,428,098)	(3,747,579)
<b>Total reserves</b>		<b>9,396,520</b>	<b>9,207,663</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	1,063,779	1,042,626
Unexpended specific donations	18	1,855,365	583,099
		2,919,144	1,625,725
<b>Total net reserves and liabilities</b>		<b>12,315,664</b>	<b>10,833,388</b>

The financial statements on pages 9 to 47 were approved for issue by the Board of Trustees on 26 May 2016 and signed on its behalf by:

  
 Dr. Richard Leakey  
 Chairman

  
 Kitili Mbathi  
 Board Secretary

The notes on pages 13 to 47 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 Reserve Shs'000	Total Shs'000
<b>Year ended 30 June 2014</b>					
At start of year	1,271,887	2,805,102	7,853,019	(3,301,626)	8,628,382
Pensions deficit adjustments	-	-	-	100,300	100,300
Capital donor funds received	-	-	1,025,234	-	1,025,234
Net deficit for the year	-	-	-	(546,253)	(546,253)
At end of year	1,271,887	2,805,102	8,878,253	(3,747,579)	9,207,663
<b>Year ended 30 June 2015</b>					
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	-	-	-	(680,519)	(680,519)
At end of year	1,271,887	2,805,102	9,747,629	(4,428,098)	9,396,520

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

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

The notes on pages 13 to 47 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
<b>Cash flows used in operating activities</b>	20	(3,229,600)	(1,885,842)
Interest received		62,714	47,872
Net cash used in investing activities		(3,166,886)	(1,837,970)
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	13	(696,756)	(477,275)
Proceeds from disposal of assets		24,079	-
Net cash used in investing activities		(672,677)	(477,275)
<b>Cash flows from financing activities</b>			
Grants for recurrent expenditure		3,879,786	2,329,146
Pension actuarial deficit		-	(82,699)
Capital donor funds received		869,376	1,025,234
Net cash from financing activities		4,749,162	3,271,681
<b>Increase in cash and cash equivalents</b>		909,599	956,436
At start of year		1,767,096	810,660
Increase		909,599	956,436
<b>At end of the year</b>	16	2,676,695	1,767,096

The notes on pages 13 to 47 are an integral part of these financial statements.

## Notes to the financial statements

### 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 (Shs), 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.

#### Changes in accounting policy and disclosures

##### *i) New and amended standards adopted by the Service*

The following are the significant amended standards that have been adopted by the Service for the first time for the financial year beginning on or after 1 July 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Service financial statements.

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### Changes in accounting policy and disclosures (continued)

###### *(i) New and amended standards adopted by the Service*

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment had no impact on the Service's financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. There has been no significant impact on the Service financial statements as a result

###### *(ii) New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing this financial statement.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Service is yet to assess IFRS 9's full impact. The Service will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Service is not currently subjected to significant levies so the impact on the Service is not material.

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.

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### (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 (Shs)', 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 recognised in profit or loss.

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'.

#### (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 is recognized when accessing the National Parks by use of smart cards where the amount is deducted at the point of access.
  - Rental income is recognised 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 recognised on a time proportion basis using the effective interest method.

## Notes to the financial statements (continued)

### (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.

Airstrips and roads are not depreciated because adequate maintenance is carried out to ensure that these assets maintain their value. Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives to reduce their value to a 5% residual value as follows:

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 and Bridges	Nil
Airstrips	Nil

Leasehold land and buildings are amortised 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.

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### (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 (consumable stores) are stated at the lower of cost and net realizable value.

#### (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.

Specific provisions are made in respect of accounts considered to be bad or doubtful.

#### (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 recognised 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 recognised 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 recognised as interest expense.

## Notes to the financial statements (continued)

### (j) Cash and cash equivalents

Cash and cash equivalents includes 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 amortised 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 recognised 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 company as a lessee. All other leases are classified as operating leases.

#### *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.

## Notes to the financial statements (continued)

### (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. Assets acquired from these grants are capitalized and then depreciated in accordance with the depreciation policy. The computed depreciation charge is expensed in the profit and loss account.

#### 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.

#### (a) Defined Benefit Scheme – KWS Staff Superannuation Scheme

The Scheme operates on 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 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 recognised immediately in income.

## Notes to the financial statements (continued)

### (o) Employee benefits (continued)

#### (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 statutory 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. 200.00 per employee per month. The Service's contributions are charged to the income statement 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 recognises 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 recognises 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 entitlement

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

### (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 2015.

## Notes to the financial statements (continued)

### 3 Critical accounting estimates and judgment's

Estimates and judgements 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 to the financial statements (continued)

### 4 Financial risk management

The activities of KWS expose it to a variety of financial risks which includes 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 organizations 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

At 30 June 2015, if the Kenyan Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, deficit for the year would have been Shs 18,453,367 (2014: Shs 12, 876,367) 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*

At 30 June 2015, the Service did not have interest bearing financial liabilities (2014: K Nil). It has short term deposits which earns 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, 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 at 30 June 2015 is made up as follows:

	2015 Shs'000	2014 Shs'000
Cash at bank	2,624,850	1,699,629
Trade receivables – Note 15	319,508	249,429
Other receivables – Note 15	491,796	264,271
	<u>3,436,154</u>	<u>2,213,329</u>

**Notes to the financial statements (continued)**

**(iii) 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:

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Past due but not impaired:		
- by up to 90 days	97,847	56,645
	<hr/>	<hr/>
Total past due but not impaired	97,847	56,645
	<hr/>	<hr/>
Total receivables:		
Carrying amount before provision for impairment loss	521,430	315,450
Provision for impairment loss	(201,922)	(66,021)
	<hr/>	<hr/>
Net carrying amount	319,508	249,429
	<hr/>	<hr/>

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

**(iv) 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 monitor 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.

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

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

**Notes to the financial statements (continued)**

**(iv) Liquidity risk (continued)**

	<b>Less than 1 year Shs'000</b>
<b>At 30 June 2015:</b>	
<b>Liabilities</b>	
- trade and other payables	1,063,779
	<hr/>
Total financial liabilities (contractual maturity dates)	1,063,779
	<hr/> <hr/>
<b>At 30 June 2014:</b>	
<b>Liabilities</b>	
- trade and other payables	1,042,626
	<hr/>
Total financial liabilities (contractual maturity dates)	1,042,626
	<hr/> <hr/>

**(vi) 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.

**Notes to the financial statements (continued)**

<b>5 Grants for recurrent expenditure</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Donor agencies	452,953	438,507
Donations	240,075	111,062
GOK subvention	3,186,758	1,779,577
	<u>3,879,786</u>	<u>2,329,146</u>
<b>6 Turnover</b>		
Analysis of revenue by category:		
Park entry fees	2,084,867	3,466,760
Accommodation	35,528	46,181
	<u>2,120,395</u>	<u>3,512,941</u>

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.

<b>7 Other Income</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Rental income	208,067	122,703
Hire of aircrafts and vehicles	169,789	69,716
Airwing sales	22,614	28,315
Insurance compensation	24,234	3,178
Training services	47,943	44,738
Tuition fees – KWSTI	95,331	60,209
KWS officers mess	11,996	10,951
Accommodation & hire of training facilities – KWSTI	47,794	51,303
KWS shops	18,331	25,769
Other miscellaneous income	94,289	82,972
Telecommunication facilities	5,496	2,407
	<u>745,884</u>	<u>502,261</u>

These are revenues realized from other sources of income other than from visitors to the national parks. This includes hiring of aircrafts, training facilities both at Manyani (LEA) and Naivasha (KWSTI).

**Notes to the financial statements (continued)**

<b>8 Salaries, allowances &amp; benefits</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Salaries and allowances	3,146,147	3,008,269
Leave pay accrual	106,893	119,733
	<hr/>	<hr/>
	3,253,040	3,128,002
Gratuity contributions, pension and NSSF	252,682	222,113
Passage and leave expenses	57,191	55,263
Medical expenses	247,925	239,277
	<hr/>	<hr/>
	<u>3,810,838</u>	<u>3,644,655</u>
	<b>2015</b>	<b>2014</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees	4,731	4,232
Temporary and contract employees	1,423	1,486

These are costs related to personnel both permanent and temporary that were engaged by the organization during financial year 2014/2015.

<b>9 Operating and maintenance expenses</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Food and rations	133,400	122,162
Office and other related expenses	15,941	18,663
Motor vehicle running expenses	222,084	229,895
Animal feeds	36,449	38,725
Uniform and clothing	76,369	97,835
Specimens veterinary supplies	2,196	609
Fence running expenses	1,243	3,020
Insurance	127,076	146,835
Legal and professional fee	35,164	36,735
Cleaning and sanitary expenses	10,065	11,444
Radio licenses	1,546	1,552
Estates maintenance expenses	16,217	16,798
Motor vehicle maintenance	112,482	118,674
Maintenance of computer software	23,600	18,276
Maintenance of water supplies	2,848	4,927
Maintenance of game proof defenses	(7,606)	23,854
Maintenance of bandas and camp sites	16,844	29,025
External training – MFTS	10,957	41,768
Purchase of tyres	31,433	33,180
Travel and accommodation	269,066	247,111
External travel	32,821	28,849
Field allowance	191,747	103,685

## Notes to the financial statements (continued)

### 9 Operating and maintenance expenses (continued)

	2015 Shs'000	2014 Shs'000
Hospital referral expenses	3,848	4,101
Transfer expenses	7,158	10,958
Court case expenses	8,692	7,589
Entertainment	20,604	20,553
Advertising and publicity	13,836	32,382
Sports and recreation expenses	1,137	242
Special events / public affairs	45,669	29,512
Signage and display	2,809	2,562
Staff tea	10,363	11,087
Subscriptions	18,667	17,767
Printing and publishing	9,789	11,270
DSTV subscription	6,588	6,113
Bank charges	15,430	15,633
Wildlife compensation	71,063	50,800
Plant and machinery maintenance	23,288	33,493
Aircraft running expenses	46,061	110,075
Equipment, boats & furniture maintenance	25,981	23,419
Shop merchandise	9,878	15,893
Maintenance of buildings and bandas	65,372	86,194
Roads maintenance	405,766	359,187
Telephone and postage	47,979	52,249
Electricity and water	61,711	62,242
Stationery expenses	33,708	26,778
Consultancy and professional fees	13,325	9,691
BOT allowances & expenses	2,635	8,422
Food and drinks	90,044	74,638
Audit fees	15,113	7,060
Other operating and maintenance Expenses	507,801	108,640
	2,946,257	2,572,172

### 10 Depreciation

Buildings – Non Residential	48,822	47,859
Buildings – Residential	23,178	22,140
Computers and Accessories	11,920	22,734
Machinery & Water Supplies	9,624	9,159
Motor Vehicles and Tractors	266,005	250,806
Aircrafts	28,967	28,950
Boats and Boat Engines	2,063	2,063
Fences and Barriers	38,387	34,410
Furniture and equipment's	79,624	72,542
	508,590	490,663

**Notes to the financial statements (continued)**

**11 Community Services**

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Community Projects Support	84,788	125,873
Tree Nurseries Support	59	7,304
	<u>84,847</u>	<u>133,177</u>

**12 Training and Development**

In-service Training	7,739	6,347
Seminars, Conferences & Meetings	44,075	46,389
Other Trainings	86,952	45,070
	<u>138,766</u>	<u>97,806</u>

**Notes to the financial statements (continued)**

**13 Property, plant and equipment**

	<b>Buildings</b>	<b>Computers &amp; Accessories</b>	<b>Machinery , furniture and fittings</b>	<b>Motor Vehicles &amp; Tractors</b>	<b>Aircraft</b>	<b>Boats and Boat Engines</b>	<b>Roads, Bridges and Airsrips</b>	<b>Fences &amp; Barriers</b>	<b>Work-In- Progress</b>	<b>Total Amount</b>
	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>
<b>Cost or valuation</b>										
At 30th June 2013	2,692,166	237,145	1,500,929	1,860,894	637,899	36,540	4,120,097	638,474	824,407	12,681,982
Additions	-	22,834	39,357	126,652	-	-	-	105,647	182,785	477,275
<b>At 30 June 2014</b>	<b>2,692,166</b>	<b>259,979</b>	<b>1,540,286</b>	<b>2,120,977</b>	<b>637,899</b>	<b>36,540</b>	<b>4,120,097</b>	<b>744,121</b>	<b>1,007,192</b>	<b>13,159,257</b>
At 1st 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	696,756
Disposals	-	-	-	(119,624)	-	-	-	-	-	(119,624)
Transfers	872,120	-	-	-	-	-	-	-	(872,120)	-
<b>At 30 June 2015</b>	<b>3,564,286</b>	<b>271,034</b>	<b>1,912,815</b>	<b>2,043,796</b>	<b>637,899</b>	<b>36,540</b>	<b>4,120,097</b>	<b>802,693</b>	<b>347,269</b>	<b>13,736,429</b>
<b>Depreciation</b>										
At 30 June 2013	1,108,981	234,073	1,103,465	1,540,099	156,907	17,083	-	318,492	-	4,479,100
Charge for the year	69,999	22,734	81,701	250,806	28,950	2,063	-	34,410	-	490,662
<b>At 30 June 2014</b>	<b>1,178,980</b>	<b>256,807</b>	<b>1,185,165</b>	<b>1,790,905</b>	<b>185,857</b>	<b>19,146</b>	<b>-</b>	<b>352,902</b>	<b>-</b>	<b>4,969,762</b>
At 1 July 2014	1,178,980	256,807	1,185,165	1,790,905	185,857	19,146	-	318,492	-	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
<b>At 30 June 2015</b>	<b>1,250,980</b>	<b>268,727</b>	<b>1,274,414</b>	<b>1,943,268</b>	<b>214,824</b>	<b>21,209</b>	<b>-</b>	<b>391,289</b>	<b>-</b>	<b>5,364,710</b>

**Notes to the financial statements (continued)**

**13 Property, plant and equipment (continued)**

	Buildings	Computers & Accessories	Machinery, furniture and fittings	Motor Vehicles & Tractors	Aircraft	Boats and Boat Engines	Roads, Bridges and Airrips	Fences & Barriers	Work-In-Progress	Total Amount
	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'
<b>Net book value</b>										
<b>At 30 June 2015</b>	2,313,306	2,307	638,402	100,528	423,075	15,331	4,120,097	411,404	347,269	8,371,719
<b>At 30 June 2014</b>	1,513,186	3,171	355,122	330,072	452,042	17,394	4,120,097	391,219	1,007,192	8,189,495

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 the results were 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 33 title deeds out of 222 plots of land it owns across the country.

**Notes to the financial statements (continued)**

<b>14 Inventories</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Spare parts and tools	43,690	42,630
Aircraft spares	65,474	41,899
Ammunition	179,104	117,240
Stationery	6,242	8,177
Telecommunication equipment spares	1,395	419
Building, water and fencing materials	65,278	52,113
Uniforms and compositions	66,061	63,523
Shop items	13,230	10,148
Fuel and oils	5,227	3,813
General stores and tools	10,245	23,135
	<u>455,946</u>	<u>363,097</u>
<b>15 Trade and other receivables</b>		
Trade receivables	521,430	315,450
Less: provision for impairment losses	(201,922)	(66,021)
	<u>319,508</u>	<u>249,429</u>
Net trade receivables	319,508	249,429
Staff receivables	163,815	137,854
Prepayments and deposits	322,645	118,660
Mobilization funds	5,336	7,757
	<u>811,304</u>	<u>513,700</u>
Movements on the provision for impairment of trade receivables are as follows:		
	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	66,021	66,021
Provision in the year	135,901	-
	<u>201,922</u>	<u>66,021</u>

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 to the financial statements (continued)

### 16 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Bank balances – KWS Operations	478,360	319,906
Bank balances – Projects	785,419	704,008
Cash in Hand – KWS Operations	51,845	67,467
Short-term Deposits	<u>1,361,071</u>	<u>675,715</u>
	<u>2,676,695</u>	<u>1,767,096</u>

The weighted average effective interest rate on short term deposit as at 30 June 2015 was 11.21% (2014: 11.03%). These short term deposits mature within three months from the end of the reporting period date.

### 17 Trade and other payables

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Trade payables	451,560	453,535
Accruals	253,132	265,476
Payroll deductions	178,396	155,577
Contract retentions payable	57,574	54,566
Endowment fund	67,804	67,804
Other payables	<u>55,313</u>	<u>45,668</u>
	<u>1,063,779</u>	<u>1,042,626</u>

Endowment fund relates to a trust fund that was created by the Service with an aim of enhancing long term plans to meet its future need and to increase funding independence from partners and supporters. No contribution has been made to this fund since 2013.

### 18 Unexpended specific donations

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Balance at 1 July	583,099	273,219
Additions	1,631,296	630,508
Utilized in the year	<u>(359,030)</u>	<u>(320,628)</u>
	<u>1,855,365</u>	<u>583,099</u>

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

## Notes to the financial statements (continued)

### 19 Retirement benefits obligations

The Service operates a defined benefit scheme. The scheme assets and defined benefit obligations are as follows;

	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Assets	3,107,500	2,719,200
Defined obligations	<u>2,743,100</u>	<u>2,502,700</u>
Surplus	364,400	216,500
Unrecognized actuarial surplus	<u>(364,400)</u>	<u>(216,500)</u>
	<u>-</u>	<u>-</u>

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 recognised 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

	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Operating deficit for the year *	(4,560,305)	(2,875,399)
Adjustments for:		
Depreciation charge (Note 13)	508,590	490,662
Gain on disposal of assets	(18,137)	-
Interest income	(62,714)	(47,872)
Changes in working capital:		
- Inventories	(92,849)	(9,731)
- Trade and other receivables	(297,604)	21,043
- Trade and other payables	21,153	225,574
- unexpended specific donations	<u>1,272,266</u>	<u>309,880</u>
Cash flow used in operations	<u>(3,229,600)</u>	<u>(1,885,842)</u>

\*: The operating deficit for the year is the total deficit for the year excluding recurrent government grants.

**Notes to the financial statements (continued)**

**21 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 operation. 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:

	2015 Shs'000	2014 Shs'000
Salaries and other short-term employment benefits	<u>38,674</u>	<u>34,185</u>
<b>ii) Trustees' remuneration</b>		
Fees for services as a trustee	18,345	15,564
Other emoluments included in employee benefits (Note 9)	<u>13,058</u>	<u>11,022</u>
Total remuneration of trustees of the service	<u>31,403</u>	<u>26,586</u>

**22 Contingent Liabilities**

The Service has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Service is a defendant in a Court action brought by both Kenya Revenue Authority and National Social Security Fund following assessments that were done by the respective authorities as below;

- i) NSSF Court case- The Service is faced with a large payment demand from NSSF arising from alleged non-compliance with the NSSF ACT, CAP 258 Laws of Kenya. The amount demanded is Shs 1,145 million, of which Shs 146 million relates to principal contributions. The rest is interest and penalties that have accumulated over the year. The assessment was for the period September 2007 to October 2008. The Service has contested the assessment in court and the case is ongoing.
- ii) KRA assessment on VAT- There is an outstanding VAT claim of Shs 1,473 million (principal, Interest and penalties) arising from KRA assessment for VAT on park entry fees for the period January 2008 to February 2010. Management appealed and the case is in the Tax Tribunal.
- iii) There are outstanding penalties and interest not provided for, following KRA assessment of VAT on park entry fees for the period 2008 to 2013 of Shs 47 million which management has applied for a waiver.

**Notes to the financial statements (continued)**

**22 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:

	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
NSSF Claims (principal, penalties and interest)	1,145,564	1,067,987
VAT assessment on park entry fees (principal, penalties and interest)	1,473,245	1,378,675
VAT assessment on park entry fees (interest and penalties)	46,746	45,265
	<u>2,665,555</u>	<u>2,491,927</u>
<b>23 Capital commitments</b>	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Authorized and contracted for	107,292	151,515
Authorized but not contracted for	350,440	36,731
	<u>457,732</u>	<u>188,246</u>

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