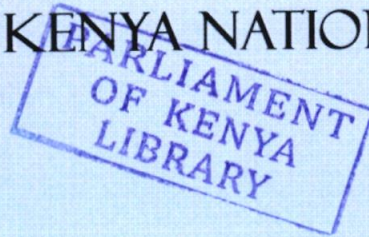


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA WILDLIFE SERVICE

THE YEAR ENDED
30 JUNE 2014



Paper Laid
By Hon. K.O. Ombaka
(Majority Party Whip)
on 18.11.2015 (PM)
MW





FINANCIAL STATEMENTS

AS AT

30TH JUNE 2014

KENYA WILDLIFE SERVICE

FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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KENYA WILDLIFE SERVICE

CORPORATE INFORMATION

1. ENTITY INFORMATION AND MANAGEMENT

The Kenya Wildlife Service is a State Corporation under the ministry of Environment, Water and Natural Resources in the State department of Environment and Natural resources. It was established by an Act of Parliament Cap 376 which came into effect in December 1989.

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 shall be 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

QUALITY POLICY STATEMENT

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

PRINCIPAL ACTIVITY

The activity of Kenya Wildlife Service (KWS) is to conserve and manage Kenya's wildlife for the Kenyan people and the world and to enforce related laws and regulations.

KENYA WILDLIFE SERVICE

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 is assisted by a management team Deputy Directors backed by Senior Deputy Directors.

The Service is classified as a service State Corporation under PC 3A with a national spread stratified into eight (8) conservation areas. These conservation areas are critical in the coordination of wildlife conservation, management, protection and surveillance.

FIDUCIARY MANAGEMENT

Kenya Wildlife Service is run by a Sixteen (16) member Board of Directors, comprising of eight (8) Government representatives, eight (8) independent members appointed by name and the Director who is the Secretary to the Board and Chief Executive Officer of the Service.

The term of the Board of management expired on 10th January, 2014. Currently, the Government representative Board members run the organization with the senior management.

2. BOARD OF TRUSTEES		Date Appointed
1. Hon. David Mwiraria, EGH	Board Chairman Term Expired on	10/01/2014
2. Mr. William Kibet Kiprono	Board Secretary- Appointment	01/10/12
3. Principal Secretary the National Treasury		
4. Principal Secretary Environment and Natural Resources		
5. Director of Veterinary Services	Term Expired on	10/01/2014
6. Principal Secretary Devolution and Planning		
7. Inspector General Kenya Police Service		
8. Inspector General State Corporation		
9. Director of Kenya Forest Service	Term Expired on	10/01/2014
10. Principal Secretary Interior and Coordination of National Government	Term	10/01/2014
11. Ms. Winnie Kiiru	Term Expired on	10/01/2014
12. Ms. Margaret M. Mwakima	Term Expired on	10/01/2014
13. Mr. Nicholas Ole Kamwaro	Term Expired on	10/01/2014
14. Mr. Adil Khawaja	Term Expired on	10/01/2014
15. Ms. Patricia Awori	Term Expired on	10/01/2014
16. Mr. Ian Craig	Term Expired on	10/01/2014

KENYA WILDLIFE SERVICE

4. REGISTERED OFFICE

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

5. AUDITOR

Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084-00100
NAIROBI

6. PRINCIPAL LEGAL ADVISOR

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

7. BANKERS

a) Kenya Commercial Bank Limited
P.O. Box 484000-00100
Moi Avenue Branch
NAIROBI

b) Standard Chartered Bank Kenya Limited
P.O. Box 30003-00100
Langata Branch
NAIROBI

c) Equity Bank Limited
Upper Hill
P.O. Box 75104-00200
NAIROBI

d) Cooperative Bank of Kenya
Business Centre, Ngong Road
P.O. Box 30415-00100
NAIROBI

e) Citi Bank
Upper hill
P.O. Box 30711-00100
NAIROBI





f) Commercial Bank of Africa Ltd
Upper Hill
P.O. Box 30437-00100
NAIROBI

KENYA WILDLIFE SERVICE





KWS BOARD OF TRUSTEES	
 Gideon N. Gathaara Representative PS, Ministry of Environment And Natural Resources	<p>Mr. Gideon N. Gathaara holds a Bachelor of Science degree and a Master of Science degree. Currently he is the Conservation Secretary - Natural Resources, State Department of Environment & Natural Resources. 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>
 Hassan Noor Hassan Representative: PS Ministry of Devolution and Planning	<p>A long standing administrator, Mr. Hassan holds Master of Arts degree from Washington International University and a Bachelor of Arts degree from the University of Nairobi. He has worked in various top level positions in the public service.</p> <p>Mr. Hassan has been among others; Provincial Commissioner of the then Western, Nyanza, and Rift valley provinces. He has also been the Director of Administration in the defunct Ministry of Local Government and Chief Coordinator and Head of Secretariat, Mau Forest Secretariat</p>
 Mr. Stephen Karani Representative; PS, The National Treasury	<p>Mr. Karani holds a Master of Business Administration degree. He is the Desk Officer at the National Treasury for Ministries of East Africa Affairs, Commerce & Tourism, Industrialization and Enterprise Development, and Information Communication & Technology</p>
 Dawson Karaba Gatwanjeru Representative: Inspector General of police	<p>Mr. Gatwanjeru is a long serving police officer in Kenya's National Police Service. He has worked for fifteen years in senior management level and another twenty years in middle management capacity.</p>

KENYA WILDLIFE SERVICE

MANAGEMENT TEAM

 <p>Mr. William K. Kiprono, MBS Ag. Director General</p>	<p>Mr. William Kiprono is the Ag. Director General of the Kenya Wildlife Service. He holds a B.Ed. Degree (Arts), Masters of Arts degree in Educational Management and is pursuing a PhD program in Educational Management (Conservation) at Chuka University. He has over twenty four (24) years of experience in public administration including serving as a County Commissioner before joining KWS as the CEO in 2012 to date.</p>
 <p>Mr. Benjamin Kavuu, HSC Deputy Director Devolution & 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>Dr. Samuel Kasiki, PhD, OGW Deputy Director Biodiversity Research & Monitoring</p>	<p>Dr. Samuel Kasiki is the Deputy Director Biodiversity, Research and Monitoring. He holds a PhD in Ecology, a MSc. in Conservation Biology and a BSc. in Botany and Zoology. He has twenty eight (28) years experience in the Service.</p>
 <p>Mr. Julius K. Kimani, HSC, ndc (K) Deputy Director Parks & Reserves</p>	<p>Mr. Julius Kimani is the Deputy Director Parks & Reserves. He is a career wildlife conservationist and holds a Diploma in Wildlife Management obtained from Egerton University as well as a Diploma in International Studies from the University of Nairobi. He has twenty seven (27) years experience in wildlife conservation & management in the Service.</p>

KENYA WILDLIFE SERVICE

 <p>Mr. Patrick Omondi, OGW Deputy Director Species Conservation & Management</p>	<p>Mr. Patrick Omondi is the Deputy, Director Species Conservation & Management. He holds a MSc. in Wildlife Management & Control, BSc. in Wildlife Management. Currently pursuing a PhD programme in animal ecology. He has twenty two (22) years experience in the Service.</p>
 <p>Mrs. Lynette Muganda Deputy Director Human Capital</p>	<p>Mrs. Lynette Muganda is the Deputy Director, Human Capital. She holds a Master of Business Administration, Bachelor of Arts as well as a Postgraduate Diploma in Human Resource Management. She is member of the IHRM. She has two (2) years experience in the Service.</p>
 <p>Mr. Robert Muasya, HSC, ndc (k) Ag. Deputy Director Security</p>	<p>Mr. Robert Muasya is Ag. Deputy Director, Security. 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 & management in the Service.</p>
 <p>Eng. Benson Wamaya Ag. Deputy Director Corporate Service</p>	<p>Eng. Benson Wamaya is the Ag. Deputy Director Corporate Services. He holds a MSc. and BSc. in Civil Engineering. He has nineteen (19) years experience in the Service.</p>

KENYA WILDLIFE SERVICE



Mr. Nelson Otieno Agina, CPA (K)
Ag. Deputy Director
Finance & Administration

Mr. Nelson Agina is the Ag. Deputy Director Finance & Administration. He holds a Bachelor of Commerce in Accounting as well as CPA (K). He has eighteen (18) years experience in the Service.



Mr. Edwin Wanjala Wanyonyi
Ag. Deputy Director
Strategy & Change

Mr. Edwin Wanyonyi is the Ag. Deputy Director Strategy & Change. He holds a Masters Degree in Business Administration and a Bachelor of Business Administration. He is a Member of the Kenya Institute of Supplies Management. He has eight (8) years experience in the Service.



Mr. Thomas Ochieng Ogolla, (LLB)
Ag. Head - Legal Services/Corporation
Secretary

Mr. Thomas Ogola is the Ag. Head of Legal Services/Corporation Secretary. He holds a Bachelor of Law and Diploma in Law. He is a practicing Advocate of the High Court of Kenya and has eight (8) years experience in the Service.

KENYA WILDLIFE SERVICE

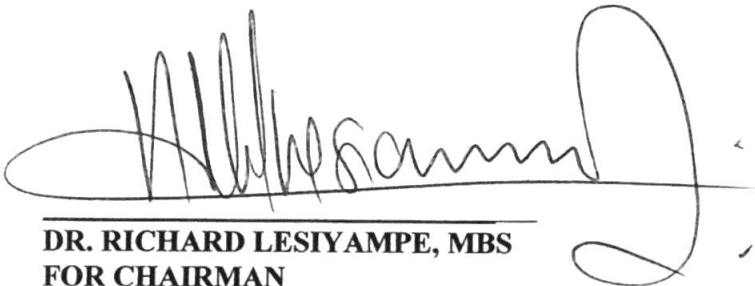
CHAIRMAN'S STATEMENT

It gives me immense pleasure in presenting Kenya Wildlife Service's financial statements for the year ended 30th June 2014. During the year under review, the organisation continued with execution of its core mandate of conservation of wildlife and its habitat despite the many challenges encountered.

Kenya Wildlife Service (KWS) was established with overall mandate of conservation of both wildlife and its habitat (flora and fauna). In execution of its mandate, KWS faced various challenges, including among others, increased poaching activities, increased human wildlife conflicts due to encroachment on their habitat, diseases, climate change, invasive alien species in protected areas and adverse impacts of climate change. All these factors weighed a lot on our scarce resources. Despite all these challenges, I am proud to note that the organisation made remarkable strides in reducing poaching cases as compared to the last financial year.

Due to the impact of adverse publicity in international media, travel advisories and the perceived threats from terrorist groups e.g. Al Shabaab on our country, we suffered significant reduction in international tourist arrivals. This subsequently affected our annual revenue collection thereby making this year's performance to be lower than the previous year. The reduction in revenue generated coupled with increased cost of operations due to increased anti-poaching activities aggravated the situation leading to a worse performance overall as compared to the previous year.

The future outlook of the sector has challenges arising from devolution of specific forestry functions, amendments to the State Corporations Act, the proposed merger of the four (4) institutions in the environment sector and the proposed amendments to the Forestry Act. Despite these challenges, the Service through its well defined strategic objectives will forge ahead into the future with conviction and confidence to consolidate on gains made so far.



**DR. RICHARD LESIYAMPE, MBS
FOR CHAIRMAN**

KENYA WILDLIFE SERVICE

REPORT OF THE DIRECTOR GENERAL

I would like to affirm that KWS discharged its core mandate of wildlife conservation and remained a stable organization implementing our roadmap, the Strategic Plan 2.0, 2012-2017.

We faced a number of challenges but we devised various ways of dealing with them. The challenges ranged from wildlife crime, environmental degradation, climate change, drought, loss of habitat and human wildlife conflict arising from increased need for agricultural land and human settlements.

We adopted a three-pronged approach to solve some of these issues. One is improved law enforcement where we have partnered with other government agencies to improve our intelligence gathering, particularly the Kenya Police and the Administration Police. We took full advantage of the new wildlife law that imposes harsher punishment on criminals. We also sought new and improved equipment for our field personnel such as night vision devices and high caliber firearms to better combat the poaching menace.

On the community side, we raised the public's awareness on the benefits of conservation. We strove to make them understand that the wildlife around them is for their benefit and we had active forums with them on how to better safeguard and protect the wildlife. Community involvement is key to our mandate because sustainable conservation begins at the grassroots level.

To this end, we have on-going and planned projects such as schools, hospitals and water dams in various areas. We are offering training on how to establish and manage conservancies in their home areas, which provide employment and therefore empowerment of these communities. We believe that when the people benefit from the heritage, they are more likely to preserve it.

Visitation to our parks and reserves was affected by the prevailing security situation. Travel advisories from key source markets about the Coastal region where many foreign tourists frequent, were a notable detriment to visitor numbers, especially to the Tsavo and Amboseli parks. Competition from our regional competitors also contributed to the reduction in visitor numbers. We, however, are not fazed by this and we are constantly improving our product and service offering by improving security and giving our guests, both local and international, memorable experiences that will make them want to keep coming back.

To promote local tourism, we implemented a media campaign on television and print media encouraging Kenyans to visit their national parks and reserves. This was in conjunction with reductions in tariffs and improvement of infrastructure to simplify access. Roads in national

KENYA WILDLIFE SERVICE

parks and reserves are better and more accessible even with saloon cars. We also issued complimentary entry tickets to groups such as schools so that future generations can appreciate and understand what greatness lies in the country's wilderness. Our accommodation facilities were refurbished and offered affordable rates compared to the pricier lodges and hotels.

There is a lot to expect in the coming year. There is, of course, continued improvement of our services and facilities. We are opening up different and new areas of operation e.g. Kisumu Impala Sanctuary, Ndere Island, Sibiloi and Marsabit to increase options that visitors, both local and international can enjoy. As mentioned before, security is key and this was reinforced for both wildlife and the public.

Better staff motivation leads to better service provision and we have done this through better housing for our staff and improved field allowances for our rangers. We are striving towards accountability and transparency in our operations and also engaging in collaborative partnerships with our stakeholders to strengthen our conservation efforts.

I am proud of our highly dedicated staff who have accomplished a great deal, often with limited resources. We are ready to go the extra mile to protect our wildlife for this generation and those to come. If we don't act, history will not be kind to us. I would like to extend my gratitude to the law enforcement agencies which are working with us to fight the poaching menace as well as the Kenya Revenue Authority and the Kenya Ports Authority for their role in curbing smuggling and profiteering from illegal wildlife trade. I believe with everybody on board, we will succeed in our mission.



WILLIAM K. KIPRONO, MBS
AG. DIRECTOR GENERAL

KENYA WILDLIFE SERVICE

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 Service' strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. 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. The Board nonetheless is responsible for the stewardship and assumes responsibilities for the effective control.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. Since KWS is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up various Committees which meet under well defined terms of reference. These are intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

a) Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- i) Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- ii) Strengthen the effectiveness of the internal audit function.
- iii) Maintain oversight on internal control systems.
- iv) Review and make recommendations regarding the Service budgets, financial plans and risk management.
- v) Liaise with the external auditors.

KENYA WILDLIFE SERVICE

b) Finance and Human Capital Committee

The Committee assists the Board in fulfilling its oversight responsibilities relating to the State Corporation's finance, information and technology, procurement, investment strategies, policies, projects and other related activities.

The Committee also reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, staff recruitment, promotions, demotions, discipline and staff welfare.

c) Business and Strategy Committee

The Committee assists the Board in fulfilling its oversight responsibilities relating to strategy development, execution and implementation. The committee advises the board in ensuring there is a balance between business and conservation. The board is kept abreast of the various donor engagements, investment opportunities, fundraising events and engagement with conservation stakeholders.

d) Conservation Committee

The Committee assists the Board in fulfilling its core responsibilities relating to conservation stewardship by ensuring:

- i) The development of Protected Area Management Plans, species strategies and conservation policies
- ii) Provide oversight of the organisation's programs, projects and activities relating to conservation
- iii) Ensure that programs related to conservation are informed by best practice and leading-edge thinking, incorporating scientific, economic and social trends
- iv) Evaluation and review of conservation programs and activities

The day-to-day operations of the organization are spearheaded by the Director General. The DG implements strategic objectives and policies as articulated by the Board through the various departments as cleared defined by the organization structure. All the actions of the organization are guided and directed by the existing Government, professional and industry regulations.

KENYA WILDLIFE SERVICE

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KWS has over the years sought to reach out to communities in various ways mostly under the umbrella of Corporate Social Responsibility (CSR). This has been necessitated by the need to engage communities who interact with wildlife on day to day basis.

In undertaking CSR projects, KWS aims to address four thematic areas that affect the social livelihoods of communities in different conservation areas (Water, Education, Health and Community-based wildlife enterprise projects). In addition, KWS intends 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 underlying expected impact has been the need to engage communities and bring them closer to wildlife conservation. Corporate Social Responsibility in the KWS lingua is thus an investment in communities with an aspiration to draw sustained conservation returns for perpetuity.

The main objective of undertaking CSR projects by KWS is to cultivate conservation goodwill and establish networks for sustained relationships and mutual trust.

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;

- i) Achieve goodwill towards wildlife conservation and KWS.
- ii) Create more space for wildlife.
- iii) Reduce human wildlife conflict.
- iv) Improve corporate image.

EDUCATION SUPPORT

During the financial year 2013/2014, the Service undertook several education support programmes in areas around conservation areas. Most of the support was in form of infrastructure development where we built classrooms, dormitories and even social halls. We handed-over to communities a total of eleven (11) completed projects within the period under review. Education projects include:

- i) Gozi Girls dormitory in Kwale
- ii) Katumoi Primary in Elgeyo/Marakwet
- iii) Othaya MC. Primary School in Rumuruti, Laikipia
- iv) Enoomparbali Primary School in Narok
- v) Nhoroiaboro Multipurpose Hall in Meru
- vi) Rwanyage Secondary School in Meru
- vii) Elsa Primary School in Isiolo
- viii) Mwomwere Primary in Meru
- ix) Malka Bisinadi community fence
- x) Loldiga community fence in Laikipia
- xi) Ura-Gate Primary School in Tharaka Nithi

KENYA WILDLIFE SERVICE

FENCES

Fences are meant to control problematic wildlife and relieve farmers from suffering resulting from crop destruction and or injury by wildlife. In the year under review, the Service put special emphasis on completing ongoing fence projects in the following areas;

- i) Makitau-Ndii (75Km) fence project now 75% complete and operational.
- ii) Jipe –Rombo (90km) fence now 60% complete and operational.
- iii) Eburu fence (50Km) 40 km already done and completed.

WATER PROJECTS

During the year 2013/2014, the organisation continued its support for community water projects in wildlife dispersal areas as well as sinking boreholes to increase water availability to communities. Supported water projects included the following:

- i) El Mutoroki community borehole in Kajiado
- ii) Amboseli community water support in Kajiado
- iii) Mwamuko Mashinani community borehole in Taita Taveta
- iv) Mbale water project in Taita Taveta
- v) Mutuguruyi community dam in Kasigau, Taita Taveta

Several other projects were initiated and are at different stages of completion. Some include

- i) Kainuku Primary School in Turkana –construction of a dormitory now 60% complete
- ii) Napeitom Primary School in Turkana - 50% completed
- iii) Bubisa & Bandasa primary schools in Marsabit now 80% completed
- iv) Oloturoki Secondary School Laboratory -in Transmara, Narok now 70% complete.

The organisation has committed a significant amount of its resources towards CSR program. This is geared towards creating goodwill regarding conservation of both wildlife and its habitat for current and future generations.

KENYA WILDLIFE SERVICE

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of affairs for the Kenya Wildlife Service.

Principal activities

The principal activities of the Service continue to be;

- i) Intensify conservation of wildlife and its habitat
- ii) Protection of endangered species through licensing and issuance of regulatory guidelines
- iii) Spearheading the protection of wildlife through various international animal organisations and groups e.g. CITIES meetings
- iv) Promoting tourism through advertisements, trade fairs both locally and internationally.
- v) Protecting wildlife for the future generation and as a heritage from nature.
- vi) Enhance revenue generation through sustainable conservation based initiatives, e.g., ecotourism and payment for environmental services for financial sustainability
- vii) Improve institutional capacity and infrastructure through investment, collaboration, training and development.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 19 to 22.

Directors

The term of the Board of Trustees expired in on 10th January, 2014. Currently, the Board consists of representatives of mainstream ministries and runs the organisation with the senior management.

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.

KENYA WILDLIFE SERVICE

STATEMENT OF TRUSTEES' RESPONSIBILITIES

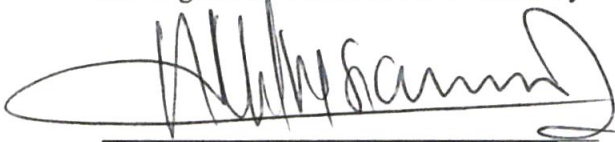
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Trustees to prepare financial statements in respect of the Kenya Wildlife Service, which give a true and fair view of the state of affairs of the Kenya Wildlife Service at the end of the financial year and the operating results of the Kenya Wildlife Service for that year. The Trustees are also required to ensure that the Kenya Wildlife Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya Wildlife Service. The Trustees are also responsible for the safeguarding of the assets of the Kenya Wildlife Service.

The Wildlife Conservation and Management Amendment Act requires the Trustees to prepare financial statements for each financial year which include a balance sheet showing in details the assets and liabilities of the Kenya Wildlife Service, a statement of income and expenditure and such other statements that the Trustees may deem necessary. It also requires the Trustees to ensure the Kenya Wildlife Service keeps proper books of account and other books and records in relation to the Kenya Wildlife Service and to all the undertakings, funds, investments, activities and property of the Kenya Wildlife Service. They are also responsible for safeguarding the assets of the Kenya Wildlife Service.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Wildlife Conservation and Management Amendment Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Kenya Wildlife Service and of its operating result. The Trustees further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

The financial statements have been prepared on a going concern basis on the assumption that the Government of Kenya and the donors will continue to provide financial support within the foreseeable future to the Kenya Wildlife Service to enable it to meet its obligations as they fall due.

The Kenya Wildlife Service financial statements were approved by the Board on _____ and Signed on behalf of the Trustees by



**DR. RICHARD LESIYAMPE, MBS
FOR CHAIRMAN**



**WILLIAM K. KIPRONO, MBS
BOARD SECRETARY**

KENYA WILDLIFE SERVICE

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
REVENUES			
Turnover	3	3,512,941	3,742,917
Other income	4	502,261	557,708
Net interest income		<u>47,872</u>	<u>61,287</u>
TOTAL REVENUES		<u>4,063,074</u>	<u>4,361,912</u>
OPERATING EXPENSES			
Administration Costs	5	6,447,810	6,356,053
Depreciation	6	490,663	470,414
TOTAL EXPENDITURE		<u>6,938,473</u>	<u>6,826,467</u>
OPERATING DEFICIT		(2,875,399)	(2,464,554)
GRANTS FOR RECURRENT EXPENDITURE	7	<u>2,329,146</u>	<u>2,313,873</u>
NET SURPLUS / (DEFICIT) FOR THE YEAR		<u>(546,253)</u>	<u>(150,681)</u>

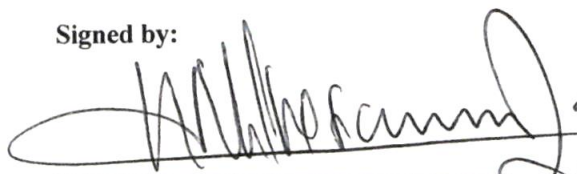
The notes set out on pages 29 to 38 form an integral part of these financial statements

KENYA WILDLIFE SERVICE

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

ASSETS	Note	2014 KShs'000	2013 KShs'000
Non Current Assets			
Property, plant and equipment	20	<u>8,189,495</u>	<u>8,202,884</u>
Current Assets			
Inventories	8	363,097	353,366
Receivables	9	513,700	534,743
Cash and Cash Equivalents	10	<u>1,767,096</u>	<u>810,660</u>
		<u>2,643,893</u>	<u>1,698,769</u>
TOTAL ASSETS		<u>10,833,388</u>	<u>9,901,653</u>
RESRVES AND LIABILITIES			
Reserves			
Capital Reserve		1,271,887	1,271,887
Revaluation Reserve		2,805,102	2,805,102
Capital Grants		8,878,253	7,853,019
Revenue Reserve		<u>(3,747,579)</u>	<u>(3,301,626)</u>
		<u>9,207,663</u>	<u>8,628,382</u>
Current Liabilities			
Payables	11	1,042,626	817,052
Unexpended specific donations	12	583,099	273,219
Retirement benefit obligation	13	<u>000</u>	<u>183,000</u>
		<u>1,625,725</u>	<u>1,273,271</u>
TOTAL EQUITY AND LIABILITIES		<u>10,833,388</u>	<u>9,901,653</u>

Signed by:



**DR. RICHARD LESIYAMPE, MBS
FOR CHAIRMAN**



**WILLIAM K. KIPRONO, MBS
BOARD SECRETARY**

DATE:

16/06/2015

Date:

16.06.2015

The notes set out on pages 29 to 38 form an integral part of these financial statements

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Wildlife Service set out on pages 19 to 38, which comprise the statement of financial position as at 30 June 2014, and the statement of profit and loss and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 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(2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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 Wildlife Service's internal control. 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. Property, Plant and Equipment

As reported in 2012/2013, the property, plant and equipment balance of Kshs.8,189,495,000 as at 30 June 2014 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 seven (127) field plots.

Consequently, it has not been possible to confirm whether the property, plant and equipment is fairly stated as at 30 June 2014.

2. Irregular Inter-Vote Transfers

The Wildlife Service during the year under review received an amount of Kshs.1,680,880,000 that was earmarked for capital projects mainly for construction and rehabilitation of non-classified roads as well as other related civil works (construction of bridges, ferry and airstrips). However, out of the Kshs.1,680,880,000 only Kshs.836,461,971 or 49.7% was used for the intended purpose while the balance of Kshs.844,418,025 or 50.3% was irregularly reallocated and expended as recurrent expenditure.

No justification has been provided for the irregular inter-vote transfers which also hampered the development of essential infrastructure for effective conservation and management and protection of wildlife during the year.

3. Account Payables

The payables balance of Kshs.1,042,626,000 as at 30 June 2014 includes outstanding accrued expenses of Kshs.138,680,329 as well as stale cheques amounting to Kshs.4,529,244 for which no explanation was offered regarding their status and non remittance.

In the circumstances, the accuracy and propriety of Kshs.143,209,573 could not be confirmed as at June 2014.

4. Endowment Fund

The endowment fund was created by the management with an aim of enhancing long term plans to meet its future need and increasing funding independence from partners and supporters. However, the Fund had a balance of Kshs.67,803,513 as at 30 June 2014, and contributions to this Fund were stopped from 2013. In addition, the policy document for this Fund has never been approved or fully operationalised.

Consequently, it has not been possible to establish whether the Fund is meeting its intended objectives.

5. Loss from Accident on KWS Bell Helicopter

During the year under review, an accident occurred at KWS hanger involving KWS Bell Helicopter Registration number 5y-KWM and a water bowser registration KAX 791R belonging to an oil marketing company. The accident occurred while the Helicopter was being fueled by a fuel bowser owned by an oil marketing company.

KWS claimed the accident was caused solely by negligence and non-observance of standard operating procedures for fueling aircraft while the oil marketing company claimed that the accident would not have occurred had the KWS employee not rotated the helicopter rotor blades. These claims and counter-claims resulted to dispute on settlement of damages for the helicopter.

The oil marketing company declined to admit liability which led the Kenya Wildlife Service to institute legal proceedings against the oil marketer. The damage for the helicopter as assessed by insurance company contracted by the Service amounted to US dollars 618,990.90. This amount represents the cost for repairs and related charges and loss of use of the helicopter for 90 days the time the helicopter took to resume to full operation.

As the dispute proceeded, the oil marketing company accepted to pay for the cost of repairs and related charges but declined to compensate the Service for loss of use of the helicopter.

Consequently, the matter was settled out of court and the oil marketing company agreed to pay the Service Kshs.13,739,825(U\$159,990.9) but declined to pay for loss of use value amounting to US\$ 459,000 or approximately Kshs.42,228,000.

No justification has been provided why the Service agreed and received compensation of Kshs.13,739,825 for damages and forfeited Kshs.42,688,000 for loss of use of the aircraft, the time during which the helicopter was under repair.

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 the all material respects, the financial position of the Service as at 30 June 2014, 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, Cap 376 of the Laws of Kenya.

Other Matter

Lack of Board of Directors

Section 15(1) of the State Corporation Act, Cap 446 stipulates that a Board shall be responsible for the proper management of the affairs of a State Corporation and shall be responsible for the moneys, the financial business and the management of a State

Corporation. However, the Service has been operating without a full Board due to the expiry of the tenure for the previous members.

As a result, several policy matters of the Fund had not been undertaken during the year under review due to lack of policy direction and ownership of decisions made by the management. My opinion however, is not qualified in respect of this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

6 August 2015

KENYA WILDLIFE SERVICE

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30TH JUNE 2014

	<u>Capital Reserve</u> KShs'000	<u>Revaluation Reserve</u> KShs'000	<u>Capital Grants</u> KShs'000	<u>Revenue Reserve</u> KShs'000	<u>Total</u> KShs'000
1 July 2012	1,271,887	2,805,102	7,371,845	(3,150,945)	8,297,889
Capital Donor Funds Received	-	-	481,174	-	481,174
Net Surplus for the year	-	-	-	(150,681)	(150,681)
30 June 2013	1,271,887	2,805,102	7,853,019	(3,301,626)	8,628,382
=====					
1 July 2013	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)
30 June 2014	1,271,887	2,805,102	8,878,253	(3,747,579)	9,207,663
=====					

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.

The notes set out on pages 29 to 38 form an integral part of these financial statements

KENYA WILDLIFE SERVICE

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
Cash flows absorbed by operating activities	14(a)	(1,837,970)	(2,362,196)
Investing activities			
Additions to property, plant and equipment	20	(477,275)	(528,901)
Cash outflows from investing activities		<u>(477,275)</u>	<u>(528,901)</u>
Net cash flows before financing activities		<u>(2,315,245)</u>	<u>(2,891,097)</u>
Grants for recurrent expenditure		2,329,146	2,313,873
Pension Actuarial Deficit		(82,699)	(72,300)
Disposal of Assets		0	12,510
Capital donor funds Received		<u>1,025,234</u>	<u>481,174</u>
Cash inflows from financing activities		<u>3,271,681</u>	<u>2,735,257</u>
Increase /(Decrease) in cash and cash equivalents 17(b)		<u>956,436</u>	<u>(155,840)</u>
Cash & Cash Equivalent at the begging of the year		810,660	966,500
Cash & Cash Equivalent at the end of the year		<u>1,767,096</u>	<u>810,660</u>

The notes set out on pages 29 to 38 form an integral part of these financial statements

KENYA WILDLIFE SERVICE

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of Compliance and Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Kenya Wildlife Service's accounting policies.

The financial statements have been prepared in accordance with the PFM Act, the state Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

b) Depreciation

Airstrips and roads are not depreciated because adequate maintenance is carried out to ensure that these assets maintain their value. Depreciation on the property, plant and equipment portfolio revalued as at 23rd October, 2008 is computed based on the remaining useful life to reduce their values to a 5% residual value. Subsequent additions are depreciated on a straight line basis at the following rates until they are reduced to their residual value of 5%.

Freehold land	Nil
Buildings on long leasehold and freehold land	2%
Buildings on short leasehold land	Over the lease period
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%
Roads and Bridges	Nil
Airstrips	Nil

c) Inventories

Inventories are carried at historical cost of acquisition plus any incidental costs incurred to bring them to their present location and condition. Obsolete stocks are segregated and not included in the valuation of stocks. Consumable stores are valued at the lower of cost and net realizable value.

d) Translation of foreign currencies

Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income and expenditure account in the year in which they arise.

KENYA WILDLIFE SERVICE

e) **Bad and doubtful debts**

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

f) **Income**

Income is accounted for on an accrual basis except for prepaid park entry tickets and smartcard income, which is recognized on a receipt basis. Park Entry is recognized when accessing the National Parks by use of smart cards where the amount is deducted at the point of access. Rent income is accrued on monthly through invoicing. Aircraft sales are usually aircraft hire services and income is usually recognized immediately the services are offered.

g) **Capital grants**

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. Assets acquired from these grants are capitalized and then depreciated in accordance with the depreciation policy per note 1(b). The computed depreciation charge is expensed in the profit and loss account.

h) **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.

i) **Employee benefits**

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.

To this end, KWS discontinued contributions to the Scheme with effect from 31 December 2006.

KENYA WILDLIFE SERVICE

(b) Defined Benefit Scheme – KWS Staff Superannuation Scheme (Continued)

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. The deficit/surplus arising is recognized in the accounts.

(c) 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 non pensionable employees. The Service's obligation is limited to a specified contribution per employee per month. Currently, the contribution is limited to a maximum of Kshs. 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.

(d) Provision for Staff Leave

A provision is made to recognize staff entitlements in respect of annual leave not taken at the end of financial year.

j) Cash and Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, and short term deposits held with various banks.

k) Impairment of assets

The carrying amounts of the organisation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of an asset exceed its recoverable amount. No impairment loss has been recognised as at 30th June, 2014.

KENYA WILDLIFE SERVICE

l) Currency

The financial statements have been presented in Kenya shillings (Kshs). Charges for Park entry are usually denominated both in US dollar and Kshs. the organization has opened forex account where revenues US dollar denominated amounts are banked. No forex exchange is allowed at the gates. there is usually a preset internal exchange rate which is purely used for purposes of capturing financial information.

j) Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the year ended 30 June 2014

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Standard Title

IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interest in Other Entities
IAS 27	Separate Financial Statements
IAS 32	Financial Instruments

- **IFRS 10, Consolidated Financial Statements**, it prescribes the accounting principles for the presentation and preparation of consolidated financial statements for a group of entities under the control of a parent.
- **IFRS 12, Disclosure of Interest in Other Entities**, which prescribes the disclosure requirements for an entity that has any interest in subsidiaries, joint arrangements, associates or an unconsolidated structured entities
- **IAS 27, Separate Financial Statements**, addresses the presentation and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- **IAS 32, Financial Instruments**, The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective or have not been adopted

The following interpretations to amendments on the IFRSs were effective in the current year and had no material impact on the disclosures or on the amounts recognised in the company's financial statements.

Standard Title

IAS 36	Impairment of Assets
IAS 39	Financial Instruments
IFRIC 21	Levies

KENYA WILDLIFE SERVICE

- **IAS 36, Impairment of Assets**, The objective of this Standard is to ensure that assets are not carried at an amount that is greater than their recoverable amount. If an asset is carried at more than its recoverable amount, the asset is described as impaired and IAS 36 requires the entity to recognise an impairment loss.
- **IAS 39, Financial Instruments**, establishes principles for recognising, derecognising and measuring financial assets and financial liabilities and some contracts to buy and sell non-financial items
- **IFRIC 21**, addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

(iii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014.

	Effective for annual periods after
New and Amendments to standards	
IFRS 9	1 January 2018
IFRS 15	1 January 2017
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRSs	Annual Improvements to I Cycle
Amendments to IFRSs	Annual Improvements to I Cycle

IFRS 9, Financial Instruments, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

IFRS 18, Revenue Recognition, In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 11, amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied.

KENYA WILDLIFE SERVICE

IAS 16, amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) The property meets the definition of investment property in terms of IAS 40; and
- (b) The transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of these amendments will have a significant impact on the Service financial statements.

(iv) Early adoption of standards

The company did not early-adopt new or amended standards in 2014.

k) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2014.

2. Critical accounting judgments in applying the organization's accounting policies

The company reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recognised through profit or loss, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables, before a decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

3.	TURNOVER	2014 KShs'000	2013 KShs'000
	Park entry fees	3,466,760	3,694,385
	Accommodation	<u>46,181</u>	<u>48,532</u>
		<u>3,512,941</u>	<u>3,742,917</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.

4.	OTHER INCOME	2014 KShs'000	2013 KShs'000
	Rental income	122,703	153,800
	Hire of aircrafts and vehicles	69,716	41,412
	Airwing Sales	28,315	48,630
	Telecommunication Facilities	2,407	6,485
	Insurance Compensation	3,178	3,824
	Training Services	44,738	113,421
	Tuition fees – KWSTI	60,209	38,725
	KWS Officers Mess	10,951	8,400
	Accommodation & hire of training facilities – KWSTI	51,303	58,175
	KWS Shops	25,769	18,943
	Other miscellaneous income	<u>82,972</u>	<u>65,893</u>
		<u>502,261</u>	<u>557,708</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).

5.	ADMINISTRATION COSTS	2014 Kshs'000	2013 Kshs'000
	a) STAFF COSTS		
	Salaries and allowances	3,008,269	2,791,550
	Leave pay accrual	<u>119,733</u>	<u>70,761</u>
		<u>3,128,002</u>	<u>2,862,311</u>
	Gratuity contributions, pension and NSSF	222,113	200,723
	Passage and leave expenses	55,263	39,027
	Medical expenses	<u>239,277</u>	<u>207,898</u>
		<u>3,644,655</u>	<u>3,309,959</u>

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

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

Permanent employees	4,232	4,223
Temporary and contract employees	1,486	1,566

These are costs related to personnel both permanent and temporary that were engaged by the organization during financial year 2013/2014

b) OPERATING AND MAINTENANCE EXPENSES

	2014 KShs'000	2013 KShs'000
Food and Rations	122,162	151,722
Office and Other Related Expenses	18,663	14,201
Motor Vehicle Running Expenses	229,895	273,252
Animal Feeds	38,725	36,450
Uniform and Clothing	97,835	40,303
Specimens Veterinary Supplies	609	7,468
Fence Running Expenses	3,020	447
Insurance	146,835	146,683
Legal and Professional Fee	36,735	30,099
Cleaning and Sanitary Expenses	11,444	12,954
Radio Licenses	1,552	1,618
Estates Maintenance Expenses	16,798	16,702
Motor Vehicle Maintenance	118,674	129,659
Maintenance of Computer Software	18,276	18,046
Maintenance of Water Supplies	4,927	3,937
Maintenance of Game Proof Defenses	23,854	10,154
Maintenance of Bandas and Camp Sites	29,025	27,812
External Training – MFTS	41,768	70,305
Purchase of Tyres	33,180	39,652
Travel and Accommodation	247,111	235,950
External Travel	28,849	41,460
Field Allowance	103,685	83,525
Hospital Referral Expenses	4,101	6,116
Transfer Expenses	10,958	12,467

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

OPERATING AND MAINTENANCE EXPENSES (CONTINUED)

Court Case Expenses	7,589	6,490
Entertainment	20,553	24,451
Advertising and Publicity	32,382	27,194
Sports and Recreation Expenses	242	1,854
Special Events / Public Affairs	29,512	33,673
Signage and Display	2,562	6,637
Staff Tea	11,087	10,921
Subscriptions	17,767	23,402
Printing and Publishing	11,270	13,301
DSTV Subscription	6,113	6,300
Bank Charges	15,633	12,953
Wildlife Compensation	50,800	92,580
Endowment Fund	0	473
Plant and Machinery Maintenance	33,493	33,302
Aircraft Running Expenses	110,075	155,332
Equipment, Boats & Furniture Maintenance	23,419	21,975
Shop Merchandise	15,893	13,905
Maintenance of Buildings and Bandas	86,194	86,410
Roads Maintenance	359,187	425,745
Telephone and Postage	52,249	55,248
Electricity and Water	62,242	62,164
Stationery Expenses	26,778	27,431
Consultancy and Professional fees	9,691	15,425
BOT Allowances & Expenses	8,422	17,413
Food and Drinks	74,638	54,301
Other Operating and Maintenance Expenses	<u>108,640</u>	<u>111,072</u>
	<u>2,565,112</u>	<u>2,750,934</u>

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

c) COMMUNITY SERVICES

	2014 Kshs '000	2013 Kshs'000
Community Projects Support	125,873	134,187
Tree Nurseries Support	<u>7,304</u>	<u>5,017</u>
	<u>133,177</u>	<u>139,204</u>

d) TRAINING AND DEVELOPMENT

	2014 Kshs '000	2013 Kshs'000
In-service Training	6,347	13,908
Seminars, Conferences & Meetings	46,389	84,357
Other Trainings	<u>45,070</u>	<u>52,690</u>
	<u>97,806</u>	<u>150,955</u>

e) AUDIT FEES

	<u>7,060</u>	<u>5,000</u>
TOTAL ADMINISTRATION COSTS	<u>6,447,810</u>	<u>6,356,052</u>

6. DEPRECIATION

	2014 Kshs'000	2013 Kshs'000
Buildings – Non Residential	47,859	46,021
Buildings – Residential	22,140	22,140
Computers and Accessories	22,734	30,320
Machinery & Water Supplies	9,159	8,720
Motor Vehicles and Tractors	250,806	237,211
Aircrafts	28,950	28,950
Boats and Boat Engines	2,063	2,061
Fences and Barriers	34,410	26,882
Furniture and Equipments	<u>72,542</u>	<u>68,109</u>
	<u>490,663</u>	<u>470,414</u>

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

7.	GRANTS FOR RECURRENT EXPENDITURE	2014	2013
		KShs'000	KShs'000
	Donor Agencies	438,507	594,023
	Donations	111,062	80,042
	GOK subvention	<u>1,779,577</u>	<u>1,639,808</u>
		<u>2,329,146</u>	<u>2,313,873</u>
8.	INVENTORIES	2014	2013
		KShs'000	KShs'000
	Spare parts and tools	42,630	44,868
	Aircraft spares	41,899	38,300
	Ammunition	117,240	103,948
	Stationery	8,177	6,825
	Telecommunication equipment spares	419	2,633
	Building, water and fencing materials	52,113	42,763
	Uniforms and compositions	63,523	92,762
	Shop items	10,148	8,977
	Fuel and oils	3,813	7,377
	General stores and tools	<u>23,135</u>	<u>4,913</u>
		<u>363,097</u>	<u>353,366</u>
9.	RECEIVABLES	2014	2013
		Kshs'000	Kshs'000
	Trade receivables	315,450	241,616
	Staff receivables	137,854	117,002
	Grants receivable	0	118,078
	Prepayments and deposits	118,660	117,112
	Mobilization funds	<u>7,757</u>	<u>7,758</u>
		579,721	601,566
	Less Provision for bad debts	<u>(66,021)</u>	<u>(66,823)</u>
		<u>513,700</u>	<u>534,743</u>

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

10. CASH AND CASH EQUIVALENTS

	2014 Kshs'000	2013 Kshs'000
Bank balances – KWS Operations	319,906	213,101
Bank balances – Projects	704,008	279,127
Cash in Hand – KWS Operations	67,467	76,036
Short-term Deposits	<u>675,715</u>	<u>242,396</u>
	<u>1,767,096</u>	<u>810,660</u>

The weighted average effective interest rate on short term deposit as at 30th June 2014 was 11% p.a. these short term deposits mature within three months from the end of the reporting period date.

11. PAYABLES

	2014 KShs'000	2013 KShs'000
Trade Payables	453,535	321,766
Accruals	<u>265,476</u>	<u>190,720</u>
	<u>719,011</u>	<u>512,486</u>
Payroll Deductions	155,577	145,288
Contract Retentions Payable	54,566	55,795
Other Payables	<u>113,472</u>	<u>103,483</u>
	<u>1,042,626</u>	<u>817,052</u>

12. UNEXPENDED SPECIFIC DONATIONS

	2014 KShs'000	2013 KShs'000
Balance at 1 July	273,219	347,558
Additions	630,509	297,742
Utilized in the year	<u>(320,628)</u>	<u>(372,081)</u>
	<u>583,100</u>	<u>273,219</u>

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

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

13. RETIREMENT BENEFITS OBLIGATIONS

This represents the amount due to KWS Staff Superannuation Scheme (Defined Benefit) from the sponsor (KWS).

	2014	2013
	KShs'000	KShs'000
Balance at the beginning of the year	183,000	255,300
Actuarial Revaluation adjustments	-	-
Paid during the year	(183,000)	(72,300)
	<u>000</u>	<u>183,000</u>

14. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of the net deficit to

Cash outflows from operating activities

	2014	2013
	KShs'000	KSh'000
Operating deficit for the year	(2,875,399)	(2,464,554)
Depreciation	490,663	470,414
Gain on Disposal	0	(11,770)
Interest Income	(47,872)	(61,287)
Operating Deficit before Working Capital Changes	<u>(2,432,608)</u>	<u>(2,067,197)</u>
Increase in Inventories	(9,731)	(32,192)
(Increase) / Decrease in receivables	21,043	(163,472)
Increase in payables	225,574	(86,283)
(Decrease) / Increase in unexpended specific donations	<u>309,880</u>	<u>(74,339)</u>
Cash utilized by operations	<u>(1,885,842)</u>	<u>(2,423,483)</u>
Interest received (net)	<u>47,872</u>	<u>61,287</u>
Cash flows absorbed by operating activities	<u>(1,837,970)</u>	<u>(2,362,196)</u>

b) Movement in cash and cash equivalents Change

	2014	2013
	KShs'000	KShs'000
Opening balance	810,660	966,500
Closing balance	<u>1,767,096</u>	<u>810,660</u>
Increase/(Decrease) in cash and cash equivalents	<u>956,436</u>	<u>(155,840)</u>

KENYA WILDLIFE SERVICE

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE 2014

15. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

16. CONTINGENT LIABILITIES

	2014	2013
	KShs'000	KShs'000
Pending Litigations	<u>45,265</u>	<u>44,927</u>

17. CAPITAL COMMITMENTS

	2014	2013
	Kshs '000	Kshs'000
Authorized and contracted for	107,292	151,515
Authorized but not contracted for	<u>350,440</u>	<u>36,731</u>
	<u>457,732</u>	<u>188,246</u>

18. 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.

a) Market Risk

Over 80% of the organizations' internal revenue is usually generated from charges levied at the gates to our National Parks. Most of the visitors are foreign tourist. Our country of late has been plagued by insecurity caused by unstableness of our neighbouring countries which has discouraged tourist visiting our country. This is a major risk to our business continuity due to the unpredictability of continued revenue generation.

KENYA WILDLIFE SERVICE

b) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and receivables. As part of the credit risk management, the treasury manager monitors and reviews information on significant investments on short term deposit which are mostly held with various banks depending on offered interest rates.

c) Liquidity Risk

Due to the effects of low number of tourist visiting our Parks, there is the likelihood that the cash flow target for a certain period may not be achieved. There is an inherent risk that the organization may not be able to meet its obligations when they fall due.

20. PROPERTY PLANT AND EQUIPMENT	Buildings		Computers & Accessories	Machinery & Water Supplies	Motor Vehicles & Tractors	Aircraft	Boats and Boat Engines	Roads & Bridges	Airstrips	Fences & Barriers	Furniture & Equipments	Work-In-Progress	Total Amount
	Non-Residential	Residential											
	KShs '000	KShs '000											
COST/VALUATION													
At 30th June 2012	1,150,176	1,541,990	221,716	626,513	1,860,894	637,899	15,862	3,735,872	384,225	538,607	785,753	668,388	12,167,899
Additions	-	-	15,429	17,984	148,245	-	20,678	-	-	99,867	70,679	156,019	528,900
Disposals	-	-	-	-	(14,814)	-	-	-	-	-	-	-	(14,814)
At 30th June 2013	1,150,176	1,541,990	237,145	644,497	1,994,325	637,899	36,540	3,735,872	384,225	638,474	856,432	824,407	12,681,988
At 1st July 2013	1,150,176	1,541,990	237,145	644,497	1,994,325	637,899	36,540	3,735,872	384,225	638,474	856,432	824,407	12,681,988
Additions	-	-	22,834	1,813	126,652	-	-	-	-	105,647	37,544	182,785	477,277
At 30 June 2014	1,150,176	1,541,990	259,979	646,310	2,120,977	637,899	36,540	3,735,872	384,225	744,121	893,976	1,007,192	13,159,255
DEPRECIATION													
At 30 June 2012	638,456	402,364	203,753	424,582	1,316,962	127,957	15,022	-	-	291,610	602,054	-	4,022,766
Disposal	-	-	-	-	(14,074)	-	-	-	-	-	-	-	(14,074)
Charge for the year	46,021	22,140	30,320	8,720	237,211	28,950	2,061	-	-	26,882	68,109	-	470,414
At 30 June 2013	684,477	424,504	234,073	433,302	1,540,099	156,907	17,083	-	-	318,492	670,163	-	4,479,100
At 1 July 2013	684,477	424,504	234,073	433,302	1,540,099	156,907	17,083	-	-	318,492	670,163	-	4,479,100
Charge for the year	47,859	22,140	22,734	9,159	250,806	28,950	2,063	-	-	34,410	72,542	-	490,665
At 30th June 2014	732,336	446,644	256,807	442,461	1,790,905	185,857	19,146	-	-	352,902	742,704	-	4,969,765
NET BOOK VALUE													
At 30th June 2014	417,840	1,095,346	3,171	203,849	330,072	452,042	17,394	3,735,872	384,225	391,219	151,273	1,007,192	8,189,495
At 30th June 2013	465,699	1,117,486	3,072	211,195	454,226	480,992	19,457	3,735,872	384,225	319,982	186,269	824,407	8,202,888

Property and equipment excluding capital work in progress were professionally valued by CB Richard Ellis as at 23rd 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