REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA RAILWAYS CORPORATION

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30/6/23

FOR THE YEAR ENDED 30 JUNE, 2022

KENYA RAILWAYS
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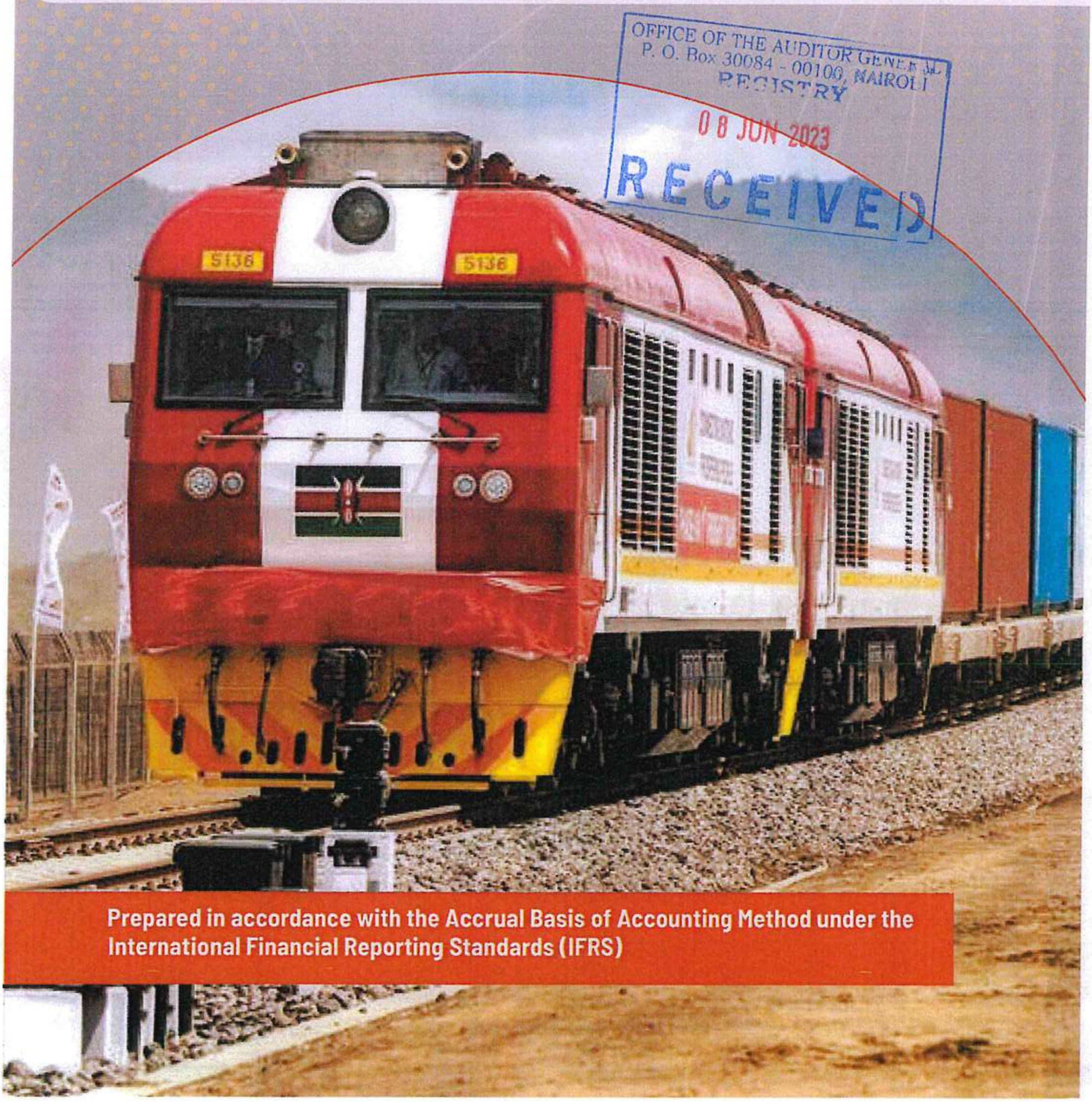
2021-2022 ANNUAL REPORT



Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

KENYA RAILWAYS

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30th JUNE, 2022

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

Vision, Mission and Mandate

Vision

To be a provider of world class rail services

Mission

To develop an integrated rail network and provide efficient and safe rail services

Our Mandate

1. Provide efficient and effective railway services
2. Promotion, facilitation and participation in national and metropolitan railway network development
3. Leverage our assets to grow business
4. Provide skills and technology for the railway sector

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1. KEY ENTITY INFORMATION

1.1. Background information

Kenya Railways (KR) was established by the Kenya Railways Corporation Act (Cap 397) of the laws of Kenya to take over the railways sector in Kenya after the collapse of the East Africa Community in 1977 which managed the East African Railways and Harbours Corporation.

Under Executive Order No. 5 of 2020, the Framework for Management, Coordination and Integration for Public Port, Rail and Pipeline Services was established which then put the administration and portfolio of the Corporation under the National Treasury & Planning under the Kenya Transport Logistics Network.

The Corporation is domiciled in Kenya with headquarters in Nairobi.

1.2. Principal Activities

The principal activity of the Corporation is provision of rail services within the Republic of Kenya. Rail services provided include freight and passenger services. The Corporation manages the Meter Gauge Railway including operations that reverted to the Corporation after the termination of the concession agreement by the courts on 31st July 2017. The metre gauge railway offers freight services for goods for both domestic and regional economies. The line runs from Mombasa to Malaba with various branch lines. Thika-Nanyuki branch line is currently fully operational. KR also runs the Marine haulage services services on Lake Victoria through MV Uhuru. This serves the needs of the regional economies around Lake Victoria. Passenger services are in the form of commuter services for Nairobi and the environs. There are also long-distance passenger services from Nairobi to Nanyuki and Nairobi to Kisumu. In order to meet the needs of small time traders, the corporation commenced transit shed operations in Nairobi and Malaba dealing with container handling, de-consolidation and storage services.

The Corporation also runs the Standard Gauge Railway (SGR) which is a key infrastructure funded by the Government of Kenya (GoK) and a loan from China Exim Bank. SGR offers freight and long-distance passenger services between Mombasa and Nairobi. The SGR service also offers freight services to Naivasha ICD and passenger services from Nairobi Terminus to Suswa Station. The Operations and Maintenance (O&M) of the SGR had been subcontracted to China Road and Bridge Corporation whose operations are under Africa Star Rail Operations Company (AfriStar) through a Novation Agreement. The Corporation took over SGR Operations and staff from 1st June 2022 after the first five years of the renewable contract save for technical sub-contracted services which KR is to take over in a three-year period.

1.3. Directors

The Directors who served the entity during the year/period were as follows:

S/No	Name	Designation	Date of Appointment & End of Term
1	Maj. Gen. (Rtd) Pastor Awitta	Chairman	Appointment: 18.10.2019 End of Term: 17.10.2022
2	The Late Dr. Rahab N. Nyaga	Director	Appointment: 08.02.2019 End of Term/Death:13.01.2022
3	Mr. Tom Omariba	Director	Appointment: 07.08.2020 End of Term: 07.02.2022
4	Dr. John O. A. Nyerere	Director	Appointment: 07.08.2020 End of Term: 20.10.2022

5	Mr. Martin Mogwanja	Director	Appointment: 07.08.2020 End of Term: 20.10.2022
6	Ms. Catherine Musakali	Director	Appointment: 06.10.2021 End of Term: 05.10.2024
7	Mr. Mohamed Alawi	Director	Appointment: 06.10.2021 End of Term: 05.10.2024
8	Mr. Humphrey Muhu	Alt Director - National Treasury	Statutory Office Holder
9	Dr. Duncan Hunda	Alt Director – MOTIHU&PW	Statutory Office Holder
10	Mr. Peter Waweru	Rep. Inspectorate of State Corporation	Statutory Office Holder
11	Capt. William Ruto	Alt Director – Kenya Ports Authority	Statutory Office Holder 10.01.2018 – 20.01.2022
12	Mr. Sudi Mwasinago	Alt. Director – Kenya Ports Authority	Statutory Office Holder

1.4. Corporate Secretary
Mr. Stanley Gitari
P.O. Box 30121 - 00100
Nairobi

1.5. Registered Office
Kenya Railways Headquarters
LR No. 209/11954/2, Workshops Road
Off Haile Selassie Avenue
P.O Box 30121-00100
Nairobi, Kenya

1.6. Corporate Headquarters
Kenya Railways Headquarters
Haile Selassie Avenue
P.O Box 30121-00100
Nairobi, Kenya

1.7. Corporate Contacts
Telephone: +254 (0) 709907000
Mobile Nos: 0708572574, 0728603581, 0728603582,
E-mail: info@krc.co.ke
Website: www.krc.co.ke

1.8. Corporate Bankers

Kenya Commercial Bank Moi Avenue Branch P. O. Box 30081, 00100 Upper Hill, Nairobi	NCBA Bank NCBA House, Masaba Rd P. O. Box 44599, 00100 Nairobi
Citi Bank N.A Upper Hill Branch P. O. Box 30711,00100 Nairobi	SBM Bank Riverside Mews P. O. Box 34886, 00100 Nairobi
Equity Bank Moi Avenue Branch P. O. Box 75104,00100 Nairobi	Standard Chartered Bank Chiromo Westlands P. O. Box 30003, 00100 Nairobi

1.9. Independent Auditors

Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

1.10. Principal Legal Advisers

1	The Attorney General State Law Office and Department of Justice P.O Box 40112 – 00200 NAIROBI	11	NOW Advocates P O Box 70678-00400 NAIROBI
2	Prof. Albert Mumma and Company Advocates P O Box 10481-00100 NAIROBI	12	Miller and Company Advocates P O Box 45707-00100 NAIROBI
3	Mutonyi Mbiyu and Company Advocates P O Box 142191 -20100 NAKURU	13	Nyaanga and Mugisha Company Advocates P O Box 34544-00100 NAIROBI
4	Mohamed Muigai & Company Advocates P O Box 61323 - 00200 NAIROBI	14	MMC Asafo P.O Box 90282 – 8011 MOMBASA
5	Oraro and Company Advocates P O Box 51236-00200 NAIROBI	15	Ogeto Otach & Co. Advocates P.O Box 79438 – 00200 NAIROBI
6	Mwaniki Gachoka and Co Advocates P O Box 13439-00800 NAIROBI	16	V. W. Maina Advocates P.O Box 10692 – 00100 NAIROBI
7	Ndegwa Sitonik & Karina Advocates P O Box 87171-80100 MOMBASA	17	TripleOK Advocates P.O Box 43170 – 00100 NAIROBI
8	Kiogora Mutai and Company Advocates P O Box 45790-00100 NAIROBI	18	Cheptumo & Company Advocates P.O Box 35556 - 00200 NAIROBI
9	Tom Mutei Advocates P O Box 7289-30100 ELDORET	19	Waweru Gatonye & Co. Advocates P.O Box 55207 -.00200 NAIROBI
10	K. Macharia and Company Advocates P O Box 32304-00600 NAIROBI	20	Maina Rogoi & Company Advocates P.O Box 10751 - 00100 NAIROBI

2. THE BOARD OF DIRECTORS

Maj. Gen Awitta is the Chairman of the Board of Directors.

Major General (Rtd) Pastor O. Awitta 'MGH' 'EBS' NDC(K) PSC (USA) Chairman

Key academic/professional qualifications:
Operational Executive

He is an operational Executive with over 34 years of military experience. Maj. Gen Awitta was the Kenya Navy Commander from 2001 to 2007. As the Navy Commander, he was a Board member of the Defence Council, Service Commander Committee, Defence Budget Committee, Equipment Approval Committee, Armed Forces Canteen Organization Council, Armed Forces Medical Insurance Committee and Defence Staff College Control Board. Upon retirement, he became a Board Member of the Competition Tribunal and a Director at the Kenya Ordinance Factories Corporation. He is also an independent Board member of the Industrial & Commercial Development Corporation (ICDC).

Date of Birth: 16th June 1952

Mr. Philip J. Mainga is the Managing Director of the Kenya Railways Corporation and an executive member of the Board of Directors.

Mr. Philip J. Mainga, EBS
Managing Director

Key academic/professional qualifications:
Masters in Project Planning and Management (MAPM) (University of Nairobi)
Bachelor of Arts – Economics Planning and Research

With over 20 years in the Planning and Research professional, Mr. Mainga has worked in KR in several capacities most recent being General Manager Business and Operations after having held the Corporate Planning and Research Manager Position.

Date of Birth: 12th December 1967

Hon. Amb. Ukur Yatani Kanacho is the Cabinet Secretary, National Treasury and Planning and an executive member of the Board of Directors.

Hon. Amb. Ukur Yatani Kanacho
Cabinet Secretary, National Treasury and Planning

Key academic/professional qualifications:
Master of Arts in Public Administration and Public Policy
Bachelor of Arts in Economics

Public administration, Politics, Diplomacy and Governance in public sector

Amb. Yattani has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Previously he served as the Cabinet Secretary for Labour and Social Protection, Assistant minister for science and technology, pioneer Governor of Marsabit County, Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. He held senior leadership positions at various diplomatic and international agencies such as IAEA, United UNODC, UNIDO, Vice Chairperson of UNTOC, Vice President of the CCPJ, and chair of African Group of Ambassadors among others.

Date of Birth: 12th March 1967

Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary – State Department of Transport

Key academic/professional qualifications:
Doctor of Philosophy (PhD) in Strategic Management - University of Nairobi
Master of Business Administration with a major in strategic management - University of Nairobi
BSC in Electrical Engineering - University of Nairobi

Chartered Electrical Engineer

Dr. Eng. Joseph K. Njoroge, CBS is the Principal Secretary for the State Department of Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and an executive member of the Board of Directors.
Dr. Eng. Joseph K. Njoroge has a wide experience in Leadership and Management at policy, business and operational levels gained while working at Energy and Petroleum public service delivery initiatives.
He is a member of the Institution of Engineering and Technology, UK; a Registered Consulting Engineer; a Fellow of the Institution of Engineers of Kenya; and a member of Institute of Directors, Kenya. He is also a trainer in Corporate Governance.

Date of Birth: 16th June 1958

Amb. John Mwangemi is the Ag. Managing Director of the Kenya Ports Authority and an executive member of the Board of Directors.

Amb. John Mwangemi
Ag. Managing Director, Kenya Ports Authority

Key academic/professional qualifications:
Diplomat

He is the immediate former Ambassador of the Republic of Kenya to Djibouti and Intergovernmental Authority on Development (IGAD). He previously served as Kenya's High Commissioner to Rwanda. He has also held executive leadership positions in the corporate world locally and internationally.

Dr. John O. A. Nyerere, Director

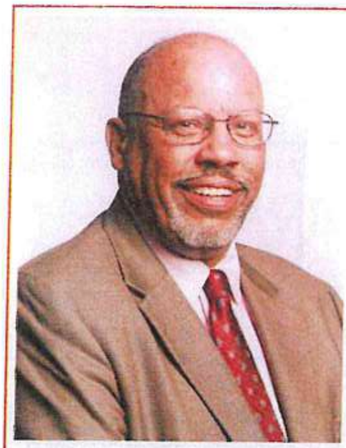
Key academic/professional qualifications:
Fulbright (Hubert H. Humphrey - HHH) fellow with residency at Rutgers - the States University of New Jersey - New Brunswick
MBA, in Strategic Management and Leadership - University of Ljubljana, Slovenia
Bachelor of Arts (Hons) Economics and Sociology - University of Nairobi, Kenya.

Economics, Strategic Planning and Operations Management

Dr. John O. A Nyerere is an Independent Director of the Board.

He has over 34 years' experience in consulting, lecturing and board directorship. He has a background in Economics and experience in Strategic Planning and Operations Management, he served as the General Manager - Commercial & Operations, at Kenya Railways Corporation before moving to academia and consulting. He also serves as an independent non-executive member of the Board of KCB Group Holdings Limited and a board member of KCB Bank (Tanzania). Currently, he is the Board Chairman of National Bank. He is also an ISO certified Lead quality system auditor.

Date of Birth: 17th March 1962



Mr. Martin Mogwanja, MBS, Director

Mr. Martin Mogwanja is an Independent Director of the Board. He is the Chairperson of the Audit and Risk Committee and the Strategic Projects Committee.

Key academic/professional qualifications:
M.Sc. in Chemical Engineering and Development Studies - Imperial College, London, UK
Bachelor of Science (Hons.) in Systems Control Engineering - University of Leeds, UK.

Development planning and management, International development
He has over 35 years' experience in development Planning and Management, international development, humanitarian response programmes and management in global organizations. Mr. Mogwanja was previously the Assistant Secretary General of the United Nations and Deputy Executive Director of UNICEF for Management; UN Humanitarian Coordinator in Pakistan and Uganda; UNICEF Country Representative in Pakistan, Uganda and DR Congo; and the Deputy Regional Director UNICEF for West and Central Africa.

Date of Birth: 21st January 1955

The Late Dr. Rahab Njeri Nyaga, Director

Key academic/professional qualifications:
Bachelor of Commerce Degree - University of Nairobi.
Master's Degree in Arts - Daystar University
Doctorate in Philosophy - Kenyatta University

Training, Curriculum development and review, Governance and Strategic leadership and Research. The Late Dr. Rahab Nyaga served as an independent Director of the Board from 7th February 2019 till 13th January, 2022. She served as the Chairperson of the Strategic Projects Committee.

Dr. Nyaga had over 30 years' experience in training, curriculum development and review, international administration, accounting, governance and strategic leadership and research. Until her demise, she was the Academic Dean and Senior Lecturer at Pan Africa Christian University, a member of the International Communication Association, PRSK, International Association for Media and Communication Research and the East African Communication Association.

Date of Birth: 15th July 1958 – 13th January 2022

Mr. Tom O. Omariba, FCPA (K), CPS (K), MBA, BSC, Director

Key academic/professional qualifications:
Masters of Business Administration (Finance) - University of Nairobi
Bachelor of Science (Wood Sc. & Technology) - Moi University

Governance, Finance, ICT, Risk and Compliance professional

Mr. Tom Omariba served as an Independent Director of the Board from 7th August 2020 till 7th February 2022. He served as the chairperson of the Finance, Human Resource and Administration Committee.

He is a business leader with over 15 years' experience at strategic, operations and Board level in executive and non- executive roles. He is a governance, finance, ICT, risk and compliance professional with a wealth of experience in telecommunications, media and insurance industries. Mr. Omariba is a Fellow of the Certified Public Accountants of KENYA (ICPAK) and the past President of the Corporate Secretaries International Association (CSIA Hong Kong Ltd), the worldwide umbrella body for Institutes of Corporate Secretaries. In addition to his current role as CEO at the Consultancy firm of Thompson Associates, he does part time executive leadership coaching at Strathmore University Business School in Nairobi, Kenya.

Date of Birth: 6th August 1969

Mr. Mohamed Alawi Hussun, Director

Key academic/professional qualifications:
Master of Laws Degree in International Maritime Law – Malta
Post Graduate diploma in Contemporary Public Administration - Galilee International Management Institute
Post Graduate diploma in Law- advocacy Kenya School of Law
Bachelor of Laws Degree – University of Nairobi

Advocate of the High Court of Kenya
Certified Public Secretary

Mr. Mohammed Alawi is an independent director of the Board. He is the Chairperson of the Finance, Human Resource and Administration Committee of the Board.

He is an Advocate of the High Court of Kenya and is currently the Team Leader at Hassan Alawi & Co. Advocates. Alawi has vast experience in public sector, legal services and logistics matters. He served as a Commissioner at the Independent Electoral and Boundaries Commission (IEBC) and worked at Kenya Ports Authority as the head of the legal department.

Date of Birth: 12th November 1970

FCS Catherine Musakali, LL. B, LL.M, FCPSK, Director

Mrs. Catherine Musakali is an Independent Director of the Board.

Key academic/professional qualifications:
Master of Laws (LLM) Degree – University of Nairobi
Postgraduate Diploma in Law – Kenya School of Law
Bachelor of Laws (LLB) Degree – University of Nairobi
Certificate in Securities and Investment from the Securities and Investment Institute (London).

Advocate of the High Court of Kenya Fellow of the Institute of Certified Secretaries of Kenya Catherine is the Founder of Dorion Associates LLP, a firm specialising in governance matters and commercial legal consultancies. Prior to founding Dorion Associates, Catherine worked for Kenya Shell Limited (Now Vivo Energy Kenya Limited) as their Company Secretary and Head of Legal for over fifteen (15) years, during which period she managed the Legal Functions of Shell operations in Kenya, Uganda, Tanzania, Sudan, Eritrea, Ethiopia, Morocco, Egypt and Tunisia. She has worked for Shell in the United Kingdom during which period she specialised in Mergers and Acquisitions and other commercial transactions as well as being the Legal Focal Point for all Contracting and Procurement matters for its businesses in the 23 Countries in Africa.

Date of Birth: 1st April 1969

FCS. Dennis B. Aroka, Director

Key academic/professional qualifications:
Master's in Business Administration (Executive) - Moi University, Postgraduate Diploma in Law - Kenya School of Law
Bachelor of Laws (LLB) Degree - Catholic University of Eastern Africa
Advocate of the High Court of Kenya Fellow of the Institute of Certified Secretaries of Kenya

Mr. Dennis Aroka was appointed as an Independent Director of the Board on 8th July, 2022. He has over 25 years' experience in Corporate Secretarial, Governance, Company registration and compliance and Board services. He has served as a Company Secretary in many organisations both in the private and public sectors including National Irrigation Authority (formerly the National Irrigation Board) where he served from 2011 to 2019. His experience spans many sectors including Energy, Agriculture, Service, Manufacturing, Transport & Logistics, Real Estate, Insurance and Banking. He is an Advocate of the High Court of Kenya and a Fellow member of the Institute of Certified Public Secretaries of Kenya.

Date of Birth: 15th June 1968

Ms. Sumaiya Salim, Director

Key academic/professional qualifications:
Masters' Degree in Corporate Communication - Daystar University
Bachelor's Degree in Journalism - United States International University (Africa) Diploma in Mass Communication - Institute of Commercial Management.

Corporate Communications
Project management

Ms. Sumaiya Salim is an Independent Director of the Board appointed on 13th July, 2022. She is an expert in project management, corporate communication and brand strategy. She is currently a project manager in the logistics field undertaking projects in the oil and gas, freight and transport industries.

Date of Birth: 28th April 1984

Dr. Duncan G. Hunda, Alternate Director

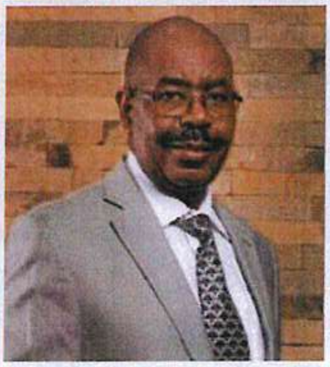
Key academic/professional qualifications:
Doctorate Degree (PhD) in Finance - SMC University, Switzerland
MA, International Finance - North London University, UK
Bachelor Degree in Economics and Statistics - University of Nairobi.

Economist and Public Certified Accountant

Dr. Duncan Hunda is the Alternate Director to the Principal Secretary, State Department of Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and an executive member of the Board.

He has over 25 years of Public sector experience. He is currently serving as Secretary, Transport Policy, Planning, Finance and Coordination of State Corporations in the State Department of Transport. He is a Public Certified Accountant and a Member of ICPAK.

Date of Birth: 20th May 1969



Mr Humphrey Muhu , Alternate Director

Key academic/professional qualifications:
MA in Economics - University of Nairobi
BSc (Mathematics & Statistics) and B. Phil (Economics) - Kenyatta University

Economist
Mr Humphrey Muhu is the Alternate Director to the Cabinet Secretary, National Treasury.
He is an Economist with 20 years' experience in various government ministries and departments. He holds a BSc (Mathematics & Statistics) from Kenyatta University B. Phil (Economics) and an MA in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University.

Date of Birth: 1st January 1964

Captain William Ruto, Alternate Director

Key academic/professional qualifications:
Master of Business Administration (MBA) Strategic Management - Jomo Kenyatta University of Agriculture and Technology (JKUAT).
Class 1 Master Mariner - United Kingdom
Capt. William Ruto served as the Alternate Director to the Managing Director, Kenya Ports Authority till 20th January 2022.

He is a trained Mariner by profession and holds a Class 1 Master Mariner from the United Kingdom (UK). He is an Associate Fellow of the Nautical Institute (AFNI) and a Member of International Harbour Master's Association (IHMA - UK). He has undertaken Port Security course at the University of Maryland (USA), IMO course on Port Management and Operations, in France - Port du Havre and several other short courses on port maritime and management.

Date of Birth: 29th December 1968

Mr. Sudi Mwasinago, Alternate Director

Key academic/professional qualifications:
MSC - Maritime Affairs - World Maritime University, Malmo Sweden
Port Business Management - Montana School of Business studies

Mr. Sudi Mwasinago is the Alternate Director to the Managing Director, Kenya Ports Authority.

He is a trained Port Management professional and a Member of various professional bodies such as the Institute of Directors and the Operations Management Society of Kenya.

Date of Birth: 8th January 1970

Mr. Stanley Gitari
Ag. General Manager, Legal Services and Corporation Secretary

Key academic/professional qualifications:
Bachelor of Law - University of Nairobi and Post Graduate Diploma in Law - Kenya School of Law.

Mr. Stanley Gitari is the Ag. General Manager, Legal Services and Corporation Secretary serving as the secretary to the Board.

He is an advocate of the High Court and has served in several capacities in the legal department of Kenya Railways and previously served in the State Law office.
He is a member of good standing of the Law Society of Kenya and a member of the Commonwealth Lawyers Association.

Date of Birth: 5th September 1975

Board Committee Details

STRATEGIC PROJECTS COMMITTEE

1st July 2021 – 13th January 2022

1. Dr. Rahab N. Nyaga - Chairperson
2. Mr. Martin Mogwanja
3. Mr. Tom Omariba
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Managing Director, Kenya Ports Authority or Alternate
7. Inspectorate of State Corporations or Representative (By invitation)

14th January 2022 – 5th February 2022

1. Mr. Martin Mogwanja - Chairperson
2. Mr. Tom Omariba
3. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
4. Cabinet Secretary, National Treasury or Alternate
5. Managing Director, Kenya Ports Authority or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

6th February 2022 – 30th June, 2022

1. Mr. Martin Mogwanja - Chairperson
2. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
3. Cabinet Secretary, National Treasury or Alternate
4. Managing Director, Kenya Ports Authority or Alternate
5. Inspectorate of State Corporations or Representative (By invitation)

FINANCE, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE

1st July 2021 – 15th October 2021

1. Mr. Tom Omariba - Chairperson
2. Prof. John Nyerere
3. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
4. Cabinet Secretary, National Treasury or Alternate
5. Inspectorate of State Corporations or Representative (By invitation)

15th October 2021 – 5th February, 2022

1. Mr. Tom Omariba - Chairperson
2. Prof. John Nyerere
3. Mr. Mohamed Alawi
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

6th February, 2022 – 30th June, 2022

1. Mr. Mohamed Alawi - Chairperson
2. Prof. John Nyerere
3. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
4. Cabinet Secretary, National Treasury or Alternate
5. Inspectorate of State Corporations or Representative (By invitation)

BUSINESS, OPERATIONS & INVESTMENTS COMMITTEE

1st July 2021 – 5th February, 2022

1. Dr. John Nyerere - Chairperson
2. Mr. Tom Omariba
3. Ms. Catherine Musakali
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Managing Director, Kenya Ports Authority or Alternate
7. Inspectorate of State Corporations or Representative (By invitation)

6th February, 2022 – 30th June, 2022

1. Dr. John Nyerere - Chairperson
2. Ms. Catherine Musakali
3. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
4. Cabinet Secretary, National Treasury or Alternate
5. Managing Director, Kenya Ports Authority or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

RISK & AUDIT COMMITTEE

1st July, 2022 – 15th October, 2022

1. Mr. Martin Mogwanja - Chairperson
2. Dr. Rahab Nyaga
3. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
4. Cabinet Secretary, National Treasury or Alternate
5. Inspector of State Corporations or Representative (By invitation)

15th October, 2022 – 13th January 2022

1. Mr. Martin Mogwanja - Chairperson
2. Dr. Rahab Nyaga
3. Ms. Catherine Musakali
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspector of State Corporations or Representative (By invitation)

14th January, 2022 – 30th June, 2022

1. Mr. Martin Mogwanja - Chairperson
2. Ms. Catherine Musakali
3. Mr. Mohamed Alawi
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspector of State Corporations or Representative (By invitation)

2.1. Key Management

The Corporation's Management is organised as follows:

- Board of Directors
- The Managing Director
- Departmental General Managers
- Divisional Managers

2.2. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Managing Director	Mr. Phillip J. Mainga
2	Principal Railway Training Institute(RTI)	Ms. Milly Kizili
3	General Manager - Finance	CPA Sammy Kariuki
4	Acting General Manager - Business Development & Operations	Ms. Millicent Omido
5	General Manager - Human Resource and Administration	Mr. Asava Kadima
6	Acting General Manager - Research Planning Compliance and ICT	Mr. Thuranira Kinagwi
7	Acting General Manager Internal Audit	Mr. Remmy Koech
8	Acting General Manager - Supply Chain Management	Mr. John Kanyoti
9	General Manager - Infrastructure Development	Eng. Tobias Otieno
10	Acting General Manager – Legal Services & Corporation Secretary	Mr. Stanley Gitari

3. MANAGEMENT TEAM

Mr. Philip J. Mainga, EBS
Managing Director

Mr. Mainga is currently the Managing Director of Kenya Railways. Until his appointment, Mr. Mainga was the General Manager Business and Operations. He previously had 19 years of experience in Corporate Planning, Project Management and Business Management. He holds Master in Project Planning and Management - UoN, Masters and Bachelor of Arts in Economics - University of Mysore. He is trained in driving Government Performance at Harvard University -USA Boston. He undertook a course on Regional Integration in Africa by a joint World Bank Institute and African Economic Research Consortium (AERC). He is a professional member of Certified Finance Management for Project Managers, Associate Member MEGADEV Consultants and Associate Member Kenya Institute of Management (KIM). Author of Economics and Ethics First Edition 2010 and Doing Business in Kenya 2006- Handbook (UNDP - Kenya). He received the Presidential award of 2nd Class - Elder of the Order of the Burning Spear (E.B.S.) in June 2020. He also won The Star Person of the Year Award 2020.

Ms. Milly Kiziili Otieno
Director, RTI

Ms. Milly Kiziili Otieno is an education administrator with over 20 years of professional experience both in Kenya and the region. Her experience includes classroom teaching, school administration including Public Financial Management, Policy Development and Implementation, Competency-Based Curriculum Development and Management of projects.

She spearheaded the enactment of the Technical Vocational Entrepreneur Training (TVET) Act 2013 and other policy interventions while serving in the position of National Chairperson for Research and Innovation under the auspices of The Kenya Association of Technical Training Institutions.

She holds a Master's in Business Management (Strategic Management) from Maastricht Business school, Post Graduate Diploma in Human Resources Management (Maseno University), Post Graduate Diploma in Financial Management (Kenya School of Monetary Studies) and a Bachelor of Education Arts from Kenyatta University. In addition, she is a Certified Facilitator in developing competency-based curricular (DACUM) by Ohio State University.

CPA Sammy Kariuki
General Manager, Finance

CPA Kariuki has 23 years of working experience in both Public and Private sectors. Worked in Kenya Railways for 15 years at senior levels in Risks and Internal Audit Department, Research, Planning and Compliance Department and Finance Department.

He holds a Master's Degree in Business Administration (MBA)- (Entrepreneurship), Bachelor's Degree of Commerce (Accounting), Diploma in Transport Management and he is a Certified Public Accountant of Kenya (CPA-K). CPA Kariuki has also attended various courses locally and abroad, where he has gained a wealth of skills in Project Management, Performance Management, Corporate Governance, Strategic Management, Provident Fund Management, Quality Management, Enterprise Risks Management, and Risk Based Internal Auditing.

CPA Kariuki is a professional member in good standing of the Institute of Certified Public Accountants of Kenya (ICPAK).

Ms. Milly Omido
General Manager, Business Development & Operations

Ms. Milly Omido is a specialist in planning and executing marketing, commercial, sales and business development strategies with over 15 years of experience in private and public sectors having worked in the Railway, Telecommunications and Pharmaceutical sectors.

Prior to her current role she was the Business Development Manager during which she provided leadership to various business units including train passenger and freight services as well as real estate management and investment.

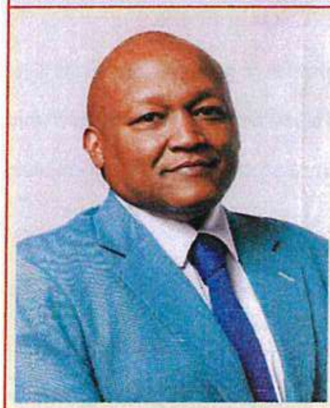
Previously, she worked in the telecommunication sector with a bias in customer service and marketing where she was key in setting up the customer service function for a new entrant in the telecommunication sector in the year 2009. She has also worked in the pharmaceutical industry where she was responsible for creating demand and implementing sales strategy.

Milly is currently pursuing a PhD in Strategic Management at Kenyatta University. She holds a Master's degree in Business Management from the University of Nairobi, a Bachelor's degree in Education (Science) from Moi University, and a post-graduate diploma from the chartered institute of marketing. She is a member of the Chartered Institute of Marketing (CIM- UK) and the Marketing Society of Kenya (MSK).

Mr. Asava Kadima
General Manager - Human Resources & Administration

Prior to his current position, Mr. Kadima served the Corporation as the Human Resource Manager, a position he had also held in various Organisations in the private sector for 6 years before joining Kenya Railways in January 2010.

He has Masters in Human Resource Management and B.Ed.- Arts. He is a member of the Chartered Human Resource Practitioners (CHRP-K).



Mr. Thuranira Kinagwi
Ag. General Manager - Research, Planning, Compliance & ICT

Mr. Kinagwi has 25 years of working experience, 10 of those in several positions within Kenya Railways. He holds a Master in Business Administration (MBA) and Bachelor of Arts degree in Land Economics and is also currently undertaking a Master's degree in Public Policy and Management. He also has post-graduate training in Information Systems.

Mr. Kinagwi has undertaken several professional training courses locally and abroad covering areas of Transport Management, Enterprise Risk Management, Strategic Management, Corporate Governance, Project Management, Management and Leadership development. He is a professional member of Kenya Institute of Management (KIM), Institution of Surveyors of Kenya (ISK) and Institute for the Management of Information System (IMIS, UK).

Mr. Remmy Koech
Ag. General Manager - Internal Audit

Mr. Koech has work experience of 30 years, 22 of which have been in the internal audit function. He has served in senior management positions for the last 15 years, 10 of which have been with Kenya Railways. He holds a Master in Business Administration (MBA) and a Bachelor of Commerce (Accounting option).

Mr. Koech has undertaken several professional training courses locally and abroad covering areas of risk-based internal auditing and management, report writing and presentation, Enterprise Risk Management, Corporate Governance, Project Management, Management and Leadership development. He is a Certified Public Accountant (CPA(K) and a member of the Institute of Certified Public Accountants (ICPAK) for the last 22 years. He is also a member of ISACA(Kenya)

Mr John Kanyoti
Ag. General Manager - Supply Chain Management

Mr. Kanyoti has work experience of 26 years' experience in Procurement and Supply Chain Management Field.

He holds a Master's of Science - Procurement & Logistics), BBA (Hons.) and Dip III (KNEC.)

He is a Licensed Supplies Practitioner and a Member of KISM

Eng. Tobias Otieno
General Manager - Infrastructure Development

Prior to his appointment as General Manager, Eng. Tobias was the Railway Development Manager at Kenya Railways. He previously worked on roads, water supply and sanitation systems, housing and ports in the Private Sector in Kenya, Uganda, Tanzania, Ethiopia and the Middle East. He is a registered Professional Civil Engineer with 24 years of experience in the design, construction, management and maintenance of highways, water supply systems, railways, ports as well as project administration and management.

He holds a Bachelor's Degree in Civil Engineering from the University of Nairobi and is a Certified International Project Manager by the International Academy of Business and Financial Management (IABM). He is also an Advanced Senior Project Manager by the International Institute of Executive Training (iIET). He holds a Diploma Certificate in Railway Construction, Operations and Maintenance from the University of Beijing Jiao tong University (BJTU) - China (2016). He holds a Diploma Certificate in Transport Planning and Rail Safety from Galilee International Management Institute (GIMI) - Israel (2016).

Mr. Stanley Gitari
Ag. General Manager, Legal Services and Corporation Secretary

Mr. Stanley Gitari is an advocate of the High Court and has served in several capacities in the legal department and previously served in the State Law office.

He holds a Bachelor of Law from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law.

He is a member of good standing of the Law Society of Kenya and a member of the Commonwealth Lawyers Association.

4. CHAIRMAN'S STATEMENT

Major General Pastor O. Awitta 'MGH' 'EBS' NDC(K) PSC (USA)
CHAIRMAN

"Productivity is never an accident, it is always the result of commitment to excellence, intelligent planning, and focused effort" Paul J. Meyer

The FY2021/2022 marked the final phase in implementing the Kenya Railways Strategic Plan for 2017-2022, aligning the Corporation on a pathway towards achieving its vision as a provider of world-class rail services.

Overview of Business Environment

During the period under review, As the general business was recovering from the Covid 19 pandemic, the operating environment was affected by the ripple effects of the global economic crisis caused by the war in Ukraine. The war disrupted supply chains, tightened financial conditions and resulted in escalation of oil products and commodity prices in the global market.

The situation exposed Kenya Railways to fluctuations in foreign exchange following the depreciation of the Kenya Shilling against the dollar. This negatively impacted the Corporation's dollar-denominated loan obligations and operator invoices. This was however countered by KRC billing for most of the SGR freight in dollars which cushioned the Corporation from forex losses.

In addition, disruption in the global supply chain and increased sea freight charges affected throughput at the Port of Mombasa which is the main source of rail freight. The rise in cost of fuel negatively impacted rail operations due to the fuel consumption being one of the main cost drivers of the business.

We were further burdened by the cost of the social services both on SGR passenger and MGR commuter. These services are offered as Public Social Obligations to boost other sectors of the economy for macro-economic benefit. Therefore, with an operating loss KR requires GOK subsidy as a result of the net socio-economic benefit derived from the services. All these factors adversely impacted the overall bottom line of the Corporation.

A passenger train going through the Ngong Tunnels. A ride through the tunnels is one of the thrilling experiences as you traverse between Nairobi Terminus and Suswa Station.

Nanyuki bound passenger train navigating over one of the rehabilitated bridges. Nanyuki boasts of its scenic landscapes and the magnificent Mt. Kenya, which is a favourite spot for hikers. Since the rehabilitation of the Nairobi- Nanyuki railway line, we have transported over 45,000 passengers to Nanyuki.

Milestones made during the year

Despite the economic situation witnessed during the period, significant achievements were made during the year towards expansion of the rail network in the country. Efforts were directed towards completing projects and targets set in the 2017- 2022 Strategic Plan period. Among the major completed and substantially complete projects include:

i. Construction of 23.6Km ICD Naivasha MGR Longonot Link;

The newly constructed Naivasha ICD - Longonot Link Line, connecting the SGR and MGR lines, is improving rail transport operational efficiency along the Northern Corridor.

Intermodal operations of the SGR and MGR in Naivasha Inland Container Depot. The ICD has facilitated seamless movement of containers bound for destinations west of Nairobi.

ii. Rehabilitation of the 465.1km Longonot - Malaba MGR line;

On-going rehabilitation of the rail infrastructure in western Kenya. An efficient rail is an enabler to all regional economies

iii. Revitalization and Operationalization of the 278Km Nakuru - Kisumu Branch Line.

Passenger train heading to Kisumu on the revamped Nakuru Kisumu Line

iv. Marine School Project in Kisumu

The Kenya Railway Marine school complex. This is a centre of excellence for Marine training in the region.

Progress was also made in construction of 20 additional commuter stations in Nairobi to enhance commuter services, rehabilitation of MGR branch lines (Gilgil - Nyahururu, Leseru - Kitale and Kisumu - Butere) as well as acquisition of additional locomotives for MGR and rolling stock for both MGR and SGR networks.

Kenya Railways engineers working on Locomotive 9406. Rehabilitations of the locomotives has greatly enhanced capacity of the MGR

A station master despatching locomotive Number 7501 working on a passenger train. This is one of the new locomotives acquired as part of the capacity enhancing investments for better service delivery

Business Performance

In terms of freight and passenger service, an upward trend was witnessed in freight haulage with a 5% improvement in total tonnages moved. These performance is mainly attributed to conventional cargo business improvement while the containerised cargo business remained relatively the same. The above not withstanding, the improved performance in the year under review compared to the previous year was attributed to enhanced coordination among stakeholders including KPA, KRA and shipping lines. Since inception of SGR freight business and resumption of MGR operations there has been a significant improvement in performance.

The Passenger service likewise performed exceptionally well with SGR continuing to run three pair of trains between Mombasa and Nairobi on a daily basis. The night train has picked up and customers are very receptive due to it's convinience for those who find it convinient to travel at night. The performance has been buoyed by the recently introduced long distance between Nairobi and Nanyuki and Nairobi - Kisumu. Also to mention the and extension of NCR routes to Limuru and Lukenya.

Government support

As a board, we continue to appreciate the unwavering support and confidence the GoK has had in Kenya Railways as we endeavour to revamp the rail sub sector. This is aimed at strengthening the role of rail in providing an enabling infrastructure that supports growth of other sectors of the economy through provision of safe, reliable, and competitive transport solutions.

The Board of Directors remained alive to its fiduciary responsibility of providing oversight on prudent and transparent utilisation of internally generated revenue, allocated funds as well as resources mobilised from development partners.

Board Changes

I wish to thank my fellow Directors for their invaluable support and contribution during the year. I take this opportunity to welcome fellow Directors who were appointed to the Board during the financial year and also thank outgoing Directors for their contributions and dedication to the Board. During the period, Director Mohamed Alawi Hussun joined the Board while Directors Tom Omariba and Cpt. William Ruto exited. It is regrettable that we lost one member of the Board during the period, Director Dr. Rahab N. Nyaga passed on in January 2022.

Future Outlook

Kenya Railways has initiated preparation of its 2022-2027 Strategic Plan. The plan is aimed at improving financial and operational aspects of our business, while balancing social responsibilities to enhance business sustainability.

With most projects either complete and near completion, KR envisages to focus more on operations to ensure sustainability and economic impact in the national and regional at large.

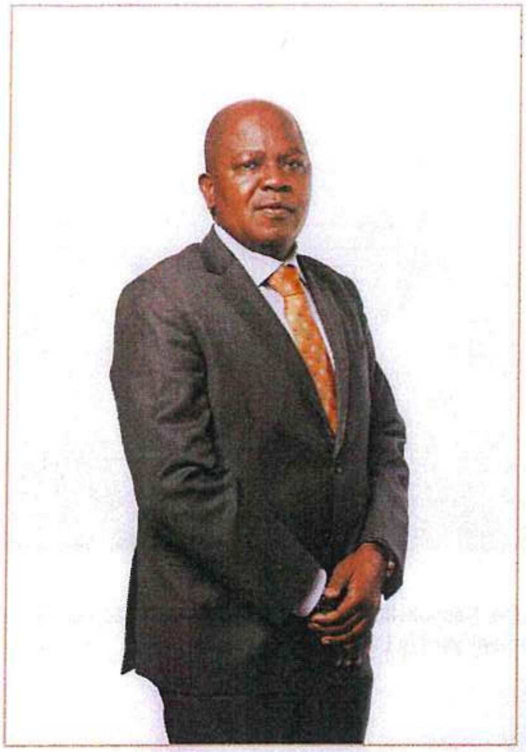
The strategy is underpinned on five (5) main areas of focus during the plan period will be continued development, upgrade and rehabilitation of rail and associated infrastructure, improvement of operational efficiency, emphasis on business development and Marketing, attainment of financial sustainability and development in human capital as well as excellence in Corporate Governance.

On behalf of the Board, I wish to sincerely thank the Management team and entire staff for their diligence, commitment to duty and support to the Board. I also appreciate our development partners who have continued to support our strategy with technical and financial support which has ensured that Kenya Railways remains on course to deliver on its mandate.

The future remains bright.

Major General (Rtd) Pastor O. Awitta 'MGH' 'EBS' ndc(K) PSC (USA)
CHAIRMAN OF THE BOARD

5. REPORT OF THE MANAGING DIRECTOR



Mr. Philip J. Mainga, EBS Managing Director

"When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates." - Thomas S. Monson.

Overview

It is a pleasure to present to you the Kenya Railways Annual Report and Financial Statements for the year ended 30th June 2022.KRC has once again registered another year of good financial performance as we get progressively forge out of the novel Covid 19 disruption which affected most businesses across the global and the country at large.

That notwithstanding, the Corporation continues to invest in Rail infrastructure towards attainment of its vision to be a provider of World Class Rail Services. In this regard, we continue to invest in the rehabilitation of the railway network to strengthen our regional and in-country footprint in the absolutely strategic competitiveness in the vital transport and logistics sector.

Equipped with SGR and MGR network, KR holds one of the National strategic assets with an asset base of **Kes 779 Billion**, ranking it among the largest firms in East and Central Africa in terms of assets. The assets include its Non -Rail Assets and the Railway Training Institute.

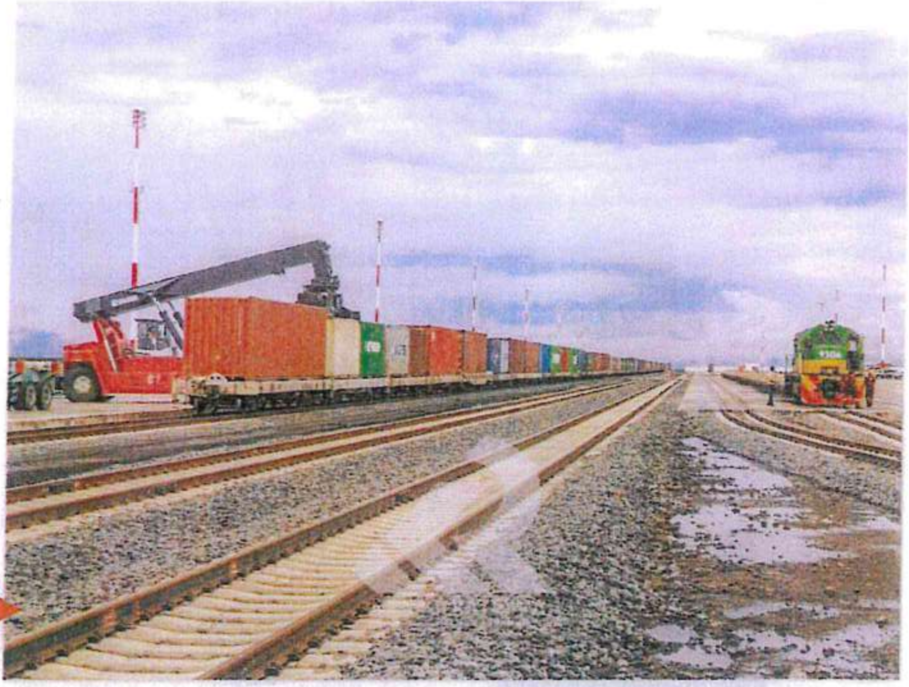
Key Operational Indicators

During the FY 2021/22, The Port of Mombasa handled a throughput of 30 Million tons. Cargo available for KR haulage was about 22 million tons as cargo destined to Mombasa, Cargo for transshipment and bulk oil cannot be moved by KR. KR operates two rail services i.e. Standard Gauge Railway (SGR) and Meter Gauge Railway (MGR) to evacuate cargo from the Mombasa Port. KR has tremendously been improving its market share from inception at 5% to the current 22%.

Of this, a total of 6.2 Million tons of freight was hauled for both MGR and SGR compared to 5.9 Million tons for the FY 2020/21 representing a 5% growth. SGR and MGR contributed 90% and 10% of the haulage respectively.

An SGR train conveying containers to ICD Nairobi. The service prides in safety, efficiency and reliability.

The SGR freight business continued for the fifth year serving the Inland Container Depot Nairobi (ICDN) and Naivasha Inland (NICD) transhipment zone. The SGR Containerized cargo business remained relatively the same compared to FY 2020/21 and the Conventional business improved in performance as the Corporation forged strategic partnerships with bulk cargo stakeholders. This is evidenced by containerized cargo and conventional cargo business at 4 Million tons and 1.569 Million tons respectively. Compared to FY 2020/21, SGR containerized and conventional cargo tons were at 3.98 Million tons and 1.2 Million tons.

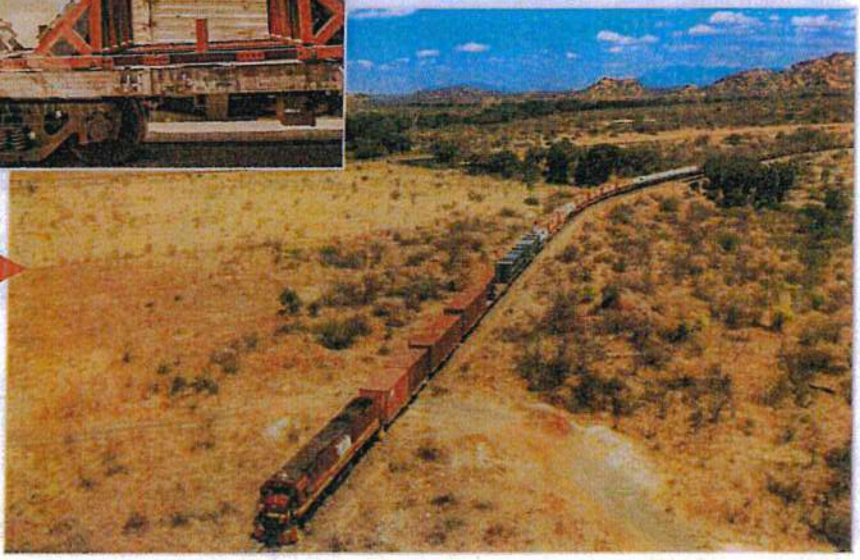


SGR Cargo Train being offloaded at Naivasha ICD. SGR now serves the regional market needs by safely and reliably transporting cargo from the port of Mombasa.

The MGR freight business continued to operate under Mombasa to Malaba, Nanyuki line including the operation to the Kenya Railway Transit Shed (KRTS) and the opening up of SGR- MGR transhipment yard in Longonot.

Offloading of hot rolled coils (HRC) at Devki Athi River plant, following the construction of an MGR rail siding to the plant. Railway sidings enable us offer last-mile services to our customers. What are you transporting

The tonnage moved was 0.56 Million tons from 0.71Million tons in the previous year. Cargo business was available but there was a limitation based on locomotive and rolling stock available.

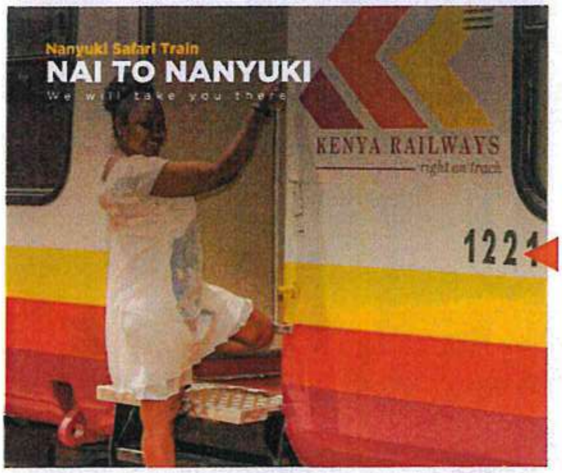


MGR train conveying empty wagons for loading

On the passenger services, the SGR continued operating the three pairs of trains from Mombasa to Nairobi (and vice versa) and passenger ferried were 2.25 Million compared to 1.236M in FY 2020/21. The improved performance is due to continued reliability of the long distance services after coming out from the restriction in movement during the Covid 19 high season that started in March 2020.

An aerial view of Madaraka express passenger train. The services achieved over 98% reliability making it popular with travelers.

Passengers inside the Madaraka Express.



Similarly, the Nairobi Commuter Rail expansion & additional DMUs, Nairobi- Nanyuki line continued operations and the launched Nairobi- Kisumu passenger travel contributed to improved performance. The number of commuters ferried were 4.08 Million compared to 3.27 Million passengers in a similar period last year.

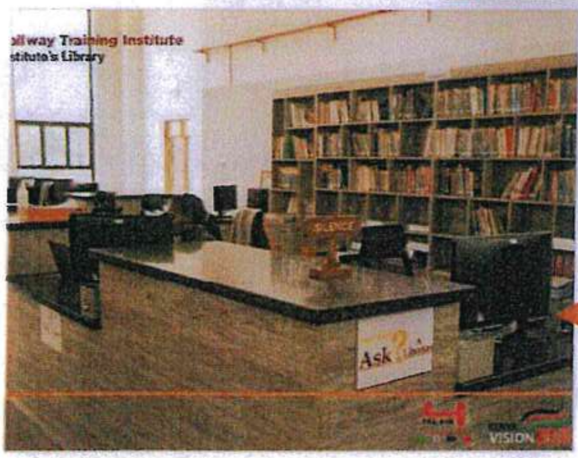
The Nanyuki safari train. This service is affordable and has promoted domestic tourism in Nanyuki and its environs .

The passenger ferried were 4.08Million compared to 3.27 Million passengers in a similar period last year.

A travelling ticket examiner attending to customers inside the Nairobi Commuter Diesel Multiple Unit. KR prides in comfort to our passengers.

The Non -Rail business continued with leasing our properties which has continued to be the backbone of the Corporation. The line collected **Kes 909 Million** compared to **Kes 1.14 Billion** the previous year. This is as a result of reduction in leases due to the opening of the corridor for operations.

Kenrail Towers in Westlands Nairobi. It offers modern office space in prime location.



KR manages the Railway Training Institute, a centre of excellence which recorded an enrolment of 6,291 students in the year compared to 2,448 in the previous financial year. The improved performance was due to additional courses on offer and the lifting of Covid 19 containment measures that allowed learning all through the financial year.

Railway training institute library. The institution offers training that is responsive to emerging market challenges. It is the Corporations center of excellence

Financial performance

The Corporation recorded an operating loss of **Kes 4.88 Billion** before comprehensive items. Pre-tax loss was **Kes 17.69 Billion**. The after tax loss was **Kes 12.71 Billion.** This performance is due to mainly interest on SGR On Lent Loan and SGR Asset Depreciation factored in the financial results. The Corporation also made a foreign exchange gain of Kes 1.74 Billion.

Revenue

The throughput revenue went up by 5% **(Kes 830 Million)** to **Kes 17.71 Billion** during the year under review from **Kes 16.88 Billion** recorded in FY 2020/21. The increase is largely attributed to the SGR revenue that increased due to movement of more volumes of conventional cargo as much as there was a decline in performance in the MGR and Non -rail business due to availability of locomotives and the decline in leased properties respectively.

The Corporation also received grants of **Kes 30.93 Billion** during the year under review compared to **Kes 23.02 Billion** in the previous year to anchor operations.

Operating Expenditure

In the FY 2021/22, The overall expenditure reduced by 26.6% owing to reduced provisions for bad and doubtful debts and foreign exchange unrealized gain. However, there was an increase in operational costs with an improved top line, increased depreciation with capitalization of assets, increased staff costs due to recruitments and annual increments, increased financing costs due to SGR loan obligations.

Financial Position

The Corporation's balance sheet has assets worth **Kes 779 Billion**. Of these 95% relate to SGR assets. The main debtor for the Corporation is KPA and the main creditor is the SGR Operator (Afristar) KR has cash reserves of **Kes 44 Billion** most of these funds relate to SGR collections which are ring fenced funds.

Government Support and Stakeholder collaborations.

The Corporation continued to receive GoK support to ensure that both operations and capital projects are mirrored to meet KRCs vision and mandate. The Corporation receives the funds from the Railway Development Levy and the Exchequer. For the projects, feasibility studies and project concept notes are done to ensure prioritisation of projects

Kenya Railways has also curved space in the regional logistics players table. The Corporation participated in the Africa Mashariki transport awards where I gave the key note address on the need to go back to mass transport.

The Managing director addressing AMIT award participants where he reiterated the need for mass transportation.

Chairman Pastor Awitta receiving an award on behalf of Corporation at the AMIT award ceremony.

KR staff at the Corporation stand showcasing our services

During the FY 2021/22, the Corporation received an operational grant of **Kes 30.92 Billion** and Capital Grants(Capex) of **Kes 14.7 Billion**. The Operation Grant was mainly channelled to pay SGR Operator Bills. The Capital grants were invested mainly in MGR rehabilitation projects mainly the Nairobi -Malaba line, SGR- MGR Longonot Link, Nakuru - Kisumu line and branch lines like Gilgil-Nyahururu, Nairobi Commuter Rail, Nairobi- Konza, Kisumu Butere and Kitale- Leseru Lines among others. The CaPeX has also been critical to locomotive procurement and refurbishment.

KR has been working closely with GoK related agencies to ensure that the projects are implemented. These entities are from Road agencies like KURA for access roads, Kenya Defense Force and National Youth Service for cost efficient Labour and Kenya Shipyard for the Locomotive refurbishment.

A forklift handling deconsolidated cargo at the Transit shed. The operationalization was made possible with the support of GoK and related agencies such KPA and KRA. It has eased the cost of doing business for small scale traders

Loco 9316 at the Central workshop, this locomotive was rehabilitated with the support of the Kenya Shipyard services

From an operational perspective KR has also worked closely with KPA in ensuring efficiency in SGR and MGR operations, revenue assurance and collection from the SGR.

KR owes its gratitude to GoK for the immense support accorded both from planning, financial injection and the labour supply to ensure projects execution.

Human Capital

KRC has a huge staff base due to its human capital intensive operations. On this backdrop KR has ensured it has a senior management with a wealth of experience to handle the unique nature of rail operations and engaged consultants where necessary.

We pride ourselves in promoting gender balance, the current gender balance ratio in the Corporation is 1:3 for women to men respectively. Since SGR inception, KRC embarked on a localization program to enable prepare for a takeover at the end of the first five years of operations. We are pleased to announce that during the year the Corporation took over major components of the SGR operations from the Operator (Afristar) thereby bringing on board 582 employees to close at 2,652 staff at year end from 2,164 the previous year. KR facilitated a smooth transition from the Operator and therefore no local staff were laid off.

Due to expected take over, the Corporation embraced a Culture Change program which kicked off within the year to ensure a harmonised staff especially after the end of the concession and on boarding of SGR staff to by having a unified culture.

We have also engaged approximately 2,023 number temporary staff against 2,279 in the previous year due to the unique nature of rail operations to assist in the rail maintenance and rehabilitations across the network hence creating jobs for the people of Kenya.

The Corporation has also been experiencing a challenge of retirees who have a wealth experience especially in the technical operation areas hence the Corporation has been recalling staff with a certain expertise.

Staff being the most valuable asset which the Corporation prides in, it has continued to train its staff in order to motivate, retain and improve the quality of output. Due to lessons learnt from the Covid 19 pandemic the Corporation has renovated its offices to create more space for staff to ensure social distancing is observed and has continued to provide the staff with protective masks and sanitizers.

Appreciation

In conclusion, I take this opportunity to express my sincere gratitude to our stakeholders, The National Treasury and Ministry of Transport, Housing and Urban Development (Moti-HuD) for their distinguished role in helping us achieve our mandate through both policy and budgetary support. On behalf of the entire management and staff, I wish to thank the Chairperson and the Board of Directors for their continued support, visionary leadership and the guidance they provided to the management team throughout the year.

I also wish to recognize the role played by our customers, the shippers, cargo consolidators, and passengers/commuters who continue to support our various initiatives and take up our services. These are critical stakeholders without whom we would not have achieved our set objectives and financial goals

On behalf of the Board of Directors and management of KRC, I take this opportunity to congratulate KRC staff for delivering this year's good results and enable the Corporation to remain afloat. It is through their tireless efforts and commitment that we have been able to remain anchored and focused despite any operational and administrative challenges. I look forward to your continued support to make KRC play its national and regional strategic role of transforming the lives of our people.

Regards

Philip J. Mainga EBS
MANAGING DIRECTOR

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021-2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

During FY2021/2022 Kenya Railways prioritised completion of programmes/projects/activities initiated during the 2017-2022 Strategic Plan period. The plan was in line with the Vision 2030 and its Third Medium-Term Plan (MTP III) which identifies expansion of rail network as a key enabler towards the achievement of the Country's development agenda. The aim of railway expansion was to increase its capacity to handle 30 percent of freight from the Port of Mombasa annually and move 10 million passengers by 2022.

The Kenya Railways 2017-2022 revised Strategic Plan had four (4) Key Result Areas (KRAs) and nine (9) strategic objectives. The KRAs were as follows:

i. Rail and Associated Infrastructure Development and Maintenance
ii. Rail Operations and Service Delivery
iii. Financial Stewardship and Sustainability
iv. Institutional Capacity Development

It is through the KRAs that the Corporation's Vision, Mission and Mandate were translated into a comprehensive set of strategic objectives, strategies and activities for implementation over the 5-year period. Corporate Annual Work Plans were also developed and regular assessments conducted based on targets set at the beginning of each financial year.

During FY2021/22, the following were the key targets for the rail sub-sector:

i. Completion of construction of 23.6Km ICD Naivasha MGR Longonot Link;
ii. Rehabilitation of Longonot - Malaba MGR line (465.1km);
iii. Revitalization and Operationalization of Nakuru - Kisumu Branch Line (278Km);
iv. Movement of 10.2Million tonnes of freight consisting of 8.5 Million through SGR and 1.7 through MGR; and,
v. Movement of 6.5 passengers consisting of 2Million SGR long-distance passengers and 4.5 commuters through the Nairobi Commuter Service.

The table below provides a summary of achievements on the Corporation's Key Performance Indicators.

Strategic Objectives	Key Performance Indicators Achievement Target	FY2020/21	FY2021/22		Comments
		Achievement			
Objective 1: Achieve technical completion and commissioning of 30.9Km of rail and 100% development of associated infrastructure	KMs of MGR track constructed	23.6	23.6	23.6	Construction of the 23.6KM Naivasha - Longonot MGR link was completed
	% completion rate	85	100	100	
	KM of MGR track Rehabilitated	345.8	681.7	681.7	Longonot - Malaba and Nakuru - Kisumu MGR lines were rehabilitated
	No. of MGR stations constructed	-	20	10	New Passenger stations were constructed in Kisumu, Chaka and 8 others in Nairobi's NCR. The rest were at different stages of completion
	No. of MGR stations rehabilitated	10	14	14	14 station were rehabilitated along the Nakuru - Kisumu branch line

Objective 2: Maintain Track Quality Index of below 10 for SGR and below 20 for MGR networks	SGR Track Quality Index		5.96	<10	5.84	The low TQI is because of regular maintenance of the SGR track
	No. of MGR Locomotives Acquired		-	22	8	2 locos had been delivered by end of the period while others will be delivered by Q1 of the next FY
	No. of MGR Locomotives Refurbished		6	9	6	Refurbishment is done in partnership with Kenya Shipyard Limited.
	% availability of locomotives MGR	SGR	97.37	95	97.99	The high SGR locomotive availability is because of high level of maintenance
		45	80	73	Availability of MGR locos is increasing as a result of the acquisition, refurbishment and maintenance	
Objective 3: Increase rail freight market share from 15% (4.8 Million tonnes) in 2019 to 30% (11 Million tonnes) by December 2022	Freight Moved (tons)	SGR	5,145,677	6,518,704	5,666,375	Movement of freight affected by cross – border operational challenges
		MGR	711,646	1,246,273	561,580	
		MV Uhuru	38,120	52,800	33,323	
	Transit time: Msa - Nbi (hrs)	SGR	9.5	9	9.98	Longer transit time arose from introduction of an additional passenger trip
		MGR	47.6	18	29.03	Longer transit time for MGR is due to speed restrictions
Objective 4: Move 8 Million commuters and 2 million passengers by 2022	No. of SGR long distance Passengers		1,235,075	2,500,000	2,249,806	Performance was due to introduction of additional passenger trip
	No. of MGR Urban Commuters		3,254,886	4,500,000	4,083,200	Performance is due to lifting of Covid-19 restrictions

Performance of Rail Transport in FY2021/2022

Rail transport is a key enabler towards the realisation of the country's development blueprint, the Vision 2030 which envisages an expanded rail network across the country. Rail supports growth of other sectors of the economy and increases competitiveness of locally produced goods at the national, regional and global levels by contributing towards low cost of doing business. It also promotes economic integration and opens up areas for trade and development due to its widespread network.

During the period under review, performance of the rail sub sector was affected by the ripple effects of the global economic crisis occasioned by the war in Ukraine which disrupted supply chains, tightened financial conditions and led to escalation of oil and commodity prices in the entire global market. The events dampened the momentum in growth previously witnessed in the first half of the year following the easing of COVID-19 containment measures.

The global situation exposed Kenya Railways to a huge foreign exchange challenge due to the negative impact on the Corporation's dollar denominated loan obligations and operator invoices. In addition, sea freight charges increased thus affecting throughput at the Port of Mombasa which is the main source of rail freight. Further, some of the key commodities moved by rail such as steel were subjected to additional taxation which reduced demand.

The rise in cost of fuel negatively impacted rail operations due to the high nature of fuel consumption of the business. This in effect adversely affected the overall bottom line of the Corporation.

The Corporation was further burdened by the cost of passenger operations which is a social obligation provided by the Corporation. The operating cost incurred in providing these services exceeds the revenue generated out of them and therefore the need for subsidy from the Government.

Kenya Railways however remained resilient by achieving considerable results in project implementation, freight movement and freight operations as summarised below:

Rail Infrastructure Development

In line with the set targets, construction of the 23.6Km ICD Naivasha MGR Longonot Link was completed and operationalised. The aim of the link is to facilitate seamless transhipment of freight destined to Western Kenya and the Great Lakes region. Rehabilitation of the Longonot - Malaba MGR line was also completed.

Construction of Naivasha - Longonot

During the period, rehabilitation of the Nakuru – Kisumu MGR branch line was completed and operations commenced. Other accomplishments for the line included the construction of a new passenger station in Kisumu, refurbishment of 17 stations along the line and acquisition of additional rolling stock (8 locomotives, 59 Wagons and 13 coaches).

Freight Movement

A total of 6.22Million tonnes of freight was moved consisting of 5.66Million tonnes for SGR and 0.56Million Tonnes MGR representing 87.2% achievement of the period's target of 7.05Million and an increase of 10.1% compared to the previous year's performance of 5.15Million tonnes. The rail market share of the Port throughput during the year was 24% compared to the previous year's 22%.

Performance of Freight movement was affected by:

i. The ripple effects of the global economic crisis arising from the war in Ukraine which disrupted supply chains;
ii. Increased sea freight charges which affected throughput at the port of Mombasa which is the main source of rail freight; and,
iii. Reduced demand due to additional tax imposed on key commodities such as steel.

Passenger Movement

A total of 6.33Million passengers were moved against the period's target of 7.74Million translating to an achievement of 81.7%. SGR's Madaraka Express moved 2.25Million passengers against a target of 2.5Million while 4.08Million commuters used the Nairobi Commuter Rail (NCR) service against a target of 4.5Million. The increase in passenger numbers was attributed to the easing of Covid-19 containment measures, the introduction of an additional SGR passenger trip, full utilisation of Diesel Multiple Units (DMUs) and expansion of the Nairobi Commuter Service to Limuru and Lukenya.

7. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Kenya Railways is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring compliance with the laws and the highest standards of business ethics 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.

Role & Functions of the Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Kenya Railways Corporation Act, Cap 397. The Board comprises of 12 (twelve) directors namely, the Chairman, the Managing Director, six independent non-executive directors, and four statutory office holders from; the National Treasury, the State Department of Transport under the Ministry of Transport, Infrastructure, Housing and Urban Development & Public Works, the Kenya Ports Authority and a representative of the Inspector General of State Corporations.

The Board defines the Corporation's 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. The Directors bring a wealth of experience and knowledge to the Board's deliberations. The Board is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over matters. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Corporation Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements. As KR 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.

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 the following meetings during the year under review.

The attendance per Board Member was as follows:

FULL BOARD

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
Maj. Gen (Rtd) P. Awitta - Chairman	7	18	25
Dr. Rahab Nyaga	2	6	8
Mr. Tom Omariba	4	12	16
Mr. Martin Mogwanja	7	17	24
Dr. John Nyerere	2	5	7
Ms. Catherine Musakali	8	4	12
Mr. Mohamed Alawi	5	6	11
Mr. Humphrey Muhu	7	12	19
Dr. Duncan Hunda	7	11	19
Capt. William Ruto	4	9	13
Mr. Sudi Mwasinago	2	2	4
Mr. Peter Waweru	5	5	10
Mr. Philip J. Mainga	7	18	25
Mr. Stanley Gitari	7	18	25

STRATEGIC PROJECTS COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
Dr. Rahab Nyaga	1	2	3
Mr. Martin Mogwanja	4	5	9
Mr. Tom Omariba	4	3	7
Mr. Humphrey Muhu	4	5	9
Dr. Duncan Hunda	4	5	9
Capt. William Ruto	4	1	5
Mr. Sudi Mwasinago	2	1	3
Mr. Peter Waweru	4	4	8
Mr. Philip Mainga	5	4	9
Mr. Stanley Gitari	5	4	9

FINANCE, HUMAN RESOURCES AND ADMINISTRATION COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
Mr. Tom Omariba	7	3	10
Dr. John Nyerere	4	1	5
Mr. Mohamed Alawi	5	2	7
Mr. Humphrey Muhu	8	4	12
Dr. Duncan Hunda	8	2	10
Mr. Peter Waweru	6	2	8
Mr. Philip Mainga	10	4	14
Mr. Stanley Gitari	10	4	14

BUSINESS OPERATIONS & INVESTMENTS COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
Dr. John Nyerere	4	-	4
Ms. Catherine Musakali	4	-	4
Mr. Tom Omariba	1	1	2
Dr. Duncan Hunda	5	1	6
Mr. Humphrey Muhu	5	1	6
Capt. William Ruto	3	-	3
Mr. Peter Waweru	2	1	3
Mr. Philip Mainga	5	1	6
Mr. Stanley Gitari	5	1	6

RISK AND AUDIT COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
Mr. Martin Mogwanja	4	1	5
Dr. Rahab Nyaga	2	-	2
Ms. Catherine Musakali	2	1	3
Mr. Mohamed Alawi	2	1	3
Mr. Humphrey Muhu	2	1	3
Dr. Duncan Hunda	4	1	5
Mr. Peter Waweru	2	1	3

Board Performance

In order to assure the shareholders of the Corporation's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Government as well as sets Corporate Performance strategies with Management and continues to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the targets envisaged at the beginning of each year.

Directors' Emoluments

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2021/22 are disclosed in the notes to the financial statements under Note 16.8. Non-executive directors are paid sitting allowances for every meeting attended.

Ethics, Conduct and Governance

The Corporation seeks to adhere to the principles of good governance as appropriate. The Corporation is a non-discriminatory employer operating an equal opportunities policy which aims to eliminate discrimination, harassment and victimization. The Corporation is committed to ensuring all individuals are treated fairly, with respect and are valued irrespective of gender, disability, social class, nationality, religion, marital status, age, employment status, membership or non-membership of a trade union.

Orientation, Information and Board Developments

Newly appointed Board Members are taken through an orientation process. Directors receive induction training on appointment to the Board which is tailored to their individual needs and experience. Information is provided to Directors on their responsibilities, regulations and legal obligations.

The new Board Members are also taken through induction tours in all regions in the country where Railway assets exist.

As per the guidelines in the Mwongozo Code of Governance for State Corporations, the Board is to receive detailed briefing papers and reports on the business to be conducted at each meeting at least ten days in advance of the meeting. All directors have access to the advice and services of the Corporation Secretary who, if necessary, has access to external legal advice.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Board and Management team is committed towards achievement of strategic objectives outlined in the Corporation's revised 2017-2022 Strategic Plan as well as aspirations of the National Government Development Initiatives *'The Big Four'* Agenda. The year 2021-2022 is the final year of the current strategic plan.

Despite the effects of COVID 19 on the economy and other global challenges, performance of rail remained resilient during FY2021/22 thereby acting as a key enabler of growth in other sectors including manufacturing. This report provides information on the Corporation's performance in its key operational units for the FY2021/2022. It also highlights financial performance, implementation status of projects as well as challenges faced during the period and actions recommended for future improvement.

8.1 Financial Performance

The overall financial performance is as per the table below;

SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th June 2022						
	Note	SGR 30th June 2022 KES.	MGR 30th June 2022 KES.	Non Rail 30th June 2022 KES.	RTI 30th June 2022 KES.	TOTAL KRC 30th June 2022 KES.
REVENUES						
Main Income	5	16,071,017,819	1,333,334,643	909,564,999	336,629,123	18,650,546,585
Discount Allowed		(1,052,657,396)	(1,777,890)	(51,878,885)	-	(1,106,314,171)
Other income	7	-	145,899,200	17,033,186	-	162,932,386
TOTAL REVENUES		15,018,360,424	1,477,455,954	874,719,300	336,629,123	17,707,164,801
OPERATING EXPENSES						
Board expenses	8	(16,446,367)	(9,867,820)	(6,578,547)	(645,600)	(33,538,335)
Staff Cost		(460,156,149)	(925,085,556)	(277,723,858)	(197,003,849)	(1,859,969,412)
Administration expenses	9	(90,167,685)	(206,325,716)	(507,333,462)	(135,856,606)	(939,683,469)
Rail Operational expenses	10	(17,939,628,774)	(1,812,700,675)	-	-	(19,752,329,449)
TOTAL OPERATING EXPENSES		**(18,506,398,975)**	**(2,953,979,767)**	**(791,635,867)**	**(333,506,055)**	**(22,585,520,665)**
TOTAL EXPENSES		**(18,506,398,975)**	**(2,953,979,767)**	**(791,635,867)**	**(333,506,055)**	**(22,585,520,665)**
OPERATING PROFIT/(LOSS)		**(3,488,038,551)**	**(1,476,523,814)**	**83,083,433**	**3,123,068**	**(4,878,355,864)**
Other comprehensive income						
Profit on sale of fixed assets		-	-	-	-	-
Finance Income	13	-	-	271,662,475	498	271,662,973
Finance Expense	13	(22,723,783,487)	-	-	-	(22,723,783,487)
Penalties/Interests On Deb		(1,312,362,215)	-	-	-	(1,312,362,215)
Exchange Gain/Loss		1,755,761,432	-	-	-	1,755,761,432
Government Grants	6	30,929,966,797	-	-	-	30,929,966,797
Depreciation of property, plant and equipment	11	(21,184,554,450)	(122,377,046)	(230,753,708)	(9,803,083)	(21,547,488,287)
Amortisation of Intangible Assets	12	-	(5,597,762)	(5,597,762)	-	(11,195,523)
Provision For Bad Debts		(168,096,610)			(11,489,310)	(179,585,920)
PROFIT/(LOSS) BEFORE TAXATION		**(16,191,107,085)**	**(1,604,498,621)**	**118,394,438**	**(18,168,827)**	**(17,695,380,095)**
INCOME TAX EXPENSE	14	4,984,185,870	-	-	-	4,984,185,870
PROFIT/(LOSS) AFTER TAXATION		**(11,206,921,215)**	**(1,604,498,621)**	**118,394,438**	**(18,168,827)**	**(12,711,194,225)**

The Corporation's Operating revenue in FY 2021/22 was **Kes 17.707 billion**, net of discounts, against **Kes 16.877 billion** the previous year. The total loss in the FY is **Kes 12.711 billion** compared to **Kes 24 Billion** in the FY 2020/21. The significant reduction in loss is largely due to government grants of **Kes 30.929 Billion** received compared to **Kes 23.021 Billion** the previous FY. Also in the current year, The Corporation has recognized a deferred tax income of **Kes 4.98 Billion**.

Operating expenses of **Kes 22.58**. billion were incurred compared to **Kes 21.278 Billion** the previous year with the increase by **Kes 1.306 Billion** being attributed to increase in operational costs due to haulage of incremental tonnages and passengers. SGR rail operation cost totaled to KES17.9Billion which comprised of Operator(AfriStar) costs as well as Marketing cost of both the Passenger and freight Services. The operator costs are based on the O&M contract. MGR rail Operation costs were at **Kes 2.9 Billion** including staff cost of **Kes 925 million**

Table 8.1: Key Financial performance; Revenue

REVENUE	FY21/22	FY20/21	Change	Variance
RENT INCOME	909,564,999	1,103,768,145	(194,203,145)	-21%
SGR INCOME	15,018,360,424	13,572,421,989	1,445,938,435	10%
EQUIPMENT LEASE INCOME	80,787,895	60,460,850	20,327,046	25%
MUSEUM INCOME	2,417,753	694,650	1,723,103	71%
INVESTMENT INCOME	2,027,424,405	313,541,588	1,713,882,817	85%
OTHER INCOMES	27,847,853	372,070,045	(344,222,192)	-1236%
MGR REVENUES	1,331,556,754	1,556,536,885	(224,980,131)	-17%
GOK GRANT	30,929,966,797	23,021,169,736	7,908,797,060	26%
RTI Income	336,629,123	211,551,557	125,077,566	37%
TOTAL REVENUE	**50,664,556,002**	**40,212,215,444**	**10,452,340,558**	**21%**

SGR Income improved owing to higher volumes railed in the year. Equipment lease income improved as a result of leases to CRBC for rehabilitation of MGR lines. Investment income included foreign exchange gains on bank balances and assets. Museum income has increased compared to previous year. In the year RTI offered more premium rail courses and was not affected by Covid containment measures as witnessed in 2020-2021.

Table 8.2: Key Financial performance; Expenses

COST	2021 2022 Amount Kes	2020 2021 Amount Kes	Change Amount Kes	Percentage
Staff Costs	(1,859,969,412)	(1,690,858,465)	(169,110,947)	9%
Rail Operations Costs	(19,752,329,449)	(18,989,577,533)	(762,751,915)	4%
Training	(25,247,849)	(10,458,496)	(14,789,354)	59%
Travel & Accommodation	(168,863,496)	(129,068,478)	(39,795,017)	24%
Legal & Professional	(201,380,718)	(73,341,505)	(128,039,213)	64%
Board Expenses Total	(33,538,335)	(38,958,946)	5,420,611	-16%
General Office Expenses	(286,805,243)	(241,527,374)	(45,277,869)	16%
Printing & Stationery	(10,306,145)	(12,547,269)	2,241,124	-22%
Mv Running Expenses	(73,304,030)	(43,819,732)	(29,484,297)	40%
Utilities Expenses	(69,054,483)	(61,305,408)	(7,749,075)	11%
Communications Costs	(17,313,943)	(10,170,881)	(7,143,062)	41%
Advertising & Promotion	(40,429,625)	(35,284,488)	(5,145,137)	13%
Subscription & Donations	(4,063,007)	(3,079,559)	(983,447)	24%
Insurance Expenses	(13,618,725)	(26,176,930)	12,558,204	-92%
Repairs & Maintenance	(29,296,206)	(33,443,496)	4,147,290	-14%
Provision For Doubtful Debt	(179,585,920)	(4,721,701,545)	4,542,115,624	-2529%
Total Operating Cost	**(22,765,106,585)**	**(26,121,320,105)**	**3,356,213,520**	**-15%**
Profit Before Non operational Costs	**27,899,499,417**	**14,090,895,339**	**13,808,604,078**	**49%**
Finance Expenses	(22,723,783,487)	(17,531,014,336)	(5,192,769,152)	23%
Penalties/Interests On On-Lent Loan	(1,312,362,215)	(644,343,297)	(668,018,918)	51%
Deferred Tax	4,984,185,870	120,672,413	4,863,513,457	98%
Depreciation Expenses	(21,558,683,810)	(20,037,928,445)	(1,520,755,365)	7%
Total	**(12,711,144,225)**	**(24,001,718,325)**	11,290,574,100	-89%

A number of costs were reduced owing to cost containment measures and reduced activity. This includes printing and stationery, repairs and maintenance. A number of costs increased due to increased activity. This includes training, motor vehicle running expenses, legal fees, communication costs, subscription and donation and general office expenses. Provision for doubtful debts included RVR debt of Kes 3.5 billion in 2020-2021. Finance expense increase resulted from the loan obligations falling due in the year. Deferred tax figure increase results from consideration of the tax shield afforded by the timing difference of depreciation of SGR assets

Macro Financial Environment and Effects on performance

The first half of the period under review was marked by robust growth in Kenya's economy which recovered from a negative growth of 0.3% in 2020 to 7.5% in 2021. The strong economic performance was majorly driven by easing of COVID-19 containment measures, implementation of fiscal consolidation measures by Government as well as roll out of vaccination against the pandemic.

The momentum in growth was however dampened during the first half of 2022 by ripple effects of the global economic crisis caused by the war in Ukraine. The war disrupted supply chains, tightened financial conditions and resulted in escalation of oil and commodity prices in the entire global market. This was witnessed with increased inflation averaging 6.6% during the period.

The situation exposed Kenya Railways to a huge foreign exchange challenge where the value of the Kenya Shilling dropped by 8.4% from **Kes 107.71** in July 2021 to **Kes 117.57** in June 2022 against the dollar. This negatively impacted on the dollar denominated loan obligations and operator invoices.

In addition, disruption in the global supply chain and increased sea freight charges affected throughput at the Port of Mombasa which is the main source of rail freight. Further, some of the principal commodities such as steel were subjected to additional taxation which reduced demand. This was witnessed with increased inflation averaging 6.6% during the period.

The rise in cost of fuel negatively impacted rail operations due to the high nature of fuel consumption of the business. Expenditure on fuel for train operations rose from **Kes. 394,518,441** in January to **Kes. 431,842,300** in March and **Kes. 444,149,842** in May 2022. The increase in cost of fuel adversely affected the overall bottom line of the Corporation.

The Corporation was further burdened by the cost of the long distance passenger and commuter services both on SGR and MGR. The operating cost incurred in providing these services exceeds the revenue generated out of them and therefore the need for subsidy from the Government because of the net socio-economic benefit derived from the services.

The Corporation absorbed **Kes 16.8 Billion** (98%) of GoK allocated funds against a target of **Kes 40.40 Billion.** The funds were used for rail operations, refurbishment of coaches and settlement of contractor fees in construction of Naivasha special economic zone Textile park- ICD Naivasha and continuing capacity enhancing projects for the Metre Gauge Railway. Likewise, **Kes 9.28Billion** (100%) of externally mobilised funds from development partners, EXIM Bank, were fully absorbed in settlement of SGR Phase 1 and Phase 2A contractor fees.

8.2 Operational Performance

Operational performance will cover the highlights of the operating divisions of MGR, SGR, RTI and Non Rail,

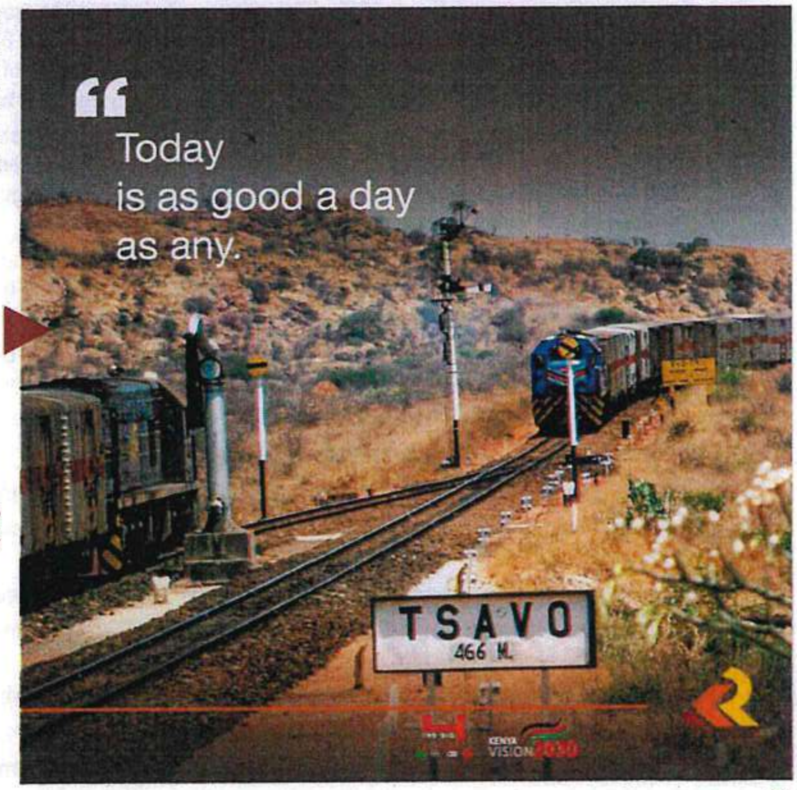
8.2.1 MGR Operational Discussions

8.2.1.1 Performance Matrix

Performance of MGR is monitored on the following Key Indicators (KPIs):

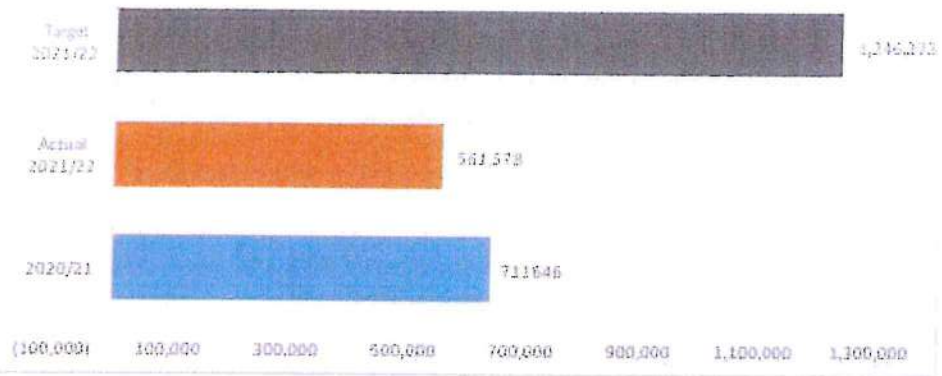
i. Number of Passengers
ii. Freight tonnage;
iii. Net Tonne Kilometres
iv. Gross Tonne Kilometres
v. Gross Wagon Kilometres
vi. Availability and Reliability of rolling stock
vii. Accidents and Incidents

MGR freight service hauled 561,580 tonnes against a target of 1,246,273 tonnes representing 45% achievement. This was a decline by 150,066 tonnes (21%) compared to the previous year's 711,646 tonnes hauled as shown in the figure below.



An MGR cargo train approaching Tsavo station . MGR provides connectivity to major clients through vast network of rail sidings

Figure 4: MGR Freight



CHALLENGES AFFECTING MGR FREIGHT BUSINESS

Tonnage moved by MGR was heavily reliant on efficiency of key rail operational indicators. The drop in freight hauled was attributed to the following:

- Low asset reliability affecting client retention as a result of high transit and line blockage times.
- Poor locomotive reliability was experienced in the period averaging 2,238km Mean Kilometres Between Failures (MKBF) against a target of 3,500km. This led to longer transit time averaging 29.03hrs from Changamwe to Nairobi and 41.49hrs between Naivasha and Malaba each exceeding their 18hrs target.
- Low Locomotive availability - In order to move the targeted tonnage, a 90% locomotive reliability was required during the period. However, 73% of locomotive availability was attained, 29 out of an active fleet of 39 locomotives.
- High number of incidents – Incidences along the network negatively impacted freight services leading to 4,279hrs of line blockage. Derailments and Capsizement along the network accounted for 37.2% of incidences totalling 241 out of the 648 recorded in the period. Incidences affected cargo delivery timelines and assets circulation leading to diversion of cargo to other modes of transport as well as increased demurrage claims from clients.
- Temporary Speed Restrictions (TSR) - TSRs are usually imposed to prevent incidences along the track. During the period, a total of 726.9KMs between Changamwe and Malaba, being 67% of the mainline, was placed under TSR below 30Kph. Trains during the period operated at an average speed of 26.5Kph along the network which is similar to the required locomotive speed to minimise damage to motive traction motors.
- Cargo evacuation delays at the Malaba yard due to Cross border operational challenges – During the period, the Ugandan network experienced operational challenges which resulted in an average 5 days' cargo dwell time at Malaba and over 15 days' cycle time in Uganda. This led to cargo congestion at the yard leading to cargo diversion to road, exports volumes and empty wagons return delay.
- Decline in key commodities imported by principal clients - High commodity prices, import duties, marine freight costs and currency exchange losses associated with the weakening of the Kenyan Shilling affected import of key commodities such as steel and vegetable oil which declined by 66% and 50% respectively.
- Exit of Prime Fuels Kenya Limited as a key client - Prime Fuels Kenya Limited pulled out of the Market in December 2021 affecting targeted haulage of vegetable oils on rail by 61,073 Mtns.

MANAGEMENT STRATEGIES TO IMPROVE MGR FREIGHT BUSINESS

Management has put in place the following strategies in an effort to improve performance:

i. Increased track availability by reducing line blockage incidences through effective routine maintenance of the MGR track;
ii. Rehabilitated and modified MGR wagons to enhance capacity for cargo mix and diversification;
iii. Expedite completion of the Malaba transhipment facility for efficient intermodal transhipment of transit freight by road;
iv. Continuously engaging Uganda Railways on implementation of cross border operations;
v. Enhanced business development initiatives yielding new business including from Devki and Samburu steel plant.
vi. Engaged Kenya Pipeline to develop loading gantries for PMS at Kisumu depot. Additionally, KR to request KPC to

undertake loading operations during weekends; and,

vii. Review MGR tariffs in response to market changes.

viii. Expedited delivery of the acquired locomotives from the manufacturer as well as adequately stocking spare parts for locomotives and track rehabilitation to increase reliability and availability of assets;

In addition, a sleeper reconditioning facility will be established for speedy restoration of the track

MGR Key Operational Indicators

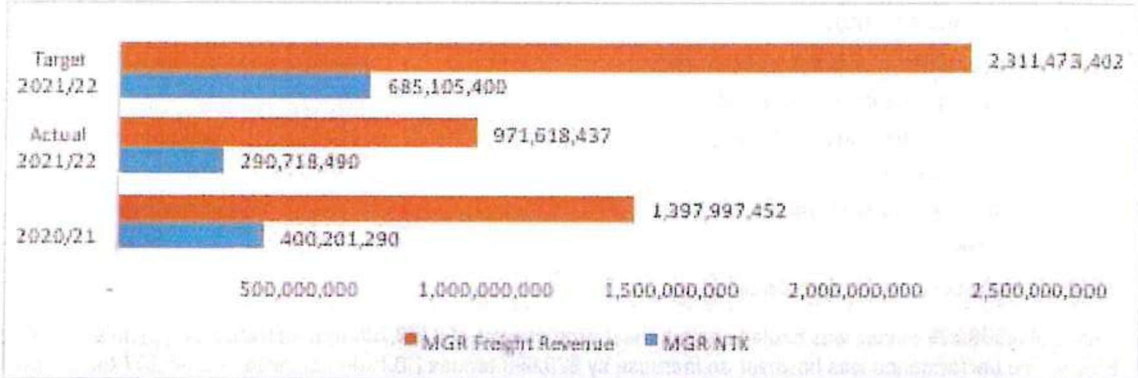
Further, shortfall in other rail indicators affected freight haulage as follows:

MGR Gross Tonne Kilometre - the total GTK for the period was 560.3 Million out of the targeted 702.4Million indicating reduction in the use of MGR rail infrastructure

Low GTK was mainly attributed to the high incidences of locomotive failures along the mainline sections leading to long blockage and recovery times.

MGR Net Tonne kilometres (NTK) - Similarly, NTK declined by 109.4 Million (27.4%) from 400.2Million moved in the previous year to a total of 290.7 Million NTK achieving 42.4% of the targeted 685.1Million during the year as shown below.

Figure 5: MGR - Net Tonne kilometres



There was a direct correlation between NTK and revenue which both dipped by 27.4% and 30.4% respectively due to low motive power, long line blockages and delays in evacuation of transit freight in Malaba.

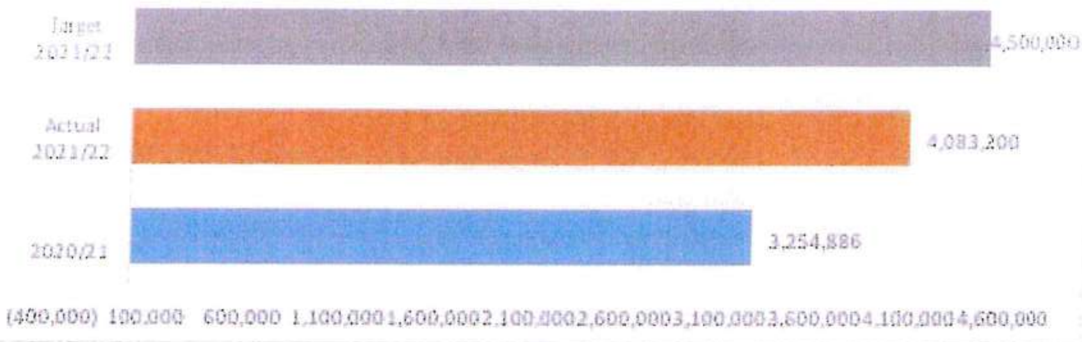
MGR Fuel efficiency - MGR's fuel efficiency averaged 13.51L/1000GTKs against a target of 11L/1000GTKs translating to a decline by 14.8% from 11.5L/1000GTKs attained in FY2020/21. Fuel efficiency is expected to improve following the continuous operationalization of acquired and overhauled locomotives.

MGR Passenger Services - A total of 4,083,200 commuters used the NCR service achieving 90.7% of the targeted 4,500,000 in the period.

Commuter train at the central stations. The service offers convenience and affordability to commuters in Nairobi.

This translated to an increase by 828,314 (25.4%) from 3,254,886 commuters moved in FY2020/21 as shown in the figure below.

Figure 6: NCR Commuter movements



8.2.2 SGR Operations

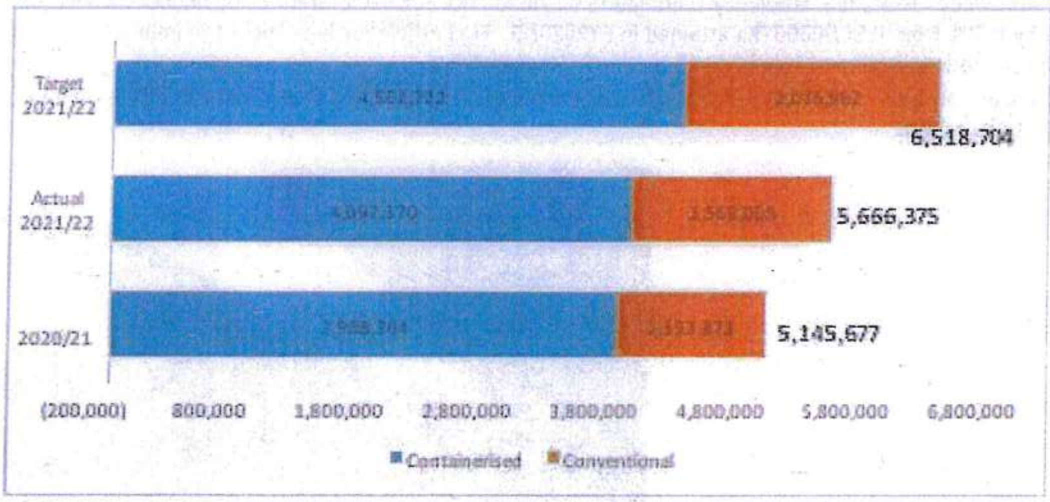
SGR service during the period was monitored using the following Key Performance Indicators (KPIs): i. Passenger Numbers, and Freight tonnage;

i. Gross and Net-Tonne kilometres covered;
ii. Train and Wagon kilometres covered;
iii. Availability and Reliability of rolling stock;
iv. Track Quality Index;
v. Accidents and Incidents; and,
vi. Transit time

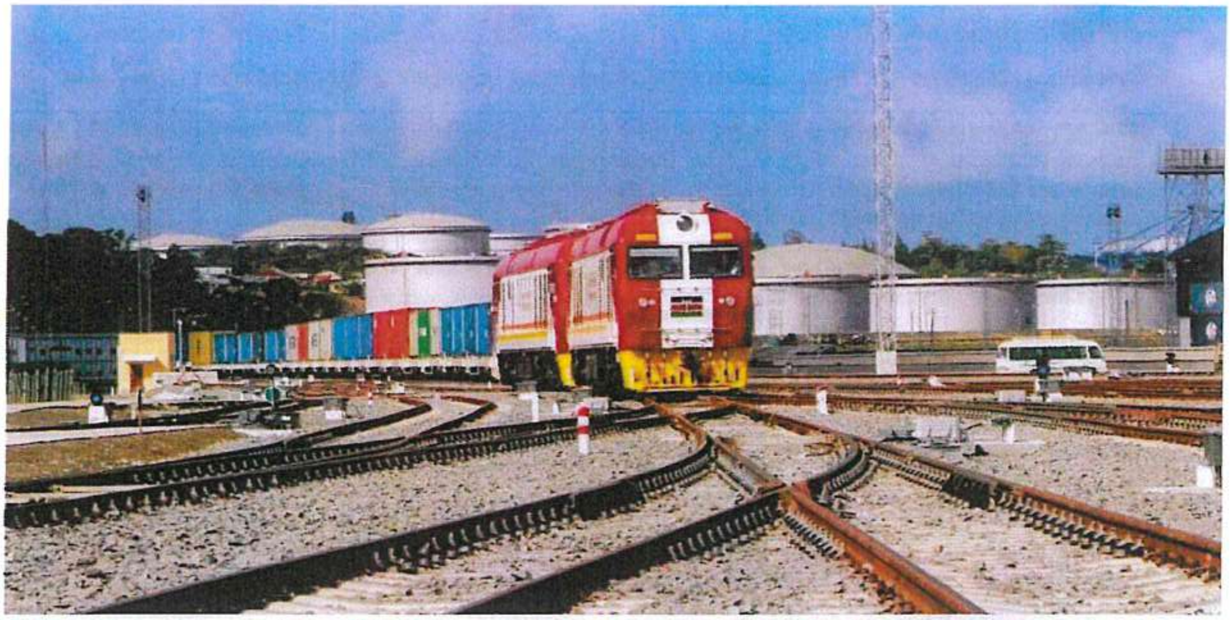
8.2.2.1 Freight Services Performance

A total of **5,666,375** tonnes was hauled against the period's target of 6,518,704 tonnes translating to an achievement of 87.2%. The performance was however an increase by 520,698 tonnes (10.1%) compared to 5,145,677 tonnes moved in FY2020/21 as indicated in the figure below.

Figure 1: SGR Freight Operations



SGR freight comprised 4,097,370 tonnes (72.3%) containerized cargo and 1,569,005 tonnes (27.7%) conventional cargo. Containerized cargo rose by 109,066 tonnes (2.7%) from 3,988,304 tonnes in FY2020/21 but missed the target by 405,352 tonnes (9%). Similarly, conventional cargo achieved 77.8% of the targeted 2,015,982 tonnes having increased by 411,632 tonnes (35.6%) from 1,157,373 tonnes the previous year.



SGR cargo train leaving a marshaling yard. The efficiency of the SGR has reduced drastically the congestion hitherto experienced at the port.

Increase in SGR freight haulage was mainly attributed to increased movement of transit freight through the Naivasha ICD following commencement of operations of the SGR-MGR link in Naivasha, haulage of clinker and continued use of long (75 wagons) and double stack trains.

CHALLENGES AFFECTING SGR FREIGHT BUSINESS

SGR freight business experienced an increase in freight haulage on a year to year basis but fell short of its target due to the following reasons:

i. **Low volume orders at the Port of Mombasa** - During the year, SGR loaded an average of 404 wagons out of a wagon availability 629 representing an achievement of 64.26% of the daily loading capacity at the Port. The inability to load the available resources limited the cargo haul as there was an idle capacity of 35.74%.

ii. **Delay in loading of containers at the Port** - Inadequacy of handling equipment at the Port negatively impacted on effectiveness and efficiency in loading and offloading of wagons leading to increased train turnaround time at the Port and subsequent delay in delivery of freight to clients.

iii. **Poor state of clinker loading yard at Mariakani SGR Station.** The poor state of the yard led to cases of equipment breakdown which resulted in loss of business to alternative modes of transport. In addition, the client faced a lot of challenges in trucking of cargo from Mombasa Island to Mariakani for henceforth transhipment to SGR.

iv. **Partial operationalization of the Nairobi Freight Terminal (NFT)** - Expansion and improvement works at the NFT which handles conventional cargo negatively affected freight haulage during the first half of the period.

MANAGEMENT STRATEGIES TO IMPROVE SGR FREIGHT BUSINESS

The Management initiated the following measures to improve efficiency of SGR operations:

i. Engage KPA to undertake joint planning and marketing activities internationally and regionally with an aim to diversify the movement of other types of cargo, mainly conventional, not being moved by SGR;
ii. Engaged KRA and KPA to authorise loading of clinker at Mombasa port as Mariakani yard is being upgraded. The Corporation plans to settle clinker loading at Miritini Freight Yard which offers effective intermodal connectivity.
iii. Ensure routine and periodic asset maintenance is undertaken to maintain the set SGR assets standards on efficiency and effectiveness;
iv. Optimally utilise NFT and enhance marketing on conventional cargo in the subsequent period; and,
v. Engage Kenya Ports Authority to enhance cargo transfer and loading equipment so as to increase daily loading capacity.

SGR KEY OPERATIONAL INDICATORS

Freight hauled by SGR was directly impacted by performance of the following SGR Key Operational Indicators.

SGR's Gross Tonne kilometres (GTK) increased by 145Million (2.6%) from the previous year's 5.55Billion to **5.69Billion** in the period under review achieving 90.7% of the targeted 6.29Billion GTK. GTK is the total weight of the rolling stock, equipment and load moved per Kilometre. It provides information on utilisation of rail infrastructure as well as derive direct costs such as fuel and maintenance of assets.

In this regard, SGR track routine maintenance was undertaken making it fully available for operations with zero blockage time while attaining a 5.84 Track Quality Index (TQI), an improvement from 5.96 attained in the previous year.

SGR Net Tonne kilometres (NTK) - During the period, SGR attained **2.64Billion NTK** achieving 90.6% of the targeted 2.91Billion in the period. This translated to an increase by 919Million (7.8%) compared to 2.45Billion NTK in FY2020/21 as illustrated below.

Figure 2: SGR - Net Tonne kilometres

NTK outlines tones moved per kilometre, excluding the weight of the rolling stock and equipment. The indicator is a standard measure for rail activity and therefore provides information on pricing of rail services over distance moved. Growth in NTK signifies increase in freight hauled and revenue raised.

While it is expected that an increase in NTK would result in increase in revenue, there was an inverse relationship during the period with NTK increasing by 7.8% while revenue dipping by 5.7% on a year to year basis. This was attributed to promotional tariff offered during the second quarter in an effort to attract freight haulage to the Naivasha ICD.

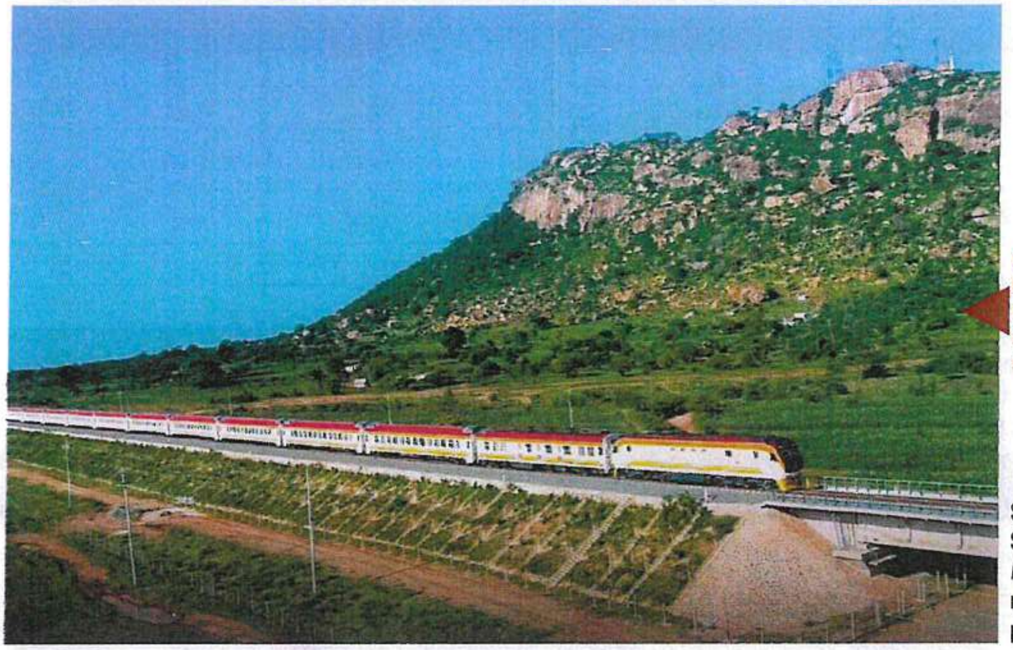
SGR Locomotive Availability - The target for the period was to achieve 95% locomotive and wagon availability as the minimum acceptable conditions to meet demand. An average of 54 out of 56 SGR locomotives were available for operations attaining a **97.99%** locomotive availability, an increase from 97.37% attained in the previous year.

SGR Wagon availability increased from 92.5% in FY2020/21 to **96.4%** averaging 1,561 out of 1,620 wagons. Wagon availability is expected to increase in FY2022/23 upon acquisition and operationalization of 300 wagons.

SGR Locomotive reliability - Locomotive reliability is measured through locomotive Mean Kilometers Between Failures (MKBF). SGR locomotive reliability is segregated under Passenger, Freight and Shunting locomotives. The network's freight locomotives MKBF more than tripled from 86,776km in the previous year to **274,124km** as well as that of shunting locomotives which increased by 53.7% from 107,799km to **165,755km** as a result of effective periodic maintenance undertaken during the period.

However, passenger locomotive reliability declined by 34.5% from the previous year's 254,096km to **166,384km.** This was associated with locomotive dynamic stability arising from newly installed spare parts during the period.

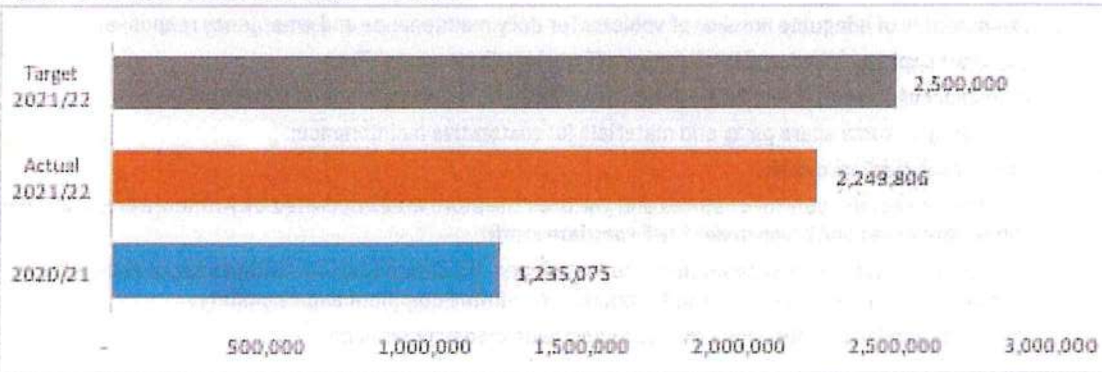
SGR Train Transit Time - To ensure optimal utilisation of the network's assets, SGR achieved a train freight transit time of 9.98Hrs between Mombasa and Nairobi against a target of 9 Hrs maximum. This translated to operating a daily average of 7.46 pairs of trains against a minimum target of 8 pairs. The increased freight transit time and shortfall in pairs of trains was mainly due to prioritisation of the additional passenger train (night train).



Madaraka express heading to mombasa. We also introduced the night train in response to market demands

SGR Passenger Services - The *Madaraka Express* moved **2,249,806** passengers achieving 90% of the targeted 2,500,000 passengers. This translated to an 82% increase compared to 1,235,075 passengers moved in FY2020/21 as illustrated below.

Figure 3: Number of SGR Passengers Numbers



The surge in passenger numbers was attributed to easing of Covid-19 containment measures as compared to the previous year and full optimization of the additional passenger trip (night train) during the period.

An increase in passengers moved is anticipated in FY2022/23 upon acquisition and operationalization of additional coaches and enhancement of the passenger ticketing system.

SGR Key parameters

SEGMENT	FY 2021-22 ACTUALS (000)	FY 2021-22 TARGETS (000)	FY 2020-21 ACTUALS (000)	FY 2021-2022 ACTUAL VS BUDGET VARIANCE (000)	FY 2021-22 VS FY2020-21 ACTUALS VARIANCE (000)
SGR Passenger(in number)	2,250	2,500	1,236	-250	1,014
SGR Freight (in tons)	5,666	6,519	5,146	-852	521
SGR Container Freight (tons)	4,097	4,503	3,988	-405	109
SGR Conventional Cargo Freight (tons)	1,569	2,016	1,157	-447	412

8.2.2.4 SGR Takeover

Effective June 1, 2022, Management took over forty (40) out of the fifty-two (52) SGR Operation and Maintenance functions in the broad areas of transport, locomotive and rolling stock, track, and signalling, communication, Electricity, and Information (SCEI).

The Corporation took over the following function;

S/No	Category/ Department	No of Functions taken over by KR	No of Functions retained with Afristar
1	Transport	18	5
3	Locomotive	8	0
4	Rolling stock	3	0
5	Track	6	6
6	Signalling, Communication, Electricity, and Information	5	1
	Total	40	12

Challenges

a) Unavailability of adequate number of vehicles for daily maintenance and emergency response;
b) Low staff capacity (numbers) leading to staff working for longer shifts;
c) Availability of some of the critical service providers e.g., local suppliers for critical spares;
d) Availability of some spare parts and materials for restorative maintenance;
e) Theft and vandalism cases;
f) Inadequate security control of stores and yards as the store areas operated by Afristar were open sheds on some Work Areas and being under the Expatriate staff;
g) The user interface for most equipment and machinery is configured in the Chinese Language making Kenyans being unable to fully understand the functionalities of the Equipment and Machinery;
h) The increased failure rate of locomotives due to deferred maintenance;

8.3 Non Rail

Non Rail business encompasses all other commercial engagements besides MGR, RTI and SGR. It includes revenue from leases, advertising, museum, wayleaves and fibre optic among other ancillary businesses.

The segment reported a deep in performance with a total revenue of **Kes 874.72 Million** in 2021/2022 as compared to **Kes1.35 Billion** in 2020/2021.

Operationally, the service had a surplus of **Kes 83.08 million** in 2021/2022

Some of the challenges that led to the performance are;

i. The Railway corridor clearance activities that led to eviction of various tenants across the Railway network thus leading to revenue loss.
ii. The Current economic recession that led to low ability of tenants to meet their rent obligations
iii. Change in policy as a result of revitalization of Railway Business on various routes, this led to slowed down land leasing activities thus decline on revenue

Other challenges include;

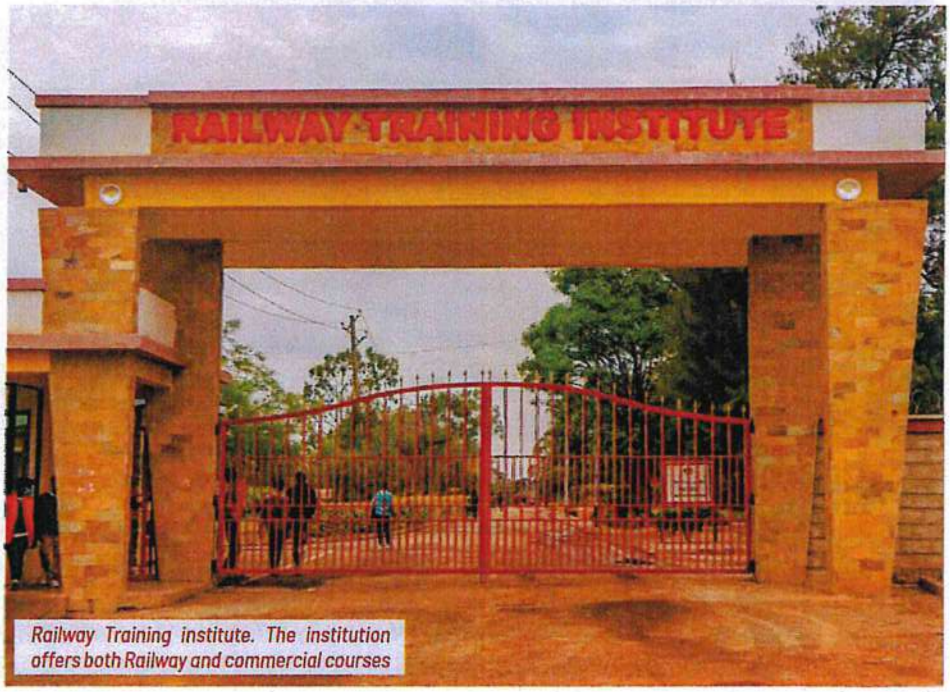
i. Lack of an automated Property Management System - the Corporation does not have a property Management system. That means enforcement of provision of contracts is largely manual. This is ineffective as it is difficult to enforce clauses like the escalation and may lead to loss of revenue.
ii. Constraints within the PPP law that have made it impossible to partner with private sector in implementation of projects that are not within the core mandate of the Corporation which is provision of Rail service
iii. The Corporation is faced with numerous legal cases on long leases in Coast region, this has hampered effective rent collection
iv. Land ownership disputes that have affected payment of rent over a long period of time
v. Lack of convenient payment options, this makes it difficult for the lower category of tenants to meet their rent obligations
vi. Maintenance of assets - Majority of the units are in need of major repairs, facelifts and modernization. This affects properties market values thus reducing chargeable revenue.

Management Actions to Improve Financial Performance

i. Implement reviewed strategy focused on transit oriented developments and logistics oriented developments
ii. Creation of Buffer Business Centres along railway corridors, to secure the operational corridor and generate revenues subsidise operations
iii. Business development focused on enhancing revenues through fibre optic cables and advertising
iv. Partner with Banks to develop strategic properties across the country to increase the return on investments
v. Procuring an asset management system for effective management of properties. This will provide contract management solutions including notifications on escalation provisions, expiry of contracts, default alerts, aging, receivable managements, amortisation of leases and ease of billing of all accounts.
vi. Introduce convenient and effective mobile payment solutions to enhance payment of rent by tenants especially the low category of tenants
vii. Ease mode of doing business by ensuring that customers are continuously sensitised on the KR paying modes from bank account number and payee details and also the paybill details.
viii. The corporation is fast tracking acquisition of titles to all the property to avoid disputes as well as support property development initiatives. Further securing of the property can be in the form offending especially of open spaces in areas predisposed to encroachment or illegal acquisition e.g. in urban centres and emerging towns and developments.
ix. Renovations and modernization of units so as to match market standards and fetch market rates. This will significantly improve the revenues owing to the prime locations our properties are situated.

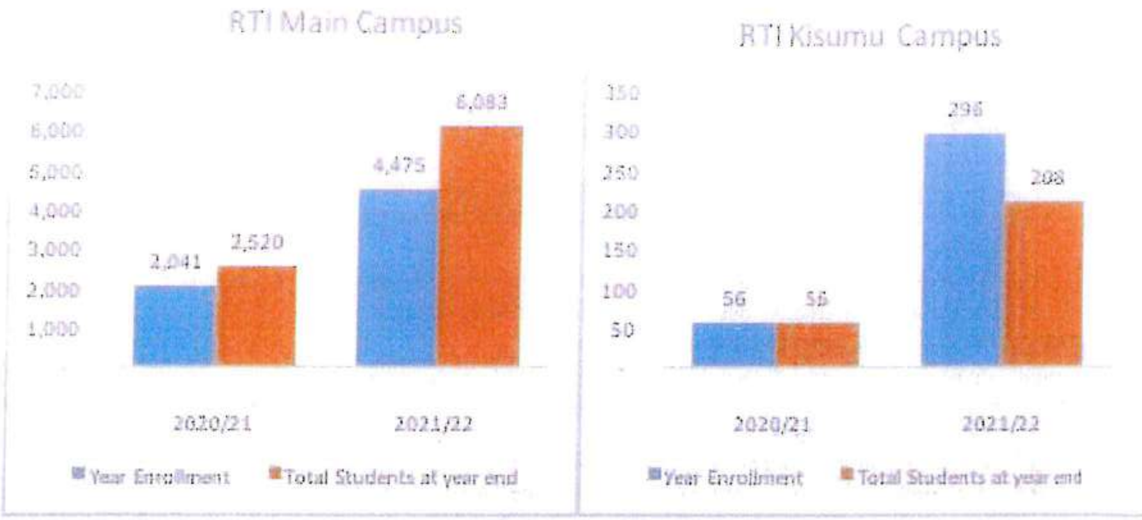
Railway Training Institute

The Institute had a total student population of **6,291** during the period comprising **6,083** at the Main campus and **208** students in Kisumu Campus. This was double the student population from 2,576 in the previous year. The high number was attributed to student backlog from the Covid period and increased demand for transport and logistics courses. Figure 7 below illustrates the total enrolment at RTI.



Railway Training institute. The institution offers both Railway and commercial courses

Figure 7: RTI student population



Overall, a total of 695 students (11.4%) were enrolled for rail related courses, 175 (2.9%) in marine while 5,180 (85.1%) students were enrolled for Transport and Logistics related courses.

The completed Marine school in Kisumu. This has increased the capacity of the institution

CHALLENGES AFFECTING RTI PERFORMANCE

i. Low enrolment for rail courses attributed to non-absorption of the institute's trainees;
ii. Staffing constraints in the critical research and business development division to drive marketing and business development;
iii. Inadequate academic staffing limiting the capacity to handle and manage large number of students;
iv. Austerity measures resulting in resource limitations affecting activities that support marketing

v. Inadequate infrastructure which limits the number of students enrolled for programs including student hostels/accommodations.

vi. Lack of access to loans disbursed from HELB repelling needy students from training at the Institute

MANAGEMENT STRATEGIES TO IMPROVE RTI PERFORMANCE

i. Recruit to fill critical positions at the Institute upon revision of the RTI structure

ii. Complete construction and equipping of the Marine training facilities including those of conferencing and accommodation in Kisumu campus to allow for commencement of STCW courses to boost revenue.

iii. Commence refresher courses for the Corporation's staff.

iv. Engaged the Corporate affairs department to market academic and conference facilities of the Institute.

v. Roll out E-learning to increase student numbers.

vi. Engaged the Ministry of education and Transport on student's access to HELB

8.4 Key Projects and Investment Decisions

This section highlights the status of projects implemented by the Corporation during the period under review.

The projects are cutting through the various business segments meant for enhancing capacity and improving efficiency.

Table of On Going Projects

S/No	Description	Contract Sum/Estimated Cost (KES)	Financier	Contractor	Payments as at June 30, 2022	Status (as at August 15, 2022)	Remarks
B		**ONGOING PROJECTS**					
1.	Rehabilitation of the Longonot – Malaba MGR section (Lot B), nearing completion;	Contract Sum **Kes. 2,960,513,326**	GoK (100%)	China Construction & Communication Company	**Kes. 1,655,986,034**	Construction progress at 92%..	Pending payments **Kes. 1,302,459,312**
2.	Construction of the Truck Parking/ Marshalling Yard at Naivasha ICD	Contract Sum **Kes. 269,400,000**	GoK (100%)	China Construction & Communication Company1	**Kes 193,086,443**	Construction in progress, 89% progress.	Budget available (RDLF) from RDLF.
3.	Construction of Marine Drive Road (2.64Km)	**Kes. 373,600,000**	GoK (100%)	NYS and SOW Construction		Culverts and Drainage works in progress. Progress at 35%.	Budget available from KR internal resources.
4.	Revitalization of the Gilgil – Nyahururu MGR Branch Line (78Km)	**Kes. 1,132,750,000** The initial budget had rolling stock.	GoK (100%)	KR	**Kes 124,123,193**	Revitalization of minimal works Major works not yet done Progress is 57%.	Approved funds for the Project were availed by TNT&P in July, 2022.
5.	Revitalization of the Leseru – Kitale MGR Branch Line (65km)	**Kes 537,422,704**	GoK (100%)	KR	**Kes. 115,062,184**	Revitalization of minimal works is ongoing. Progress is 75%.	Approved funds for the Project were availed by TNT&P in July, 2022.
6.	Revitalization of the Kisumu – Butere MGR Line (69km)	**Kes 575,960,376**	GoK (100%)	KR	**Kes. 298,677,379**	Progress is 63%.	Approved funds for the Project were availed by TNT&P in July, 2022.
7.	Rehabilitation of the Mombasa – Konza MGR Section (456Km) and the Nairobi (Kikuyu) – Longonot MGR Section (57Km)	**Kes. 2,051,230,798** for a span of 5 years to restore the design speeds.	GoK (100%)	KR	**Kes. 881,600**	Works in progress. Overall progress at 40%.	Budget available.
8.	Construction of Houses for Relocation Action Plan (RAP) in Kibera and Mukuru	**KES 5,026,150,446** (estimated cost at completion)	World Bank / GoK	EPCO Builders Vee Vee Enterprises Parbat Construction	**KES 3,781,087,505**	Projects stalled due to lack of budgetary allocation from GoK.	Estimated total pending payments including claims is **KES 3,194,460,417**

S/No	Description	Contract Sum/Estimated Cost (KES)	Financier	Contractor	Payments as at June 30, 2022	Status (as at August 15, 2022)	Remarks
9.	Construction of 20 Mini stations	KES 700,000,000.00 (The Project is under the NCR budget of **KES 4,640,000,000**)	GoK (100%)	KR		7 stations under construction	Projects on course to be completed by December 31, 2022.
10.	Construction of a Cargo Handling Facility at Malaba and Associated Works	**KES 886,481,832**	GoK (100%)	China Construction & Communication Company	**KES 0.00**	On-going. Planned to be completed by September 30, 2022	Project funded from RDLF.
11.	Construction of Access Roads to Maai Mahiu SGR (5.6Km) station and Suswa SGR station (1.0Km)	Contract Sum **KES 1,199,903,846**	GoK (100%)	Implementing Agency is KURA	**KES 0.00**	Contractor has mobilised to commence construction.	Budget Available (RDLF).
12.	Construction of the Miritini MGR Station - Mombasa Terminus New MGR Link and Railway Bridge across Makupa Causeway	Contract Sum **KES 4,214,023,356**	GoK (100%)	China Road & Bridge Corporation	**KES 0.00**	Contractor has mobilised to site and commenced works.	Project funded from RDLF.
13.	Rehabilitation and overhaul of 31 No. MGR Locomotives (rehabilitation of 6 No. mainline locomotives and 3 No. shunting locomotives) Overhaul of 22 No. Mainline locomotives	Contract sum **KES 4,058,839,486**	GoK (100%)	Kenya Shipyard Ltd	**KES 1,164,228,527**	Progress at 40%.	TNT&P approved **Kes 5.983 Billion.** •
14.	Purchase of twenty-two (22 No.) locomotives:	**KES 5,439,696,989**	GoK (100%)	China Road & Bridge Corporation	**KES 2,291,248,703**	• Four (4) delivered and in operations	• TNT&P approved Kes 5.2 Billion.
15.	Enterprise Resource Planning-ERP (SAP)	**KES 857,200,000**	GoK (100%)			Contract signed.	Budget sourced from RDLF.

In the period under review, the Corporation faced a number of risk. Some of the risks are discussed below;

8.5 Financial Risks

In view of the magnitude of the SGR Project and the financing requirements, the Corporation has no financial capability to raise the funding requirements internally. This has required the project to call for a lot of Government (GoK) intervention to seek both a GoK grant from the Railway Development Levy Fund (RDLF) and loan from the China Exim Bank in various proportions. For the GoK grant funds collections are pegged on 2% of imports which vary depending on the Imports Declared. On the Loan from China Exim Bank the facility was negotiated with Exim Bank and National Treasury for utilisation of funds held in the Escrow Bank whilst not breaching the conditions set in the clauses of the Escrow Payment Arrangement and Escrow Agreement.

The Corporation has an On-Lent Loan from the GOK for the Loans signed with the China Exim Bank. For the period of construction, the interest on loan is being borne by GOK. However, after five years of the construction period lapse, the loan interest is repayable by the Corporation. The ability to pay is pegged on freight and passenger services performance from January 2020.

KR had also invested Kes 800 Million in Chase Bank which has since gone into receivership. SBM Holdings Kenya Ltd acquired Chase Bank Kenya in August 2018. Kes 200 million of our funds remained in Chase bank (Under Receivership) while Kes 600 Million was transferred to SBM K Ltd. SBM availed Kes 500 million the remaining Kes 100 Million will be available to the Corporation in August 2021. The recoverability of the Kes 200 million in Chase bank is doubtful and has been fully provided for under bad debts.

The Corporation depends largely on a Single Client, Kenya Ports Authority, being the single biggest contributor to revenues. There is also the risk in honouring the terms of the Take or Pay agreement. For Conventional cargo uptake the Corporation largely relies on third party infrastructure to be able to convey this category of Cargo.

The Corporations has a huge Foreign Exchange Exposure arising from Dollar denominated obligations majorly Operator, AfriStar Co Ltd, invoices that are in US Dollars.

KR has now taken over some of SGR operations in June 2022. There are uncertainties to the comfort of full knowledge transfer. Moreover, there are outstanding bills to the Operator, AfriStar, which may not be fully settled by the time of takeover.

8.6 Enterprise Risk Management

KR has established an Enterprise Risk Management (ERM) framework to identify and mitigate risks to the delivery of its core mandate. The framework is integrated in all the business activities to proactively recognize both risks and opportunities. Early detection of risks has enabled the Corporation minimize negative shocks and increase potential in meeting stakeholders' and customers' expectations while achieving optimum allocation and deployment of resources.

8.7 Operational risk

SGR freight services is facing stiff competition from road transporters who offer door-to-door solutions. Whereas the rail-head cost is low, associated costs such as handling, last mile and empty returns have marginally reduced our competitive advantage. The Corporation entered into take- or-pay contract with KPA following government directive to support evacuation of cargo by SGR. Additionally, the Corporation entered into haulage contracts with shipping lines that saw direct nomination of cargo from port of origin to ICD Embakasi. As part of mitigation measures to grow transit volumes from Naivasha ICD, the Corporation completed MGR-SGR link to facilitate seamless transfer of cargo at Naivasha ICD and commenced the construction of Malaba transhipment hub, which will be completed in FY 2022-23.

The use of obsolete and non-supported ICT infrastructure and systems poses a huge risk to operations. The Corporation completed a business process analysis that recommended upgrade of ERP system. In cognizant of the expanded mandate and key stakeholder's integration requirements, the Corporation is implementing SAP ERP, which will provide 360-degree real time information to ensure efficiency, accuracy, proactive decision making and business intelligence.

Aging and dilapidated MGR rolling stock/permanent way infrastructure poses safety and security risk in addition to affecting availability of operational assets. The Corporation through exchequer support has partnered with Kenya Shipyards Limited (KSL) to overhaul old locomotives, rehabilitate central workshop and build a new MV-Uhuru II. Additionally, the Corporation is procuring new locomotives to enhance reliability and availability of locos.

8.8 Security risk

Encroachment and irregular allocation of rail reserve remains as a big risk to operational safety and community living along the rail track. The Corporation has continued to heighten surveillance across the network, fencing of the susceptible areas and demolition of illegal structures. To sustain its effort in guaranteeing safe and reliable rail services, the Corporation has collaborated with government security agencies by establishing a multi-agency security task force across the network.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Railways Corporation exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of Kenya Railways Corporation's policies and activities that promote sustainability

i. *Sustainability strategy and profile -*

The Corporation has made deliberate efforts to ensure sustainability. As a strategy, the Corporation has put forth measures to widen the Shed between costs and revenue. To grow revenues, the Corporation is pursuing new business lines by leveraging on the expansive networks, value chain partnerships with stakeholders and excellent service delivery. On cost side, the focus is on management of the fixed cost structure. The sum of the two will improve the profitability and reduce reliance on the National government.

With the growing trend evidenced by the rising throughput for the port of Mombasa, KR is strategically positioned to be a major player in the regional economy. As we move towards a production economy, the Corporation is keen to have back haul cargo that is the key to profitability of rail business the world over. The corporation is equally adopting the global practice of local enhancement of capacities such as local rehabilitations and design of locomotives that is more responsive to domestic challenges.

The political environment in the region affects production and consumption. This consequently affects our key business areas of freight and passenger business. The covid pandemic has been particularly damaging.

However, the Corporation continues to ride on its Key Strength such an expansive network, safety of goods and passengers, connectivity to major installations and facilities through sidings, bulk haulage capabilities, a very skilled and specialised workforce and high entry barriers giving it monopoly on rail transportation.

Opportunities are available in expansion to non-rail served destinations, Intermodal linkages with other modes and improvement of efficiencies by modernization of equipment and infrastructure.

Challenges to the corporation include stiff competition from other modes of transport, high fixed cost structure, rising input costs such as steel and fuel and specialised operations.

In the year the key achievement is the 10.12% rise in freight volumes while the biggest challenge is the inability to raise enough revenues to repay the loan obligations that crystallised in the year.

ii. *Environmental performance*

The Kenya Railways mandate is "To provide a customer focused efficient and sustainable rail transport system"

In discharging our mandate, we are committed to reducing our negative environmental impact and continually improving our environmental performance; to operate in an environmentally responsible manner and to integrate environmental sustainability in all our services to the benefit of the environment, our stakeholders, customers and the community. This is applicable in all our activities from construction to maintenance and rail transport operation and in premises ranging from offices to estates, operational land, stations and workshops.

To achieve the above stated commitment Kenya Railways will:

- Comply with all applicable environmental, legal and other obligations in our railway development and operation activities;
- Develop and implement environmental management system to assist in identifying and managing environmental risks and opportunities;
- Carry out appropriate project planning and designs in order to manage identified environmental impacts;
- Prevent or minimise pollution of the environment through reduction of waste generation;
- Foster employee environmental awareness and responsible culture at workplace;
- Monitor and evaluate environmental performance to enhance improvement;
- Engage with Government, community, customers, relevant stakeholders, contractors, suppliers and all

business associates on environmental matters as our priority to promote environmental concern as our joint duty of care towards future generations.

iii. *Employee welfare*

Give account of the policies guiding the hiring process and whether they take into account The principles of affirmative action, gender and persons living with disability and national values will apply. The Corporation shall observe gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender.

All job advertisements contain the following: -

a. A brief description of the Corporation's mandate;
b. Job title;
c. Main purpose of the job;
d. A brief description of the key responsibilities of the job;
e. Education, experience, skills and competencies required for the job;
f. Salary and benefits (optional);
g. Location of the job (where necessary);
h. Clear instructions on how to apply and information to be submitted in the application
i. Closing date for receipt of applications.

The Corporation conducts quarterly performance appraisal and target setting. This identifies the gaps for purposes of capacity improvement and rewards for excellence. The corporation is a non-discriminatory equal opportunity employer. It also has a robust drug and substance abuse policy. It is developing mental health policy to tackle the growing challenge of mental health in workplace With the growing number of staff, the Corporation continues to offer staff benefits including but not limited to:

- Medical insurance cover
- Mortgage
- Car loan

The budget allocation for these staff benefits continues to be reviewed from time to time to ensure non-discrimination and equal allocation to all staff.

The principles of affirmative action, gender and persons living with disability and national values continue to apply. The Corporation observes gender mainstreaming and regional balance on appointment, promotion and ensures application of a third (1/3) gender rule.

The Corporation commits to achieve and maintain the highest standards of health and safety in the workplace. This is through elimination and minimization of health and safety hazards and risks that may affect its employees. In compliance with the Occupational Safety and Health Act, 2007 and other laws, the Corporation through the Human Resource and Administration Department continues to implement policies and programs to ensure protection of employees against hazards and disasters.

The Corporation has initiated a Culture change program that will help build a healthy, professional and ethical work environment for all employees. The implementation of the Balance Score Card will ensure maximum employee performance.

Corporate Social Responsibility / Community Engagements

In the over 100+ years of our existence, we have endeavoured to entrench Corporate Social Responsibility in our Corporate Culture. This mainly entails seeking opportunities to both improve the environment and actively contribute to the well-being of the communities in which we do business aimed at promoting the welfare of the societies we work in.

Corporate Social Responsibility (CSR) is an integral part of Kenya Railways culture. Guided by a deep commitment to making a difference in people's lives, the Corporation commits a substantial budgetary allocation each year to CSR initiatives.

The Corporation has developed a Corporate Social Responsibility (CSR) Policy from which she draws all her CSR plans from. From the CSR Policy, KR's priority and thematic areas for engagement are Education, Health, Environment and Sports.

This year CSR was still affected by theCOVID-19 pandemic which affected operations leading the Government to introduce policy changes and behavioural protocols for a good part of the year. This affected planned activity. However, the Corporation sponsored the below initiatives:

- On June 24 and 25, 2022, the Corporation undertook a tree planting exercise at Eburu Forest station in Naivasha town, Nakuru County. The exercise was in line with the 'National Tree Planting programme' where Public Institutions are required to plant trees as part of their Performance Contracting obligations. This initiative by the National government is geared towards ensuring that at least 10 percent of Kenya is under forest cover by the year 2022. During the exercise, the Corporation planted 5,000 assorted indigenous tree seedlings.

- The Corporation sponsored the Chairman's Prize Golf Tournament, the Nairobi District League and the Tanahill Easter Tournament organised by the Kenya Railways Golf Club on 1st to 2nd April, 2022. In addition to the sponsorship and participation, the event accords us with an opportunity to create awareness of our activities and projects; and increase visibility of the KR brand.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2022 which show the state of the Corporation's affairs.

Principal activities

The Corporation's principal activity is to provide a coordinated and integrated system within Kenya of rail transport services and auxiliary road services in connection therewith.

Results

The results of the Corporation for the year ended June 30, 2022 are set out on page 1 to 60.

Directors

The members of the Board of Directors who served during the year are shown on page ii. The following changes took place within the financial year: -

S/No	Name	Designation	Date of Appointment	Contract Period	End of Term	Term	Tribe
1	Maj. Gen. (Rtd) Pastor Awitta	Chairman	18.10.2019	3 years	17.10.2022	1st	Luo
2	The Late Dr. Rahab N. Nyaga	Director	08.02.2019	3 years	13.01.2022(By death)	1st	Kikuyu
3	Mr. Tom Omariba	Director	07.08.2020	18 months	07.02.2022	1st	Kisii
4	Dr. John O. A. Nyerere	Director	07.08.2020	2 years 2 months	20.10.2022	1st	Luo
5	Mr. Martin Mogwanja	Director	07.08.2020	2 years 2 months	20.10.2022	1st	Kikuyu
6	Ms. Catherine Musakali	Director	06.10.2021	3 years	05.10.2024	2nd	Luhya
7	Mr. Mohamed Alawi	Director	06.10.2021	3 years	05.10.2024	1st	Bajuni

Auditors

The Auditor General is responsible for the statutory audit of Kenya Railways in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year ended June 30, 2022.

By Order of the Board

Mr Stanley Gitari
Corporation Secretary
Nairobi

Date: 5/5/2023

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and section 14 (1) of the State Corporations Act, 2012 require the Directors to prepare financial statements in respect of Kenya Railways, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Kenya Railways for that year/period. The Directors are also required to ensure that Kenya Railways keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of Kenya Railways.

The Directors are responsible for the preparation and presentation of the Kenya Railways financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2022. 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 Corporation;

(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 Kenya Railways;

(v) selecting and applying appropriate accounting policies; and

(vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Kenya Railway's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and section 15 (1) of the State Corporations Act, 2012.

The Directors are of the opinion that Kenya Railway's financial statements give a true and fair view of the state of the Corporation's transactions during the financial year ended June 30, 2022, and of the Kenya Railways financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Kenya Railways financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that Kenya Railways will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Kenya Railways financial statements were approved by the Board on 30 September 2022 and signed on its behalf by:

....	....
Major General (Rtd) Pastor O. Awitta 'MGH' 'EBS' NDC(K) PSC (USA)	Mr. Philip J. Mainga, EBS
CHAIRPERSON OF THE BOARD	MANAGING DIRECTORS

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Railways Corporation set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Railways Corporation as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Kenya Railways Corporation Act, Cap 397 of the Laws of Kenya.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of comparison of budget actual and amounts reflects general expense of Kshs.286,805,243, while Note 9 and (9b) to the financial statements reflects general office expense of Kshs.191,504,555 resulting to a variance of Kshs.95,300,688 which was not explained or reconciled.

Further, the following variances were noted in the financial statements and the ledgers provided for audit review;

Item	Notes	Balance as Per the Financial Statements (Kshs.)	Balance as Per the Ledgers (Kshs.)	Variances (Kshs.)
Administration Expenses	9	939,683,469	964,929,388	(25,245,919)
General Expenses	9(b)	191,504,559	216,750,474	(25,245,915)
Total		**1,131,188,028**	**1,181,679,862**	**50,491,834)**

In addition, the following inaccuracies were noted in the cashflows statement and notes to the accounts.

Item	Balance as Per the Cashflows (Kshs.)	Balance as Per the Notes to the Accounts (Kshs.)	Difference (Kshs.)
Purchase of Plants and Equipment	304,940,025	308,934,595	(3,994,570)
Movement in GOK Grants	324,168,372	344,643,694	(20,475,322)
Total	**629,108,397**	**653,578,289**	**(24,469,892)**

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Main Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 5 to the financial statements reflects main income of Kshs.18,650,546,585 .Included in the main income is SGR rental income of Kshs.33,484,197 with a billing adjustment of Kshs.9,383,379 which related to waiver of rental fees for NAS Airport Services which was not supported by board approval.

In the circumstances, the accuracy of main income of Kshs.18,650,546,585 could not be confirmed.

3. Government Grants

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Government grants of Kshs.30,929,966,797 from The National Treasury which differed with the confirmed balance from The National Treasury of Kshs.35,129,256,804 resulting in unexplained variance of Kshs.4,199,290,007. Further, Management did not provide exchequer issue notifications or exchequer receipt vouchers to support the transfers from National Treasury.

In the circumstances, the accuracy and completeness of Government grants of Kshs.30,929,966,797 could not be confirmed.

4. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 19 to the financial statements, reflects property, plant and equipment balance of Kshs.562,397,012,335 (2021-Kshs.582,737,040,996). The following unsatisfactory matters were noted: -

4.1 Land Valuation

The statement of financial position reflects land balance of Kshs.15,175,501,812 as at 30 June, 2022. However, land valuation has not been done over the years and therefore the land balance could be significantly understated. This is contrary to Paragraph 49 of the International Public Sector Accounting Standard (IPSAS) No.17 on property, plant and equipment, which provides for revaluation of property plant and equipment every three to five years.

In the circumstances, the fair valuation of land with a cost of Kshs.15,175,501,812 could not be confirmed.

4.2 Illegal Allocation of Land

As previously reported, various parcels of land were allocated to third parties without the consent of the Corporation by either the Commissioner of Lands or the defunct local Authorities. For instance, land within Limuru railway station constituting nine (9) industrial plots measuring approximately three (3) acres; a piece of land within Kikuyu railway station measuring approximately two (2) acres; and parcels of land adjacent to Mombasa railway station measuring approximately 0.75 to one (1) acre have been irregularly allocated to third parties with some having been developed. Further, another five hundred and twenty-nine (529) parcels of land have been illegally allocated across the country. However, Management has sought court intervention to repossess twenty-seven (27) of the illegally allocated parcels. The Corporation has also sought the intervention of various Government agencies such as the Ethics and Anti-Corruption Commission, Ministry of Lands and Physical Planning, National Land Commission and the Director of Survey to assist in the recovery of irregularly allocated land.

Although Management has put in place various measures to recover the irregularly allocated land, many pieces of land belonging to the Corporation are yet to be recovered.

4.3 Encroachment of Land (Ziwani Nakuru)

As previously reported, land measuring approximately seven (7) acres in Nakuru Ziwani estate belonging to the Corporation has been encroached on by the County Government of Nakuru and currently used as bus park. The land had been allocated to customers on a long-term lease of 25 years with Kshs.37,500,000 having been paid as premium attracting an annual rent of Kshs.13,300,002.

Management has not explained the steps being taken to revert the land to the tenants. Further, the Corporation continues to lose the opportunity to collect the annual rent of Kshs.13,300,002.

4.4 Nakuru Station Area

Similarly, as previously reported, land measuring eighty (80) acres at Nakuru Railway Station had been leased on Temporary Occupation Lease (TOL) basis. However, the County Government of Nakuru has encroached on ten (10) acres from the parcel of land. The Corporation has demolished the buildings on the remaining portion with a projected annual rental income of Kshs.5,655,688. Management has not explained the actions taken to remedy on the encroachment.

4.5 Malaba Apartments

As previously reported, the Corporation renovated 24 units of two (2) bedroom apartments at Malaba but the apartments have remained unoccupied. Other than loss of revenue annually, the units are deteriorating due to non-occupancy. Further, four (4) buildings in Malaba have been encroached by private occupants.

4.6 Residential Buildings in Kisumu

Further, as previously reported, the 247 residential units in Kisumu have been forcefully occupied by organizations with no lease agreements and therefore not paying rent. The Corporation is losing rent to the tune of Kshs.27,435,600 annually.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.562,397.012,335 could not be confirmed.

5. Trade and Other Receivables

5.1 Long Outstanding and Inaccuracies in Trade Receivables

The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other receivables balance of kshs.28,644,051,354. Included in this balance is trade receivables balance of Kshs.7,222,374,198 whose supporting schedule reflects Kshs.7,363,140,230 resulting in unexplained variance of Kshs.140,766,042. Further, the trade receivables balance includes balances totalling to Kshs.7,207,888,594 or 99% of the total trade receivables that was outstanding for more than ninety (90) days. In addition, the trade receivables balance is net of credit balances totalling to Kshs.575,499,121 contrary to Paragraph 48 of International Public Sector Accounting Standards (IPSAS) which prohibits offsetting of assets and liabilities unless required or permitted by an IPSAS.

In the circumstances, the accuracy and recoverability of trade receivables balance of Kshs.28,644,051,354 could not be confirmed.

5.2 Inaccuracies and Credit Balance Under Rent Receivable

The statement of financial position and as disclosed in Note 24 to the financial statements reflects rent debtors balance of Kshs.2,384,340,759. However, the supporting schedule reflects Kshs.1,901,705,701 resulting in unexplained variance of Kshs.482,635,058. Further, the rent debtors balance includes credit balances totalling to Kshs.250,641,399 contrary to Paragraph 48 of International Public Sector Accounting Standards (IPSAS) that prohibits offsetting of assets and liabilities unless required or permitted by an IPSAS. of IPSAS 1 which prohibits offsetting of assets and liabilities.

In the circumstances, the accuracy of rent debtors balance of Kshs.2,384,340,759 could not be confirmed.

5.3 Long Outstanding Prepayments

Note 24 to the financial statements reflects prepayments balance of Kshs.4,164,889,015 as at 30 June, 2022 which includes an advance lumpsum of Kshs.11,813,898 included as a single entry in the general ledger and which occurred on 30 June, 2010 and remained outstanding as at 30 June, 2022 thus casting doubt on its collectability. Further, included in the prepayments balance is SGR advance payment balance of Kshs.3,333,807,445 for which the terms and conditions of the advance payment were not provided for audit review. Further, it is not clear why the balance has not been recovered from the contractor.

In the circumstances, the accuracy of prepayment balance of Kshs.4,164,889,015 could not be confirmed.

5.4 Long Outstanding Staff Receivables

(i). Included in the staff receivables balance of Kshs.64,613,544 is staff debtors balance of Kshs.42,162,068. However, a review of the staff debtors balance ledger revealed that staff debtors of Kshs.10,265,952 relate to transactions that occurred between 30 June, 2010 and 30 June, 2020 thus casting doubt on their recoverability.

(ii). Further, included in the staff receivables balance of Kshs.64,613,544 is an amount due from pensioners of Kshs.42,162,068 for which pensioners details were not provided thus casting doubt on its recoverability.

(iii). In addition, included in the staff receivables balance of Kshs.64,613,544 is a salary advance amount of Kshs.1,767,540. A review of the salary advance ledger revealed that the balance of Kshs.1,767,540 related to the period between 30 June, 2010 to 30 June, 2020 casting doubt on recoverability of this balance.

5.5 Other Receivables

(i) Long Outstanding World Bank Receivable

Other receivables balance of Kshs.708,162,205 disclosed at note 24 to the financial statements includes World Bank receivable balance of Kshs.131,899,050 which relates to Kenya Railways Corporation staff pending bills from the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works. This balance arose during the pre-concession period and has been outstanding in the Corporation's books for a long time. It is however not clear how the Management intends to recover the outstanding balance from the World Bank.

In the circumstances, recoverability of World Bank receivable balance of Kshs.131,899,050 could not be confirmed.

(ii) Unreconciled Inter-Company Debtors

Other receivables balance of Kshs.708,162,205 includes intercompany balance of Kshs.514,713,077 in respect of Railway Training Institute (RTI) which differed with the RTI reported balance of Kshs.502,029,464 resulting in unreconciled balance of Kshs.12,683,612.

In the circumstances, the accuracy and completeness of intercompany debtors' balance of Kshs.514,713,077 could not be confirmed.

(iii) Long Outstanding Imprest Debtors

Included in the other receivables balance of Kshs.708,162,205.87 is an imprest balance of Kshs.5,709,188 which further includes an amount of Kshs.4,039,919.63 reflected in the ledger for imprests dating back from June, 2010 to 30 June, 2021. Further, details of the staff owing the amounts were not provided.

(iv) General Advances

Included in the other receivables balance of Kshs.708,162,205.87 is general advances' balance of Kshs.50,899,491. Review of the ledger indicates that the transaction arose on 30 June, 2018 and was indicated as purchase of good shed from Kenya Railways Staff Retirement Benefit Scheme (KRSRBS). It was not clear why the entity has not recovered the outstanding general advance balance from the scheme.

In the circumstances, the accuracy and recoverability of the general advances' balance of Kshs.50,899,491 could not be confirmed.

5.6 Unreconciled Kenya Ports Authority Balance

Included in trade receivables of Kshs.7,222,374,198 is Kenya Ports Authority (KPA) balance of Kshs.2,477,297,352 which differed with the KPA confirmed balance of Kshs.239,389,000 resulting in an unreconciled balance of Kshs.2,237,908,352.

In the circumstances, the accuracy of KPA balance of Kshs.2,477,297,352 could not be confirmed.

5.7 Inaccuracy in Tax Receivable Balance

Also included in the trade and receivable balance of Kshs.28,644,051,354 is tax receivables balance of Kshs.21,388,538,546 on various tax heads which differed with reported KRA Itax balance of Kshs.1,315,403,437 resulting in an unreconciled balance of Kshs.14,655,074,807.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.28,644,051,354 could not be confirmed.

6. Store Inventories

The statement of financial position and as disclosed in Note 23 to the financial statements reflects stores inventories balance of Kshs.3,837,946,375, while the ledger provided for audit review indicated a balance of Kshs.3,414,632,027 resulting to a variance of Kshs.423,314,348 which was not reconciled or explained.

Further, the inventories balance was not supported by stock taking sheets as at 30 June, 2022.

In the circumstances, the accuracy and fair statement of inventories valued at Kshs.3,837,946,375 could not be confirmed.

7. Cash and Bank Balances

The statement of financial position and as disclosed in Note 27 to the financial statements reflects cash and bank balance of Kshs.266,358,498. Included in the balance is operational account balance of Kshs.35,490,653 which is net of imprest debit cards expenditure totaling to Kshs.70,299,005 for various goods and services whose support documents were not provided for audit verification. Further, included in the cash and bank balance is KCB Staff Mortgage account with a balance of Kshs.3,624,378. Management did not however prepare separate financial statements for the Mortgage scheme.

In the circumstances, the accuracy and completeness of the cash and bank balance for the two accounts totaling to Kshs.39,115,031 could not be confirmed.

8. Cash Deposits and Guarantees

The statement of financial position and as disclosed in No 26 to the financial statements reflects cash deposits and guarantees balance of Kshs.44,164,837,552. However, and as previously reported, the cash deposits and guarantees balance includes 200,254,780 being FDR with Chase Bank (Under Receivership) that has been outstanding since August, 2018 whose recoverability could not be confirmed. However, the balance has been fully provided for as bad and doubtful debt.

In the circumstances, the accuracy and completeness of the cash deposit and guarantees of balances totaling to Kshs.550,274,571 could not be confirmed.

9. Payables and Accrued Charges

The statement of financial position and as disclosed in Note 35 to the financial statements reflects payables and accrued charges balance of Kshs.43,754,974,043. Included in the balance is penalties/interest on lent loan of Kshs.1,956,705,512 that has accrued due to nonpayment of the Exim Bank loan.

In the circumstances, the corporation continues being exposed to increasing interest on loan which may affect the cashflow status of the corporation in future.

10. Administration Expenses

The statement of profit or loss and other comprehensive income reflects administration expenses of Kshs.939,683,469.

The following anomalies were noted;

10.1 Security Expenses

Included in the amount is security expenditure of Kshs.115,182,226 for which, review of records revealed that the service providers with a total contract sum of Kshs.276,731,640 started provision of the services before the signing of the contracts as detailed below: -

Contract No.	Contract Sum (Kshs.)	Audit Findings
KRC/SCM/016/2019-2020	56,244,000	Services started on 1st March, 2020 but signed on 24th April, 2020
KRC/SCM/020/2020-2021	27,606,000	Services started on 20/12/2020 but contract signed on 18/1/2021
KR/SCM/097/2021-2022	26,785,440	Services started on 1st April, 2022 but contract signed on 10th June, 2022
KR/SCM/097/2021-2022	47,091,360	Services started on 1st April 2022 but contract signed on 15th June, 2022
KR/SCM/097/2021-2022	73,313,640	Services started on 1st April 2022 but contract signed on 10th June, 2022
KR/SCM/097/2021-2022	45,691,200	Services started on 1st April, 2022 but contract signed on 10th June, 2022
Total	**276,731,640**	

Further, review of procurement records revealed that two bidders were disqualified after the financial evaluation stage based on the past performance. However, there was no criteria during the mandatory and technical evaluation that alluded that past performance was required. The procuring entity introduced new criteria which was not part of the tender documents.

In the circumstances, the propriety and validity of security expenses of Kshs.115,182,226 could not be confirmed.

10.2 Cleaning Expenses

Included in the administration expenses is cleaning expenditure of Kshs.50,957,987 incurred during the year. Review of records revealed that the corporation incurred Kshs.20,982,647 paid to a cleaning company whose contract was extended after the expiry without adhering to the laid down rules and regulations on procurement.

In the circumstances, the validity of cleaning expenses of Kshs.20,982,647 could not be confirmed.

10.3 Other Office Expenses

Included under other office expenses amount of Kshs.78,289,192 is a credit amount of Kshs.2,841,792 that has been disclosed as purchase and direct cost. The Management has not provided any document or explanation on what this expenditure relates to and why it is appearing as a credit.

In the circumstances, the accuracy of other office expenses of Kshs.78,289,192 could not be confirmed.

11. Board Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects board expenses of Kshs.33,538,335. Review of the attendance register revealed that the board held one hundred and eight (108) meetings which were higher than the prescribed and approved fifty-one (51) meetings thus contravening circular no OP/CAB.9/1A and letter Ref TNT/CONF/130/01 dated 11th March, 2020, 21 January, 2022 and 2nd June, 2022 respectively.

In the circumstances, management was in breach of the Office of the President circular and National Treasury correspondences and therefore, the propriety and validity of the board expenditure of Kshs.33,538,335 could not be confirmed.

12. Staff Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 9(a) reflects staff costs Kshs.1,859,969,412 . Included in the staff costs is salaries wages and staff allowances of Kshs.1,378,963,879 which differed with the payrolls amount of Kshs.1,926,592,391 resulting in an unreconciled variance of Kshs.547,628,512.

In the circumstances, the accuracy and completeness of staff costs amount of Kshs.1,859,969,412 could not be confirmed.

13. Capital Works-In-Progress

As previously reported, included in capital works-in-progress balance of Kshs.118,974,681,727 and as disclosed in Note 22 to the financial statements is an amount of Kshs.12,000,000,000 being land compensation under SGR Phase 1. However, supporting documents for compensations amounting to Kshs.1,043,439,897 to Project Affected Persons (PAPS) including list of the beneficiaries; copies of national identity cards, Personal Identification Number (PIN) certificates and title deed surrenders from the National Land Commission were not provided for audit review. In addition, overpayments of Kshs.14,669,748 were made to PAPS who were paid Kshs.15,752,406 instead of the entitlement of Kshs.1,082,658. Although recovery of Kshs.5,698,770 has been subsequently made, a balance of Kshs.8,970,978 was still outstanding as of 30 June, 2022.

In the circumstances, the accuracy and validity of work-in-progress balance of Kshs.118,974,681,727 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Railways Corporation (KRC) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of annual report and financial statements in Kenya. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other Matter

1. Capital Work-In-Progress – Slow Progress of On-going Projects

The statement of financial position reflects capital work in progress of Kshs.118,974,681,727 as at 30 June, 2022. Included in the balance are three (3) incomplete/ongoing projects arising from the relocation of public utilities during the construction of the SGR phase 1 from Mombasa to Nairobi whose details are shown in the table below.

Project	Weighted Project Progress	Original Contract Period (Weeks)	Elapsed Contract Period (Weeks)	Delay in Contract Completion (Weeks)	% Delay
Kathekani Secondary School	35%	52	276	224	313
Ndohivyo Special School for the mentally challenged	93%	52	211	159	306
Mtito Andei Health Centre	97%	52	211	159	307

From the above analysis, it was noted that all the projects were behind schedule in terms of project completion thus denying the public the necessary benefits that would have accrued from completion of the projects.

2. Contingent Liabilities

Note 38 to the financial statements reflect contingent liabilities of 12,447,834,803 made up of law suits against the Corporation yet to be determined estimated at

Kshs.12,281,001,983 and guarantees given on behalf of the Corporation of Kshs.166,832,810. Further, review of correspondences from the legal department to the Board indicate that as at February, 2023, the total estimated legal exposure had increased to Kshs.250 billion made up of exposure from illegal demolition of leased properties by the Corporation of Kshs.15 billion and RVR arbitration cost of Kshs.235 billion.

In the event that the liabilities crystalize, the Corporation will be highly exposed financially.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Use of Inappropriate Procurement Method

Review of procurement records indicate that the Corporation procured work in progress at a cost of Kshs.2,216,155,686 using either direct or restricted methods of tendering as detailed in **Appendix I**. However, review of the procurements indicated that the prevailing circumstances did not warrant use of the methods as open tendering was the most appropriate. This is contrary to Section 96(2) of the Public Procurement and Asset Disposal Act, 2015 which require advertisement of tenders in dedicated Government totals or own website or a notice in at least two daily newspapers of nation-wide circulation.

In the circumstances, Management was in breach of the law.

2. Project Status Report

Physical inspection of various projects under capital works in progress revealed that there was a delay in completion of projects, poor workmanship and lacked support documentation as shown. in **Appendix II.**

In the circumstances, value for money on the projects under implementation could not be confirmed.

3. Staff Costs

Review of employees' records revealed that thirty-four (34) employees were in acting positions for more than six months contrary to Section 34 of the Public Service Commission Act No 10 of 2017. Further, net salaries of Kshs.14,983,361 were paid to twelve employees earning less than one third of the basic salary contrary to Section 19(3) of the Employment Act, 2007 which states that". Without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry".

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Rent Debtors

As disclosed in note 24 to the financial statements, the statement of financial position reflects net trade receivables balance of Kshs.2,317,848,042 which includes rent debtors' balance of Kshs.2,384,340,759 (net of provision for bad debts on closed accounts of Kshs.1,224,009,963 as per Note 9(d) to the financial statements).

This is an indication of inadequate revenue collection mechanisms that exposes the Corporation to loss of rent income due to inadequate internal controls over rental revenue.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Corporation's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

13 June, 2023

Appendix 1 – Work-In-Progress - Direct and Restricted Procurements

Projects	Contractor	Procurement Method	Amount (Kshs.)
Proposed rehabilitation of Nakuru Railway Station, Nakuru Loco Sheds and Naivasha Railway Station	China Communication Construction Company Limited	Direct procurement	334,690,891
Proposed construction of cargo handling facility at Malaba		Direct procurement	886,481,832
The new Kisumu Station associated works	Zifel Construction Company Limited	Direct procurement	88,312,682
Supply and delivery of furniture at Nakuru-Kisumu line	Fast Choice Limited	Direct procurement	19,731,225
Supply and delivery of furniture at marine school	Milicons Limited	Direct procurement	14,700,000
Supply and delivery of murram for rehabilitation of Kisumu-Butere line	Medot Enterprises	Restricted tendering	19,600,000
Supply and delivery of murram for rehabilitation of Kisumu-Butere line	Medot Enterprises	Restricted tendering	19,600,000
Supply and delivery of murram for rehabilitation of KM30/7 & KM 40/1 (Nakuru- Kisumu line)	Fairheads Construction and Water Company Ltd	Restricted tendering	29,300,000
Supply and delivery of murram for Butere Line.	Devrell International Ltd	Restricted tendering	23,000,000
Supply and delivery of murram to be stacked at Yala.	Medifin Investments Ltd	Restricted tendering	20,000,000
Supply and delivery of murram to be stacked at Butere	Mosrach Ltd	Restricted tendering	19,850,000
Supply and delivery of murram Gilgil- Nyahururu line	Medifin Investments Ltd	Restricted tendering	9,975,000
Supply and delivery of murram for rehabilitation of Kisumu-Butere line	Eliz Ventures Ltd	Restricted tendering	19,500,000
Supply and delivery of murram for rehabilitation of Kisumu-Butere line	Eliz Ventures Ltd	Restricted tendering	19,500,000
Supply- Track Ballast Stacked At Sultan Hamud/Mku	Aaminini Limited	Restricted tendering	55,248,000
5030cubic Metres@2990 Ballast Leseru- Ktl Line	Al Watan Limited	Restricted tendering	15,039,700
Ballast, Riversand & Cement - Order 604705	Albion Business Solutions Limited	Restricted tendering	1,410,000
Supply Of Track Ballast For Ncr-Dagoretti Station	Al-Harbi Investments Limited	Restricted tendering	15,750,000

Projects	Contractor	Procurement Method	Amount (Kshs.)
Supply Of Track Ballast For Thika -Ruiru	Badan Raro General Enterprises Ltd	Restricted tendering	18,526,853
Ballast For Mombasa-Konza	Bizcan Transporters	Restricted tendering	20,520,000
Delivery of Track Ballast Stacked - Voi Station	Cadi Carriers Company Limited	Restricted tendering	20,819,410
Supply of Hardcore,Quarry Dust,Ballast N Sa 604601	Chaaz Agencies	Restricted tendering	2,900,000
Supply of Ballast for Rehab at Gilgil-Nyahururu	Equalizer Contractors Limited	Restricted tendering	11,800,000
Track Ballast Nairobi-Ruiru Line Rehab	Habim Company Limited	Restricted tendering	18,559,800
Track Ballast Ksm-Butere Line-Kr/Scm/020/2021-2022	Higiro Construction An Suppliers Ltd	Restricted tendering	21,357,900
Aggregate Ballast & River Sand - Order 604629	Infratech Projects Ltd	Restricted tendering	2,475,000
Track Ballast Kr/Scm/085/2019-2020 Payment 3	Lakezal Enterprises Ltd	Restricted tendering	2,767,410
Supply of Track Ballast Gilgil-Nyh-(Kms 26.0-52.0)	Laspro Investment Limited	Restricted tendering	24,000,000
Truck Ballast Nakuru - Kisumu Mgr Line - Pmt 3	Linage Group Limited	Restricted tendering	42,352,654
Track Ballast Kr/Scm/085/2019-2020 Payment 4	Lyn-Cent Ventures Ltd	Restricted tendering	2,767,410
V Belts for Ballast Prifiler Machine Order 604986	Master Energy Afrika Ltd	Restricted tendering	131,961
Track Ballast Ksm-Butere Line-Kr/Scm/016/2021-2022	Myner Agencies Ltd	Restricted tendering	21,991,300
Wip - Gilgil Nyahururu Supply of Ballast	Nyonjoro East Africa Limited	Restricted tendering	23,600,000
Ballast For NAKURU-KISUMU LINE	PATMBICH GENERAL ENTERPRISES LIMITED	Restricted tendering	82,288,670
Ballast for Nakuru Station	Peeples Capital Limited	Restricted tendering	41,991,412
Ballast for Nakuru Station	Safariland Enterprises Co. Ltd	Restricted tendering	38,378,698
Ballast for Konza-Mombasa	Simjam Logistics Limited	Restricted tendering	65,440,640
Ballast for Konza -Mombasa	Solena Holdings Limited	Restricted tendering	13,780,000
Balalst for Mombasa -Nairobi	Trisol Engineering	Restricted tendering	8,639,478

Projects	Contractor	Procurement Method	Amount (Kshs.)
Ballast for Nairobi-Kisumu	Ujenzi Quarries Limited	Restricted tendering	93,351,174
Supply and delivery of construction materials for drainage works between Imara Daima- & Donholm on mainline	Infrastructure Managed Services Kenya Limited - plant	Restricted tendering	21,438,144
Fencing of Athi-River SGR bridge	Murraymo Limited	Restricted tendering	4,588,442.40
Total			**2,216,155,686**

Appendix II - Project Implementation Status

No.	Contractors	Projects	Contract Amount (Kshs.)	Audit issues
1	Zifel Construction Company Limited	Remodeling of existing godowns at Kisumu marshalling yard lot 1	24,922,640	-Projects started on 16 September, 2021 to be completed on 31 July, 2022 (45 weeks) while the time elapsed as at February, 2023 was 73 weeks (162%) as at the time of inspection in February, 2023. -Weighted progress was at 83.25%
2	Kagwi & Vournas Limited	Remodeling of existing godowns at Kisumu marshalling yard lot 3	29,728,775	Time elapsed is at 162% compared with weighted progress report being at 38% during the time of inspection in February, 2023. The contractor was not on site.
3	China Road and Bridges Corporation Kenya	Upgrading of Railway Training Institute	659,215,995	-Lack of project file -Pending works on tuition blocks, library and kitchen equipment as per the snag list not addressed as at the time of the audit in February, 2023.
4	Parbat -Siyani Construction Limited	Relocation Action Plan (RAP) at Kibera & Mukuru Lot A	Original contract - Kshs. 1,033,505,854 Revised sum- Kshs. 1,732,147,151 Project contract revised by Kshs. 698,641,297 (67%)	-Contract completion date was 31 March, 2017 and it has delayed for six years with a completion rate of 100% on 621 residential and 900 business units. -On civil works, boundary wall, unpaved foot paths and footbridge were at 43%, 51% and 0% respectively as at February, 2023. The contractor was not on site.

No.	Contractors	Projects	Contract Amount (Kshs.)	Audit issues
				-Legality of revision of contract sum by 67% was not confirmed.
5	Vee Vee Enterprises Limited	Relocation Action Plan (RAP) at Kibera & Mukuru Lot B	Original contract sum-Kshs. 574,140,380.18 Revised contract sum Kshs. 879,572,407.04 Project contract sum revised by Kshs. 305,432,027 (53%)	-624 residential units were at 100% completion rate; -On civil works, boundary wall and water supply were at 0% and 98% respectively -Contract completion date was 31 March 2017 and it has delayed for six years and the contractor was not on the site; -Total payment of Kshs.903,894,272 against the contract sum of Kshs.879,572,407 thus an overpayment of Kshs.24,321,865. -Legality of revision of contract sum by 53% was not confirmed.
6	Epco Builders Limited	Relocation Action Plan (RAP) at Kibera & Mukuru Lot C	Original contract sum-Kshs 3,239,491,979.7 0 Revised contract sum- Kshs.4,312,205, 838.40 Project contract sum revised by Kshs.1,072,713, 858 (33%)	-1327 residential and 1249 business units were at 100% completion. -Contract completion date was 31 March 2017 and it has delayed for six years to date and the contractor was not on site. -Weighted progress report is 34% compared with time elapsed of 282% for outstanding civil works as at February, 2023. -On civil works, boundary wall, unpaved footpath, water supply and underpass were at 61%,20%,73% and 0% -Revision of contract sum by 33% was not confirmed.
7	Young & Warren JV	Relocation Action Plan (RAP) at Kibera & Mukuru Lot D	Original Contract sum- Kshs.2,498,850, 638.79 Revised contract sum- Kshs.3,945,725, 091.01 Project contract sum revised by	-Contract completion date was 31 March 2017 and it has delayed for six years and the contractor was not on the site; -Weighted progress report at 44% compared with time elapsed of 282% as at February, 2023. -On civil works, residential units, business units, boundary wall, paved footpath, unpaved footpaths,

No.	Contractors	Projects	Contract Amount (Kshs.)	Audit issues
			Kshs.1,446,874, 452 i.e 57%	sewerage, water supply and underpass were at 76%,14%,0%,46%,0%,51%,60% and 0% respectively. Legality of revision of contract sum by 57% was not confirmed
8	Idhidh Deluxe Contractors & Distributors Limited	Proposed construction of satelite Station	26,353,300	Projects completion as at February, 2023 at 90%, installation of water not done, expenditure of Kshs.395,000 on preliminary and provisional lumpsum was not confirmed;
9	Gamoji Limited	Proposed construction of Mutuini Railway Station	29,869,830	-Project at 44% and ongoing while time lapsed is 22 weeks as at February, 2023. -Expenditure of Kshs.117,500 on preliminary and provisional lumpsum was not confirmed; -Nairobi County Government and NEMA approvals were not availed for audit confirmation.
10	Idhidh Deluxe Contractors & Distributors Limited	Proposed construction of Makongeni mini Station	29,948,460	-Overall progress at 40% and on course as at February, 2023. -Nairobi County Government and NEMA approvals were not availed for audit confirmation.
11	Beban and Benson Limited	Construction of Kibera Railway Mini Station	34,999,007	-Weighted progress report at 20% compared with 50% of the elapsed contract period as at February, 2023. -Payment progress status at 31% against the weighted progress of 20%. -Performance guarantee availed for audit confirmation but expired on 28 February, 2023, Renewal was requested by the client on 8th March 2023 but it has not been received as at the time of the audit verifications.
12	Kimbisa Agencies Limited	Construction of Gitambaya Mini Railway Station	29,585,092	-Weighted progress was 57% against the 89% elapsed contract period as at February, 2023. -Performance guarantee availed to expire on 20 January 2023 but has

No.	Contractors	Projects	Contract Amount (Kshs.)	Audit issues
				not been renewed by March 2023 during audit verification -NEMA and Nairobi County Government approvals were not availed for audit confirmation
13	Soyama Hardware Limited	Proposed construction of New Railway station at Kenyatta University	29,175,945	-Project at 99% and not handed over as at February, 2023. -Various items in the BQ had not been performed/provided among them site notice board, County Government approvals and others amounting to Kshs.4,485,940 was not performed as per the bill of quantities; Defects noted as per the site meeting held on 6th February 2023 were not confirmed to have been addressed as at the time of the audit;
14	Humeiras Construction $ Supplies Company Limited	Proposed construction of dog kennels at Nairobi and Mombasa terminal	8,672,940	-Project at 73% while time lapsed is 8 months as at February, 2023. -Time elapsed of 133% against the agreed completion project period. -PVC gutters not installed and there was no drainage works;
15	National Youth Service and Kenya Defense Forces	Nakuru-Kisumu meter Gauge line rehabilitation	Amount allocated was not availed	-Project progress and status report was not costed; -There was no project team to ensure the right quantity and quality of work; -Cumulative progress report was at 80% as at February, 2023. -Among the issues in Elburgon, Tunnel, Fort Tennan and Muhoroni Stations were incomplete plumbing works, non-delivered furniture's, gates not installed etc
16	National Youth Service and Kenya Defense Forces	Nakuru-Kisumu meter Gauge line rehabilitation	Amount allocated was not availed	-Project progress and status report were not costed; -There was no project team to ensure the right quantity and quality of work; -Cumulative progress report was at 64%-Among the issues in Kisian, Lela and -Butere stations were

No.	Contractors	Projects	Contract Amount (Kshs.)	Audit issues
				incomplete plumbing works, gates not installed etc
17	Jedi General Contractors Limited	Voi Girls Education Centre	230,858,760	-No official handing over of the project -Footpaths and pavements were not done. -Landscape not done as per specifications. -Poorly done floors -Poor workmanship on various classroom with cracked walls -Final inspection and substantial completion reports were not submitted
18	Various contractors and suppliers	Supply and Delivery of Trach ballast	665,887,470	-Dates of appointment of inspection and acceptance committee, letter of appointment of tender evaluation and negotiation committees were not disclosed in the support documents; -Delivery notes per lorry per trip in most payments were not confirmed; -Details such as weight bridge receipts, gate passes to KRC stations where deliveries were made was not availed. -Laboratory inspection reports were not availed; -Stock control records such as bin cards for ballast were not availed for verification;
19	Various contractors and suppliers	Supply and delivery of murram, boulders and gabions	180,325,000	-Field reports on pre and post repair inspection reports on sections of track line damaged and repaired were not availed; - Stock control records such as quoted register folios were not availed; - Letters of notification of award to suppliers were not availed; - Records showing the quantity of the murram supplied vis a vis the record of trucks was not availed for confirmation

13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2022.

	Note	30th June 2022 Kes.	30th June 2021 Kes.
REVENUES			
Main Income	5	18,650,546,585	17,495,923,566
Discount Allowed	5(a)	(1,106,314,171)	(991,803,789)
Government Grants	6	30,929,966,797	23,021,169,736
Other income	7	162,932,386	373,384,343
TOTAL REVENUES		**48,637,131,597**	**39,898,673,857**
OPERATING EXPENSES			
Board expenses	8	(33,538,335)	(38,958,946)
Administration expenses	9	(939,683,469)	(680,223,616)
Staff Cost	9(a)	(1,859,969,412)	(1,690,858,465)
Provision for bad Debts	9(d)	(179,585,920)	(1,201,600,500)
Rail Operational expenses	10	(19,752,329,449)	(18,989,577,533)
Depreciation of Property, Plant and Equipment	11	(21,547,488,287)	(20,034,397,736)
Amortisation of Intangible Assets	12	(11,195,523)	(3,530,709)
TOTAL OPERATING EXPENSES		**(44,323,790,395)**	**(42,639,147,505)**
TOTAL EXPENSES		**(44,323,790,395)**	**(42,639,147,505)**
OPERATING PROFIT/(LOSS)		**4,313,341,203**	**(2,740,473,648)**
OTHER COMPREHENSIVE ITEMS			
Finance Income	14	2,027,424,405	313,541,588
Finance Expense	15	(22,723,783,487)	(17,531,014,336)
Penalties/Interest On On lent Loan	16	(1,312,362,215)	(644,343,297)
Provision for bad Debts For RVR (K) Ltd	9(d)	-	(3,520,101,045)
TOTAL OTHER COMPRENSIVE ITEMS		**(22,008,721,297)**	**(21,381,917,091)**
PROFIT/(LOSS) BEFORE TAXATION		**(17,695,380,095)**	**(24,122,390,738)**
Deferred tax Income	17	4,984,185,870	120,672,413
PROFIT/(LOSS) AFTER TAXATION		**(12,711,194,225)**	**(24,001,718,325)**

14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2022

	Note	30th of June 2022 Kes.	30th of June 2021 Kes.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	19	562,397,012,335	582,737,040,996
Investment property	20	21,236,002,367	21,236,002,367
Intangible assets	21	135,281,257	129,910,401
Capital Works-in-progress	22	118,974,681,727	103,794,877,552
Total Non-Current Assets		**702,742,977,686**	**707,897,831,317**
Current Assets			
Stores Inventories	23	3,837,946,376	3,736,864,574
Trade and other Receivables	24	28,644,051,354	19,506,911,911
Short Term Investments	25	-	3,000,000,000
Cash deposits & guarantees	26	44,164,837,552	28,230,900,766
Cash & Bank Balances	27	266,358,498	590,526,871
Total Current Assets		**76,913,193,780**	**55,065,204,121**
TOTAL ASSETS		**779,656,171,466**	**762,963,035,438**
EQUITY & LIABILITIES			
Equity			
Government , subventions & equity	28	40,474,007,122	40,474,007,122
GOK Grants	29	10,029,252,411	10,373,896,105
Restructuring reserves	30	20,481,488,245	20,235,324,613
Accumulated losses	31	(109,075,253,197)	(96,262,068,766)
Total Equity		**(38,090,505,420)**	**(25,178,840,926)**
LIABILITIES			
Non-Current Liabilities			
East African Loan stocks	32	36,843,776	36,843,776
Exim bank loan (on lent)	33	591,746,929,094	569,023,145,606
Deferred Income	36	179,637,231,157	165,614,895,532
Provisions	34	258,949,827	251,398,327
Total Non current liabilities		**771,679,953,854**	**734,926,283,242**
Current Liabilities			
Payables & Accrued Charges	35	43,754,974,043	50,920,344,125
Deferred Income	36	2,311,748,989	2,295,248,997
Total Current Liabilities		**46,066,723,033**	**53,215,593,122**
Total liabilities		**817,746,676,886**	**788,141,876,364**
TOTAL EQUITY & LIABILITIES		**779,656,171,466**	**762,963,035,438**

The financial statements were approved by the Board on 30 September 2022 and signed on its behalf by:

Mr. Philip J. Mainga, EBS
MANAGING DIRECTOR

CPA Sammy Kariuki
GENERAL MANAGER FINANCE
ICPAK M/NO: 8354

Major General (Rtd) Pastor O. Awitta
CHAIRPERSON OF THE BOARD

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE 2022

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022

	(Govt. Subventions & Equity) Kes	(GoK Grants) Kes	(Net Appropr'tion a/c) Kes	Reserves Kes	Total Kes
At 30th June 2021	40,474,007,122	10,373,896,106	(96,262,068,766)	20,235,324,613	**(25,178,840,926)**
Prior period adjustment*	-		(101,990,206)		**(101,990,206)**
Restated balance	**40,474,007,122**	**10,373,896,106**	**(96,364,058,972)**	**20,235,324,613**	**(25,280,831,132)**
Transfers to deferred income		(344,643,695)			**(344,643,695)**
Additions				246,163,631	**246,163,631**
Net income for the year			(12,711,194,225)		**(12,711,194,225)**
At 30th June 2022	**40,474,007,122**	**10,029,252,411**	**(109,075,253,197)**	**20,481,488,245**	**(38,090,505,420)**

* The prior period adjustments on the accumulated losses brought forward are as follows:-

	Forex Adjustment		(101,990,206)		
	Total Prior year adjustments Note 18(a)		**101,990,206**		

STATEMENT OF CHANGES IN EQUITYFOR THE YEAR ENDED 30TH JUNE 2021

	Share Capital (Govt. Subventions & Equity) Kshs	Share Capital (GoK Grants) Kshs	Accumulated Losses (Net Appropr'tion a/c) Kshs	Restructuring reserves Kshs	Total Kshs
At 30th June 2020	40,474,007,122	10,373,896,106	(70,448,015,697)	20,233,660,858	633,548,388
Prior period adjustment*	-		(1,812,334,744)		**(1,812,334,744)**
Restated balance	**40,474,007,122**	**10,373,896,106**	**(72,260,350,441)**	**20,233,660,858**	**(1,178,786,356)**
Movement in Legacy Stocks	-		-	1,663,756	**1,663,756**
Net income for the year			(24,001,718,325)		**(24,001,718,325)**
At 30th June 2021	**40,474,007,122**	**10,373,896,106**	**(96,262,068,766)**	**20,235,324,613**	**(25,178,840,926)**

* The prior period adjustments on the accumulated losses brought forward are as follows:-

	Depreciation on SGR assets	(3,572,460,745)		
	Deferred Income for 2019-2020	1,483,283,338		
	Deferred Income 2018-2019	276,842,663		
	Total Prior year adjustments	**(1,812,334,744)**		

	Share Capital (Govt. Subventions & Equity) Kes	Share Capital (GoK Grants) Kes	Accumulated Losses (Net Appropr'tion a/c) Kes	Restructuring reserves Kes	Total Kes
At 30th June 2020	40,474,007,122	10,373,896,106	(70,448,015,697)	20,233,660,858	633,548,388
Prior period adjustment*	-		(1,812,334,744)		(1,812,334,744)
Restated balance	40,474,007,122	10,373,896,106	(72,260,350,441)	20,233,660,858	(1,178,786,356)
Movement in Legacy Stocks	-		-	1,663,756	1,663,756
Net income for the year			(24,001,718,325)		(24,001,718,325)
At 30th June 2021	40,474,007,122	10,373,896,106	(96,262,068,766)	20,235,324,613	(25,178,840,926)

16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30th JUNE 2022

	Notes	30th June 2022		30th June 2021	
		KES	KES	KES	KES
Cash flows from operating activities					
Profit after income tax	31		(12,711,194,225)		(24,001,718,325)
Add : Items not Involving movement of Cash					
- Depreciation of PPE	19	21,547,488,287		(20,034,397,736)	
- Depreciation- Intangible assets	21	11,195,523		(3,530,709)	
Provision for doubtful debt	9d	179,585,920		(4,721,701,545)	
defered income	6	(2,311,748,989)			
Interest Expense and Penalty	15 and 16	24,036,145,702		(18,175,357,633)	
Deferred Tax	17	(4,984,185,870)		120,672,413	
Finance Income	14	(2,027,424,405)		313,541,588	
GOK grant	6	28,618,217,808			
			65,069,273,976		(42,500,773,622)
Operating profit / (loss) before working capital changes	-		**52,358,079,751**		**(66,502,491,947)**
Add : Movement In Working capital					
Increase in stores inventories	23	(101,081,802)		(120,260,221)	
(Increase)/decrease in Receivables	24	(9,137,139,443)		(1,347,930,183)	
Increase/(decrease) in payables	35	(7,165,370,082)		(8,412,329,463)	
Net Current Assets Movement			**(16,403,591,326)**		**(9,880,519,868)**
Net cash generated from / (used in) operating activities			**35,954,488,425**		**(76,383,011,815)**
Cash flow from Investing Activities					
Purchase of property, plant and equipment	19	(304,940,025)		(397,904,616)	
Purchase of intangible assets	21	(16,566,379)		(17,566,250)	
Adjustment on fixed assets	19	662,034		267,109,382	
Capital works started during the period	22	(16,010,229,330)		-	
Net cash generated from / (used in) investing activities			**(16,331,073,700)**		**(148,361,483)**
Cash flow from Financing Activities:-	-				
Restructuring reserves movement	30	(246,163,631)		1,663,756	
Prior year adjustment to accumulated losses	18(a)	101,990,206		1,812,334,744	

Other provisions	34	7,551,500		9,811,712	
Movement in Deposits	26	(15,886,140,628)		9,683,296,141	
Movement in Long term loans	33	22,723,783,487		24,296,960,635	
Movement in GOK Grant	29	324,168,372		23,021,169,736	
Deferred income	36	(14,038,835,617)		11,510,187,758	
Net cash generated from / (used in) financing activities			**(7,013,646,311)**		**70,335,424,483**
Increase in Cash and Cash Equivalents			**12,609,768,414**		**(6,195,948,815)**
Movement in Cash & Cash Equivalents	-				
Opening Balances			**31,821,427,636**		**38,017,376,451**
Add increase/(decrease) in cash & cash equivalent			**12,609,768,414**		**(6,195,948,815)**
Closing Cash and Cash equivalent			**44,431,196,050**		**31,821,427,636**
Less cash Guarantees	27		**(44,164,837,552)**		**(28,230,900,766)**
Closing balance of cash & cash equivalent note 37	37		**266,358,498**		**3,590,526,871**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR COMPARED WITH BUDGET							
	Original budget	Adjust-ments	Final budget	Actual on compa-rable basis	Performance difference	% of utili-sation	
RENT INCOME	1,372,713,528	-	1,372,713,528	909,564,999	(463,148,529)	-34%	A
SGR INCOME	18,881,550,073	-	18,881,550,073	15,018,360,424	(3,863,189,649)	-20%	B
EQUIPMENT LEASE INCOME	43,659,025	-	43,659,025	80,787,895	37,128,870	85%	C
MUSEUM INCOME	2,967,793	-	2,967,793	2,417,753	(550,040)	-19%	
INVESTMENT INCOME	210,772,357	-	210,772,357	2,027,424,405	1,816,652,048	862%	D
OTHER INCOMES	-	-	-	27,847,853	27,847,853	0	E
MGR REVENUES	2,868,320,922	-	2,868,320,922	1,331,556,754	(1,536,764,168)	-54%	F
GOK GRANT	8,974,054,366	-	8,974,054,366	30,929,966,797	21,955,912,431	245%	G
RTI Income	473,815,563	-	473,815,563	336,629,123	(137,186,440)	-29%	H
TOTAL REVENUE	**32,827,853,627**	**-**	**32,827,853,627**	**50,664,556,002**	**17,836,702,375**	**54%**	
STAFF COSTS	(2,552,213,699)	-	(2,552,213,699)	(1,859,969,412)	692,244,287	27%	I
RAIL OPERATIONS COSTS	(22,939,770,680)	-	(22,939,770,680)	(19,752,329,449)	3,187,441,231	14%	W
TRAINING	(84,646,146)	-	(84,646,146)	(25,247,849)	59,398,297	70%	J
TRAVEL & ACCOMODATION	(127,883,825)	-	(127,883,825)	(168,863,496)	(40,979,671)	-32%	K
LEGAL & PROFESSIONAL	(405,775,000)	-	(405,775,000)	(201,380,718)	204,394,282	50%	L
BOARD EXPENSES TOTAL	(30,000,000)	-	(30,000,000)	(33,538,335)	(3,538,335)	-12%	X
GENERAL OFFICE EXPENSES	(311,713,496)	-	(311,713,496)	(286,805,243)	24,908,253	8%	M
PRINTING & STATIONERY	(37,616,081)	-	(37,616,081)	(10,306,145)	27,309,936	73%	y
MV RUNNING EXP	(33,601,154)	-	(33,601,154)	(73,304,030)	(39,702,876)	-118%	N
UTILITIES EXPENSES	(95,457,555)	-	(95,457,555)	(69,054,483)	26,403,072	28%	O
COMMUNICATIONS COSTS	(34,333,100)	-	(34,333,100)	(17,313,943)	17,019,157	50%	P
ADVERTISING & PROMOTION	(47,224,435)	-	(47,224,435)	(40,429,625)	6,794,810	14%	Z
SUBSCRIPTION & DONATIONS	(12,277,745)	-	(12,277,745)	(4,063,007)	8,214,738	67%	Q
INSURANCE EXPENSES	(21,898,251)	-	(21,898,251)	(13,618,725)	8,279,526	38%	R
REPAIRS & MAINTENANCE	(153,370,250)	-	(153,370,250)	(29,296,206)	124,074,044	81%	S
PROVISION FOR DOUBTFUL DEBT	-	-	-	(179,585,920)	(179,585,920)	0%	T
TOTAL OPERATION COSTS	**(26,887,781,417)**	**-**	**(26,887,781,417)**	**(22,765,106,585)**	**4,122,674,832**	**15%**	
PROFIT BEFORE NON OPERATIONAL COSTS	**5,940,072,210**	**-**	**5,940,072,210**	**27,899,449,417**	**21,959,377,207**	**-370%**	
FINANCE EXPENSES	(20,852,348,681)		(20,852,348,681)	(22,723,783,487)	(1,871,434,806)	-9%	U
PENALTIES/INTERESTS ON DEB	-		-	(1,312,362,215)	(1,312,362,215)	0%	
Deferred Tax	-		-	4,984,185,870	4,984,185,870	0%	
DEPRECIATION EXP	(21,530,374,733)		(21,530,374,733)	(21,558,683,810)	(28,309,077)	0%	V
NON OPERATING COSTS	**(42,382,723,414)**	**-**	**(42,382,723,414)**	**(40,610,643,642)**	**1,772,079,772**	**4%**	
TOTAL COSTS	**(69,270,504,831)**	**-**	**(69,270,504,831)**	**(63,375,750,227)**	**5,894,754,604**	**9%**	
NET SURPLUS / DEFICIT	**(36,442,651,204)**	**-**	**(36,442,651,204)**	**(12,711,194,225)**	**23,731,456,979**	**65%**	

	Explanation Notes:
A - Rent Income	The Railway corridor clearance activities that led to eviction of various tenants across the Railway network thus leading to revenue loss.
	Maintenance of assets - Majority of the units are in need of major repairs, facelifts and modernization. This affects properties market values thus reducing chargeable
	Lack of an automated Property Management System - the Corporation does not have a property Management system. That means enforcement of provision of contracts is largely manual. This is ineffective as it is difficult to enforce clauses like the escalation and may lead to loss of revenue.
	The Corporation is faced with numerous legal cases on long leases in Coast region, this has hampered effective rent collection
	Change in policy as a result of revitalization of Railway Business on various routes, this led to slowed down land leasing activities thus decline on revenue
B -SGR Income	Reduced asset utilization owing on loading at the Port of Mombasa - During the year, SGR loaded an average of 404 wagons out of a wagon availability 629 representing an achievement of 64.26% of the daily loading capacity at the Port
	Poor state of clinker loading yard at Mariakani SGR Station. The poor state of the yard led to cases of equipment breakdown which resulted in loss of business to alternative modes of transport. In addition, the client faced a lot of challenges in trucking of cargo from Mombasa Island to Mariakani for henceforth transhipment to SGR
	Delay in loading of containers at the Port - Inadequacy of handling equipment at the Port negatively impacted on effectiveness and efficiency in loading and offloading of wagons leading to increased train turnaround time at the Port and subsequent delay in delivery of freight to clients.
C - Equipment lease	Leases to CRBC for rehabilitation of MGR
D -Investment Income	Movement in Foreign echange gain and loss accounts
E - Other Incomes	Less wayleaves in the year 2021-2022
F - MGR Revenues	Low asset reliability affecting client retention as a result of high transit and line blockage times impacting on the ability to uptake more cargo
	Poor locomotive reliability was experienced in the period averaging 2,238km Mean Kilometres Between Failures (MKBF) against a target of 3,500km. This led to longer transit time averaging 29.03hrs from Changamwe to Nairobi and 41.49hrs between Naivasha and Malaba each exceeding their 18hrs target
	Cargo evacuation delays at the Malaba yard due to Cross border operational challenges - During the period, the Ugandan network experienced operational challenges which resulted in an average 5 days' cargo dwell time at Malaba and over 15 days' cycle time in Uganda. This led to cargo congestion at the yard leading to cargo diversion to road, exports volumes and empty wagons return delay.
	Exit of Prime Fuels Kenya Limited as a key client - Prime Fuels Kenya Limited pulled out of the Market in December 2021 affecting targeted haulage of vegetable oils on rail by 61,073 Mtns. This is a high yield business . The pull out affected the perfomance of a whole sub division resulting to idle assets.
G - GoK Grant	The Government of Kenya has continued to support Kenya Railways and in the year, an operational grant of **Kes 30 Billion** was given to the Corporation

H -RTI Income	Inadequate infrastructure which limits the number of students enrolled for programs including student hostels/ accommodations.
	Lack of access to loans disbursed from HELB preventing needy students from training at the Institute
	Austerity measures resulting in resource limitations affecting activities that support marketing
	Low enrolment for rail courses attributed to non-absorption of the institute's trainees.Rail courses are the premier courses offered with the highest return .
	Premium Railway courses planned in the year were not rolled out
I - Staff Cost	Recruitment of senior position in the corporation budgeted didn't materialize and also the corporation has not fully implemented the approve structure
J-Training	Restricted Training due to cost cutting measures
K - Travel and acco-modation	Restriction of Travel owing to cost cutting measures
L - Legal and Proffe-sional Expernses	The budget included the consultancy services for Valuation of properties and Development of a marketing strategy which didn't materialized in the year
M - General Office Expenses	Cost Control Measures implemented
N -MV running Ex-penses	Increased number of fleet acquired in the financial year driven by increased business activities from an expanding scope
O - Utilities Expenses	Budget that was based on anticipated completion of the new stations and review of Land rates charged by the various Counties and the expected increase in water and electricity consumption due to increased activities and leasing of go downs to support the transit shed business
P - Commuincation Costs	Better Cost Control and restriction of advertising medium
Q-Subscriptions and Donations	Digitazation and cost containment measures
R - Insurance Expense	Insurance budget was based on Anticipated completion of Capital Engagement and level of corporation business
S - Repairs and main-tenance	It was budgeted on anticipation with increased need for MGR ICT infrastructure maintenance and higher provision for repair and maintenance on SGR assets which are overdue for periodic maintenance.
T - Provision for Doubtful debts	No budget was provided
W- Rail Operation Cost	Suboptimal operation of MGR and SGR as discusssed in the segmental results
x-Board Expenses	Fewer Board meetings
Y-Prniting and Sta-tionery	Digitazation and cost containment measures
Z-Advertersing and Promotion	Cost Control Measures implemented

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Railways is established by and derives its authority and accountability from the Kenya Railways Act (Cap 397). The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is to provide a coordinated and integrated system within Kenya of rail & inland waterways transport services, port facilities in relation to inland waterways transport services and Auxiliary road services in connection therewith.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the corporation. 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 present.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for DE recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

(i) ***Early adoption of standards***

Kenya Railways did not early - adopt any new or amended standards in the year 2021-2022.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of gross consideration received or expected to be received in the ordinary course of the Corporation's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below. The standard rate for the Corporation is the official published tariff. Any concession, rebate waiver or deviation from the published tariff is recorded as discount given and recorded separately in Compliance to IFRS 15, 18 and The Income Tax act.

i. **Revenue from the sale of goods and services** is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Rail operation revenue;

- Freight Income- Income from cargo haulage in SGR and MGR
- Passenger Income- fares for long distance passenger services on SGR
- Trackage Right- Flat rate given to Magadi for access of MGR Tracks Konza to Magadi
- Way-leaves- Grant of right of access over rail infrastructure
- CFS Revenue- Storage and handling charges at Makongeni CFS
- Commercial works- External works undertaken in the workshop
- Commuter fare- fares received from commuter services in Nairobi

ii. **Grants from the National Government** are recognized in the year in which the corporation actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/ capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

iii. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv. **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v. **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vi. **Other income** is recognized as it accrues.

b) **In-kind contributions**

In-kind contributions are donations that are made to the Corporation in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

Increases in the carrying amounts of assets arising from revaluation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are

charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Asset	Rate (%)	Useful life (Years)
Permanent Way and Bridges	2.00%	50
Buildings	2.00%	50
Plant and Machinery	3.33%	30
Signalling Equipment	2.50%	40
Telecommunication Equipment	4.00%	25
Locomotives	2.50%	40
Coaches	2.50%	40
Wagons	2.50%	40
Wagon ferries	2.50%	40
Dry dock	2.50%	40
Ancillary vessels	2.50%	40
Ferry terminals	1.67%	60
Marine equipment	3.33%	30
Lorries - above 3 tonnes tare weight	37.50%	2.67

Motor Vehicles - 3 tonnes and below	25.00%	4
Office Equipment	12.50%	8
Furniture & fittings	12.50%	8
Computer, copiers & faxes	33.33%	3
Track Tools	20.00%	5
SGR Information System	12.50%	8
SGR Track Subcomponents	10.00%	10
SGR Interval Communication	8.33%	12
SGR Signalling	6.67%	15
SGR Intra-Stn Communication	5.00%	20
SGR Water & Drainage System	4.00%	25
Station Yards	3.33%	30
Station Buildings	2.00%	60
SGR Main Line Track	1.67%	60
SGR Sub-Grade	1.00%	100
Major Bridges	1.00%	100

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

During the year, the Corporation made first time depreciation of the second batch of Diesel Multiple Units. The Useful lives of assets is by reasonable estimates, industry best practice and expertise recommendation of KR Consultants on the SGR Project. Generally, the Engineering design life is considered the useful life subject to other factors including periodic maintenance. The deprecation has been prorated to the extent of the period remaining to the end of the financial year after capitalization.

Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on DE recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Summary of Significant Accounting Policies

n) Taxation

i. Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Summary of Significant Accounting Policies

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Summary of Significant Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The Corporation provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Corporation pays fixed contributions into a separate Corporation (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 per employee per month.

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any 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.

Summary of Significant Accounting Policies

w) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on 8th October 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under comparison of actual vs budget of these financial statements.

x) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

z) 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 June 30, 2022.

1. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Details of provision for bad debt is captured under Notes

Notes to the Financial Statements (Continues)

5	Main Income		30th of June 2022 KES	30th of June 2021 KES
	SGR Revenues		16,071,017,819	14,507,825,953
	MGR Revenues		1,269,625,350	1,603,766,371
	Net rental income from investment property		909,564,999	1,103,768,145
	Railway training institute		336,629,123	211,551,557
	MGR Marine-MV Uhuru		63,709,294	69,011,541
	TOTAL		**18,650,546,585**	**17,495,923,566**

Main Income will record revenues accruing from the core activities of movement of freight cargo, passenger, property & investment and revenue from the center of excellence the Railway Training Institute. Revenue is recorded at Gross. However, The corporation has also entered into long term freight agreements with key customers who have invested in rail infrastructure in order to enable the corporation uptake cargo requiring special facilities. These customers enjoy investment based contract spot rates. In the year, contracted customers generated Kes 2.91 Billion equivalent to business upon which a concession of Kes 1.55 Billion arising from the contracted special rates. The revenues from contracted customers are reported net under SGR revenues.

5(a)	Discount Allowed		30th of June 2022 KES	30th of June 2021 KES
	SGR Volume Discounts		(1,052,657,396)	(935,403,964)
	MGR		(1,777,890)	(55,780,177)
	Non -Rail related Discounts		**(51,878,885)**	(619,648)
	Discount Allowed		**(1,106,314,171)**	**(991,803,789)**

The Corporation will record all deviations from the Standard Published tariff in form of concessions, special rates and waivers as discounts accruing to the various units.

6	Government Grants		30th of June 2022 KES	30th of June 2021 KES
	SGR Operations Grant		28,618,217,808	20,816,915,149
	SGR Deferred Income		2,311,748,989	2,117,254,588
	NUTRIP project (Amortization)		-	87,000,000
	TOTAL		**30,929,966,797**	**23,021,169,736**

These are funds disbursed to the Corporation from the National government in support of specific aspects of the operation. Operational grants will record amounts received in Support of the Operation. Amortization is the systematic allocation of Capital grants in respect to Projects that is allocated proportionate to the design life of the project.

7	OTHER INCOME		30th of June 2022 KES	30th of June 2021 KES
	Sale of scrap		-	145,029,297
	Sundry income		7,884,542	94,375,914
	MGR Revenues		65,111,305	68,860,207
	Wagon lease		80,787,895	60,460,850
	Profit on sale of assets		650,000	3,520,000

	Museum Earnings		2,417,753	694,650
	Commercial Rent		447,000	442,425
	Sale of tender documents		-	1,000
	Sale of spares		113,452	-
	Kenrail Parking Revenue		3,627,163	-
	Kenrail Service Charge Income		1,893,276	-
	TOTAL		**162,932,386**	**373,384,343**

Other Incomes will record revenues from non-core business. Rental Income records rent revenue from houses and land Properties leased to the public. Sale of tender documents records sale of printed tender documents. Biological assets sales records sale of Trees and other Biological assets. Sale of scrap records proceeds from disposal of unutilized assets approved for disposal. Profit on sale of assets records proceeds of the sale over the book value of the assets. MGR assets will record MGR revenues besides the core business this include Wayleave, workshop jobs and wagon leases. Commercial rent records the revenue specific to NCR station building. Wagon lease records lease of assets to Tata Chemicals.

8	BOARD EXPENSES		30th of June 2022 KES	30th of June 2021 KES
	Director's Fees		12,331,200	16,131,010
	Directors' Sitting Allowances		10,609,000	14,413,100
	Board training		988,580	549,810
	Directors' Travel & Accommodation		9,609,555	7,865,026
	TOTAL		**33,538,335**	**38,958,946**

Board expenses relate to compensation of Board members in respect to sitting allowances, fees, facilitations and trainings.

9	ADMINISTRATION EXPENSES		30th of June 2022 KES	30th of June 2021 KES
	Postages and telephones		17,313,943	10,170,881
	Vehicle running & generator maintenance		73,304,030	43,819,732
	Travel & Accommodation		168,863,496	129,068,478
	Printing and stationery		10,306,145	12,547,269
	Advertising and sales promotion		40,429,625	35,284,488
	Audit fees provision		2,000,000	2,000,000
	Legal and professional fees		201,380,718	73,341,505
	Bank charges and commissions		7,429,318	7,829,822
	General Office Expenses	9b	191,504,555	150,472,887
	Occupancy & Utilities	9c	69,054,483	61,305,408
	Insurance		13,618,725	26,176,930
	(Increase)/ Decrease in provision for bad debts	9d		
	Security		115,182,226	94,762,719
	Repairs & Maintenance		29,296,206	33,443,496
	TOTAL		**939,683,470**	**680,223,616**

Administration expenses relates to both direct and indirect overheads. The categorization will be functional based.

9(a)	STAFF COSTS		30th of June 2022 KES	30th of June 2021 KES
	Group life Insurance & group personal accident		4,417,446	2,054,093
	Other Staff costs		164,590,671	160,109,236
	Salaries and wages		967,084,703	923,849,196
	Staff allowances		476,588,087	506,249,854
	Staff medical		247,288,506	98,596,085
	TOTAL		**1,859,969,412**	**1,690,858,465**

This relates to the human capital. Group life insurance expense relates to the total premium for the corporation group life policy. Other staff cost includes gratuities, internship allowances, extraneous allowances, Ex gratia expenses and staff welfare expenses. Salaries and wages relates to basic pay and employer pension contribution. Staff allowances relates to all allowances paid in course of engagement.

	The average number of employees at the end of the year was:		30th of June 2022 KES	30th of June 2021 KES
	Permanent employees – Management		2,051	1,489
	Fixed Term Contract		144	69
	Temporary Contract		457	606
	Casuals		2,023	2,279
	Total		**4,675**	**4,443**

In the year Temporary contract staff in the SGR Division were absorbed into the permanent status

9(b)	GENERAL OFFICE EXPENSES		30th of June 2022 KES	30th of June 2021 KES
	Office tea & beverages		11,745,400	12,779,109
	Cleaning services		50,957,987	56,555,885
	Office repairs & maintenance		3,985,623	1,939,754
	Students' food and essentials		17,215,497	23,345,522
	Other office expenses		78,289,192	42,314,562
	Training,Subscription & Donation		29,310,856	13,538,055
	TOTAL		**191,504,555**	**150,472,887**

Office tea and beverage records amounts utilized in provision of office tea. Cleaning services will record amounts in maintaining sanitation in offices and facilities including our buildings and leased properties. Repair and maintenance records expenses to remedy failure of asset and equipment and to provide minimal downtimes. Students food and Essentials records expenses to provide meals and other essentials for students in RTI trade debtors. Training, subscription and donations records staff training and subscription to professional bodies both by the Corporation and staff, it also records donations by the Corporation to various courses.

9(c)	OCCUPANCY & UTILITIES COSTS		30th of June 2022 KES	30th of June 2021 KES
	Land rates		38,708,442	38,708,442
	Electricity		25,156,146	11,964,899
	water		5,189,894	10,632,067
	TOTAL		**69,054,483**	**61,305,408**

These relates to recurring utilities such as Water, Electricity and Land rates.

9(d)	PROVISION FOR BAD DEBTS		30th of June 2022 KES	30th of June 2021 KES
	It is the Corporation's policy to maintain a 5% provision on trade receivables and Rent Receivable .			
	Balance b/fwd		(5,764,207,240)	(1,042,505,695)
	Charge for the year- general provision on bad debts		(179,585,920)	(4,721,701,545)
	Balance carried forward		**(5,943,793,160)**	**(5,764,207,240)**
	The current provision is made up of the following items.			
	Category	Amount (Kes)		
	Closed rent accounts	1,224,009,963		
	Closed trade accounts	478,961,407		
	RVR outstanding	3,520,101,045		
	Inactive MGR accounts	170,273,695		
	General 5% Provision	165,310,735		
	Amount in Chase Bank	200,000,000		
	Student Debtors	5,550,394		
	Other Provisions	168,096,610		
	RTI Trade Debtors	11,489,310		
	Total Reported Provision	**(5,943,793,70)**		

Provision for bad debts is the change of provision between two successive years. As a policy, the Corporation provides fully for closed and inactive accounts for both trade and rent debtors. The balance of active accounts will have a general 5% provision. The new provisions include items classified under other receivables and there is also a first time provision for RTI for long outstanding debts

10	Rail Operational expenses		30th of June 2022 KES	30th of June 2021 KES
	MGR Operations & Maintenance Costs		1,806,326,632	1,303,788,309
	SGR -Operations & Maintenance		17,939,628,774	17,685,789,224
	TOTAL		**19,745,955,406**	**18,989,577,533**

This relates to expenses incurred in train operations. In SGR this will include the fixed Operation and Maintenance contract, fuel, Loading and loading at the yards, Channel occupancy for frequencies for communication, Variable freight being amounts driven by the activity above the fixed charge and indexation which cushions arising from USD denominated Operator bills. MGR operation will record variable cost of fuel, maintenance and traffic related expenses. It also relates to specific overheads in respect to MGR operations

11	Depreciation of Property, Plant and Equipment		30th of June 2022 KES	30th of June 2021 KES
	Buildings		61,801,584	59,379,789
	Water Supplies & Transport equip.		7,826,031	7,826,031
	Plant & Machinery		56,268,273	40,833,707
	Permanent way		3,154,256	3,154,256
	Telecommunications Equipment		13,064,756	9,010,827
	Motor Vehicles		66,355,583	41,005,531
	Furniture & Fittings & Office Equipment		39,865,133	103,128,483
	Donated assets		48,532,131	48,667,318
	Computers		11,159,063	7,462,016
	DIESEL MULTIPLE UNIT DEPRECIATION		54,907,026	19,506,665
	SGR BRIDGE DEPRECIATION		769,391,698	662,242,372
	SGR CULVERT DEPRECIATION		307,531,281	273,277,952
	SGR STATION YARD DEPRECIATION		428,889,236	405,742,907
	SGR BUILDING DEPRECIATION		654,782,313	637,615,832
	SGR TRACK DEPRECIATION		5,742,960,159	5,311,427,210
	SGR ELECTRIC SUPPLIES DEPRECIATION		1,092,120,558	985,686,759
	SGR WATER & DRAINAGE DEPRECIATION		213,243,524	199,601,455
	SGR FENCE DEPRECIATION		1,051,618,708	999,130,422
	SGR SIGNALLING DEPRECIATION		1,635,286,126	1,579,489,924
	SGR TELECOMMUNICATION DEPR		2,301,134,435	2,153,710,280
	SGR INTANGIBLE ASSET DEPRE		254,067,546	227,866,725
	SGR AIR & FIRE EQUIPMENTS DEPRE		183,309,843	153,048,407
	SGR INTEG TESTING EQUIP DEPRE		16,216,760	16,216,761
	SGR LOCO & ROLL STOCK DEPRE		1,966,254,137	1,966,254,083
	SGR LOCO DEPOT EQUIP DEPRE		634,267,585	634,267,582
	SGR LOCO INFORMATION EQUIP DEPRE		84,424,700	84,424,700
	SGR ROLL STOCK DEPOT EQUIP DEPRE		545,698,912	545,698,905
	SGR STATION YARD EQUIP DEPRE		281,544,252	281,544,252
	SGR TRACK MAINTENANCE EQUIP DEPRE		221,995,332	221,995,345
	SGR SUBGRADE DEPRECIATION		2,554,708,577	2,191,775,393
	SGR TUNNEL DEPRECIATION		245,108,770	163,405,847
			21,547,488,287	**20,034,397,736**

12	ARMOTIZATION OF INTANGIBLE ASSETS		30th of June 2022 KES	30th of June 2021 KES
	Charge for the year		11,195,523	3,530,709
	TOTAL		**11,195,523**	**3,530,709**

The policy of the corporation is to depreciate items of non-current assets by allocating the cost of acquisition over the useful life of the asset. The management makes judgement of the useful lives of items of Property Plant and Equipment.

13	RATES FOR DEPRECIATION		30th of June 2022 KES	30th of June 2021 KES

The corporation applies the straight line method of depreciation. The useful life for specific technical assets such as SGR and MGR assets, the engineering design life is used to allocate the cost. The schedule of rates and useful live is provided under note 18.3 (b)

14	FINANCE INCOME		30th of June 2022 KES	30th of June 2021 KES
	Interest-short term deposit		271,617,539	429,598,696
	Interest- ordinary advances		45,434	23,097
	Unrealized gain (Loss)on foreign currency translation		1,755,761,432	(116,080,205)
	TOTAL		**2,027,424,405**	**313,541,588**

Finance income will include interest earned from investments in commercial banks. This is in form of Fixed Deposit Reserves from un-utilized cash. The corporation also recognizes nominal interest in advances to staff. The exchange gain was due to currency movement affecting Escrow bank account and foreign dominated creditors and debtors

15	FINANCE EXPENSE		30th of June 2022 KES	30th of June 2021 KES
	SGR On Lent Loan Interest		(22,723,783,487)	(17,531,014,336)
	TOTAL		**(22,723,783,487)**	**(17,531,014,336)**

SGR on Lent interest relates to interest accruing from the On lent loan from the National treasury in respect to implementation of the SGR project. On Lent loan is the Exim bank loan of Kes 539 billion as per note 33

16	Penalties/ interest on on-lent Loan		30th of June 2022 KES	30th of June 2021 KES
	PENALTIES/INTERESTS ON DEB		(1,312,362,215)	(644,343,297)
	TOTAL		**(1,312,362,215)**	**(644,343,297)**

This relates to penalties accruing from non-payment of interest as per the SGR on-Lent agreement. The interest is charged at 1% of the unremitted amounts as from July 2020

17	INCOME TAX EXPENSE		30th of June 2022 KES	30th of June 2021 KES
	The Current year's tax is just a provision. Final tax will be computed after the accounts have been audited			
	Profit as per financial statements		(17,689,006,052)	(24,129,387,584)
	Adjustments		21,367,902,366	15,312,696,191
	Taxable profit		3,678,896,314	(8,816,691,393)
	Tax @ 30%		**1,103,668,894**	**(2,645,007,418)**
	Current taxation based on the adjusted profit for the year at 30%		1,103,668,894	(2,645,007,418)
	Current year deferred tax charge		(4,984,185,870)	120,672,413
	Total		**(3,880,516,976)**	**(2,524,335,005)**

18	Operating Profit /loss		30th of June 2022 KES	30th of June 2021 KES
	The operating profit/(loss) is arrived at after charging/ (crediting):			
	Staff Costs		(1,834,723,493)	(1,690,858,465)
	Rail Operations Costs		(19,745,955,406)	(18,989,577,533)
	Training		(25,247,849)	(10,458,496)
	Travel & Accommodation		(168,863,496)	(129,068,478)
	Legal & Professional		(201,380,718)	(73,341,505)
	Board Expenses Total		(33,538,335)	(38,958,946)
	General Office Expenses		(312,051,162)	(241,527,374)
	Printing & Stationery		(10,306,145)	(12,547,269)
	Mv Running Expenses		(73,304,030)	(43,819,732)
	Utilities Expenses		(69,054,483)	(61,305,408)
	Communications Costs		(17,313,943)	(10,170,881)
	Advertising & Promotion		(40,429,625)	(35,284,488)
	Subscription & Donations		(4,063,007)	(3,079,559)
	Insurance Expenses		(13,618,725)	(26,176,930)
	Repairs & Maintenance		(29,296,206)	(33,443,496)
	Provision For Doubtful Debt		(179,585,920)	(4,721,701,545)
	Finance Expenses		(22,723,783,487)	(17,531,014,336)
	Penalties/Interests On On-Lent Loan		(1,312,362,215)	(644,343,297)
	Depreciation Expenses		(21,558,683,810)	(20,037,928,445)
	Total		**(68,353,562,054)**	**(64,334,606,183)**

18C	Prior year adjustment to accumulated losses		30th of June 2022 KES	30th of June 2021 KES
	Depreciation on SGR		-	(3,572,460,745)
	Deferred income for 2019-2020		-	1,483,283,338
	Deferred income 2018-2019		-	276,842,663
	Foreign exchange Adjustment		101,990,206	-
	Total Prior year adjustments		**101,990,206**	**(1,812,334,744)**
	Prior Year adjustments are posted directly to retained earnings and relate to material item of the Income statement relating to a period other than the current. Foreign exchange adjustment relates to realized exchange gain and loss.			

Notes to the Financial Statements (Continued)

19 (a) Property, Plant and Equipment - 2021 - 2022

	Freehold land	Buildings & civil works	Water Supplies	Plant and machinery	Telecomication Equipment	Motor vehicles, including, motor cycles
COST OR VALUATION						
At July 1, 2021	15,175,501,812	3,148,221,446	173,869,200	1,242,026,385	84,165,997	339,152,864
Additions	-	1,240,891	-	62,226,800	1,920,835	135,858,848
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At June 30, 2022	**15,175,501,812**	**3,149,462,337**	**173,869,200**	**1,304,253,185**	**86,086,833**	**475,011,712**
DEPRECIATION						
As At July 1, 2021	-	574,599,528	77,719,826	494,515,569	39,157,655	148,989,631
Charge for the year	-	61,801,584	7,826,031	56,268,273	13,064,756	66,355,583
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
Reclassification	-	18,956,954	(12,640)	-	-	-
At June 30, 2022	**-**	**655,358,067**	**85,533,217**	**550,783,841**	**52,222,411**	**215,345,214**
NET BOOK VALUE						
At June 30, 2022	**15,175,501,812**	**2,494,104,269**	**88,335,983**	**753,469,344**	**33,864,422**	**259,666,498**

Notes to The Financial Statements (Continued)

19 (b) Property, Plant and Equipment - 2020 - 2021

	Freehold land	Buildings & civil works	Water Supplies	Plant and machinery	Telecommunication Equipment	Motor vehicles, including, motor cycles
COST OR VALUATION						
At July 1, 2020	15,175,501,812	2,928,057,017	173,869,200	1,131,645,658	63,288,601	183,694,447
Additions	-	62,420,191		110,380,727	20,877,396	155,458,417
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments	-	157,744,238	-	-	-	-
At June 30, 2021	**15,175,501,812**	**3,148,221,446**	**173,869,200**	**1,242,026,385**	**84,165,997**	**339,152,864**
DEPRECIATION						
As At July 1, 2020	-	515,219,739	69,893,795	453,681,861	30,146,828	107,984,100
Charge for the year	-	59,379,789	7,826,031	40,833,707	9,010,827	41,005,531
At June 30, 2021	**-**	**574,599,528**	**77,719,826**	**494,515,569**	**39,157,655**	**148,989,631**
At June 30, 2021	**15,175,501,812**	**2,573,621,917**	**96,149,374**	**747,510,816**	**45,008,342**	**190,163,232**

Office equipment, furniture & fittings	Computers & related equipment	Cash Generating Assets	Donated assets	SGR Assets (Note 19C)	DMU	Total
911,319,304	155,795,163	3,755,282,119	2,454,589,676	610,612,117,326	731,499,955	638,783,541,245
98,736,767	4,955,883	-	42,612	3,951,958		308,934,595
-	-	-	-	68,099,871	830,425,154	898,525,026
-	-	-	-	-	-	-
1,010,056,071	**160,751,045**	**3,755,282,119**	**2,454,632,288**	**610,684,169,155**	**1,561,925,109**	**639,991,000,866**
801,048,331	123,657,571	379,274,277	264,560,374	53,123,470,817	19,506,665	56,046,500,246
39,865,133	11,159,063	3,154,256	48,532,131	21,184,554,450	54,907,026	21,547,488,287
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(18,956,954)	-	12,639	-	(1)
840,913,464	**134,816,634**	**363,471,579**	**313,092,505**	**74,308,037,906**	**74,413,692**	**77,593,988,531**
169,142,607	**25,934,411**	**3,391,810,540**	**2,141,539,783**	**536,376,131,249**	**1,487,511,418**	**562,397,012,335**

Office equipment, furniture & fittings	Computers & related equipment	Cash operating assets	Donated assets	SGR Assets (Note 19C)	DMU	Total
874,886,094	129,983,946	4,193,612,280	2,454,589,676	429,288,214,400	-	456,597,343,131
20,915,254	27,852,632		-	-	-	397,904,616
-	-	-	-	181,323,902,926	731,499,955	182,055,402,881
-		-	-	-	v	-
15,517,956	(2,041,415)	(438,330,161)	-	-	-	(267,109,382)
911,319,304	**155,795,163**	**3,755,282,119**	**2,454,589,676**	**610,612,117,326**	**731,499,955**	**638,783,541,245**
697,919,848	116,195,556	376,120,020	215,893,060	53,123,470,817		36,012,102,512
103,128,483	7,462,016	3,154,256	48,667,318	19,694,423,113	19,506,665	20,034,397,737
801,048,331	**123,657,571**	**379,274,277**	**264,560,377**	**72,817,893,930**	**19,506,665**	**56,046,500,249**
110,270,973	**32,137,591**	**3,376,007,842**	**2,190,029,298**	**557,488,646,509**	**711,993,290**	**582,737,040,996**

Notes to The Financial Statements (Continued)

19 (c) Property Plant and Equipment Movement Schedule for SGR - 2021 - 2022

	CIVIL WORKS	SGR TRACK	BUILDING	SIGNALLING AND COMMUNICATION	SGR INTANGIBLE ASSET	SGR LOCO & ROLL STOCK	EQUIPMENT	TOTAL
FY2021-2022								
Cost	348,193,681,165	65,847,809,628	56,255,040,419	69,020,149,921	3,034,188,466	48,992,497,589	19,268,750,139	610,612,117,326
At July 1, 2020								
Additions	68,099,871	-	-	-	-	-	-	68,099,871
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustments	3,951,958	-	-	-	-	-	-	3,951,958
At June 30, 2022	348,265,732,994	65,847,809,628	56,255,040,419	69,020,149,921	3,034,188,466	48,992,497,589	19,268,750,139	610,684,169,155
Depreciation								
As At July 1, 2021	10,316,164,969	14,208,149,835	3,513,010,499	12,918,044,257	578,796,890	5,898,762,250	5,690,542,114	53,123,470,814
Charge for the year	4,928,359,033	5,742,960,159	1,296,927,713	5,028,541,119	254,067,546	1,966,254,137	1,967,457,383	21,184,587,090
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
NBV As at June 30,2022	333,021,208,992	45,896,699,633	51,445,102,207	51,073,664,544	2,201,324,030	41,127,481,202	11,610,750,842	536,378,131,251

Notes to The Financial Statements (Continued)

20	INVESTMENT PROPERTY		30th of June 2022 KES	30th of June 2021 KES
	Balance b/fwd		21,236,002,367	21,006,159,341
	Additions on kenrail		-	229,843,026
	Balance c/fwd		**21,236,002,367**	**21,236,002,367**
	Investment Property relates to Non-Rail propeties where rent income is earned. This include Kenrail Towers.			

21	INTANGIBLE ASSETS		30th of June 2022 KES	30th of June 2021 KES
	Cost			
	Balance b/fwd		180,007,200	162,440,950
	Additions		16,566,379	17,566,250
	Cost c/fwd		**196,573,579**	**180,007,200**
	Amortization			
	Balance b/fwd		50,096,799	46,566,090
	Charge for the year		11,195,523	3,530,709
	Balance c/fwd		**61,292,322**	**50,096,799**
	Net Carrying amount		**135,281,257**	**129,910,401**
	Intangible assets relates to System Softwares for Navision ERP, Ticketing Systems , PBX telephone exchange and other Operations Softwares.			

22	CAPITAL WORKS-IN-PROGRESS		30th of June 2022 KES	30th of June 2021 KES
	Balance b/fwd		103,794,877,552	255,684,157,876
	Amount during the year		16,010,229,330	30,395,965,583
	Capitalized to PPE		(830,425,154)	(182,055,402,881)
	Capitalized to Investment Property		-	(229,843,026)
	Balance c/fwd		**118,974,681,727**	**103,794,877,552**
	Capital Works In progress Relates to projects that are currently on on going in the various divisions of the Corporation. The details of the Current WIP is contained in Note 41 of the Financial statements. In the current year, the capitalizations relates to DMUs Kes 830 milion.			

23	STORES INVENTORIES		30th of June 2022 KES	30th of June 2021 KES
	Capital stores		3,414,632,028	3,358,444,946
	Stationery stores		197,325,588	281,670,556
	Fuel Stores		204,778,885	96,361,805
	Foodstuffs		1,073,687	387,268
	Workshop Stores		20,136,187	-
	Net stores inventories		**3,837,946,376**	**3,736,864,574**
	Stock Capital stores records the stock values of Spares for Rolling stock and Permanent way. Stationery Stocks record stock values of Stationeries. Fuel Store records the residual value of fuel that must be retained in the tanks at the point of change of Suppliers. Food stuffs record food items in RTI .SGR Spares have been relocated to Prepayment in line with the O&M terms.			

24	TRADE AND OTHER RECEIVABLES		30th of June 2022 KES	30th of June 2021 KES
	Trade receivables		7,222,374,198	6,583,098,047
	Rent Debtors		2,384,340,759	2,250,197,431
	Less: provision for bad debts		(5,943,793,160)	(5,764,207,240)
	Less: provision for discounts		(1,345,073,755)	(1,085,974,963)
	Net trade receivables		**2,317,848,042**	**1,983,113,275**

	Prepayments		4,164,889,015	4,791,941,787
	Tax Receivable		21,388,538,546	12,139,560,289
	Staff		64,613,544	61,897,227
	Other receivables		708,162,206	530,399,334
	Net Receivables		**28,644,051,354**	**19,506,911,911**
	Trade receivables are dues to the Corporation from customers and trading partners. Trade Receivables records dues from trade transactions other than rent. Rent Debtors records dues from Tenants in various properties. Provision will include specific provision for inactive and closed accounts. There is a general Provision of 5%. Discounts Provision relates to discounts as per the Tariff of which the customers have not been awarded. Prepayments are monies received in advance for services. In particular, it records also amounts received in respect to projects that have not been absorbed. Tax Receivable relates to the tax credit balance with KRA that arises from the nature of the Corporations Transactions. During the year, the Corporation has recognized a deferred tax asset of Kes 4.9 Billion being the temporal tax shield arising from difference between the depreciated value of SGR assets and the Tax Allowable wear and tear allowance. Staff Debtors Relates to legacy staff obligations, salary advances and outstanding surrenders.			

25	SHORT TERM INVESTMENTS		30th of June 2022 KES	30th of June 2021 KES
	FDR with KCB @ 9%		-	3,000,000,000
	TOTAL		**-**	**3,000,000,000**
	Short Term Investments records amount transferred to interest bearing arrangements with Commercial banks. The Corporation held none as at 30th June 2022			

26	CASH DEPOSITS AND GUARANTEES	Account no.	30th of June 2022 KES	30th of June 2021 KES
i	KSH 12M FDR KCB @ 3%		15,648,911	15,648,911
ii	KPLC GUARANTEE-(SGR POWER CONNECTION) AT 6%		83,733,433	80,788,589
iii	FDR SAVINGS & LOANS (MORTGAGE A/C)		29,628,131	17,997,238
iv	ESCROW RETRENCHMENT	1108981968	83,729	82,688
v	ESCROW ENVIRONMENT	1108982174	-	-
vi	KCB CAR LOAN LIEN		29,991,057	29,991,057
vii	S&L - MORTGAGE BACK UP		78,149,477	89,372,352
viii	FUEL DEPOSIT GUARANTEE		4,449,900	32,595,287
ix	KCB- MORTGAGE DRAWDOWN A/C	1146951868	2,032	2,032
x	KCB-LAND COMPENSATION A/C	1162575387	5,145,558,756	1,386,546,007
xi	KCB-SGR ESCROW PAYMENT A/C-USD	1162573333	4,383,137	3,709,752
xii	KCB-SGR ESCROW REVENUE A/C-KES	1162574615	233,705,775	469,302,952
xiii	KCB-SGR ESCROW REVENUE A/C-USD	1162573333	30,081,006,378	22,441,473,416
xiv	KCB- SGR NBI -NVS ESCROW A/C	1203286473	8,149,823,173	3,254,589,431
xv	ESCROW ENVIROMENT DEPOSIT AT 6%		45,862,683	45,862,683
xiii	ESC. RETRENCHMT DEPOSIT AT 6%		62,056,199	62,056,199
xiv	SBM SAVINGS A/C	0081019078063	-	100,127,391
xv	FDR WITH CHASE BANK		200,254,780	200,254,780
xiii	KPA GUARANTEE		500,000	500,000
	TOTAL		**44,164,837,552**	**28,230,900,766**
	Guarantees records cash that though is with the Corporation is not available for use owing to the conditions in the creating instruments			

27	CASH & BANK BALANCES		30th of June 2022 KES	30th of June 2021 KES
i)	**Cash in hand**			
	Cash on hand - RTI		79,795	135,772
	Cash on hand - HQ Cash office		-	600,000
	Sub total		**79,795**	**735,772**
ii).	**Bank balances**	**Account no.**	**30th of June 2022 KES**	**30th of June 2021 KES**
	KCB Rent Collections A/c	1108981917	9,872,367	10,054,605
	KCB USD account (USD)	1101706872	43,089,019	522,204,706
	RTI - KCB main a/c	1102590363	20,386,715	20,298,883
	RTI - KCB imprest a/c	1102587699	2,385,108	5,936,790
	KCB - project account	1107161487	1,888,804	3,509,581
	Citibank a/c	300045003	3,155,686	3,196,022
	Citibank a/c USD (USD)	300045014	1,188,928	972,426
	Operational account	1107161398	35,490,653	10,679,598
	KCB STAFF MORTGAGE A/C	1109889216	3,624,378	5,020,971
	Equity bank	0470298041416	18,777,327	2,009,834
	NIC Bank NUTRIP-KES A/C	1001004049	128,137	127,621
	SBM SAVINGS A/C	0081019078063	57,724,487	5,645,959
	SBM Liquidation account	0081019078001	68,567,552	21,674
	SBM Current account	0082019078064	(456)	(401)
	NCR SAFARICOM PAYBILL	4062323	-	112,830
	Sub total		**266,278,703**	**589,791,098**
	TOTAL CASH & BANK BALANCES		**266,358,498**	**590,526,871**

28	Government, subventions & equity		30th of June 2022 KES	30th of June 2021 KES
	GOK equipment loan, 1974		50,000,000	50,000,000
	GOK Equity for the Purchase of new equipment		468,000,000	468,000,000
	Conversion of loan to equity		39,956,007,122	39,956,007,122
	TOTAL		**40,474,007,122**	**40,474,007,122**
	Government Subventions and Equity denotes the Government Shareholding contribution to the Corporation.			

29	GOK GRANTS		30th of June 2022 KES	30th of June 2021 KES
	Balance B/forward		10,373,896,105	10,373,896,105
	Relocation to deferred Income		(344,643,695)	-
	Balance c/fwd		**10,029,252,411**	**10,373,896,105**

30	RESTRUCTURING RESERVES		30th of June 2022 KES	30th of June 2021 KES
	Balance b/fwd		20,235,324,613	20,233,660,858
	Addittions		246,163,631	1,663,756
	Balance c/fwd		**20,481,488,245**	**20,235,324,613**
	Restructuring Reserves will record transactions relating to legacy Issues. In the year there were additions of Kes 119 Million made up of Kes 1.7 million staff obligations and Kes 116 million legacy stocks			

31	ACCUMULATED LOSSES		30th of June 2022 KES	30th of June 2021 KES
	Balance b/fwd		(96,262,068,766)	(70,448,015,697)
	Prior Year Adjustments		(101,990,206)	(1,812,334,744)
	Restated balance		(96,364,058,972)	(72,260,350,441)
	Profit for the year		(12,711,194,225)	(24,001,718,325)
	Balance c/fwd		**(109,075,253,197)**	**(96,262,068,766)**

32	EAST AFRICAN LOAN STOCKS		30th of June 2022 KES	30th of June 2021 KES
	1954 STG PD 5.0M		90,000	90,000
	1957 STG PD 8.5M		20,000	20,000
	1975 STG PD 5.9M		24,918,842	24,918,842
	1970 KENYA PD 1.0		513,100	513,100
	1971 KENYA PD 3.4		11,301,834	11,301,834
	TOTAL		**36,843,776**	**36,843,776**

33	EXIM BANK LOAN		30th of June 2022 KES	30th of June 2021 KES
	Balance b/fwd		569,023,145,606	539,270,066,338
	Amount disbursed during the year		-	8,108,278,198
	Interest On loan Capitalized		22,723,783,487	21,644,801,071
	Balance c/fwd		**591,746,929,094**	**569,023,145,606**

34	PROVISIONS		30th of June 2022 KES	30th of June 2021 KES
	Leave		2,511,863	3,469,605
	Municipal rates		175,591,048	175,591,048
	Insurances refundable to former staff		29,441,666	29,441,666
	Gratuities		51,405,249	42,896,008
	TOTAL		**258,949,827**	**251,398,327**
	* County rates relates to legacy unresolved issues relating land and properties			

35	Payables & accrued charges		30th of June 2022 KES	30th of June 2021 KES
	Trade creditors		31,235,263,783	40,382,718,870
	Land Compensation		8,307,857,507	8,307,857,507
	Staff creditors		149,320,096	110,419,839
	Customer deposits		1,774,570,494	1,156,217,374
	Accruals		331,256,652	318,787,238
	SGR On Lent Loan Interest Payable			
	Default Penalty Payable		1,956,705,512	644,343,297
	TOTAL		**43,754,974,043**	**50,920,344,125**
	Payables records dues from the Corporation to suppliers and other partners. The Trade creditors include dues to the Operator Afristar. Land Compensation is amount outstanding to activities leading to acquisition of the Corridor. Staff creditors relates to outstanding payroll deductions. Deposits Relates to rent deposits. SGR On Lent loan Interest records outstanding Interest. Default Penalty will record the penalty arising from nonpayment of obligations			

36	DEFERRED INCOME		30th of June 2022 KES	30th of June 2021 KES
	GOK GRANT - SGR		113,958,931,603	111,590,644,705
	GOK GRANT - ESCROW		3,470,943,695	3,156,237,545
	STAND PREMIUMS/REVENUES		679,948,503	741,478,008
	RELOCATION ACTION PLAN		5,712,831,897	5,712,831,897
	LAND SALES		323,652,907	323,652,907
	RTI		1,079,932,379	1,037,854,568
	GOK GRANT - NAIROBI COMMUTER RAIL		5,321,100,000	5,321,100,000
	GOK GRANT- KONZA LINE		478,000,000	478,000,000
	GOK GRANT- NANYUKI LINE		1,800,000,000	1,800,000,000
	GOK- NAIVASHA SEZ		8,000,000,000	6,500,000,000
	GOK- NKR - KSM MGR		3,400,000,000	3,250,000,000
	GOK NAIVASHA - MLB MGR		7,500,000,000	3,000,000,000
	ICD NAIROBI GRANT		24,900,387,589	24,900,387,589
	GOK GRANT- KISUMU PORT		97,957,310	97,957,310
	MGR RS REHABILITATION		1,650,000,000	-
	SGR- GOK GRANT USMS PROJECT		352,230,383	-
	GILGIL -NAIVASHA		1,000,000,000	-
	MGR LOCOMTIVE GRANT		2,099,848,495	-
	BOMA LINE CUSTOM FACILITY		123,215,385	-
	TOTAL		**181,948,980,147**	**167,910,144,529**
	Amount To be amortized (Current)		**2,311,748,989**	**2,295,248,997**
			2,311,748,989	**2,295,248,997**
	Amount Deferred to Future		**179,637,231,157**	**165,614,895,532**
	This will record portion of Capital assets Contributed by Grants that will be amortized over the life of the asset.			

37	CASH AND CASH EQUIVALENTS		30th of June 2022 KES	30th of June 2021 KES
	For the purpose of the cash flow statement, cash and cash equivalents comprise the following:			
	CASH IN HAND		79,795	735,772
	CASH AT BANK		266,278,703	589,791,098
	SHORT TERM INVESTMENTS		-	3,000,000,000
	TOTAL		**266,358,498**	**3,590,526,871**

38	CONTINGENT LIABILITIES.		30th of June 2022 KES	30th of June 2021 KES
	The Corporation had contingent liabilities amounting to KES 12,447,834,803 detailed as follows:-			
	Law suits against the Corporation yet to be determined		12,281,001,993	4,241,326,149
	Dormant cases		-	-
	Guarantees given on behalf of the Corporation		166,832,810	28,715,436
	Total contingent liabilities		12,447,834,803	4,270,041,585
	This will record the exposures in form of pending cases that are currently ongoing against the Corporation. The management makes a disclosure based on the strength of the case and the resultant exposure.			

Notes to The Financial Statements (Continued)

39. Contingent Assets

The Corporation contingent assets includes assets under disputes, assets pending reimbursement by insurance and reimbursable guarantees. The 240 RVR wagons are under litigation at an amount of Kes 500 million. The Corporation has custody of assets arising from termination of the concession agreement awaiting determination of ownership through verification and court processes.

40. Related Party Disclosure

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The Government of Kenya is the principal shareholder in Kenya Railways Corporation. During the year KR received **Kes. 26,235,034,257 /-** from GoK.

The Board of Directors of Kenya Railways Corporation is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance. In the FY 2021/22, the Board expenses amounted to **Kes 33.54 Million.** Of these costs **Kes 9.20 Million** relates to Managing Director Salaries and Emoluments

41 Movement in Deferred Income

Particulars	2020-2021	Movement	Inter Entity	Interest Earned	Amortisation	2021-2022
GoK Grant - SGR	111,590,644,705	1,478,161,351	3,201,874,536		(2,311,748,989)	113,958,931,603
GoK Grant - Escrow	3,156,237,545			314,706,150		3,470,943,695
Stand premiums/revenues	741,478,008				(61,529,505)	679,948,503
RAP	5,712,831,897					5,712,831,897
SGR Income	-					-
NUTRIP	-					-
Land sales	323,652,907					323,652,907
RTI	1,037,854,568	42,077,811				1,079,932,379
GoK Grant - Nairobi Commuter Rail	5,321,100,000					5,321,100,000
Gok Grant- Konza Line	478,000,000					478,000,000
GOK Grant- Nanyuki Line	1,800,000,000					1,800,000,000
GOK- Naivasha SEZ	6,500,000,000		1,500,000,000			8,000,000,000
GOK- NKR - KSM MGR	3,250,000,000		150,000,000			3,400,000,000
GOK Naivasha - Malaba MGR	3,000,000,000		4,500,000,000			7,500,000,000
ICD Nairobi Grant	24,900,387,589					24,900,387,589
GOK Grant- Kisumu Port	97,957,310					97,957,310
MGR RS Rehabilitation	-		1,650,000,000			1,650,000,000
SGR- GOK Grant USMS Project	-		352,230,383			352,230,383
Gilgil -Naivasha	-		1,000,000,000			1,000,000,000
MGR Locomotive Grant	-		2,099,848,495			2,099,848,495
Boma Line Custom Facility	-	(19,714,462)	142,929,847			123,215,385
	-					
TOTAL	167,910,144,529	1,500,524,700	14,596,883,262	314,706,150	(2,373,278,494)	181,948,980,147

42 Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

43 Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

44 Retained Earnings

The retained earnings represent amounts available for distribution to the Corporation's shareholders. Undistributed retained earnings are utilised to finance the Corporation's business activities

45 Capital Works in Progress

WIP MOVEMENT FY2021-2022			
Name	1st July 2021 Opening Balance	FY2021-22 Movement	30th June 2022 Closing Balance
WIP - KISUMU PORT REHABILITATION	45,765,852	5,128,026	50,893,878
WIP -WESTLANDS OFFICE BLOCKS	26,907,985	9,032,556	35,940,541
WIP - LOCOMOTIVES / WAGONS/COACHES	188,608,133	-	188,608,133
WIP - NAIROBI CENTRAL STATION REHAB.	4,517,833	(4,517,833)	-
WIP - RAP KIBERA & MUKURU	3,780,111,505	976,000	3,781,087,505
WIP - DOC MGT SYSTEM	53,232,527	-	53,232,527
WIP - RAILWAY CITIES	32,217,931	10,900	32,228,831
WIP - BLOCK A REFURBISHMENT	14,881,612	4,602,759	19,484,371
WIP - LAPPSET	2,701,365	65,568	2,766,933
WIP - CONSTRUCTION OF MSAADA ESTATE	-	685,143	685,143
WIP - PURCHASE OF DMUs	874,771,746	(874,771,746)	-
WIP - NANYUKI BRANCH LINE PROJECT	1,524,024,718	516,934,631	2,040,959,349
WIP - NAIROBI COMMUTER RAIL	1,394,911,406	779,368,914	2,174,280,320
WIP - KONZA TECHNOPOLIS LINE	181,676,006	(6,714,468)	174,961,538
WIP - NAKURU- KISUMU REHABILITATION	1,073,484,000	1,345,669,042	2,419,153,043
WIP - LONGONOT MALABA LINE	22,979,029	1,633,007,005	1,655,986,034
WIP - GILGIL NYAHURURU	6,574,110	117,549,083	124,123,193
WIP - NAIVASHA -LONGONOT LINE	1,754,535,002	4,068,054,293	5,822,589,295
WIP- LESERU KITALE LINE	24,500	112,284,414	112,308,914
WIP - KISUMU RAILWAY STATION	23,559,865	72,061,909	95,621,774
WIP - REHABILITATION OF LOCOMOTIVES	435,424	1,163,793,103	1,164,228,527
WIP - KISUMU- BUTERE MGR REVITALIZATION	-	298,429,470	298,429,470
WIP - MGR DIESEL ELECTRIC/ LOCOMOTIVES	-	2,291,248,703	2,291,248,703
WIP - ESTATES REHABILITATION WORKS	-	18,844,973	18,844,973
WIP - CHANGAMWE YARD BOUNDARY WALL	-	35,395,125	35,395,125
WIP - UNIFIED SECURITY MANAGEMENT SYSTEM	-	307,474,291	307,474,291
WIP - REMODELLING OF KISUMU GODOWNS	-	26,328,834	26,328,834
WIP- OLD BUILDINGS PAINT WORKS	805,700	-	805,700
WIP - UPGRADING RTI- CRBC	659,215,995	-	659,215,995
WIP - MARINE SCHOOL	392,967,906	83,096,021	476,063,927
LAND ACQUISITION - PHASE 2A	21,899,770,801	69,116,388	21,968,887,189
NAIVASHA ICD	6,178,343,262	688,609,785	6,866,953,047
TRUCK MARSHALLING YARD AND PARKING	-	166,453,830	166,453,830
CIVIL WORKS PHASE 2B	11,022,085	-	11,022,085
LAND ACQUISITION PHASE 2B	3,271,104	-	3,271,104
WIP - SGR LAND ACQUISITION	36,413,334,394	2,141,426,357	38,554,760,751
INLAND CONTAINER DEPOT	27,230,225,752	91,550,351	27,321,776,103
FACILITIES - MSA & NRB	-	3,623,017	3,623,017
WIP GRAND TOTAL	**103,794,877,552**	**15,164,816,443**	**118,959,693,995**

Notes to The Financial Statements (Continued)

19. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues. as shown below with the associated time frame within which we expect the issues to be resolved;

Ref No.	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1	Material Uncertainty Related to Going Concern	KR is a going concern and it is managing its bottom line through takeover of SGR Operations. KR is also improving its top line through rehabilitation of the MGR network and ensuring a seamless movement of cargo across the rail-network	Managing Director and ExCom Team	KR has been seeking government support in various ways from capital grants in order to improve business opportunities. KR Is also working on improving tonnages moved on rail-road in the country	30.06.2022
2	Illegal Allocation of land	The Corporation, has written to the Ministry of Lands to revoke titles of all the land that was irregularly allocated by the Commissioner of Lands. Follow up letters have also been done.	General Manager Business	KR has been reclaiming and fencing its corridor with the Meter Gauge Rehabilitation	When NLC revokes the illegal titles.
3	Classification & Fair Statement of Short Term Investments	This related to funds deposited with Chase Bank Kes 800M	General Manager Finance	Partially resolved-Kes 600M recovered. Kes 200M in Chase Bank fully provided for in the books.	SBM Kes 100M recovered in August 2021. Balance of Kes 200M in Chase Bank awaits Receivership
4	Unsupported Inventories	The Corporation was to undertake a full stock take in FY 2021/22.	General Manager Supply Chain Manager	The Corporation has completed a physical verification of its stocks and is in the process of stock valuation for reconciling with KR financial statements reported figures.	31/12/2021
5	Unreconciled Trade & Other Receivables	The balance of trade & other receivables were shared with the OAG team before closure of audit	General Manager Finance	The balance in the trade and other receivables is well supported	30/06/2021
6	Irregular Land Compensation	This relates to SGR Land Compensation where documents are with the NLC	General Manager Infrastructure Development GMID	Land Acquisition &Compensation was a NLC process and KR regularised by handing back the process to the Commission	n/a
7	Unsupported Railway Operation Expenses	The expenses of Kes 1.8B relate to SGR Expenditure which was an accrued amount as per the Operations and Maintenance Contract. This was shared with the auditors	General Manager Finance	The Operations and Maintenance Contract was shared with the Audit team for validation of expenses	n/a

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