

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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Tuesday 25/10/2018*

REPORT

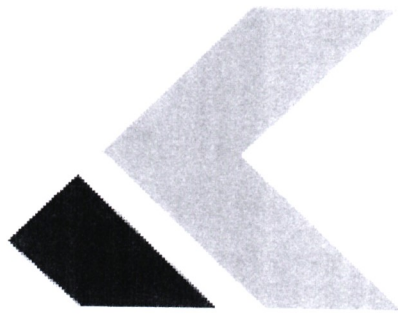
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA RAILWAYS CORPORATION**

**FOR THE YEAR ENDED
30 JUNE 2017**



KENYA RAILWAYS
right on track

KENYA RAILWAYS

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2017**



KRC is ISO 9001:2008 Certified



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

Vision, Mission and Mandate

Vision

To be the preferred provider of rail transport services

Mission

To provide a customer focused, efficient and sustainable rail transport system

Our Mandate

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

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1.0 CORPORATE INFORMATION

1.1 Incorporation

The corporation is incorporated in Kenya under the Kenya Railways Corporation Act, cap 397 of the laws of Kenya as a state corporation and is domiciled in Kenya.

1.2 Principal activities

The Corporation's principal activity is to provide a co-ordinated and integrated system within Kenya of:-

- i. rail & inland waterways transport services
- ii. port facilities in relation to inland waterways transport services
- iii. Auxiliary road services in connection therewith.

1.3 Concession

After many years of loss making, the Government decided to concession freight and passenger rail services. Subsequently the KRC ACT was amended to allow provision of rail services through concession. In November 2006, the Government and Kenya Railways signed a concession agreement with Rift Valley Railways Ltd for freight and passenger services.

1.4 Directors

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

- | | | |
|--------|---|---|
| (i) | Gen.(Rtd.) Jeremiah M. Kianga,EGH,CBS | Chairman |
| (ii) | Mr. Atanas K. Maina | Managing Director |
| (iii) | Dr. Henry Rotich | CS - Treasury (Alt. Esther Koimett, CBS, EBS) |
| (iv) | Mr. Irungu Nyakera | PS- MOTIHUD (Alt. Mr.Duncan Hunda) |
| (v) | Prof. Arch. Paul M. Maringa (PhD), CBS, | Corp, Arch, Maak, MKip PS- MOTIHUD (Alt. Mr. Duncan Hunda)- |
| (vi) | Ms Catherine Mturi Wairi | Managing Director - KPA |
| (vii) | Mrs. Hellen Wamuiga Karu | Director |
| (viii) | Mr. John Kimanthi Maingi | Director |
| (ix) | Mr. Joseph Cheruiyot | Director up to 28th October 2016 |
| (x) | Amb. Dr. John M. Mutiso | Director up to 28th October 2016 |
| (xi) | Mr. Herman N. Gaitho | Director |
| (xii) | Mrs. Juliette J. Kipkorir | Director |
| (xiii) | Mr. Josephat Lelgo Kibyegon | Director with effect from 28th October 2016 |
| (xiv) | Mr. Christopher Musembi Mumo | Director with effect from 28th October 2016 |
| (xv) | Ms Hellen Mungania | Corporation Secretary |

1.5 Registered office

Kenya Railways HeadQuarters
LR No. 209/11954/2
Workshop Road
Off Haile Sellasie Avenue
P.O Box 30121-00100
NAIROBI

CORPORATE INFORMATION (CONTINUED)

1.6 Corporate Headquarters

Kenya Railways HeadQuarters
Haile Sellasie Avenue
P.O Box 30121-00100
NAIROBI

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

- i. Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081, 00100
NAIROBI
- ii. Citi Bank N.A
Upper Hill Branch
P.O Box 30711, 00100
NAIROBI
- iii. Equity Bank
Moi Avenue Branch
P.O Box 75104, 00200
NAIROBI

1.9 Independent auditor


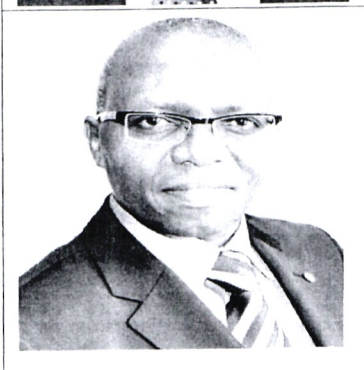

Auditor General
Office of the Auditor - General
P.O. Box 30084-00100
NAIROBI

CORPORATE INFORMATION (CONTINUED)

1.10 Principal Legal Advisors

- | | | | |
|----|--|-----|--|
| 1. | Behan Okero Advocates
P.O. Box 1234 - 40100
KISUMU | 10. | Ndegwa Muthama katisya and
associates
P.O. Box 87171-80100
MOMBASA |
| 2. | Prof. Albert Mumma and
company advocates
10481-00100
NAIROBI | 11. | Kiogora Mutai and co. advocates
45790-00100 Nairobi
NAIROBI |
| 3. | Humphrey and company
advocates
21398-00100
NAIROBI | 12. | Musinga Munyithya & Co. Advocates
P.O. Box 84367-80100
MOMBASA |
| 4. | Mukite Musangi & Co.
Advocates
P.O. Box 149-20100
NAKURU | 13. | Tom Mutei Advocates
P.O. Box 7289-30100
ELDORET |
| 5. | Mutonyi Mbiyu & Co.
Advocates
P.O. Box 14219
NAKURU | 14. | K. Macharia and co. advocates
P.O. Box 32304-00600
NAIROBI |
| 6. | Oraro & Co. Advocates
P.O. Box 51236-00200
NAIROBI | 15. | Nungo, Oduor and Waigwa advocates
P.O. Box 70678-00400
NAIROBI |
| 7. | Mwaniki Gachoka & Co. Advocates
P O. Box 13439-00800
NAIROBI | 16. | Miller & Co. Advocates
P.O. Box 45707-00100
NAIROBI |
| 8. | Inamdar & Inamdar
Advocates
P O. Box 43891-00100
NAIROBI | | |
| 9. | Kalya & Co. Advocates
P O. Box 235
ELDORET | | |

2.0 THE BOARD OF DIRECTORS

	<p>Gen.(Rtd.) Jeremiah M. Kianga,EGH,CBS, ndc'(K) 'cgse'(USA) Chairman General Jeremiah Mutinda Kianga was born on 26 April 1950 He holds a Masters Degree in Strategy and Military Science from the Kansas University USA. Prior to his appointment as Chairman of the Board of Directors of the Kenya Railways Corporation in 2011. Gen. (Rtd) Jeremiah M. Kianga was the immediate former Chief of the Defence Forces in the Kenya defence Forces. He has 42 years experience in military training, leadership and command. His term expires on 19th July 2017.</p>
	<p>Mr. Atanas K. Maina Managing Director Mr Atanas K. Maina (born on 4th August 1966), holds a Bachelors Degree in Law from the University of Nairobi. Postgraduate Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary (CPS) and an Associate Member of the Chartered Institute of Arbitrators. Prior to his appointment, he was the Group Company Secretary and the Head of Group Legal Services at UAP Holdings from 1st April 2011 to 31st December 2012. Under this capacity, he was involved in the provision of in house legal counsel and company secretarial services.</p>
	<p>Prof. Arch. Paul M. Maringa (PhD), CBS, Corp, Arch, Maak, MKip PS- State Department of Transport from April 2017 Prof. Maringa was born in 1959. He holds a Doctor of Philosophy– (Environmental Planning) from Jomo Kenyatta University of Agriculture and Technology; a Masters of Arts in Planning – (Urban &Regional planning) from the University of Nairobi and a Bachelor of Architecture Degree from the University of Nairobi. Prior to his current appointment he was the Principal Secretary, State Department of Public Works from December 2015. He is a Member of Architectural Association of Kenya (AAK – Architects chapter – registered/ Architect) Architectural Association of Kenya (AAK –Town planning chapter-Graduate member) Kenya Institute of Planners (KIP-Graduate member)</p>
	<p>Mr Irungu Nyakera Immediate former PS- Transport services Mr Nyakera was born on 13th May 1982. he holds a Bachelor of Science, Management Science and Engineering (Financial Analysis and Decision Engineering) from the Stanford University, CA, USA and a Post Graduate Program- Coursework in Computer Science, Physics and French-Graduated Cum-Laude Prior to his appointment, he was the Managing Director of Equity Investment Bank, Subsidiary of Equity Group Holdings. . He also worked as a Regional Director, East and Southern Africa, Managing Director NIC Capital Limited having previously been a Senior Associate, Deputy General Manager, General Manager at the same firm). He also worked with Citigroup Global Markets, as a Financial Analyst, Emerging Markets Investment Banking Team, London, UK and a Summer Analyst, New York, NY</p>



Mr. Henry Rotich

Cabinet Secretary, National Treasury

Mr. Henry Rotich (47 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University.

Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. He also worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.



Ms. Catherine Mturi Wairi

Managing Director KPA

Ms Catherine Mturi Wairi was born in the 1970s holds a Bachelor of Science (Honours) in Finance and Accounting from United States University, Nairobi and a Master of Business Administration from the same institution. She is a certified Public Accountant of Kenya – CPA (K) and certified Public Secretary of Kenya – CPS (K). In addition to this, she is also a certified SAP Consultant, Finance. She has worked at KPA for the last 23 years, having joined as a junior accountant I 1993. She previously worked as Manager for Finance as well as manager for Financial Accounting and Manager for Management Accounting.



Mr. John Kimanthi Maingi

Mr John Kimanthi Maingi was born on 15th May 1962. He has a CPA I from Strathmore University

He is the Managing Director of Kenya Tyres Distributors Limited running the day to day business of the company. Previously he was the Managing Director of King Cargo Agencies between 1997 and 2007



Mr. Joseph Cheruiyot

Mr Joseph Cheruiyot was born on 21st April 1948. He holds a P1 Certificate from the Kisii Teachers College

He was the Education Officer – Kuresoi Division between 1996 and 2003, the Divisional Inspector of School – Keringet Division between 1994 and 1996, the Assistant primary school inspector – Molo South Zone between 1989 and 1994 and had various teaching positions between 1974 and 1989.

	<p>Mrs. Hellen Wamuiga Karu Mrs Hellen Wamuiga Karu was born on 22nd October 1968. she holds a Post Graduate Diploma in Project Planning and Management – University of Nairobi and a Bachelor of Arts in Building Economics – University of Nairobi. She is a Graduate Member of the Institute of Quantity Surveyors of Kenya (IQSK) Mrs. Hellen Wamuiga has 20 years experience in successful event and project planning, development and management, expertise in managing construction and project maintenance, events organization, contract negotiations and budget management. She is currently the Estates Manager at the Jomo Kenyatta University of Agriculture and Technology (JKUAT)</p>
	<p>Amb. Dr. John Mutinda Mutiso Born on 26th July 1968, Amb Dr John Mutinda Mutiso is a Doctor of Philosophy in Finance, JOUST University. He holds an MBA (Finance) DR. BAMU University, India,-BA (Statistics, Econ, & Public Admin) from the Government College of Arts & Sciences,-Licentiate Certificate of the Institute of Insurance,-Fellow Certificate of FACP (UK),-Diploma in Journalism and Mass Communication, Horniman College,-Visitors Programme in US Financial Systems. He is a member of Public Relations Society of Kenya (PRSK). Prior to his appointment, Amb. Dr. John Mutiso was the High Commissioner to the United Republic of Tanzania between 2009 and 2013. He was also the Member of Parliament (M.P) for Kilome Constituency and Deputy Chief Whip between 2001 and 2007 and the Assistant Manager Furniture Center between 1992 and 1994</p>
	<p>Mrs. Juliette Jeptoo Kipkorir Appointed on 15th October 2015 Born on 12th December 1977, Mrs Juliette Jeptoo holds an MBA Marketing and a Bachelor of Commerce (Marketing) from the Kisii University. She has Higher Diploma in Human Resource from the Rehema Institute and Diplomas in Public Relations and Food Sciences and Technology from the Kaimoi Technical Institute & Royal Institute of Management Studies respectively. She is also a Trainer of Trainees UN Women Mrs. Juliette Jeptoo was the Human Resource and Training Manager of Joyful Woman Organization between 2010 and 2013</p>
	<p>Mr. Herman Gaitho Appointed on 15th October 2015 Born on 22nd September 1962, Mr Gaitho holds a Post Graduate degree in Computer Science, -BSc (Hons) in Electrical and Electronics Engineering from the University of Nairobi He has experience in the field of ICT of 27 years in Banking and Finance and 3 years experience as an ICT Consultant. His specialization is in the areas of project management, business process re-engineering, application development, system integration, training and payment technologies</p>



Mr. Christopher M. Mumo

Born on 31st May 1973. Mr. Mumbo holds a Bachelor of Architecture from the University of Nairobi. He is a registered Architect in private practice with over 15 years of experience. He has served on the board of the Architectural Association of Kenya and East African Institute of Architects.



Mr. Josephat K. Lelgo

Born on 6th October 1986. Mr. Lelgo is a Certified Public Accountants (CPA-K) and holds a Bachelor of Business Management (BBM- Banking and Finance) 2nd class honors upper division from Moi University. He is currently undertaking a Master of Business Administration (MBA- Finance) at Jomo Kenyatta University (JKUAT)

He is currently the Chief Accountant, Blue Financial Services (K).



**Ms Hellen Mungania
Corporation Secretary**





Born on 5th October 1972, Ms Helen Mungania has been the Corporation Secretary since May 2013. She holds a Bachelor of Law degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law and a Diploma in Human Resource Management from Kenya Institute of Management .She is a member of the Law Society of Kenya, Law Soc and Institute of Certified Public Secretaries of Kenya.

Prior to the current appointment, she was the Legal Services Manager at Kenya Literature Bureau. She has experience in the field of litigation, insurance law and company secretarial practice.

3.0 MANAGEMENT TEAM

	<p>Mr. Atanas Kariuki Maina Managing Director</p> <p>Mr. A.K Maina was appointed Managing Director on 3rd February 2014 <u>Qualifications:</u> Bachelor of Law degree and Post Graduate Diploma in Law</p> <p>He is member of Commonwealth Lawyers Association and Kenya Law Society</p>
	<p>Ms Hellen Kiende Mungania Corporation Secretary</p> <p><u>Qualifications:</u> Bachelor of Law degree and a Post Graduate Diploma in Law.</p> <p>She is a member of Commonwealth Lawyers Association Kenya, Law Society and ICPSK</p>
	<p>Ms. Milly Kizili Principal RTI</p> <p><u>Qualifications:</u></p> <p>MBA in strategic management, Post Graduate Degree in HR , Post Graduate Degree in Finance and a Bachelor of Education degree.</p>
	<p>CPA Alfred Matheka General Manager Finance</p> <p><u>Qualifications:</u> MBA in strategic management and Bachelor of Commerce in Accounting, Certified Financial Modeller</p> <p>He is Member of ICPAK</p>
	<p>Eng. Maxwell Mengich Project Manager – SGR</p> <p><u>Qualifications:</u> Bsc Civil Engineering</p> <p>He is member of Engineers Registration Board of Kenya</p>

	<p>Eng. David Ngoma Mwadali Ag. General Manager Concession w.e.f 17th January 2017</p> <p><u>Qualifications:</u> Bsc. Mechanical Engineering Master in Business Administration (MBA) ,Project Management</p> <p>Member of Engineers Board of Kenya (EBK) and Institute of Engineers of Kenya (IEK)</p>
	<p>Eng Benediet Kimau Ag. General Manager Concession up to 16th January 2017</p> <p><u>Qualifications:</u> Bsc Civil engineering</p> <p>He is a member of Engineers Registration Board of Kenya</p>
	<p>Mr. Thurania Kinagwi General Manager – Business</p> <p><u>Qualifications:</u> BA(Land Economics); MBA; PG Dip in Marketing Management; Dip in Management Information Systems</p> <p>He is a member of KIM, IMIS (UK)</p>
	<p>Ms Josephine Masibo HR & Admin Manager</p> <p><u>Qualifications:</u> BA, MBA, PGDIP HRM and training in HR management Skills</p> <p>She is a member of IHRM</p>
	<p>Mr. Remmy Koech Risk & Audit Manager</p> <p><u>Qualifications:</u> BCom (Accounting Option), MBA.CPA(K),CISA</p> <p>He is a member of ICPAK & ISACA</p>

	<p>Ms Lucy Njoroge Procurement Manager</p> <p><u>Qualifications:</u> MBA in Strategic Management, Graduate Diploma in Procurement & Supply, Certificate in Executive leadership, Certificate in Project Leadership, Bachelor of Science in Mathematics.</p> <p>She is a member of CIPS & KISM</p>
	<p>Capt.(Rtd) Nicholas Mutunga Security Services Manager</p> <p><u>Qualifications:</u> BSc in Military Science, Dip in Military Science</p>
	<p>Ms Mary Oyuke Corporate Affairs Manager</p> <p><u>Qualifications:</u> Masters in Corporate Communication, Bsc in Family & Consumer studies.</p> <p>She is a member of Marketing Society of Kenya- MSK</p>
	<p>Mr. Ibrahim Mwadime ICT Manager</p> <p><u>Qualifications:</u> Masters in Information Science, Dip in Information Studies</p> <p>He is a Member of LIMIS</p>

4.0 CHAIRMAN'S STATEMENT



FOREWORD

I take pleasure in presenting the Annual Report and financial statements for Kenya Railways for the year ended June 30, 2017.

BUSINESS ENVIRONMENT

Despite having made significant progress in infrastructure development in recent years, Kenya's transport infrastructure is inadequate to meet the Country's needs. The Country's infrastructure indicators may look relatively good compared to other low-income countries in Africa, but they remain below the levels found in Africa's middle-income economies, like Egypt or Nigeria. Bringing Kenya's infrastructure up to the level of the region's middle-income countries could boost annual growth by more than three percentage points.

Kenya's development plans include significant improvements to roads, railways, seaports, airports, water and sanitation, as the country attempts to increase its competitiveness in the global market. Road and rail connections with neighbouring countries are still limited, but Kenya could be an important regional hub for air transport, railways, and ports. In the last decade, we have learned a lot as a corporation and we are investing for the future. With a solid commitment to our customers, the environment and the communities we serve, we are developing the Standard Gauge Railway (SGR) to position Kenya Railways as a central pillar of the solution to our national and regional transportation challenges now and in the foreseeable future.

INDUSTRY TRENDS

For a very long time, the transportation industry in Kenya has been largely controlled by road trucks, transporting nearly 98% of freight from the port of Mombasa. The metre gauge railway operations have faced challenges and only managed to haul 2% of the freight. Clearly this is a problem we have to solve and Kenya Railways has dedicated considerable attention to it in the coming years, with the implementation of the Standard Gauge Railway (SGR) project.

With the operations on the Standard Gauge Railway line and "Madaraka Express" service between Mombasa and Nairobi commissioned on May 31, 2017, we expect to see a marked improvement in the overall efficiency of freight transport within the Northern Corridor, and also a remarkable shift in passenger transport. The SGR will run freight trains with 54 double stack flat wagons, carrying 216 TEUs per trip and a trailing load of 4,000 tonnes on each train, thus raising Kenya's total economic production by at least 1.5 per cent.

Embakasi ICD, located within the Nairobi environs is a key component of the SGR project since the cargo transported on the SGR line will be offloaded at the facility for clearance by the importers or

their agents. This way the ICD will play a key role in decongesting the Port of Mombasa, the Container Freight Stations (CFSs) and by extension, Mombasa Road.

By the end of June 2017, Madaraka Express had transported over 80,000 passengers. The train is expected to carry up to 1,000,000 passengers per annum for the first four years, with this number increasing to 1,500,000 passengers per year from the fourth year of operation. This is a clear mark of growth for the railway sector, which can now effectively compete with other modes of transport.

FINANCIAL PERFORMANCE

The Corporation recorded a profit before tax of Ksh 386 million (2015/16, Ksh. 574 million). The improvement in the economy and prevailing market conditions are expected to upscale this.

STRATEGIC FOCUS

These results reflect our strategic focus to manage railway assets and Services in the most efficient and innovative way to maximize performance. With the implementation of our core strategic areas, we believe that we will increase productivity, enhance corporate governance, improve risk management and internal control systems, produce sustainable financial growth, receive high return on our investment, increase corporation's shareholder value and enhance investor confidence.

LOOKING AHEAD TO 2017

With the operations of the first phase of the SGR and Madaraka Express on course, we remain dedicated to ensuring that we offer excellent service to our customers. The zeal we applied in making this dream a reality will be replicated in the subsequent phases of the project, and in achievement of other Corporation mandates. We look forward to commencement of construction of Phase 2 of the SGR; managing and finding a solution for the concession; implementation of the RTI Master plan and leasing out the Ken Rail Towers. We will work in earnest to ensure that all our initiatives are guided by the new Strategic Plan, Year 2017-2022 and in line with repositioning of the railway sector as a key contributor to national development and economy.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has continued to build strong partnerships with her stakeholders and also with the wider society through a well conceived CSR policy to bolster the environment, social and economic stature of the needy in the society.

DIVIDEND

Our commitment to grow shareholder value remains intact as evidenced by the strong full year performance. The pre tax profit for the year stood at Kshs 364 million. However, we do not intend to declare dividends this year.

APPRECIATION

I take this opportunity to record my sincere gratitude to the Government of Kenya, the Ministry of Transport, Infrastructure, Housing and Urban Development under which the Corporation falls, and all other agencies and related bodies that offer unwavering support to the Corporation and her undertakings.

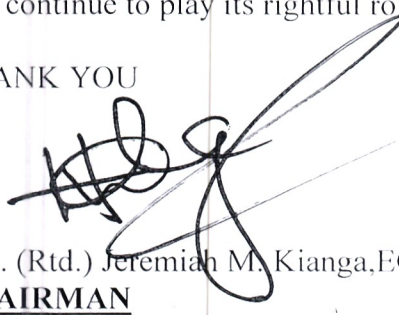
I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication to take the Corporation to greater heights. I express my gratitude to the valued customers and investors for their sustained support to the Corporation. I assure you that 'Team Kenya Railways' will measure up to your expectations and strive to perform even beyond.

Kenya Railways

Reports and Financial Statements For the financial Period ended June 30, 2017

I commend the management and staff for working tirelessly to achieve the level of business growth that we witnessed during the year, and more so, for restoring Kenyan's confidence in the railway sector as a worthy provider of transport services. I am confident that they shall spare no effort to attain and surpass the targets we have set for the new financial year and according to the 2017-2022 Strategic Plan. In conclusion I also wish to thank our stakeholders and business partners for supporting the Corporation in various ways. We are confident that with your support Kenya Railways will continue to play its rightful role in the Country's economic agenda.

THANK YOU



Gen. (Rtd.) Jeremiah M. Kianga,EGH,CBS

CHAIRMAN

for

5.0 MANAGING DIRECTOR'S STATEMENT



PERFORMANCE

Kenya Railways is delighted to announce a successful year 2016/17. During the year, our corporate strategies continued to drive growth for the benefit of our stakeholders, and indeed Kenyans and the region at large can attest to the far we have come. The Corporation has continued to achieve improved performance in all its areas of operations. However, the profitability dropped in the financial year 2016/17 due to a rise in expenses during the year .

FINANCIAL RESULTS

The Corporation reported a pre tax profit of Kshs 386 million during the financial year ended June 30, 2017 compared to Kshs 574 million during the financial year ended June 30, 2016 representing a 33% decrease in profitability.

2016/17 YEAR IN REVIEW

This year saw huge investment in our capital program, particularly on the Standard Gauge Railway (SGR) as we completed the first phase of the project. Investing in the new and modern Standard Gauge Railway is a first step in reawakening the railway sector in this country. With the launch of the SGR and subsequent commissioning of "Madaraka Express" service, we expect to realize a good return and a positive leap for the transport sector. Similar efforts are being channelled towards revamping of the commuter rail service and stations in Nairobi, which is an affirmation to our commitment to improving the overall transport sector.

For us to grow as a business over the long term and achieve our vision of making rail the preferred mode of transport in Kenya, we first and foremost need to offer and deliver reliable and competitive services and the required capacity available for growth; but we also need to build a strong rail brand, continue to make rail easier to use and develop a banquet of supply chain solutions with rail as dominant component. We have started the operations of the passenger service with great demand rising daily. We look forward to the commencement of the freight service later in 2017, which is set to also boost cargo movement and increase GDP in the region.

HUMAN CAPITAL

As a Corporation we realize that our corporate objectives can only be met with the support of committed, contented and loyal staff. We take cognizance of the fact that KR has continued to boost recruitment in order to realise our corporate objectives, and are glad to report that this will soon be enhanced with the implementation of a new organizational structure. The structure seeks to align operational roles in order to not only boost the Corporation's performance, but also grow the potential of the Corporation's human resource, which is necessary to drive personal and Corporate goals to the next level.

As a Corporation we aim to focus on the skills and capabilities of our staff through performance management, succession planning and development programmes. The Railway Training Institute (RTI) has also continued to offer specialized training in line with implementation and operations of the SGR, and this will in turn ensure that the much needed technology transfer required for Kenyans to effectively develop the SGR and operate the Madaraka Express, are availed.

CORPORATE SOCIAL RESPONSIBILITY

As Kenya Railways, we promote Good Corporate Citizenship. We make the promise that we will remain conscious of the lives and livelihoods of the people in the communities we operate in, and will participate in projects that provide both emotional and financial support in demonstration of our commitment to social responsibility. We have an elaborate corporate social responsibility policy integral to our daily operations, and will seek to review this even as we aspire to positively impact more in the society.

THE FUTURE

The Financial Year 2017/2018 looks promising for the Corporation. The business environment has continued to be extremely dynamic, unpredictable and characterised by cut-throat competition. We are confident that the strides we made this past financial year will be replicated, and even surpassed as we start implementing our Strategic Plan for Year 2017-2022. As a Corporation we believe we have employed the right strategies that will continue to reposition take Kenya Railways and take her to the next level of operational efficiency and success within the operating business environment. We will continue to remain relevant even as we meet market needs and realize the mandates we have set out for ourselves. We shall continue to make critical investment decisions, geared to modernization of rail transport to move more cargo and people in an efficient and cost effective way.

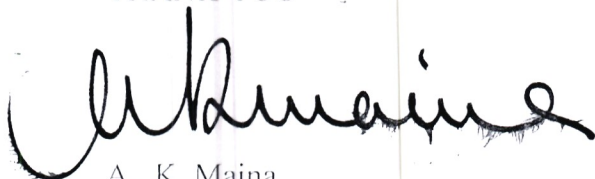
Completion of the Standard Gauge Railway from Mombasa to Nairobi can only serve to push us further in seeing the commencement and completion of the remaining phases. Indeed, we expect that the promises we made to Kenyans upon the start of this project will be kept, and that Kenya will take her rightful place in the East African economy even as we revolutionize rail transportation in general and Kenya Railways in particular.

With our ISO recertification in place, we intend to continue to drive efficiencies and act within a well-stipulated framework even as we execute our mandate in line with international best practices.

CONCLUSION

In conclusion, I take this opportunity to sincerely express my appreciation to the Government of Kenya for continued support, and the Board of Directors for its wise counsel and guidance. I also thank the Management team and staff of Kenya Railways for their tireless effort towards meeting our corporate objectives. I greatly appreciate the continued support of our customers and stakeholders without whom we would not have achieved our objectives. We believe that the strategies outlined above will be fruitful and position us in line with our vision to: "To be the preferred provider of premium rail transport services"

THANK YOU



A. K. Maina

MANAGING DIRECTOR

6.0 STATEMENT OF CORPORATE GOVERNANCE

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. Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Corporation. The Board comprises of 12 (twelve) directors ten (10) of whom are independent non-executive directors including the Chairman.

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. 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 Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation. 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 the Corporation 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 4 regular and 16 special meetings during the year under review.

The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
GEN. (RTD) JEREMIAH M. KIANGA	4	16	20
MR. A. K. MAINA	4	16	20
MR. HENRY ROTICH	4	12	16
MR. DUNCAN HUNDA	4	12	16
MRS. CATHERINE MTURI-WAIRI	3	8	11
MR. CHRISTOPHER MUSEMBI MUMO	2	9	11
MR. JOSEPHAT KBYEGON LELGO	2	10	12
MRS. HELLEN WAMUIGA KARU	4	16	20
MR. JOHN KIMANTHI MAINGI	4	16	20
MR JOSEPH CHERUIYOT	1	7	8
AMB. DR. JOHN MUTINDA	1	7	8
MR. HERMAN GATHO	4	16	20
MRS. JULIETTE JEPTOO	4	16	20
MR. PETER WAWERU	1	0	1
MS HELEN MUNGANIA	4	16	20

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

COMMITTEES OF THE BOARD

The Board has set up the following principal Committees which meet under well defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

a) Risk & Audit Committee

The Risk & Audit Committee assists the Board in fulfilling its corporate governance responsibilities and in particular in enhancing internal and fostering effective internal audits function.

The membership of the Audit Committee is comprised as follows:

- i. Mr. Kimanthi Maingi **Chairperson**
- ii. Mr. Herman Gaitho
- iii. Mr. Joseph Cheruiyot
- iv. Mr. Josephat K. Lelgo
- v. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
- vi. Cabinet Secretary, National Treasury or Alternate (By invitation)
- vii. Inspector of State Corporations or Representative (By invitation)

The Committee held 4 regular and 6 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	4	6	10
MR. HENRY ROTICH	4	2	6
MR. DUNCAN HUNDA	1	3	4
MR. JOSEPHAT LELGO	4	1	5
MR. HERMAN GAITHO	4	6	10
MR. KIMANTHI MAINGI	4	6	10
MR. JOSEPH CHERUIYOT	1	2	3
MR. PETER WAWERU	0	0	0

b) Finance & HR Committee

The Finance & HR Committee is tasked with review of financial performance of the corporation as well as annual reports prior to publication. It also considers and recommends to the Board for approval all the human resource policies relating to terms and conditions of service, and placement of management staff.

The membership of the Finance & Human Resources Committee is comprised as follows

- (i) Ms. Juliette Jeptoo Kipkorir **Chairperson w.e.f 28th October 2016**
- (ii) Mr. Joseph Cheruiyot **Chairman up to 28th October 2016**
- (iii) Amb. Dr. John Mutinda
- (iv) Mrs. Hellen W. Karu
- (v) Mr. Christopher M. Mumo
- (vi) Principal Secretary, Ministry of Transport and Infrastructure or Alternate
- (vii) Cabinet Secretary, National Treasury or Alternate
- (viii) Inspector of State Corporations or Representative (By invitation)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

The Committee held 4 regular and 6 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	4	6	10
MR. HENRY ROTICH	3	4	7
MR. DUNCAN HUNDA	4	6	10
MRS. HELLEN WAMUIGA	2	2	4
MR. PETER WAWERU	0	0	0
MR. CHRISTOPHER MUSEMBI MUMO	2	2	4
MR. JOSEPH CHERUIYOT	2	4	6
AMB. DR. JOHN MUTISO	2	4	6
MRS. JULIETTE JEPTOO	4	5	9
MS. HELEN MUNGANIA	4	6	10

c) Business & Concession Committee

This Committee assists the Board in fulfilling its oversight responsibilities relating to monitoring the performance of the concessionaire, reviewing various conceptual projects by management and recommending them to the Board for adoption and approval.

The membership of the Business & Concession Committee is comprised as follows

- | | |
|---|---|
| (i) Amb. Dr. John Mutinda | Chairman up to 28th October 2016 |
| (ii) Mrs. Hellen Wamuiga Karu | |
| (iii) Mr. Herman Gaitho | Chairman w.e.f. 28th October 2016 |
| (iv) Mrs. Juliette J. Kipkorir | |
| (v) Mr. Kimanthi Maingi | |
| (vi) Principal Secretary, Ministry of Transport and Infrastructure or Alternate | |
| (vii) Cabinet Secretary, National Treasury or Alternate | |
| (viii) Inspectorate of State Corporations or Representative (By invitation) | |

The Committee held 4 regular & 8 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	4	8	12
MR. HENRY ROTICH	4	4	8
MR. DUNCAN HUNDA	4	4	8
MRS. HELLEN WAMUIGA	2	2	4
MR. KIMANTHI MAINGI	1		1
MR. HERMAN GAITHO	4	7	12
MR. PETER WAWERU	0	0	0
AMB. JOHN MUTINDA	2	0	2
MS HELEN MUNGANIA	4	7	12

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**d) Strategic Project Committee**

This committee is tasked with receiving and reviewing reports on studies carried out with respect of projects and monitoring the overall implementation of projects and in particular ensure that timelines for meeting targets are strictly met.

The membership of the Strategic projects Committee is comprised as follows

- | | |
|---|--------------------|
| (i) Mrs. Hellen Wamuiga Karu | Chairperson |
| (ii) Ms. Juliette Jeptoo Kipkorir | |
| (iii) Mr. Kimanthi Maingi | |
| (iv) Mr. Christopher Musembi Mumo | |
| (v) Mr. Josephat K. Lelgo | |
| (vi) Principal Secretary, Ministry of Transport and Infrastructure or Alternate | |
| (vii) Cabinet Secretary, the National Treasury or Alternate | |
| (viii) Inspectorate of State Corporations or Representative (By invitation) | |

The Committee held 6 regular meetings 11 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	4	11	15
MR. HENRY ROTICH	4	4	8
MR. DUNCAN HUNDA	4	7	11
MR. KIMANTHI MAINGI	3	6	9
MRS. HELLEN WAMUIGA	4	11	15
MRS. JULIETTE JEPTOO	3	4	7
MR. CHRISTOPHER MUSEMBI MUMO	2	4	6
MR. JOSEPHAT K. LELGO	2	4	6
MS HELEN MUNGANIA	4	11	15

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications.

In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation.

As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives both in the short and long term.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Creating Shareholders' Value

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 challenges envisaged at the beginning of each year.

Directors' Emoluments

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2016 are disclosed in the notes to the financial statements under note 3. Non-executive directors are paid sitting allowances for every meeting attended.

Employees

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 unfair discrimination, harassment and victimisation. 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.

Information and Board Developments

The Board receives detailed briefing papers and reports on the business to be conducted at each meeting one week 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.

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.

7.0 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility (CSR) remains an integral part of Kenya Railways culture. Guided by an existing policy and deep commitment to making a difference in people's lives, the Corporation commits a substantial budgetary allocation each year to CSR initiatives. In the year under review, the Corporation continued to support CSR programmes in its traditional areas of focus which are health care, environment, education, and sponsorship of community initiatives.

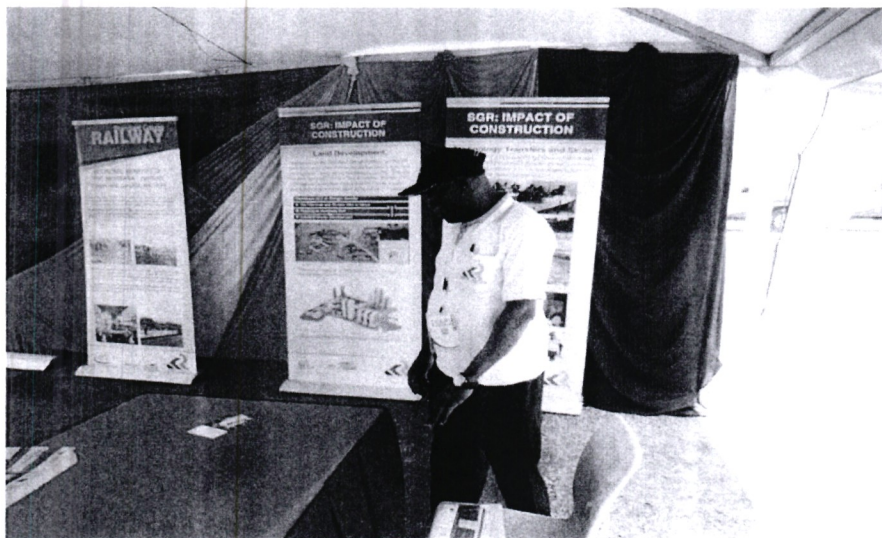
In this Financial Year, a majority of the CSR initiatives fell under the sponsorship category, touching on areas related either to core KR business, or those under the key CSR thematic areas. Among the activities undertaken were:-

- i. Sponsorships
 - Kilifi County International Investment Conference
 - Intermodal Africa 2016 Transport Conference and Exhibition
 - Annual ARCoCE Conference
 - 24th Engineers International Conference
 - Golf Tournaments
- ii. The Annual Standard Chartered Marathon
- iii. Initiative on newspaper donations to Cluster Foundation

i. Sponsorships

Kilifi Investment Conference

In the just ended Financial Year, the Corporation sponsored the Kilifi County International Investment Conference, which was organized by Kenya National Chambers of Commerce and Industry (KNCCI). The conference was an opportune time for Kenya Railways to showcase her developments with the implementation of the Standard Gauge Railway (SGR) project. Recognized for the role it is going to play in facilitating trade, the construction of the Standard Gauge Railway line was termed a timely intervention that would play an important role in improving the welfare of the country's citizenry. As part of the sponsorship, Kenya Railways had a speaking opportunity at the conference, exhibited at a designated stand, and also branded the luncheon area.

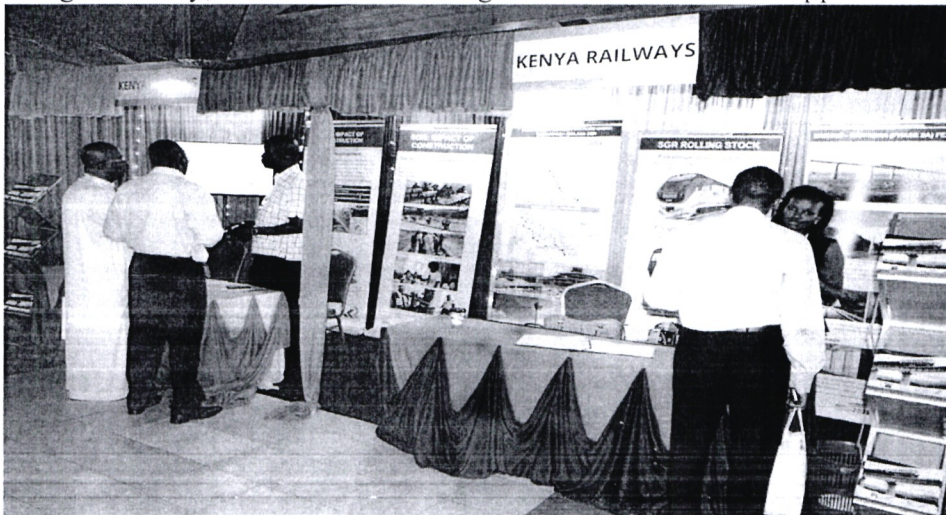


The KR Exhibition booth at the Conference

Intermodal Africa 2016 Transport Conference and Exhibition

The 16th Intermodal Africa Transport Conference and Exhibition was held on 17th and 18th November 2016, in Mombasa. Intermodal Africa is the biggest annual Container Ports and Terminal Operations Exhibition and Conference in Africa, and it brought together over 500 executives, 80 exhibitors and sponsors as well as 30 world-class speakers, in a networking session that addressed topical issues, challenges and opportunities for the global transport sector.

As a major player in the transport industry, and more-so, a key partner to the event host, Kenya Ports Authority, Kenya Railways sponsored the conference and exhibition, with various sponsorship benefits accrued. Participation in the event was a good opportunity for KR to underscore her operations and contribution to the transport sector and overall economy through presentations and displays showcasing our commuter services, progress with regards to construction of the Standard Gauge Railway, as well as facilitating a tour of SGR sites to approximately 30 select delegates.



Visitors to the Kenya Railways stand at the Intermodal Africa Conference view the display showcasing KR Projects



Railway Track Engineer Ms Beatrice Akun presenting on the Standard Gauge Railway project at the 16h Intermodal Africa Transport Conference

Other conferences that the Corporation sponsored, in an effort to enhance the Engineering practice, were the **2nd Annual Construction Research Conference and Exhibition (ARCoCE)** organized by the National Construction Authority (NCA), which was held from November 2 to 4, 2016 at the Kenyatta International Convention Centre (KICC). The theme of the event was, 'Nurturing the Transformation of Kenya's Construction Industry in Material and Technology for Global Best Practice' The Corporation also sponsored the **24th Engineers International Conference**; an event organized by the Institution of Engineers of Kenya on May 10th -12th, 2017 at the Intercontinental Hotel, Nairobi. The event brought together Engineers, Scientists, and other professionals from the African Continent and other parts of the world.

As a major stakeholder in the engineering practice, Kenya Railways (KR) sponsored these and other related events, which presented an ideal opportunity for her to underscore and showcase her operations and upcoming developments, allow for thoughtful discourse and contribution to the body of knowledge, as well as mentor upcoming engineers.

ii. The Annual Standard Chartered Marathon

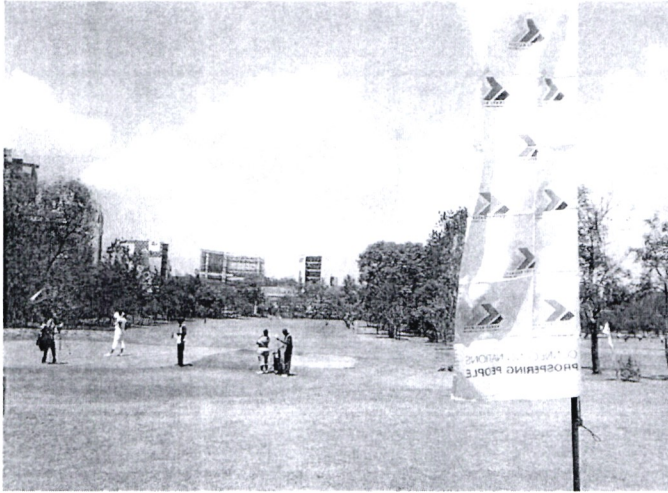
On October 30, 2016, thousands of Kenyans participated in the Standard Chartered Marathon. Among them were a team of 36 excited staff from Kenya Railways headquarters, regional offices as well as the Railway Training Institute (RTI), who ran the different categories of the races. Participation in the event was the Corporation's way of contributing towards the health sector in the country, given that funds realized from the marathon are channelled towards enabling persons with impaired visions to see. The Corporation sponsored the race under the Standard category, and expects to once again, participate in the 2017 event.



Kenya Railways representatives at the Stanchart Marathon

Golf tournaments

The Corporation sponsored two golf tournaments in the Financial Year- the Railway Golf Club Captain Prize, held in October 2016, and the same club's Chairman's Prize tournament, held in March 2017, which both aimed at building relationships with the sports fraternity and our partner institution.



Golfers participating at the 2017 Chairman's prize



Kenya Railways stand at the 2017 Chairman's prize

iii. Newspaper Donations to Cluster Foundation

In the Financial Year, the Corporation partnered with "Cluster Foundation" in an initiative that sees KR donate used newspapers for use by the institution, on a monthly basis.

Cluster Foundation is an organization that was founded in 2006, with the objective of empowering paraplegics in society through various initiatives. These include providing continual life-changing skills to empower paraplegics maximize their personal development, which eventually reduces the handicap; technical support and interventions such as modifications of home set-ups in order for the affected to be able to carry out routine duties; advocacy and sensitization, as well as research on ways to promote better and quality living standards for paraplegics. To broaden resources to make a difference in the lives of people with paralysis in this nation, The Cluster Foundation raises additional funds through the collection of old newspapers from well wishers, which are recycled to make eco-pencils for sale. The newspapers are also used for research by the foundation's research docket, thus paraplegics are accorded job opportunities to analyze content and catalogue newspaper articles in line with this. By contributing to this worthy cause, KR is able to help advance their cause and be part of those making the paraplegics' lives more comfortable, even if in a small way.

8.0 REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the *Corporation's* affairs.

Principal activities

The Corporation's principal activity is to provide a co-ordinated 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.

Results

The results of the Corporation for the year ended June 30, 2017 are set out on page 29.

Dividends

The directors have not declared any dividend for the year.

Directors

The members of the Board of Directors who served during the year are shown on page 2. The following changes took place within the financial year:-

Retirement from the Board

- | | |
|--------------------------|--|
| (i) Mr. Joseph Cheruiyot | Director up to 28 th October 2016 |
| (ii) Mr. John M. Mutinda | Director up to 28 th October 2016 |

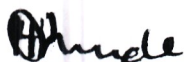
Appointment into the Board

- | | |
|-----------------------------|---|
| (i) Mr. Christopher M. Mumo | Director with effect from 28 th October 2016 |
| (ii) Mr. Josephat K. Lelgo | Director with effect from 28 th October 2016 |

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 .

By Order of the Board



Ms Hellen Mungania
Corporation Secretary

9.0 STATEMENT OF THE CORPORATION'S MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Managing Director is responsible for the preparation and presentation of the Corporation's 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 (period) ended on June 30, 2017. 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 Corporation;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Managing Director accepts responsibility for the Corporation's financial statements, which have been prepared on the Accrual Basis of Financial Reporting, using appropriate accounting policies in accordance with International Financial Reporting standards (IFRS). The Managing Director is of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2017, and of the Corporation's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

The Managing Director confirms that the Corporation has complied fully with applicable Government Regulations and the terms of external financing covenants and that the Corporation's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further he confirms that the Corporation's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements The Corporation's financial statements were approved and signed by the Managing Director on _____ 2017.



MANAGING DIRECTOR



FINANCE MANAGER

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Railways Corporation set out on pages 29 to 60, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and comprehensive income, statement of changes of equity, statement of cash flows and statement of budget vs actual income and expenditure 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 Kenya Railways Corporation as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Railways Corporation Act, Cap 397 of the laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matters described in the Other Matter section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

Illegal Allocations of Land

The statement of financial position as at 30 June 2017 reflects a balance of Kshs.24,828,015,157 in respect of property, plant and equipment. However, and as reported in the previous year, various parcels of land were allocated to private developers by either the Commissioner of Lands or Local Authorities without the consent of the Corporation. Land measuring approximately 3 acres within Limuru Railway Station constituting industrial plots No.7882/2-10 was allocated to private developers. Similarly, private buildings have been put up on another piece of land measuring approximately 2 acres within Kikuyu Railway Station while in Mombasa

*Report of the Auditor General on the financial statements of Kenya Railways Corporation for the year ended
30 June 2017*

parcels of land measuring approximately 1 and 0.75 acres adjacent to Mombasa Railway station have been allocated to private developers, without the Corporation's consent.

Consequently, the accuracy of property, plant and equipment balance of Kshs.24,828,015,157 as at 30 June 2017 could not be confirmed.

2.0 Current Assets (Short Term Investments)

As reported in the previous year, the statement of financial position reflects short term investments balance of Kshs.1,689,586,411 as at 30th June 2017 which included an amount of Kshs.818,575,979 held as fixed deposit with Chase Bank Ltd at a rate of 12.5% p.a. However, Chase Bank was placed under receivership and Kenya Deposit Insurance Corporation (KDIC) appointed to assume management and control of the bank on April 7th 2016. A review of the issue in 2016/2017 confirmed the same remained unresolved.

3.0 Payables and Accrued Charges

Included in payables and accrued charges balance of Kshs.2,063,344,432 as at 30 June 2017 is an amount of Kshs.1,253,678,273 relating to payables which have been outstanding for over a year. No satisfactory explanation was provided as to why the same had remained outstanding for this long. It has not been possible to confirm the accuracy and validity of the balance for payables and accrued charges of Kshs.2,063,344,432 in the statement of financial position as at 30th June 2017.

4.0 Inventories

The statement of financial position as at 30 June 2017 reflects a current assets balance of Kshs.69,551,466,571 which includes stores inventories amounting to Kshs.3,610,264,866 which was not supported by stocktaking report and corresponding stock sheets.

In the circumstances it has not been possible to confirm the validity of inventories totaling to Kshs.3,610,264,866 as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Railways Corporation in accordance with ISSAI 30 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described

in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matters

Prior Year Unresolved Matters

1.0 Unaccounted for Cash

1.1 Staff Travel Advance Surrendered but not Banked

As reported in the previous year, audit evidence available indicates that an amount of Kshs.4,853,766.00 was surrendered by officers to the Corporation's cashier, but the same had not banked as summarized below;

Month	Cash returned	Cash banked	Cash Un-Accounted
July 2015	990,238.00	82,988.00	907,250.00
Aug 2015	424,832.00	244,431.00	180,401.00
Sept 2015	1,076,129.00	68,200.00	1,007,929.00
Oct 2015	477,151.00	0.00	477,151.00
Nov 2015	247,520.00	0.00	247,520.00
Dec 2015	106,159.00	32,300.00	73,859.00
Jan 2016	269,404.00	0.00	269,404.00
Feb 2016	286,512.00	0.00	286,512.00
Mar 2016	415,151.00	114,900.00	300,251.00
Apr 2016	438,937.00	48,900.00	390,037.00
May 2016	270,563.00	0.00	270,563.00
Jun 2016	<u>442,889.00</u>	<u>0.00</u>	<u>442,889.00</u>
Total	<u>5,445,485.00</u>	<u>591,719.00</u>	<u>4,853,766.00</u>

In the circumstances, the total cash of Kshs.4,853,766 has not been accounted for.

1.2 Museum Revenue not accounted

Further, scrutiny of the Corporation's records revealed that during the year ended June 2016, a total of Kshs.1,981,920 was collected as museum revenue and surrendered to the Corporation cashier for banking. However, no banking slips were availed to confirm banking of the total amount of Kshs.1,981,920 and the same had not been accounted.

All the above matters remained unresolved as at 30 June 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards

(IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government intends to cease operations of the Corporation. 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

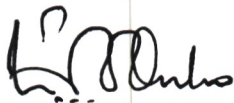
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue offering 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 offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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.



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

Nairobi

07 August 2018

11.0 STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

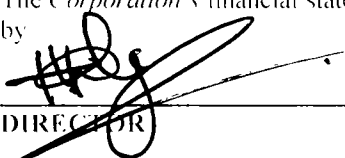
	<u>Note</u>	2017 <u>Shs</u>	2016 <u>Shs</u>
REVENUES			
Main income	1	759,787,482	819,066,455
Grants received from the National Government	2	69,119,841	34,709,893
Other income	3	<u>902,784,177</u>	<u>795,579,935</u>
TOTAL REVENUES		1,731,691,500	1,649,356,283
OPERATING EXPENSES			
Board expenses	4	48,003,819	49,281,352
Administration expenses	5	1,115,110,846	1,119,993,492
Depreciation of property, plant and equipment	6	291,915,823	218,959,616
Amortisation of Intangible Assets	7	<u>2,984,265</u>	<u>313,521</u>
TOTAL OPERATING EXPENSES		<u>1,458,014,753</u>	<u>1,388,547,982</u>
OPERATING PROFIT		273,676,747	260,808,301
Other comprehensive income			
Finance Income	8	<u>112,990,586</u>	<u>313,995,375</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>386,667,333</u>	<u>574,803,676</u>
INCOME TAX EXPENSE	9	23,685,446	60,957,170
PROFIT/(LOSS) AFTER TAXATION		<u>362,981,887</u>	<u>513,846,506</u>

12.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

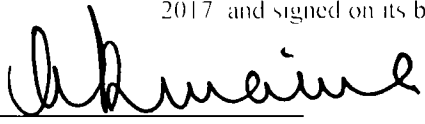
	<u>Note</u>	<u>2017</u> <u>Kshs.</u>	<u>2016</u> <u>Kshs.</u>
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	24,828,015,157	22,571,735,017
Investment property	11	21,006,159,341	23,445,304,922
Intangible assets	12	123,066,544	125,429,112
Capital Works-in-progress	13	<u>375,986,292,938</u>	<u>180,323,808,524</u>
Total Non-Current Assets		<u>421,943,533,980</u>	<u>226,466,277,575</u>
Current Assets			
Stores Inventories	14	3,610,264,866	3,471,628,460
Trade and other Receivables	15	54,740,819,906	64,190,633,155
Short Term Investments	16	1,689,586,411	2,725,000,000
Cash deposits & guarantees	17	9,396,860,938	6,227,176,383
Cash & Bank Balances	18	<u>113,934,450</u>	<u>2,883,302,348</u>
Total Current Assets		<u>69,551,466,571</u>	<u>79,497,740,347</u>
TOTAL ASSETS		<u>491,495,000,551</u>	<u>305,964,017,922</u>
EQUITY & LIABILITIES			
Equity			
Govt. Subventions & Equity	19	40,474,007,122	40,474,007,122
GOK Grants	20	10,273,896,106	10,557,231,908
Restructuring reserves	21	20,251,469,298	20,075,487,838
Accumulated losses	22	<u>(17,316,715,248)</u>	<u>(17,715,776,569)</u>
Total Equity		<u>53,682,657,278</u>	<u>53,390,950,299</u>
LIABILITIES			
Non-Current Liabilities			
East African Loan stocks	23	36,843,776	36,843,776
Exim bank loan (on lent)	24	325,568,800,345	173,576,987,893
KCB Mortgage	25	0	300,000,000
Provisions	26	<u>207,480,073</u>	<u>195,636,946</u>
Total Non current liabilities		<u>325,813,124,194</u>	<u>174,109,468,615</u>
Current Liabilities			
Payables & Accrued Charges	27	2,063,344,432	2,197,081,570
Deferred Income	28	<u>109,935,874,647</u>	<u>76,266,517,438</u>
Total Current Liabilities		<u>111,999,219,079</u>	<u>78,463,599,008</u>
Total liabilities		<u>437,812,343,273</u>	<u>252,573,067,623</u>
TOTAL EQUITY & LIABILITIES		<u>491,495,000,551</u>	<u>305,964,017,922</u>

The Corporation's financial statements were approved by the Board on
by

2017 and signed on its behalf


DIRECTOR


FINANCE MANAGER


MANAGING DIRECTOR

3 STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016

	Share Capital	Share Capital	Accumulated	Restructuring	Total
	(Govt. Subventions & Equity) Kshs	(GoK Grants) Kshs	Losses (Net Appropriation a/c) Kshs	reserves Kshs	Kshs
At 30th June 2015	40,474,007,122	10,277,844,099	(18,091,623,230)	20,079,448,290	52,739,676,280
Prior period adjustment*	-	(4,176,000)	(137,999,845)	(3,960,451)	(146,136,296)
Restated balance	40,474,007,122	10,273,668,099	(18,229,623,075)	20,075,487,838	52,593,539,984
Transfers to deferred income		(58,378,509)			(58,378,509)
Receipts in cash		300,000,000			300,000,000
Receipts in kind		41,942,318			41,942,318
Net income for the year			513,846,506		513,846,506
At 30th June 2016	40,474,007,122	10,557,231,908	(17,715,776,569)	20,075,487,838	53,390,950,300

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

Prior years expenses	(163,872,763)
Overstated Rental charges	25,872,918
	<u>(137,999,845)</u>

3. STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017

	Share Capital (Govt. Subventions & Equity) Kshs	Share Capital (GoK Grants) Kshs	Accumulated Losses (Net Appropriation a/c) Kshs	Restructuring reserves Kshs	Total Kshs
At 30th June 2016	40,474,007,122	10,557,231,908	(17,715,776,569)	20,075,487,838	53,390,950,300
Prior period adjustment*	-	-	36,079,434	175,981,460	212,060,894
Restated balance	40,474,007,122	10,557,231,908	(17,679,697,134)	20,251,469,298	53,603,011,194
Transfers to deferred income	-	-	-	-	-
Receipts in cash	-	(283,335,803)	-	-	(283,335,803)
Receipts in kind	-	-	-	-	-
Net income for the year	-	-	362,981,887	-	362,981,887
At 30th June 2017	40,474,007,122	10,273,896,106	(17,316,715,247)	20,251,469,298	53,682,657,278

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

Prior years expenses	521,437
Overstated Rental charges	-36,600,872
	<u>36,079,434</u>

Nature and purpose of restructuring reserve

This restructuring reserve came about at the time of balance sheet restructuring where by all the old balances were written off through this account and new ones brought in through the same. This surplus is not distributable.

14. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2017

	2017		2016	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Cash flows from operating activities				
Profit after income tax		362,981,887		513,846,506
Add : Items not Involving movement of Cash				
- Depreciation of PPE	291,915,823		218,959,616	
- Depreciation- Intangible assets	2,984,265		313,521	
		<u>294,900,087</u>		<u>219,273,137</u>
Operating profit / (loss) before working capital changes		657,881,974		733,119,643
<u>Add : Movement In Working capital</u>				
Increase in stores inventories	(138,636,407)		(92,523,991)	
(Increase)/decrease in Receivables	(887,591,039)		(2,456,141,730)	
Increase/(decrease) in payables	(133,737,138)		330,819,099	
Net Current Assets Movement		<u>(1,159,964,584)</u>		<u>(2,217,846,622)</u>
Net cash generated from / (used in) operating activities		(502,082,609)		(1,484,726,979)
<u>Cash flow from Investing Activities</u>				
Purchase of property, plant and equipment	(97,063,070)		(51,127,028)	
Disposal of assets	11,426,224		1,811,255,596	
Proceeds from insurance compensation block A	5,361,593			
Purchase of intangible assets	(21,427,385)		(10,233,830)	
Adjustment on fixed assets	7,089,051		-	
Capital works started during the year	(195,677,542,905)		(68,328,242,631)	
Net cash generated from / (used in) investing activities		(195,772,156,492)		(66,578,347,893)
<u>Cash flow from Financing Activities:-</u>				
Restructuring reserves movement	175,981,460		(3,960,451)	
Prior year adjustment to accumulated losses	36,079,434		(137,999,845)	
Other provisions	11,843,127		1,810,431	
SGR prepayments	10,337,404,289		386,976,771	
(Increase)/decrease in cash deposits	(3,169,684,554)		(2,635,576,616)	
Movement in Long term loans	151,691,812,452		49,856,742,000	
GOK grant	(283,335,803)		279,387,809	
Deffered income	33,669,357,209		22,254,611,234	
Net cash generated from / (used in) financing activities		<u>192,469,457,614</u>		<u>70,001,991,334</u>
Increase in Cash and Cash Equivalents		<u>(3,804,781,488)</u>		<u>1,938,916,460</u>
<u>Movement in Cash & Cash Equivalents</u>				
Opening Balances		5,608,302,349		3,669,385,888
Add increase/(decrease) in cash & cash equivalent		(3,804,781,488)		1,938,916,460
Closing balance of cash & cash equivalent note 29		<u>1,803,520,860</u>		<u>5,608,302,349</u>

15.STATEMENT OF BUDGET VS ACTUAL INCOME & EXPENDITURE

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	
	Kshs.	%age	Kshs.	Kshs.	Kshs.	%age
INCOME						
Concession fees - Freight	783,142,740	-22.26%	608,790,685	484,397,465	298,745,275	38.15%
Rental Earnings	1,016,340,676	-12.73%	886,972,000	845,001,597	171,339,079	16.86%
Museum Earnings	2,000,000	25.24%	2,504,800	2,243,000	-243,000	12.15%
Other Income	257,080,000	-73.93%	67,022,062	60,715,316	196,364,684	76.38%
Railway Training Institute	216,049,375	-4.76%	205,754,712	233,648,256	-17,598,881	-8.15%
NCR Revenues	62,732,042	-26.89%	45,863,784	36,566,025	26,166,017	41.71%
Investment income	240,000,000	-85.42%	35,000,000	112,990,586	127,009,414	52.92%
GOK grants			22,000,000	69,119,841	0	0
TOTAL INCOME	2,577,344,833	-27.29%	1,873,908,043	1,844,682,085	-732,662,748	28.43%
OPERATING EXPENSES				0	0	0
Staff Salaries & Allowances	715,773,764	-26.75%	524,310,993	378,022,253	349,384,310	48.03%
Training	50,955,000	-40.90%	30,115,000	10,918,662	40,036,338	78.57%
Travel & Accommodation	77,133,383	-11.50%	68,264,638	73,695,122	3,438,261	4.46%
Professional & Consultancy	310,092,814	-5.80%	292,092,814	244,402,906	65,689,908	21.18%
Board Expenses	53,762,128	0.00%	53,762,128	48,003,819	-6,380,891	15.33%
General Office Expenses	252,426,450	-16.73%	210,186,450	181,304,553	71,121,897	28.18%
Stationery and Printing	12,030,314	12.88%	13,580,314	11,761,683	268,631	2.23%
Motor Vehicle running expense	17,216,782	-32.82%	11,567,007	10,574,148	6,642,633	38.58%
Occupancy & Utilities	46,730,000	0.00%	46,730,000	56,096,845	-9,366,845	20.04%
Telephone and Communication	8,455,000	-20.11%	6,755,000	7,263,160	1,191,840	14.10%
Advertising & Promotions	37,450,000	4.18%	39,014,859	48,513,197	-11,063,197	29.54%
Subscriptions & Donations	7,895,576	-1.93%	7,743,576	3,125,009	4,770,567	60.42%
Insurance	15,572,000	0.00%	15,572,000	11,764,904	3,375,096	22.29%
Repairs & Maintenance	69,422,000	-14.40%	59,422,000	26,647,247	42,774,753	61.62%
Bank Charges	4,200,000	0.00%	4,200,000	3,469,300	30,730,700	89.86%
Depreciation & Amortization	248,985,767	-4.71%	237,249,767	294,900,087	-45,914,321	18.44%
Provision for bad debts				47,551,858		
TOTAL OPERATING EXPENSES	1,928,100,977	-15.95%	1,620,566,546	1,458,014,753	-499,147,824	25.50%
PROFIT BEFORE TAX	649,243,856	-60.98%	253,341,498	386,667,333	-233,514,923	37.65%
TAX				23,685,446	162,369,231	87.27%
PROFIT AFTER TAX	649,243,856	-60.98%	253,341,498	362,981,887	71,145,692	16.39%

16.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1. GENERAL INFORMATION**

Kenya Railways Corporation is established by and derives its authority and accountability from the Kenya Railways Act. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide a co-ordinated 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 re-valued 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 Corporation's accounting policies

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation. These statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

3. ADOPTION OF NEW AND REVISED STANDARDS**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

Standard/Amendment to a standard	Effective date	Impact
IFRS 14 <i>Regulatory Deferral Accounts (issued in January 2014)</i>	1 st Jan 2016	The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.
Amendments to IFRS 11 titled <i>Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)</i>	1 st Jan 2016	The amendments, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the

Standard/Amendment to a standard	Effective date	Impact
		initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
Amendments to IAS 16 and IAS 41 titled <i>Agriculture: Bearer Plants (issued in June 2014)</i>	1 st Jan 2016	The amendments, define bearer plants – ie living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (eg grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41
Amendments to IAS 27 titled <i>Equity Method in Separate Financial Statements (issued in August 2014)</i>	1 st Jan 2016	The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
Amendment to IAS 19 (<i>Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014</i>)	1 st Jan 2016	The amendment, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
Amendment to IFRS 5 (<i>Annual Improvements to IFRSs 2012 -2014 Cycle , issued in September 2014</i>)	1 st Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
Amendment to IFRS 7 (<i>Annual Improvements to IFRSs 2012 -2014 Cycle , issued in September 2014</i>)	1 st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
Amendments to IFRS 10.	1 st Jan 2016	The amendments clarify the application of the consolidation

Standard/Amendment to a standard	Effective date	Impact
IFRS 12 and IAS 28 titled <i>Investment Entities: Applying the Consolidation Exception</i> (issued in December 2014)		exception for investment entities and their subsidiaries.
Amendments to IAS 1 titled <i>Disclosure Initiative</i> (issued in December 2014)	1 st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i>	1 st Jan 2017	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p>
<i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i>	1 st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.
<i>Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities</i>	1 st Jan 2017	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale</i>

Standard/Amendment to a standard	Effective date	Impact
		<i>and Discontinued Operations.</i>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
IFRS 15 <i>Revenue from Contracts with Customers (issued in May 2014)</i>	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
IFRS 9 <i>Financial Instruments (issued in July 2014)</i>	1 Jan 2018	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:</p> <ul style="list-style-type: none"> • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The derecognition provisions are carried over almost unchanged from IAS 39.
IFRS 16: <i>Leases (issued in January 2016)</i>	1 Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying

Standard	Effective Date	Impact
		asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the corporation's financial statements.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

i) Rail operation revenue –

- **Concession fees** (Freight income) shall be accrued on the basis of the latest concessionaire and the prevailing foreign currency exchange rates.
- **Commuter fare box-** fares received from commuter services in Nairobi

ii) Landed property income:

include land rents, property sales, rent from building etc and shall be recognised on accrual basis.

iii) Dividend income

shall be recognised when the right to receive payments is established.

iv) Interest income

shall be accounted on a time proportion basis using effective interest method.

v) Student hostel, food and beverage income

are recognised on a cash basis in the period in which they relate.

vi) Scrap disposal income

shall be recognised on the basis of customer invoice which are issued on delivery.

vii) Government grants:

- i. **Recurrent grants** shall initially be treated as deferred income when cash, services or material contribution is received and charged to the statement of comprehensive income when the related expenditures are incurred.
- ii. **Capital grants** shall be capitalised as part of equity when cash, services or material contribution is received.

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 re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Fixed assets were last revalued in 2010 by external registered valuers; Knight Frank Limited.

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. Repairs and maintenance is charged to the profit and loss account in the year to which it relates. Equipment i.e. locomotive overhaul costs are capitalised and become part of the new carrying amount.

Increases in the carrying amount arising on revaluation are credited to the revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the profit and loss account.

Annually, the difference between depreciation based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Permanent way and sidings and all assets attached thereto such as bridges, culverts, tunnels and, locomotives, coaches and wagons have been classified as infrastructure assets or cash generating assets and valued using the present value method by discounting their stream of estimated cash flows over a period of 25 years being the lifespan of the Concession using a suitable discount rate then added to the terminal cash flow after the 25 years.

Assets classified and valued as Cash Generating Assets using the present value of the net cash inflows derived from the use of these assets by the concessionaire are not depreciated in the restated statement of financial position. Due to possible changes in the concession that may affect the cash inflows in future, the concession cash inflows will be assessed annually and present values recomputed to determine whether the assets present values have changed. Decreases in present values would be recognised as impairment losses while increases would be credited to equity under revaluation reserves.

Land along the main and subsidiary corridors were classified as held for future rail network expansion and valued on fair value basis as this land cannot be sold or put to alternative use other than expansion of the rail network.

Freehold properties owned by the Corporation on long leases subsequently leased by the Corporation to third parties (lessees) for a substantial period of the lease term were valued based on the Corporation's interest in the leased property i.e. the income receivable by the Corporation in terms of ground rent for a number of years discounted using a suitable discount factor. Most of this freehold land has industrial property or other permanent structures standing on it.

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.

d) Depreciation and impairment of property, plant and equipment

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life. In determining an asset's useful life consideration is given to its expected usage, its expected wear and tear, technical or commercial obsolescence and legal or similar limits on its use. Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised 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:

	<u>Rate</u> <u>(%)</u>	<u>Useful life</u> <u>(Years)</u>
Permanent Way and Bridges	2.00%	50
Buildings	2.00%	50
Plant and Machinery	3.33%	30
Signaling 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 tonne tare weight	37.5%	2.67
Motor Vehicles - 3 tonne and above	25.00%	4
Office Equipment	12.50%	8
Furniture & fittings	12.50%	8
Computer, copiers & faxes	33.33%	3.

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.

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will

be controlled by the corporation and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances and extends the benefits of computer software beyond the original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is 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 comprise land and buildings and are held to earn rentals or for capital appreciation or both. Investment property is initially recognised at historical cost including the transactions cost. Subsequently, investment property have been carried at fair value representing the open market value at the statement of changes in financial position date determined by the valuations carried out by external registered valuers. Gains or losses arising from changes in fair value will be included in determining the profit or loss for the year to which it relates.

Specifically, land and buildings owned and used by Kenya Railways Corporation for operational purposes such as station buildings, the corridors, Corporation's staff residential buildings, marshalling yards, office buildings owned and occupied by the Corporation and others in this category are valued based on the fair value model. These represent property that has to be used by the Corporation for purposes of running the railway services. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's - length transaction.

Investment property is also categorised into property held for earning rental income and for capital appreciation or both. These are mainly the flats and were valued based on the market value. Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's - length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Subsequent expenditure on investment property in future where such expenditure increases the future economic value in excess of the original assessed standard of performance will be added to the carrying amount of the investment property. All other subsequent expenditure will be recognised as an expense in the year in which it is incurred.

h) Finance and operating leases

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incident to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year to which it relates. At the end of the lease term, the company has an

option to purchase the asset. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

i) Financial instruments

The Corporation classifies its investments into the following categories:

- **Financial assets at fair value through profit or loss:**

This category has two sub - categories: financial assets held for trading, and those designed at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making or if so designated by management.

- **Held-to-maturity investments** which are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has a positive intention to hold to maturity.

- **Loans and receivables** which are non-derivative financial assets created by the Corporation by providing money or products directly to the debtor other than those with the intent to be sold immediately or in the short run.

- **Available-for-sale financial assets** which are assets held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates.

All financial assets are classified as non-current except those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

j) Financial risk management objectives and policies

The corporation's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the corporation's products and services. The corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

i. Liquidity risk

The definition of liquidity risk is the risk that Kenya Railways is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for operations and investments. The Corporation performs cash flow forecasting and monitoring rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet its needs.

The maximum exposure of the company to liquidity risk at the balance sheet date is as follows:

	Less than 1 month <u>Kshs '000</u>	Between 1 & 3 months <u>Kshs '000</u>	Between 3 - 12 months <u>Kshs '000</u>	over 1 year <u>Kshs '000</u>
Trade & other payables	45,598	13,255	122,030	1,252,910
TOTAL	<u>45,598</u>	<u>13,255</u>	<u>122,030</u>	<u>1,252,910</u>

ii. Credit risk

Kenya Railways is exposed to credit risk which is the risk that the counter party will cause a financial loss to Kenya Railways by failing to discharge an obligation. Credit risk arises mainly from trade debtors who receive goods and services from the business units on credit. The corporation does not hedge any risks and should have in place policies to ensure that credit is extended to customers with an established credit history.

The maximum exposure of the corporation to credit risk as at the balance sheet date is as follows:

	Fully performing Kshs '000	Past due but not impaired Kshs '000	Past due and impaired Kshs '000	Total Kshs '000
Cash at bank	111,011			111,011
Short term investments	871,010			0
Cash deposits & guarantees	10,193,698			0
Trade & other receivables	<u>54,740,818</u>	<u>54,740,818</u>		54,740,818
TOTAL	<u>65,916,538</u>	<u>3,854,094</u>	<u>0</u>	<u>54,851,830</u>

iii. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in the market price and comprises three types of risks; foreign exchange risk, price risk and interest rate risk.

iv. Foreign exchange risk

Foreign currency risk is a financial risk that exists when transactions are denominated in a currency other than the base currency of Kenya Railways. The Corporation receives payments denominated in foreign currencies mainly for concession fees. Kenya Railways also makes payments denominated in foreign currencies for non local suppliers

Kenya Railways limits foreign transactions to at least two foreign currencies, that is, the US dollar and Euro

v. Price risk

This is the risk resulting from a decline in the value of a security or a portfolio. Kenya Railways is not exposed to any price risk since it has no investments in any securities.

vi. Interest rate risk

This is the risk that an investment's value will change due to a change in the absolute level of interest rates. Kenya Railways manages this risk by investing only in fixed income securities with different durations.

k) Financial instruments

All financial assets are recognised initially using the trade date accounting which is the date the corporation commits itself to the purchase or sale and recorded at the fair value of the consideration given plus the transaction costs. Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while available-for-sale assets are carried at fair value. Changes in fair value are recognised directly in equity, except for impairment losses which are recognised in the statement of comprehensive income in the year there is objective evidence of impairment. On sale, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income in the year of sale.

The directors classify financial assets as follows

Receivables are classified as 'loans and receivables' and are carried at amortised cost using the effective interest method.

Government securities and term and call deposits with banking institutions are classified as 'held-to-maturity investments' and are carried at amortised cost using the effective interest method.

All financial liabilities including borrowings are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

m) Trade and other receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

A provision for impairment is recognised in the statement of comprehensive income in the year when recovery of the amount due as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

n) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

o) 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 various commercial banks at the end of the financial year. 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.

p) 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.

q) 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 *Corporation* or not, less any payments made to the suppliers.

Provisions are recognised when the corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

r) Retirement benefit obligations

The Corporation operates a defined contribution retirement benefit plan for its employees. The assets of this plan are held in a separate trustee - administered guaranteed scheme managed by an insurance company. The Corporation pays fixed contribution into a separate fund and has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to their services in the current or prior periods. The contributions are charged to the statement of comprehensive income in the year to which they relate.

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 corporation'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.

s) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the *Corporation* 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.

t) Comparative figures

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

u) 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, 2015.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the accounting policies adopted by the company, the Directors make certain judgments and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The Directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the available information.

a) Impairment of non-financial assets

Non-financial assets that are carried at amortized cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

b) Contingent liabilities and assets

A contingent liability is a potential obligation that may be incurred depending on the outcome of a future event. It is a situation where the outcome of an existing situation is uncertain, and this uncertainty will be resolved by a future event. A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated.

A contingent asset is a potential asset associated with a contingent gain. Unlike contingent liabilities and contingent losses, contingent assets and contingent gains are not recorded in accounts, even when they are probable and the amount can be estimated.

c) Going concern issues

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

17.0 NOTES TO THE FINANCIAL STATEMENTS

1 MAIN INCOME

	2016/17	2015/16
	Kshs	Kshs
Concession fees - Freight	484,397,465	616,759,886
Museum Earnings	2,243,000	2,000,161
Kisumu Port Earnings	2,932,736	3,022,062
Railway Training Institute	233,648,256	152,188,344
NCR revenues	36,566,025	45,096,003
	759,787,482	819,066,455

2 Grants received from the National Government

NUTRIP project (Amortization)	19,608,961	33,874,693
RAP project (Amortization)	48,675,680	
Marine school project - (Amortization)	835,200	835,200
	69,119,841	34,709,893

3 OTHER INCOME

Net rental income from investment property	845,001,597	773,513,347
Sundry income	998,500	956,136
Sale of tender documents	29,000	53,000
Sale of biological assets	2,600	38,900
Sale of scrap	206,000	0
Sale of spares	8,500,252	5,450,952
Wagon lease	48,046,228	15,567,600
	902,784,177	795,579,935

4 BOARD EXPENSES

Director's Fees	12,526,600	13,719,000
Directors' Sitting Allowances	14,554,674	16,640,000
Board training	1,827,000	2,012,540
Directors' Travel & Accommodation	19,095,545	16,909,812
TOTAL	48,003,819	49,281,352

5 ADMINISTRATIVE EXPENSES

Staff costs	5a	392,065,925	435,618,683
Postages and telephones		7,263,160	5,138,222
Vehicle running & generator maintenance		10,574,148	6,793,179
Travel & Accommodation		73,695,122	74,781,585
Printing and stationery		11,761,683	9,353,800
Advertising and sales promotion		48,513,197	37,429,200
Audit fees provision		2,164,380	2,164,380
Legal and professional fees		242,238,526	176,676,008
Bank charges and commissions		3,469,300	4,347,581
General Office Expenses	5b	75,419,236	67,421,869
Occupancy & Utilities	5c	56,096,845	51,066,345
Insurance		11,761,904	11,300,293

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(Increase)/ Decrease in provision for bad debts	5d	47,551,858	105,922,748
Security		105,885,317	109,805,757
Repairs & Maintenance		26,647,247	22,173,843
TOTAL		1,115,110,846	1,119,993,492
5a STAFF COSTS			
Salaries and wages		323,404,906	330,288,746
Staff medical		22,089,437	26,257,862
Provision for leave		3,215,013	3,588,236
Provision for long-term service dues		26,753,304	27,036,956
Group life Insurance & group personal accident		2,559,594	2,431,784
Staff training		10,918,662	42,240,282
Subscriptions		3,125,009	3,774,817
		392,065,925	435,618,683
5b GENERAL OFFICE EXPENSES			
Office tea & beverages		4,658,432	3,618,593
Cleaning services		32,738,397	34,166,193
Office repairs & maintenance		564,443	1,600
Students' food and essentials		22,721,943	19,860,753
Concession monitoring cost		2,291,076	4,262,285
Other office expenses		12,444,946	5,512,445
		75,419,236	67,421,869
5c OCCUPANCY & UTILITIES COSTS			
Land rates		38,708,442	39,186,260
Electricity		12,052,402	8,673,488
water		5,336,002	3,206,597
		56,096,845	51,066,345
5d PROVISION FOR BAD DEBTS			
It is the Corporation's policy to maintain a 5% provision on trade receivables .			
Balance b/fwd		(202,849,714)	(91,376,573)
Prior year adjustment			(5,550,394)
Charge for the year- general provision on bad debts		(47,551,858)	(105,922,748)
Balance carried forward		(250,401,572)	(202,849,714)
6 DEPRECIATION			
Buildings		61,024,829	59,045,943
Water Supplies & Transport equip.		5,729,319	5,729,319
Plant & Machinery		38,314,302	37,494,778
Permanent way		3,158,036	
Telecommunications Equipment		1,406,187	1,406,188
Motor Vehicles		11,098,078	7,641,885
Furniture & Fittings & Office Equipment		106,100,430	99,639,188

Kenya Railways

Reports and Financial Statements For the financial Period ended June 30, 2017

Donated assets	55,610,909	
Computers	9,473,733	8,002,316
	<u>291,915,823</u>	<u>218,959,616</u>
7	ARMOTIZATION OF INTANGIBLE ASSETS	
Charge for the year	2,984,265	313,521
	<u>2,984,265</u>	<u>313,521</u>
8	FINANCE INCOME	
Interest-short term deposit	123,335,358	305,510,447
Interest- ordinary advances	112,237	124,378
Interest-car loans advances	0	593,276
Interest-mortgage advances	440,626	2,954,214
Unrealized gain (Loss)on foreign currency translation	-10,897,635	4,813,061
	<u>112,990,586</u>	<u>313,995,375</u>
9	INCOME TAX EXPENSE	
The Current year's tax is just a provision. Final tax will be computed after the accounts have been audited		
	2016	2016
	Kshs	Kshs
Profit as per financial statements	386,667,333	574,803,676
Adjustments	(307,715,847)	(371,480,154)
Taxable profit	<u>78,951,485</u>	<u>203,323,522</u>
Tax @ 30%	<u>23,685,446</u>	<u>60,997,057</u>

**0. PROPERTY, PLANT AND EQUIPMENT SCHEDULE
FOR THE YEAR ENDED 30TH JUNE 2016**

	Land	Buildings	Water Supplies & Transport	Plant & Machinery	Telecommu- nications Equipment	Motor Vehicles	Furniture & Fittings & Office Equipment	Computer s	Cash generating assets	TOTAL
<u>COST/Revaluation</u>										
As at 30.06.15	15,175,501,812	2,812,279,310	171,920,000	1,125,022,228	35,165,100	48,438,621	713,104,151	75,400,630	5,487,695,979	25,644,527,83
Capitalized		24,316,372					23,137,378			47,453,751
Purchased		1,788,220	0	6,556,189	0.00	25,560,871	10,511,225	6,710,523		51,127,021
Disposals									(1,811,255,596)	(1,811,255,596)
As at 30.06.16	15,175,501,812	2,838,383,903	171,920,000	1,131,578,416	35,165,100	73,999,492	746,752,753	82,111,153	3,676,440,383	23,931,853,011
<u>DEPRECIATION</u>										
As at 30.06.15	0	221,069,398	40,145,663	262,642,334	9,853,758	34,769,869	146,565,281	62,640,496	363,471,579	1,141,158,371
Charge for the year	0	59,045,943	5,729,319	37,494,778	1,406,188	7,641,885	99,639,188	8,002,316	0	218,959,611
As at 30.06.16	0	280,115,341	45,874,982	300,137,112	11,259,946	42,411,754	246,204,469	70,642,811	363,471,579	1,360,117,991
<u>NET BOOK VALUE</u>										
As at 30.06.15	15,175,501,812	2,591,209,913	131,774,337	862,379,894	25,311,342	13,668,752	566,538,870	12,760,134	5,124,224,400	24,503,369,451
As at 30.06.16	15,175,501,812	2,558,268,562	126,045,018	831,441,305	23,905,154	31,587,738	500,548,284	11,468,342	3,312,968,804	22,571,735,011

**(b). PROPERTY, PLANT AND EQUIPMENT SCHEDULE
FOR THE YEAR ENDED 30TH JUNE 2017**

	Land	Buildings	Water Supplies & Transport	Plant & Machinery	Telecommuni- cations Equipment	Motor Vehicles	Furniture & Fittings & Office Equipment	Computers	Cash generating assets	Donated assets	TOTAL
<u>COST - Revaluation</u>											
As at 30th June 2016	15,175,501,812	2,838,383,903	171,920,000	1,131,578,416	35,165,100	73,999,492	746,752,753	82,111,153	3,676,440,383	2,454,589,676	23,931,853,013
Reclassification		2,000,035						1,723,970			3,724,005
Additions - capitalization		5,684,197	0	0	0.00	24,840,506	59,271,293	7,267,075			97,063,070
Additions - direct purchase		-6,959,741				0	0	-129,310			-7,089,051
Adjustments		11,334,486									11,334,486
Disposals									(11,426,224)		-11,426,224
As at 30th June 2017	15,175,501,812	2,850,442,880	171,920,000	1,131,578,416	35,165,100	98,839,998	806,024,046	90,972,888	3,665,014,159	2,454,589,676	26,480,048,974
<u>DEPRECIATION</u>											
As at 30th June 2016	0	280,115,341	45,874,982	300,137,112	11,259,946	42,411,754	246,204,469	70,642,811	363,471,579	0	1,360,117,995
Change for the year	0	61,024,829	5,729,319	38,314,302	1,406,187	11,098,078	106,100,430	9,473,733	3,158,036	55,610,909	291,915,823
As at 30th June 2017	0	341,140,171	51,604,301	338,451,414	12,666,133	53,509,832	352,304,899	80,116,544	366,629,615	55,610,909	1,652,033,818
<u>NET BOOK VALUE</u>											
As at 30th June 2016	15,175,501,812	2,558,268,562	126,045,018	831,441,305	23,905,154	31,587,738	500,548,284	11,468,342	3,312,968,804	0	22,571,735,018
As at 30th June 2017	15,175,501,812	2,509,302,709	120,315,698	793,127,003	22,498,967	45,330,166	453,719,147	10,856,344	3,298,384,544	2,398,978,766	24,828,015,157

	2017 <u>Kshs</u>	2016 <u>Kshs</u>
11 INVESTMENT PROPERTY		
Balance b/fwd	23,445,304,922	19,553,893,729
Reclassification (RAP Units) to donated assets	-2,433,783,988	
Block A compensation	-5,361,593	3,891,411,190
Balance c/fwd	<u>21,006,159,341</u>	<u>23,445,304,922</u>
12 INTANGIBLE ASSETS		
Cost		
Balance b/fwd	155,691,093	124,651,575
Reclassification to donated assets	-20,805,688	
Additions	21,427,385	31,039,518
Cost c/fwd	<u>156,312,790</u>	<u>155,691,093</u>
Amortisation		
Balance b/fwd	30,261,981	29,948,460
Charge for the year	2,984,265	313,521
Balance c/fwd	<u>33,246,246</u>	<u>30,261,981</u>
Net Carrying amount	<u>123,066,544</u>	<u>125,429,112</u>
13 CAPITAL WORKS-IN-PROGRESS		
Balance b/fwd	180,323,808,524	115,955,236,524
Amount injected during the year	195,677,542,905	68,328,242,631
Capitalized	(15,058,491)	(3,959,670,631)
Balance c/fwd	<u>375,986,292,938</u>	<u>180,323,808,524</u>
14 STORES INVENTORIES		
Capital stores	3,603,738,436	3,468,441,513
Stationery stores	5,527,807	2,779,071
Foodstuffs	998,623	407,870
Net stores inventories	<u>3,610,264,866</u>	<u>3,471,628,460</u>
15 TRADE AND OTHER RECEIVABLES		
Trade receivables	5,008,031,445	4,056,994,284
Less: provision for impairment losses	(250,401,572)	(202,849,714)
Net trade receivables	<u>4,757,629,873</u>	<u>3,854,144,569</u>
Prepayments	48,868,717,642	59,171,357,887
Other receivables	1,114,472,391	1,165,130,690
Net Receivables	<u>54,740,819,906</u>	<u>64,190,633,155</u>

16 SHORT TERM INVESTMENTS

i	FDR with consolidated bank @ 12.25%	55,000,000	125,000,000
ii	FDR with KCB @ 11.25%	506,209,882	1,100,000,000
iii	RTI money with KCB on call @ 10%	15,000,000	0
iv	Treasury bills @ 8.3%	294,800,550	
v	FDR with Chase bank under moratorium	818,575,979	800,000,000
vi	CFC BANK @ 10%	0	700,000,000
TOTAL		1,689,586,411	2,725,000,000

Note

The Corporation has kshs 818m with Chase Bank which is currently under receivership. Kenya deposit insurance corporation (KDIC) assumed management and control of the bank on April 7th 2016

17 CASH DEPOSITS AND GUARANTEES

i	Kshs 12m FDR kenya commercial bank	13,600,622	13,600,622
ii	FDR savings & loans (Mortgage a/c)	3,362,599	15,406,999
iii	Escrow Retrenchment	1108981968	1,367,370
iv	Escrow Environment	1108982174	813,250
v	KCB Car loan lien	21,010,507	21,010,507
vi	S&L - Mortgage Back up	97,961,715	70,542,799
vii	Fuel deposit guarantee for National oil kenya	4,314,066	2,068,900
viii	KCB- Mortgage Drawdown A/c	1146951868	4,882
ix	KCB-Land compensation a/c	1162575387	159,218,841
x	KCB-SGR Escrow payment A/C-USID	1162573333	8,713,702,264
xi	KCB-SGR Escrow revenue A/C-KES	1162574615	72,472,503
xii	KCB- SGR NBI -NVS ESCROW A/C	1203286473	239,914,450
xiii	KPLC Guarantee- (SGR Power connection)	69,117,869	
xiv	Citibank Deposit account - KE1DEPL 062580058	0	13,128,097
TOTAL		9,396,860,938	6,227,176,383

18 CASH & BANK BALANCES**i) Cash in hand**

Cash on hand - RTI	27,140	7,762
Cash on hand - Departmental petty cash	2,340,168	769,302
Cash on hand - HQ Cash office	518,548	320,250
Sub total	2,885,856	1,097,314

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ii). **Bank balances**

	Account no.		
KCB Rent Collections A/c	1108981917	9,719,950	12,086,322
KCB USD account (USD)	1101706872	5,375,297	48,471,795
RTI - KCB main a/c	1102590363	9,495,604	5,512,552
RTI - KCB imprest a/c	1102587699	2,632,481	694,018
KCB - project account	1107161487	49,187,686	375,166,248
Citibank a/c	300045003	4,930,628	9,635,138
Citibank a/c USD (USD)	300045014	169,209	168,719
Operational account	1107161398	17,657,284	7,125,878
Equity bank	0470298041416	772,652	1,787,812
KCB-Land compensation a/c	1162575387		2,393,718,473
NIC Bank NUTRIP-KES A/C	1001004049	9,305,901	17,840,054
Standard Chartered - RAP A/c	1040440668800	1,801,901	9,998,025
Sub total		111,048,594	2,882,205,034
TOTAL CASH & BANK BALANCES		113,934,450	2,883,302,348

19 **GOVERNMENT SUBVENTIONS & EQUITY**

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
T O T A L	40,474,007,122	40,474,007,122

20 **GRANTS**

Balance B/forward	10,557,231,908	10,277,844,099
Cash (transfer)/receipt to MOT	(300,000,000)	300,000,000
Transfers during the year(net)	16,664,198	(20,612,191)
Balance C/forward	10,273,896,106	10,557,231,908

21 **RESTRUCTURING RESERVES**

Balance b/fwd	20,075,487,839	20,079,448,290
Adjustments	175,981,459	(3,960,451)
Balance c/fwd	20,251,469,298	20,075,487,839
Adjustments		
Adjustment to fixed assets	-	-60,000,000
Adjustments to Payables	(174,807,672)	68,937,932
Adjustments to Receivables	(1,173,788)	(4,977,481)
	(175,981,460)	3,960,451

22 ACCUMULATED LOSSES

Balance b/fwd	(17,715,776,569)	(18,091,623,230)
Adjustments	36,079,434	(137,999,845)
Restated balance	(17,679,697,135)	(18,229,623,075)
Profit for the year	362,981,887	513,846,500
Balance c/fwd	(17,316,715,248)	(17,715,776,569)

23 EAST AFRICAN LOAN STOCKS

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
	36,843,776	36,843,776

24 EXIM BANK LOAN

Balance b/fwd	173,576,987,893	123,720,245,893
Amount disbursed during the year	151,991,812,452	49,856,742,000
Balance c/fwd	325,568,800,345	173,576,987,893

25 KCB MORTGAGE

Balance b/fwd	300,000,000	300,000,000
Amount disbursed during the year	(300,000,000)	-
Balance c/fwd	-	300,000,000

26 PROVISIONS

Leave	71,542	270,000
Municipal rates	175,591,048	156,236,827
Insurances refundable to former staff	29,633,165	29,876,479
Gratuities	2,184,318	9,253,640
	207,480,073	195,636,946

27 TRADE PAYABLES

Trade creditors	1,351,157,738	1,674,056,400
Staff creditors	82,634,902	64,041,436
Customer deposits	285,477,649	234,352,993
Accruals	344,074,143	224,630,741
TOTAL	2,063,344,432	2,197,081,570

28 DEFERRED INCOME		
Stand premiums/revenues	292,052,273	276,795,309
SGR Government grant	94,680,508,951	64,051,368,498
SGR Escrow grant	8,731,347,734	5,782,086,676
RAP	5,818,687,494	5,795,852,394
SGR Income	72,472,596	
NUTRIP	17,152,692	36,761,654
Land sales	323,652,907	323,652,907
TOTAL	109,935,874,647	76,266,517,438

29 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2016	2015
	Kshs	Kshs
Cash in hand	2,885,856	1,097,314
Cash at bank	111,048,594	2,882,205,034
Short term investments	1,689,586,410	2,725,000,000
TOTAL	1,803,520,860	5,608,302,348

30 CONTINGENT LIABILITIES.

The Corporation had contingent liabilities amounting to Kshs. 28,385,228,008 detailed as follows:-

	Kshs	Kshs
Law suits against the Corporation yet to be determined	1,868,844,572	1,868,844,572
Dormant cases	0	0
Guarantees given on behalf of the Corporation	28,715,436	28,715,436
**Ederman's case - Golf city project	26,487,668,000	26,487,668,000
Total contingent liabilities	28,385,228,008	28,385,228,008

**Litigation is in progress by Ederman Enterprises against the Corporation and KRSRBS relating to a tender for a Golf City project within the Railways club. Ederman won the tender, however he insisted on change of terms and conditions, which the Corporation refused and hence no contract was entered into. Ederman is demanding Ksh 26B in business loss claims. The directors are of the opinion that the claim can be successfully resisted by the Corporation

31 CONTINGENT ASSETS

	Kshs	Kshs
Due from Magadi Soda Company still under discussion	924,441,851	924,441,851

32. RELATED PARTY DISCLOSURES

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 operation decisions, or one other party controls both. The Government of Kenya is the principal shareholder in Kenya Railways Corporation. During the year the Government made capital payments directly to the contractors and escrow accounts amounting to kshs **23,261,626,628** on behalf of the corporation. The analysis is as attached under appendix 2.

The Board of Directors of Kenya Railways Corporation Limited 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 financial year 2016/17, the Board expenses amounted to **Kshs 48,003,819**, while compensation to key management staff amounted to **Kshs 47,728,220**.

33. MOVEMENT IN DEFERRED INCOME

	Balance b/fwd 2016	Receipts/Direct payments	Interest earned	Amortization	Balance c/fwd 2017
Stand premiums	273,593,709	38,320,622		22,228,458	289,685,873
SGR Government grant	64,051,368,498	30,560,304,457	68,835,996		94,680,508,950
SGR Escrow grant	5,782,086,676	2,771,516,252	177,744,806		8,731,347,734
RAP	5,795,852,394	71,510,779		48,675,680	5,818,687,494
SGR Income	0	72,472,596			72,472,596
NUTRIP	36,761,654			19,608,961	17,152,692
Marine school	3,201,600			835,200	2,366,400
Land sales	323,652,907				323,652,907
TOTAL	76,266,517,438	33,514,124,707	246,580,801	91,348,299	109,935,874,646

Kenya Railways Corporation

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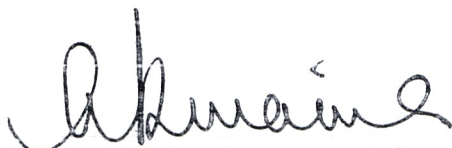
CAPITAL WORKS IN PROGRESS

Name	Balance B/fwd	amount injected	Capitalized	Balance C/fwd
WESTLANDS OFFICE BLOCKS	-	78,818,320		78,818,320
NYALENDA ESTATE	0	37,813,255		37,813,255
MUSEUM RENOVATIONS	-	12,651,511	-12,651,511	0
LOCOS & WAGONS REFURBISHMENT	84,677,119	108,724,868		193,401,987
IMARA DAIMA RAILWAY STATION	-	-4,715,634		0
MAKADARA RAILWAY STATION	-	-6,618,852		0
RAP KIBERA & MUKURU	3,413,206,257	181,604,377		3,594,848,634
DOC MGT SYSTEM	27,796,356	4,798,240		32,594,596
RAILWAY CITIES	32,217,931	-		32,217,931
ICT EQUIPMENTS & SOLUTIONS NCR	2,406,980		-2,406,980	0
LAPPSET	-	2,259,305		2,259,305
MARINE SCHOOL	98,456,134	16,664,197		115,120,332
WIP- SUB TOTAL	3,658,760,777	431,999,587	-15,058,491	4,087,074,359
SGR				
CIVIL WORKS	148,534,814,539	109,206,829,479		257,741,644,018
LAND AQUISION	14,737,957,458	6,052,234,932		20,790,192,390
ROLLING STOCK	13,392,275,749	65,193,558,921		78,585,834,670
CIVIL WORKS- PHASE 2A		13,759,875,231		13,759,875,231
LAND ACQUISITION - PHASE 2A		1,032,400,241		1,032,400,241
INLAND CONTAINER DEPOT		529,515		529,515
CIVIL WORKS PHSE 2B		80,000		80,000
LAND ACQUISITION PHSE 2B		35,000		35,000
SGR SUB TOTAL	176,665,047,747	195,245,543,318	-	371,910,591,065
GRAND TOTAL	180,323,808,524	195,677,542,905	-15,058,491	375,986,292,938

18.0 PROGRESS ON FOLLOW UP OF AUDITOR 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.

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1.0	Illegal allocation of land	The Corporation, has requested the Ministry of Lands to revoke titles of all the land that was irregularly allocated by the Commissioner of Lands.	The General Manager Business	Not resolved	When NLC revokes the illegal titles
2.1	Kshs 800m held at Chase Bank	Board and management has been in touch with the KDIC, the receiver manager and CBK on the plans being put in place to revive Chase Bank and safeguarding of customer deposits.	General Manger Finance	Not resolved	Once KDIC revives the bank
2.2	Failure to carry out a stock take	The Corporation is undertaking a physical verification of its stocks in the current financial year	Procurement Manager	Not resolved	31/12/2017
3.0	Payables outstanding for over a year(Kshs 742M)	Most of these claims are legacy claims with no support documents to settle and others have court cases	General Manager Finance	Not resolved	When the courts issue a decree
4.1	Unbanked surrendered staff advances(Kshs 4.85 M)	This was theft by servant, a claim for compensation under Fidelity guarantee policy was launched with the insurance company and the case is with CID	Legal department	Not resolved	Once CID completes their investigations
4.2	Unaccounted for museum Revenue(Kshs 1.98 M)	This was theft by servant, a claim for compensation under Fidelity guarantee policy was launched with the insurance company and the case is with CID	Legal department	Not resolved	Once CID completes their investigations


MANAGING DIRECTOR

FINANCE MANAGER

Appendix 1: Projects Implemented By The Corporation

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Development of Mombasa to Nairobi Standard Gauge Railway	1092100200	China EXIM	4 yrs	357 B	No	Yes
Development of Nairobi to Naivasha Standard Gauge Railway	xxxxxxxxx	China EXIM	3 yrs	153 B	No	Yes

20.0 Appendix 2: Inter-Entity Transfers

Break down of Transfers from the Ministry of Transport		
FY 16/17		
Direct Payments		
	Bank Statement Date	Amount (KShs)
TSDI/APEC/EDON- 30% IPC 3A	29/08/2016	1,247,894,531
TSDI/APEC/EDON-15% IPC 2A	29/08/2016	623,947,266
PHASE ONE CIVIL WORKS IPC 5A	22/12/2016	1,732,535,662
BEING PAYMENT OF ICD 15% GoK funding	23/12/2016	3,269,160,324
BEING EASEMENT GRANT	30/12/2016	1,000,000,000
NLC FOR KM 0-15 COMPENSATION FOR SCHOOLS	30/12/2016	124,783,437
PHASE TWO-A CIVIL WORKS IPC 1A	30/12/2016	6,799,794,567
PYMT TO CRBC FOR IPC4A LOCAL PORTION	23/01/2017	1,732,535,662
PYMT TO KWS -RESTORATION GRANT	23/01/2017	94,100,000
PYMT TO NLC -LAND COMPENSATION TO PAPS	23/01/2017	633,014,734
PAYMENT FOR SGR KPLC BANK GUARANTEE KSH 66M	09/03/2017	66,000,000
PAYMENT TO NLC FOR 3 SCHEDULE 9 EXTRACTS	09/03/2017	1,649,791,258
POWER CONNECTION STATIONS FROM GRID	09/03/2017	285,051,558
BEING 2ND BATCH OF DK0-DK8((SERIAL 01-10)	13/06/2017	1,231,501,376
4TH & LAST ESCROW DEPOSITS	22/09/2016	1,541,371,184
4TH & LAST ESCROW DEPOSITS	22/09/2016	989,453,835
STATE DEPT.OF TRANSPORT (GOVT. GRANT)	10/05/2017	240,691,234
TOTAL		23,261,626,628

