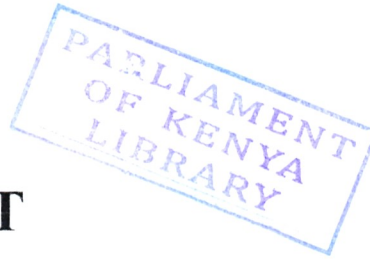


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA RAILWAYS CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2008**



**THE  
KENYA RAILWAYS  
CORPORATION**

---

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30th JUNE, 2008**

---

CONTENTS

	<u>PAGE NO.</u>	
1.	CORPORATION INFORMATION	1 - 3
2	BOARD COMMITTEES	4
2	STATEMENT OF DIRECTORS' RESPONSIBII	5
3	BALANCE SHEET	6
4.	INCOME STATEMENT	7,8
5	STATEMENT OF CHANGES IN EQUITY	9
6	CASHFLOW STATEMENT	10
7	NOTES TO THE ACCOUNTS	11-24

PRINCIPAL PLACE OF BUSINESS

Head Office

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

Registered office

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

BANKERS

1. Kenya Commercial Bank,  
Moi Avenue Branch  
P.O. Box 30081  
NAIROBI

2. Citibank N.A.  
Citibank House  
P.O. Box 30711-00100  
NAIROBI

SOLICITORS

- |  |   |
|--|---|
| 1. Benjamin Okero Advocates<br>P.O. Box 1234 - 40100       | 6. Lumbumba Mumbwa & Kalama Advocates<br>P.O. Box 10680-00100               |
| 2. Mutege Musangi & Co. Advocates<br>P.O. Box 149-20100    | 7. Musinga Muniyithya & Co. Advocates<br>P.O. Box 84367-80100<br>MOMBASA    |
| 3. Anthony Muiya & Co. Advocates<br>P.O. Box 14219         | 8. Tom Muiet Advocates<br>P.O. Box 7289-20100<br>ELDORET                    |
| 4. Othman & Co. Advocates<br>P.O. Box 5, 236-00200         | 9. Ndegwa Muthama & Katsiyia Advocates<br>P.O. Box 87171 - 80100<br>NAIROBI |
| 5. Wanjiku Gichora & Co. Advocates<br>P.O. Box 13439-00800 |   |

SECRETARIES

Corporation Secretary  
Kenya Railways  
P.O. BOX 30121 - 00100  
NAIROBI

AUDITORS

The Controller and Auditor General  
Kenya National Audit Office  
P.O. Box 30084-00100  
NAIROBI

The Kenya Railways Corporation is a state Corporation established by the Kenya Railways Corporation Act, (CAP 397) Laws of Kenya. The Corporation is a body corporate with perpetual succession and a common seal with powers to sue and be sued in its corporate name and to acquire, hold and dispose of movable and immovable property.

#### **PRINCIPAL ACTIVITY**

Until the 30th of October, 2006, the Corporation was a provider of cargo and passenger transport services by rail, and inland waterways. However, effective 1st November, 2006 Kenya Railways conceded its cargo and passenger business and operations under a 25 year Concession Agreement with Rift Valley Railways.

Consequently, the new mandate for the Corporation is to manage the Concession Agreement and the non-conceded assets such as real estate, inland waterways, the Railway Training Institute (RTI) among others.

The Corporation has embarked on re-development of its strategic assets to diversify and expand its revenue base.

#### **RESULTS**

The results for the year are set out on page 7.

#### **DIRECTORS**

The directors who served during the year and to the date of this report are:-

- 1 Jonathan D. Mturi Chairman
- 2 Ndoya Muli Managing Director (Appointed on 5th September 2007)
- 3 Vitalis A. Ong'ong'o Acting Managing Director (upto 4th September 2007)
- 4 Joseph Kinyua Director PS -Treasury (Ait. Esther Koinett)
- 5 Geriston Okara, CI Director, PS - Min. of Transport  
(upto June 2008 - Ait. Elijah Nduati)
- 6 Abdallah Mwaruwa Director, MD - Kenya Ports Authority  
(upto August 2008 -Ait. Alex Kabuga)
- 7 Prof. G.J.O Manyas Director
- 8 Denise A.O. Kodhe Director
- 9 Hon. Peter K. Kinyua Director
- 10 Sharif S. Mohamed Director
- 11 David Kitur Director
- 12 Jacob W. Karisa Director

#### **CORPORATION SECRETARY**

A.K. Maina



**AUDITORS**

The Keny National Audit Office (KENAO) will continue in office in accordance with the Public Audit Act.

**By Order of the Board**

**CORPORATION SECRETARY**



# KENYA RAILWAYS CORPORATION

## Board Committees

### AUDIT COMMITTEE

#### Members:

1	Jacob W. Karisa	- Chariman	4	Elijah T. Nduati	- Member
2	Sharif S. Mohamed	- Member	5	Esther Koimett	- Member
3	Denise A. O. Kodhe	- Member	6	Roselyn Amadi	- Member

### BUSINESS & CONCESSION COMMITTEE

#### Members:

1	G.J. O. Manyasi	- Chairman	5	Alex Kabuga	- Member
2	David Kitur	- Member	6	Elijah T. Nduati	- Member
3	Jacob W. Karisa	- Member	7	Esther Koimett	- Member
4	Nduva Muli	- Member	8	Roselyn Amadi	- Member

### FINANCE, HUMAN RESOURCES & ADMINISTRATION COMMITTEE

#### Members:

1	Peter Kabibi Kinyanjui	- Chairman	5	Elijah T. Nduati	- Member
2	David Kitur	- Member	6	Esther Koimett	- Member
3	Denise A. O. Kodhe	- Member	7	Roselyn Amadi	- Member
4	Nduva Muli	- Member			

### BOARD LAND USE COMMITTEE (BLUC)

#### Members:

1	Jonathan D. Mturi	- Chairman	5	Sharif S. Mohamed	- Member
2	Nduva Muli	- Member	6	Elijah T. Nduati	- Member
3	Gilbert J. O. Manyasi	- Member	7	Esther Koimett	- Member
4	Peter Kabibi Kinyanjui	- Member			



**STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008**

The Kenya Railways Corporation Act, Cap 397, requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail, the assets and the liabilities of the Corporation, a statement of income and expenditure and such other statements that the Directors may deem necessary.

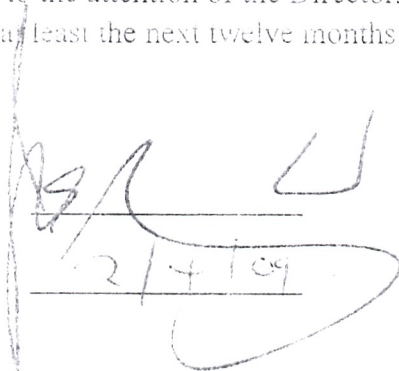
It also requires the Directors to ensure that the Corporation keeps proper books of accounts and other books and records in relation to the Corporation and all undertakings, funds, investments activities and properties of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent estimates, in conformity with Generally Accepted Accounting Practices and the International Financial Reporting Standards in a manner required by Kenya Railways Corporation Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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.

Chairman:



\_\_\_\_\_

Managing Director:



\_\_\_\_\_

Date:

2/4/09

Date:

2/04/09





## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of Kenya Railways Corporation set out on pages 6 to 24 which comprise the balance sheet as at 30 June 2008, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of financial statements which give a true and fair view of the Corporation's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

## **1.0 Financial Position**

During the year ended 30 June 2008 the Corporation realized a loss of Kshs. 481,288,213 (2007-loss of Kshs. 909,070,816) bringing its net appropriation to negative Kshs. 20,040,709,311. Although the Corporation reduced the loss considerably, the financial statements have been prepared on a going concern basis on the assumption that it will receive continued financial support from the Government and its creditors. In the absence of such support, and as similarly observed in 2006/2007, this basis would not be appropriate.

## **2.0 Receivables**

### **2.1 Management of Accounts Receivables**

The Corporation's debtors increased from Kshs.4,949,457,658 in the previous year to Kshs. 7,377,658,568 as at 30 June 2008, an increase of 49%, indicating inadequate effort by the Corporation to exercise prudent financial management in the collection of overdue debts. In addition and included in the receivables is an amount of Kshs.5,435,421,188 in respect of the traffic account. The traffic account balance however, includes a suspense account figure of Kshs.1,919,500,718 whose analysis and reconciliation have not been provided for audit review.

### **2.2 Numerical Machining Complex Debt**

The Corporation receivables as at 30 June 2008 include a debt of Kshs. 16,344,156 due from Numerical Machining Complex Ltd (NMC) which, on the other hand, has not recognized this debt as a liability in its books. As similarly noted in 2006/2007, the balance was a subject of dispute between the two entities following which it was resolved that the Corporation was to pay NMC a net amount of Kshs. 6,986,901. This fact was confirmed by the Corporation's management. Failure by the Corporation to maintain accurate current accounts has therefore resulted in misstatement of receivables by Kshs. 16,344,156.

In view of matters raised under items 2.1 and 2.2 above, it was not possible to confirm the correctness or recoverability of the receivables balance of Kshs. 7,377,658,568 as at 30 June 2008.

## **3.0 Property, Plant and Equipment**

### **3.1 Unsurveyed Parcels of Land and Illegal allocations**

The property, plant and equipment balance of Kshs.6,585,623,878 as at 30 June 2008, excludes several parcels of unsurveyed land with undetermined value. Further, and as reported in the previous year, parts of the Corporation's land have been allocated to private developers by either the Commissioner of Lands or Local Councils without the consent of the Corporation. Parcels of land measuring approximately 3 acres within Limuru Railway Station which constitute the Corporation's industrial plots nos. 7882/2-10 were allocated to private developers by the Local Council. Information available indicates that the land had initially been

leased out to individuals by the Corporation on temporary basis. Similarly, permanent buildings have been put up on another piece of land measuring approximately 2 acres within Kikuyu Railway Station. In Mombasa, parcels of land measuring approximately 0.75 and 1 acre within Mombasa Railway Station and Msikiti Noor area respectively have also been allocated without the Corporation's consent.

Arising from the above, it was not possible to ascertain the ownership of these properties or that the carrying values as stated in the financial statements reflect the fair values of the tangible fixed assets as at 30 June 2008.

### **3.2 Capital Works-in-progress**

The non-current assets of Kshs.7,816,143,721 as at 30 June 2008 includes a balance of Kshs. 1,230,519,843 in respect of Capital Works-In-Progress. The amount did not record any movement from the previous year. It was therefore not clear whether these were stalled projects, or, if completed, why they had not been capitalized under Property, Plant and Equipment.

### **4.0 Stores Inventories**

As similarly reported in 2006/2007, the Corporation did not carry out a physical stocktaking to determine the actual stock holding as at 30 June 2008. The stock figure of Kshs. 1,698,597,177 as at that date was net of Kshs. 426,371,225 in respect of obsolete stores, whose supporting schedules were not produced for audit review. In the circumstances, it was not possible to confirm whether the carrying value of the stores inventories figure of Kshs. 1,698,597,177 as at the balance sheet date was fair.

### **5.0 Payables and Accrued Charges**

The payables and accrued charges of Kshs. 4,382,694,560 include a balance of Kshs.1,256,409,660 payable to Uganda Railways. This amount was also captured under receivables, as due from Uganda Railways. However, a reconciliation produced between the Corporation and Uganda Railways indicates that the Corporation owes Uganda Railways USD\$66,670, which is approximately Kshs 4,666,900. This particular amount has not been recognized in these financial statements. Further, the payables and accrued charges include an amount of Kshs. 798,196,810 in respect of unpaid statutory deductions payable to various agencies and institutions. The delay in remitting the deductions is likely to attract fines, penalties and interest against the Corporation. The management has not indicated when and how these outstanding debts will be settled.

### **6.0 Long Term Loans**

As disclosed in note 14 to the financial statements, the net public debt stood at Kshs. 4,364,853,490 as at 30 June 2008 (2007-Kshs. 4,398,220,640). However, a reconciliation of the public debt between the Corporation and the Government has not been carried out. Under the circumstances, it has not been possible to confirm

the accuracy of the debt figure of Kshs. 4,364,853,490 reflected in these financial statements as at 30 June 2008.

## **7.0 Kenya Railways Staff Retirement Benefit Scheme Land**

### **7.1 Consultancy Services**

The Corporation on 16 November 2007 awarded a consultancy service for development of the Corporation's idle land to a consultancy firm at a cost of Kshs.787,273,700. Information available however appears to indicate that part of the land against which an expenditure of Kshs.2,073,500 on feasibility studies had been incurred, is owned by the Kenya Railways Staff Retirement Benefit Scheme. The rationale for spending such sum of money on land which does not belong to the Corporation is not clear.

### **7.2 Ownership and Transfer of Funds**

During the 2006/07 financial year, the Corporation transferred part of its land and buildings to the Kenya Railways Staff Retirement Benefit Scheme pursuant to legal notice number 169 of 7 September 2006. However, this transaction has not been incorporated in the financial statements to reflect the necessary changes in property plant and equipment.

### **Opinion**

Except for any adjustments that might be necessary arising from the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial position of the Corporation as at 30 June 2008 and of its deficit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Railways Corporation Act (Cap 397).



**A.S.M. GATUMBU**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

8 May 2009

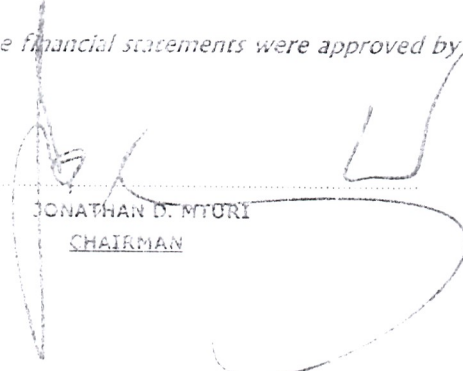
**KENYA RAILWAYS CORPORATION**  
**BALANCE SHEET**  
As at 30th June, 2008


30th June, 2008

30th June, 2007

	NOTES	Kshs.	US\$	Kshs.	US\$
<b>NON-CURRENT ASSETS</b>					
1	Property, Plant & Equipment (2)	6,585,623,878		6,760,810,195	
2	Capital Works-in-progress (3)	1,230,519,843		1,230,519,843	
3	<b>Total Non-Current Assets</b>		<b>7,816,143,721</b>		<b>7,991,330,038</b>
<b>CURRENT ASSETS</b>					
4	Stores inventories (4)	1,698,597,177		1,953,019,318	
5	Short Term Investments (5)	12,000,000		12,000,000	
6	Cash on Hand (6)	600,747		945,156	
7	Bank Balances (7)	594,201,116		178,976,742	
8	Net Receivables (8)	7,141,615,942		4,730,771,395	
9	Staff Debtors (9)	236,042,626		212,686,263	
10	Workshops Works-in-progress (10)	68,340,698		68,340,698	
11	<b>Total Current Assets</b>		<b>9,751,398,306</b>		<b>7,162,739,571</b>
12	<b>TOTAL ASSETS</b>		<b>17,567,542,028</b>		<b>15,154,069,609</b>
<b>LIABILITIES &amp; EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
13	Payables & Accrued Charges (11)	4,382,694,560		5,195,339,155	
14	Customer Deposits/Pre-paymen (12)	431,705,313		296,923,163	
15	Current loan interest & Charges (13)	1,513,666,467		1,565,649,779	
16	Deferred income	56,648,437			
17	<b>Total Current Liabilities</b>		<b>6,384,714,777</b>		<b>7,057,912,097</b>
<b>NON-CURRENT LIABILITIES</b>					
18	Long Term Loans (14)	4,364,353,490		4,398,220,640	
19	Current Loan interest & Charges (13)	13,333,759,137		11,869,550,953	
20	Provisions (21)	432,209,868		410,253,489	
21	<b>TOTAL LIABILITIES</b>		<b>18,130,822,495</b>		<b>16,678,025,081</b>
<b>EQUITY</b>					
22	Govt. Subventions & Equity (15)	518,000,000		518,000,000	
23	GOK Grants (16)	35,555,108		35,555,108	
24	Capital Reserves	10,423,998,420		10,423,998,420	
25	Prior period adjustments	2,115,160,539			
26	Retained Earnings (17)	(20,040,709,311)		(19,559,421,098)	
27	<b>Total Owner's Equity</b>		<b>(6,947,995,244)</b>		<b>(8,581,867,570)</b>
28	<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>17,567,542,028</b>		<b>15,154,069,609</b>

The financial statements were approved by the Board on 21/07/08 and signed on its behalf by:-

  
**JONATHAN D. MTURI**  
**CHAIRMAN**

  
**NDUVA MULI**  
**MANAGING DIRECTOR**



**KENYA RAILWAYS CORPORATION**  
**INCOME & EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE, 2008**

	NOTES	2007/2008 Kshs.	2006/2007 Kshs.
<b><u>INCOME</u></b>			
1	Concession fees - Freight	394,880,419	321,730,772
2	Concession fees - Passenger Traffic	83,640,000	83,964,941
3	Rental Earnings	331,208,785	100,796,610
4	Museum Earnings	164,300	-
5	Kisumu Port Earnings	5,221,055	68,629,747
6	Sale of scrap	196,966,962	-
7	Other Income	237,424	-
8	Railway Training Institute	117,892,882	108,976,140
9	Miscellaneous Earnings	-	110,594,654
10	Interest on Cash Balances & Advances	27,272	4,171,060
11	Other Coaching Traffic	-	5,065,830
12	Goods Traffic	-	1,409,666,623
13	Livestock	-	1,222,460
14	Catering Services	-	22,257,236
	<b>TOTAL OPERATING INCOME</b>	<b>1,130,239,039</b>	<b>2,237,126,076</b>
<b><u>OPERATING EXPENSES</u></b>			
15	Staff Salaries & Allowances	234,387,819	-
16	Training	7,753,161	-
17	Travel & Accommodation	16,070,298	-
18	Professional & Consultancy expe	53,702,790	-
19	Board Expenses	16,992,623	-
20	General Office Expenses	32,447,945	-
21	Stationery and Printing	6,892,632	-
22	Motor Vehicle running expense	4,434,366	-
23	Occupancy & Utilities	20,828,734	-
24	Telephone and Communication	3,505,287	-
25	Advertising & Promotions	20,384,087	-
26	Subscriptions & Donations	807,934	-
27	Insurance	4,577,237	-
28	Repairs & Maintenance	12,718,615	-
29	Maintenance of Way and Works	-	248,397,870
30	Maintenance of Locos, Rolling Stock etc.	-	107,284,876
31	Locomotive Running Expenses	-	465,598,553
32	Traffic Expenses	-	107,096,129
33	Business Expenses	-	52,808,971
34	Catering Services	-	19,731,526
35	Water Transport Services	-	34,729,374
36	Electrical & Telecommunication Services	-	22,162,635
37	General Charges	-	230,862,204
38	Bank Charges	5,291,500	47,247,028
39	Audit fees	1,950,000	1,950,000
40	Miscellaneous Expenditure	-	256,323,606
41	RTI Expenses	-	83,495,729
42	<b>TOTAL OPERATING EXPENSES</b>	<b>443,245,028</b>	<b>1,677,688,494</b>
43	<b>OPERATING PROFIT/(LOSS)</b>	<b>686,994,071</b>	<b>559,437,585</b>

<u>NON-OPERATING EXPENDITURE :</u>				
44	Interest and penalties	13	1,513,666,467	1,464,208,184
45	Provision for bad debts	8 b	(499,878,466)	-
46	Other Provisions		-	525,309,783
45	Depreciation & Amortization	2c	203,208,592	197,804,137
46	<b>TOTAL NON-OPERATING EXPENDITURE</b>		<u>1,216,996,592</u>	<u>2,187,122,059</u>
47	<b>TOTAL EXPENDITURE</b>		<u>1,660,241,620</u>	<u>3,864,810,553</u>
48	<b>PROFIT/(LOSS) BEFORE EXTR. ORD. ITEMS</b>		<u>(530,002,521)</u>	<u>(1,627,684,474)</u>
 <b>EXTRA-ORDINARY ITEMS</b>				
49	Exchange loss/(gain)	20	219,672,073	84,863,329
50	Prior-period expenses & provisio	19	(193,726,080)	-
54	SOX Grant	16	22,768,316	633,750,330
53	<b>PROFIT (LOSS) BEFORE TAX</b>		<u>(481,288,213)</u>	<u>(909,070,816)</u>

STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31<sup>st</sup> JULY 2006

	Costs, Subscriptions & Grants		Receives	Provision	Net Appropriation Account		Retirement Fund		Total
	Equity	Capital			Kshs	Kshs	Fund	Kshs	
Balance as at 01-07-2007	518,000,000	35,555,108	10,423,998,420	1,285,078,717	(19,559,121,028)	33,500,000	116,720,642	(7,824,069,414)	
Surplus/(deficit) for the year	-	-	-	(499,878,466)	(481,288,213)	-	-	(481,788,213)	
Provisions charges to the accounts	-	-	-	786,059,749	(20,040,709,311)	-	116,720,642	(499,878,466)	
<b>TOTAL</b>	<b>518,000,000</b>	<b>35,555,108</b>	<b>10,423,998,420</b>	<b>786,059,749</b>	<b>(20,040,709,311)</b>	<b>33,500,000</b>	<b>116,720,642</b>	<b>(8,405,736,993)</b>	

**KENYA RAILWAYS CORPORATION**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE**

	<u>2007/2008</u>		<u>2006/2007</u>	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
<u>Cash from Operations</u>				
Surplus/(Deficit) for the Year		(481,288,213)		(909,070,816)
Add: Items not involving movement of Cash				
- Depreciation for the Year	203,208,592		197,604,137	
- Provision for bad debts	(499,878,466)		525,309,738	
- Provisions for gratuities & pensions	(21,956,379)			
- Exchange gain	(219,672,073)			722,913,873
- Loan interest	1,513,666,467			(186,156,941)
		<u>975,368,141</u>		
<b>Total Cash from Operations</b>		<b>494,079,928</b>	<b>(15,065,517)</b>	
<u>Add: Movement in Working capital</u>				
Stores inventories Decrease/(Increase)	254,422,141		276,671,537	
Customer deposits	134,782,149		(1,751,415)	
Payables increase/(Decrease)	(812,644,595)		5,915,701,785	
Staff debtors increase	(23,356,364)			
Receivables Decrease/(Increase)	(2,404,844,547)		(300,447,225)	
				<u>5,875,108,965</u>
<b>Net Current Assets Movement</b>		<b>(2,851,641,216)</b>		
<b>Net cash flow from operating activities</b>		<b>(2,357,561,288)</b>		<b>5,688,952,024</b>
<u>Investing Activities</u>				
Fixed Assets purchases	(28,022,276)			
Fixed Assets sale				
<b>Net cash flow from investing activities</b>		<b>(28,022,276)</b>		
<u>Financing Activities:-</u>				
Net Public Debt	(33,367,150)		(84,863,329)	
Deferred income	(56,648,437)			
Provisions	875,684,727			
Prior year adjustments	2,013,492,212		(5,158,526,331)	
<b>Net cash flow from financing activities</b>		<b>2,799,166,537</b>		<b>(5,243,391,659)</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>413,582,975</b>		<b>445,560,365</b>
<u>Movement in Cash &amp; Cash Equivalents</u>				
<u>Opening Balances:</u>				
Opening Cash Balance	2,242,146		32,107,123	
Opening Bank Balance	178,976,742		(296,448,600)	
<b>Total Opening Balances</b>		<b>181,218,888</b>		<b>(264,341,477)</b>
<u>Closing Balances:</u>				
Closing Cash Balance	600,747		2,242,146	
Closing Bank Balance	594,201,116		178,976,742	
<b>Total Closing Balances</b>		<b>594,801,863</b>		<b>181,218,888</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>413,582,975</b>		<b>445,560,365</b>



Note

**1 ACCOUNTING POLICIES**

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

**(a) BASIS OF ACCOUNTING**

The Financial Statements have been prepared on a historical cost basis as modified by the revaluation of investment property at fair value and are in compliance with International Financial Reporting Standards.

**(b) Compliance**

The Financial statements have been prepared in compliance with the Kenya Railways Corporation Act, Cap 397, the Public Audit Act -Cap 412, the Kenyan Companies Act and the International Financial Reporting Standards (IFRSs).

*however, due to the historical omissions (up to and including the financial year 2006/7), it should be noted that most of the balance sheet items cannot be supported by schedules as required by IFRS.*

*These items have been previously raised by external auditors.*

*The directors have therefore taken note of this and appointed independent consultants to undertake a comprehensive review of the balance sheet and make recommendations thereof. Necessary adjustments are made on specific balance sheet items as appropriate.*

**(c) Revenue recognition**

- i) Rental income is recognised on the basis of monthly rental in the lease agreements between KRC and tenants.
- ii) Interest income is recognised on the basis of credit advice from relevant financial institutions.
- iii) Hostel, food and beverage income are recognized in the period in which they are earned, net of VAT and discounts.
- iv) Concession Fees (Freight) - Income is recognised on the basis of projected concessionaire turnover as per the concession agreement.
- v) Concession fees (Passenger) - Is uniformly recognised at the rate of US \$ 1 Million p.a converted at the appropriate exchange rate in accordance with the concession agreement.

**(d) Government Grants**

The Corporation receives two types of government grants;

**i) Revenue grants**

Revenue grants are recognised as extra-ordinary income in the income statement during the financial year when the grant money is actually received by the Corporation.

**ii) Capital grants**

Capital grants are usually given by the Government of Kenya for capital investments in the network. They are recognised as equity in the balance sheet during the financial year when the grant money is actually received by the Corporation.

**(e) Depreciation**

Depreciation is charged on a straight-line basis based on the estimated useful life of the various classes of assets.

Assets are depreciated with effect from "the year following commissioning". Details of the useful lives of the various classes of assets are shown in Note 2.

**(f) Stores Inventory**

Inventories are stated at cost less provision for obsolescence and deterioration as shown in Note 4.

- (i) "Stores-unissued" are items held in stock awaiting issue to the users.
- (ii) Capital stores are items like rails, sleepers, bolts and nuts commonly used in civil engineering works.
- (iii) "Claim goods" consist of outstanding claims for wrong items procured mostly from overseas suppliers.
- (iv) "Construction plant" are construction equipments and earthmoving machinery like caterpillars and tractors.
- (v) Uniforms are at the railway museum bought many years ago but were never used awaiting disposal.
- (vi) "Materials-in-transit" are materials ordered from overseas that are in the high seas and those which have arrived at the port of Mombasa awaiting clearance.



- (g) **Short Term Investments**  
 These are Fixed Deposits with various financial institutions stated at book value. They are normally used to provide security for short term borrowings, overdraft facilities and letters of credit. These are detailed in Note 5.
- (h) **Cash-on-Hand**  
 This is represented by a physical cash count at the close of the financial year as shown in Note 6.
- (i) **Bad Debts**  
 The Corporation maintains a provision for doubtful debts at the rate of 5% of total trade receivables as at the balance sheet date. Amounts which have proved uncollectable are written off after the Board of Director's approval.
- (j) **Workshops : Works-in-Progress**  
 Workshop work-in-progress comprises of all materials and labour in the workshops at the various stages of production valued at cost.
- (k) **Accounts Payable and Accrued Charges**  
 These represent all short term indebtedness of the Corporation that are payable within the next Financial Year and include loan interest charges, arrears of loans, accrued payments and deposits.
- (l) **Retention Accounts**  
 These are accounts maintained in foreign currencies and are converted to Kenya Shillings using the rate ruling at the close of the Financial Year.
- (m) **Loans**  
 These are denominated in various foreign currencies as shown in Statements 8 is converted into Kenya Shillings using the closing rate as at the balance sheet rate. Arrears of loans and interest charges are transferred to current loan liability at the close of the Financial Year.
- (n) **Cashflow Statement**  
 This is provided in compliance with IAS 7
- (o) **CONTINGENT LIABILITIES**  
 There are various pending cases and court awards against the Corporation who value will be determined through the ongoing balance sheet clean-up consultancy.  
 The Corporation is expected to meet the cost of settlement should they materialize.
- (p) **RETIREMENT BENEFITS**  
 During the financial year, Kshs 21,956,379 was accrued as gratuities and employer's contribution towards the proposed staff provident fund for the new KRC.  
 The value of the fund assets will be determined when the scheme becomes operational.
- (q) **Changes in the presentation**  
 Due to the restructuring of the Kenya Railways Corporation and the concessioning of freight and passenger transport services to the concessionaire in November, 2006, there was a significant change in the business which necessitated changes in the presentation of financial statements.  
 Accordingly, some of the items in the financial statements have been adjusted, where necessary, to make possible for comparison and comply with financial reporting standards.



Note 2.

a). **PROPERTY, PLANT & EQUIPMENT**

Property, Plant & Equipment include Permanent Way, Buildings, Locomotives, Rolling Stock, Plant, Equipment etc. which are required for the on-going operations of the Railways. The table below shows the useful lives and the rates of depreciation for the major classes of Tangible Assets:-

<u>Class of Asset</u>	<u>Average Useful Life (Years)</u>
(1) Permanent Way and Bridges	50
(2) Buildings	50
(3) Plant and Machinery	30
(4) Signalling Equipment	40
(5) Telecommunication Equipment	25
(6) Locomotives	30
(7) Coaches	25
(8) Wagons	20
(9) Motor Vehicles	5
(10) Office Equipment	5

Detailed movements of tangible assets are set out in Note 2 C). The wasting assets are shown at replacement values with subsequent additions at cost. Depreciation is charged on wasting assets based on asset replacement values and calculated on the straight line method over years related to the useful lives of the assets commencing at the beginning of the year following entry into service.

The value of assets purchased during the year under review was Kshs. 28,022 Million.

The value of tangible assets has been arrived at as follows :-

b) Tangible Assets as at June 30.	2007/2008	2006/2007
	<u>Kshs</u>	<u>Kshs</u>
Land	3,769,545,000	3,769,545,000
Others	31,557,784,369	31,529,762,093
	<u>35,327,329,369</u>	<u>35,299,307,093</u>
Less:		
Accumulated Depreciation	(28,741,705,490)	(28,538,496,698)
<b>Net Tangible Assets as at June 30</b>	<u><u>6,585,623,878</u></u>	<u><u>6,760,810,395</u></u>





**Note 3. CAPITAL WORKS-IN-PROGRESS**

This consists of the value, stated at cost, of all the on-going Capital Works which were being undertaken as at June 30, 2008. Detailed movements of works-in-progress are set out in note 2

	2007/2008 <u>Kshs</u>	2006/2007 <u>Kshs</u>
Capital Works in Progress	<u>1,230,519,843</u>	<u>1,230,519,843</u>

**Note 4. STORES INVENTORIES**

These are stated at cost less provision for obsolescence and deterioration and comprise the following:

	2007/2008 <u>Kshs</u>	2006/2007 <u>Kshs</u>
Stores Unissued	2,018,973,842	2,273,395,983
Capital Stores	49,784,890	49,784,890
Materials-in-transit	37,574,491	37,574,491
Claims - Goods	17,306,248	17,306,248
Construction Plant	1,328,932	1,328,932
Uniforms		
GROSS STORES INVENTORY	2,124,968,402	2,379,390,543
Less : Provision for Deterioration and Obsolescence	(426,371,225)	(426,371,225)
NET STORES INVENTORY	<u>1,698,597,177</u>	<u>1,953,019,318</u>

**Note 5. SHORT TERM INVESTMENTS**

These comprise the following :-

	2007/2008 <u>Kshs</u>	2006/2007 <u>Kshs</u>
K.C.B FDR NO 28031	12,000,000	12,000,000
TOTAL	<u>12,000,000</u>	<u>12,000,000</u>

**Note 6. CASH ON HAND**

The balance of Cash on Hand consists of the following:-

	2007/2008 <u>Kshs</u>	2006/2007 <u>Kshs</u>
Cash on Hand - RTI	747.00	726,965.00
Cash on Hand - HQ	600,000.00	-
Cash in Transit	-	218,190.60
TOTAL CASH ON HAND	<u>600,747.00</u>	<u>945,155.60</u>

Note 7. **BANK BALANCES**

Bank Balances for the year ended June 30 comprise the following:-

	2007/2008 Kshs	2006/2007 Kshs
a) KCB Main Account (017-229972769)	76,000,308	10,902,024
b) ESCROW RETRENCHMENT	89,650,340	-
c) ESCROW ENVIRONMENT	34,997,500	-
d) KCB USD Account 017-702001123	4,816,316	58,738,044
e) KCB USD Account 077-402000062	84,755	93,127
f) USD Account 081-402000033	173,148.30	177,668.88
g) Kilindini Account 081-252970680	268,087.65	1802.45
h) Co-operative busines account	(18,852)	-
i) RTI - KCB Main a/c	70,311,918	33,353,632
j) RTI - KCB imprest a/c	331,312.10	-
k) KCB - Project Account	316,364,085	75,000,000
l) KCB -Kisumu Account	(4,958)	-
m) National Bank 'USD ac	706,347	-
n) Citibank A/C 300045-006	-	(4,115)
o) Citibank A/C 300045-014	520,810	714,565
p) TOTAL BANK BALANCES	<u>594,201,116</u>	<u>178,976,742</u>

Note 8. **RECEIVABLES**

a) Details of receivables as at June 30, are as follows :-

	2007/2008 Kshs	2006/2007 Kshs
i) Traffic Account -Trade Debtors - Note 8 (c)	5,435,421,188	4,174,297,346
ii) Rift Valley Railways	778,975,937	142,635,100
iii) Uganda Railways	1,256,409,660	1,256,409,660
iv) Numerical Machining Complex Limited	16,344,156	16,344,156
v) Car Purchase Scheme	855,484	855,484
vi) Prepaid Tax	25,029,566	18,825,155
vii) Kenrail Consultants	3,089,221	3,089,221
<b>CROSS DEBTORS</b>	7,516,125,212	5,612,456,122
<i>5% provision for uncollectible debts</i>	<i>(375,806,261)</i>	<i>(875,684,727)</i>
<b>Net Trade Receivables</b>	<u>7,140,318,951</u>	<u>4,736,771,395</u>
Other receivables	-	-
Deposits with Overseas Agents	1,296,991	1,296,991
<b>Total Receivables</b>	<u>7,141,615,942</u>	<u>4,738,068,386</u>

a) **PROVISION FOR BAD & DOUBTFUL DEBTS**

	Kshs.
Balance as at 1st July 2007	875,684,727
Charges in the Accounts	(499,878,466)
Total	375,806,261
<b>LESS</b>	<b>-</b>
Payments/Transfers	-
Balance as at June 30, 2008	<u>375,806,261</u>



Note 8.

c) **TRADE DEBTORS BALANCES AS AT 30/06/08**

	2008 KSHS.	2007 KSHS.
i) LEDGER	1,903,017,145	448,773,522
ii) DEPOSIT A/CS:- OLD		213,185,510
iii) DEPOSIT A/CS:- NEW		74,939,871
iv) STATION OUTSTANDING:-GOODS	346,014,218	346,014,218
v) STATION OUTSTANDING:-COACHING	157,449,470	157,449,470
vi) RENTS	798,302,170	701,999,579
vii) GOVERNMENT WARRANTS	22,188,000	22,188,000
viii) WATER	7,472,353	7,472,353
ix) CATERING	3,941,671	3,941,671
x) PASSENGER AGENCIES	52,552,789	52,552,789
xi) RTI	33,805,413	33,805,413
xii) SUSPENSE A/C	1,919,500,718	1,919,500,718
xiii) IFC (Entrance fee)	191,177,242	191,177,242
<b>TOTAL</b>	<b>5,435,421,188</b>	<b>4,173,000,355</b>

Note 9. **Staff debtors**

Advances General	9,297,706	8,876,048
Advances on lumpsum	19,493,842	-
Advances E/S Staff	207,251,078	203,810,214
	<b>236,042,626</b>	<b>212,686,262</b>

Note 10. **WORKS-IN-PROGRESS - WORKSHOPS**

This consists of the value, stated at cost, of all the unallocated works which were being undertaken at the underlisted three Kenya Railways workshops as at June 30.

	2007/2006 Kshs	2006/2007 Kshs
Central Workshops - Nairobi.	15,796,003	15,796,003
Marine Workshops - Kisumu	26,809,661	26,809,661
Permanent Way Depot - Nairobi	25,735,035	25,735,035
<b>TOTAL</b>	<b>68,340,698</b>	<b>68,340,698</b>



Note 11 **PAYABLES & ACCRUED CHARGES**

Details of Payables and Accrued charges for the year ended June 30 are as follows:

	2007/2008 Kshs	2006/2007 Kshs
(a) Industrial Area Accounts	52,502,810	52,502,810
(b) RTI Payable	11,695,688	
(c) Statutory Deductions	798,196,810	816,768,503
(d) Salaries and Wages	-	6,851,326
(e) Fixed Recoveries	573,063,466	573,063,466
(f) Sub-Total	<u>1,435,458,776</u>	<u>1,449,186,108</u>
(g) Demands Payable		
(i) Trade creditors	1,672,741,415	2,471,668,229
(ii) Subsidiary Loan current and Arrears	-	101,441,595
(iii) Uganda Railways	1,256,409,660	1,256,409,660
(vi) Spoonet (South A)	9,397,143	9,397,143
(vii) Audit Fees	7,288,557	7,288,557
(viii) Municipal Rates	1,399,009	1,389,459
Sub-Total	<u>2,947,235,784</u>	<u>3,847,594,544</u>
(ix) Retrenchment costs	-	-
<b>TOTAL</b>	<u><u>4,382,694,560</u></u>	<u><u>5,296,780,752</u></u>

Note 12 **CUSTOMER DEPOSITS & PRE-PAYMENTS**

	2007/2008 Kshs	2006/2007 Kshs
(a) Morris & Co.	139,888,719	
(b) Devski	35,977,078	
(c) Deposits - Rent	239,305,637	296,923,163
(d) Deposits - Others	16,533,879	-
<b>TOTAL</b>	<u><u>431,705,313</u></u>	<u><u>296,923,163</u></u>

**LOAN INTEREST CHARGES AND ARREARS**

	Principal		Cumulative Interest as at		Total Outstanding		Interest for the year		Cumulative loan & Interest as at	
	June 30 2007	Kshs.	June 30 2007	Kshs.	June 30 2008	Kshs.	2007-2008	Kshs.	30/06/08	Kshs.
1. ODA ESTG. 7.04 M. 9%	203,034,603		676,864,621		879,899,224		79,190,930		959,090,154	
2. IDA (1820-0 KE) SDR 21.80 M. 8.8%	441,753,099		1,255,565,377		1,697,318,476		149,364,026		1,846,682,502	
3. KEW DM. 27.00 M. (2031) 7.5%	159,658,839		947,722,985		1,107,381,824		83,053,637		1,190,435,461	
4. A.F.D.B. US\$ 11.031M. 8%	533,971,807		1,938,025,450		2,471,997,257		197,759,761		2,669,757,038	
5. K.F.W. DM 4.5M. (2031) 7.5%	20,697,102		12,795,645		33,492,747		2,511,956		36,004,703	
6. IBRD 1981 US\$ 58.0M. (1976-0KE) 9.6%	1,829,635,178		7,285,372,849		9,115,008,027		875,040,771		9,990,048,797	
7. K.F.W. 1971 DM 8.5M. (1996) 3%	20,500,123		116,461,700		436,961,823		4,108,855		441,070,677	
8. BANQUE INDOSEUEZ USD. 9190.12 @74.00	5,952,638		6,978,327		12,930,965		956,801		13,887,857	
9. PARIS CLUB USD. 1,201,537.28 @74.00	550,347,014		1,093,972,183		1,644,319,197		121,679,621		1,765,998,818	
<b>TOTAL</b>	<b>3,765,550,403</b>		<b>13,333,759,137</b>		<b>17,099,309,540</b>		<b>1,513,866,467</b>		<b>18,612,976,005</b>	

MOVEMENTS OF LOANS BALANCES AS AT JUNE 30, 2008

	OPENING BALANCES AS AT JULY 1, 2007 (A)	Note (i) FOREIGN EXCHANGE (GAIN)/LOSS ADJUSTMENT (D)	LOAN LIABILITIES AS AT JUNE 30, 2008 (A-B+C+D)
	Kshs	Kshs	Kshs
<b>A. FIXED TERM LOANS RAISED BY PUBLIC</b>			
<b>SUBSCRIPTION EAST AFRICAN LOAN STOCKS</b>			
1954 STC. PD. 5.0 M (1973-76) 4%	90,000	-	90,000
1957 STC. PD. 8.5 M (1977-83) 5.7%	20,000	-	20,000
1975 STC. PD. 5.9 M (1977) 9%	24,918,842	-	24,918,842
1970 KENYA PD. 1.0 M (1990) 6.75%	513,100	-	513,100
1971 KENYA PD. 3.4 M (1986) 6.75%	11,301,834	-	11,301,834
	<u>36,843,776</u>	-	<u>36,843,776</u>
<b>LOANS</b>			
<b>B. INTERNATIONAL AGENCIES</b>			
AFDB CA 10.0 M. 8%	533,971,807	(34,129,667)	499,842,140
IBRD 1985 US\$ 36.00 M. (426)	93,723,061	-	93,723,061
IBRD 1970 US\$ 42.40 M. (670)	165,855,789	-	165,855,789
IBRD 1981 US\$ 58.00 M. (1976-O KE) 9.6%	1,829,635,176	(10,204,552)	1,819,430,626
LLOYDS BANK STC 18.79 M.	106,126,421	-	106,126,421
EXIM BANK 1985 US\$ 15.3 M.	384,826,371	-	384,826,371
BANQUE INDOSUEZ 1985 US\$ 0.90 M. (1997) 7.4%	5,952,638	(1,230,965)	4,721,673
IDA (1820-O KE) SDR 21.80 M. 8.8%	441,753,099	53,930,352	495,683,451
ODA ESTg. 7.04 M. 9%	203,034,603	(122,098,401)	80,936,202
PARIS CLUB RESCHEDULING	550,347,014	(75,069,993)	475,277,021
SUB TOTAL	<u>4,360,485,543</u>	<u>(188,803,526)</u>	<u>4,126,422,455</u>
<b>C. OTHER GOVERNMENTS</b>			
<b>FEDERAL GOVERNMENT OF WEST GERMANY</b>			
7. K.F.W 1971 DM 8.6M. (1996) 3%	20,500,123	(1,310,208)	19,189,915
5. K.F.W DM 4.5M. (2031) 7.5%	20,697,102	(1,322,889)	19,374,213
3. KFW DM 27.00 M (2031) 7.5%	159,658,839	(28,235,360)	131,423,479
SUB TOTAL	<u>187,196,245</u>	<u>(30,868,547)</u>	<u>168,987,517</u>
TOTAL LOANS (NET PUBLIC DEBT A-B+C+D)	<u>4,584,525,564</u>	<u>(219,672,073)</u>	<u>4,364,853,491</u>



Note 15. GOVERNMENT SUBVENTIONS & EQUITY

These consists of the following:-

	2007/2008 Kshs	2006/2007 Kshs
Government equipment loan		
Kenya Government, 1974	50,000,000	50,000,000
Kenya Government Equity for the		
Purchase of new equipment	468,000,000	468,000,000
<b>TOTAL</b>	<b>518,000,000</b>	<b>518,000,000</b>

Note 16 GRANTS

This consists of the balance of Capital materials paid through grants in the financial years 1989/90, 1990/91 & 1991/92 amounting to Kshs. 35,555,108.

- a) During the year, the Corporation received a GoK grant of kshs 56,648,437 to secure KRC's assets. This has been recognised as deferred income which will be expensed as and when expended.
- b) A second grant of Kshs 22,761,816 relates to direct payments the GoK for KRC's contracted security services. This has been duly expensed in the current period.

Note 17 NET APPROPRIATION ACCOUNT

Movements in the Appropriation Account are as set out below :-

	2007/2008 Kshs	2006/2007 Kshs
Cummulative Deficit brought forward	(19,559,421,098)	(18,491,821,951)
Prior year's adjustments		-5,158,528,831
Net Cummulative Deficit brought foward	(19,559,421,098)	(18,650,350,282)
Add: (Deficit) / Surplus for the year	(481,288,213)	(909,070,816)
Cummulative Deficit carried forward	<b>(20,040,709,311)</b>	<b>(19,559,421,098)</b>



Note 18 INCOME ANALYSIS

	<u>Kans.</u>
# 3 <b>Rental Earnings</b>	
RENT INCOME-RESIDENTIAL (BR)	160,433,857.00
RENT INCOME-COM. BUILDING (BC)	13,831,606.76
RENT INCOME-LAND LONG LEASE (LC)	20,149,643.92
RENT INCOME- TOL (LT)	63,262,580.00
SIDINGS & ENHANCEMENT FEES	26,899.60
APPLICATION FEE	760,900.00
SURVEY FEES	183,400.00
LEASE AGREEMENT FEES	335,100.00
PENALTY	4,198,798.41
<b>RENT INCOME TOTAL</b>	<u><u>268,203,785.69</u></u>

# 5 <b>RTI income</b>	
TUITION FEE	63,105,229
HOSTEL FEE	35,011,478
MISCELLANEOUS	19,776,175
<b>Total</b>	<u><u>117,892,882</u></u>

Note 19 EXPENDITURE ANALYSIS

# 15 <b>Staff Salaries &amp; allowances</b>	
Salaries + Allowances	201,250,917
Pensions & gratuities	21,956,379
Medical scheme	5,035,966
Casuals & Temporary Staff	6,944,398
<b>Total</b>	<u><u>235,187,659</u></u>
<b>Staffing</b>	
The total No. of Staff as at 30.06.08 :	
KRC	65
RII	63
<b>Total</b>	<u><u>128</u></u>

# 18 <b>Professional &amp; Consultancy expenses</b>	
Legal charges	27,474,349
Consultancies	21,861,318
Debt Collection Commissions	3,692,230
<b>Total</b>	<u><u>53,027,897</u></u>

# 19 <b>Board Expenses</b>	
Board sitting allowances	13,030,135
Transport expenses	602,240
Accommodation allowances	1,869,619
Director's fees	960,000
<b>Total</b>	<u><u>16,461,994</u></u>

# 20 <b>General Office Expenses</b>	
Security expenses	20,191,023
Cleaning services	4,832,634
Office supplies - tea, entertainment	1,156,359
Others expenses	6,223,589
<b>Total</b>	<u><u>32,403,605</u></u>

# 25 <b>Advertising &amp; Promotions</b>	
Advertising & Publicity	13,564,404
Newsletters	224,110
Consultancies	6,595,573
<b>Total</b>	<u><u>20,384,087</u></u>

<b>Prior-period expenses</b>	
# 50 Payments to Ex staff - transport, overtime etc	31,153,821
Payments & accruals to 3rd parties( supplies, la	162,572,259
<b>TOTAL</b>	<u><u>193,726,080</u></u>



**CALCULATION OF EXCHANGE GAIN / LOSS FOR SERIAL LOANS FOR THE PERIOD ENDING JUNE 30, 2006**

	Currency rate	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERSION AS AT 30.6.2009 Kshs.	INITIAL LOAN BALANCES AS AT 30.6.2007 Kshs.	TOTAL CUMULATIVE EXCHANGE GAIN/ (LOSS) Kshs.
1.	IBRD 1981 USS58.00(1976 OKE) 9.0%	US \$ 64.70	27,337,994	-	27,637,994	1,708,176,168	1,910,276,568 (122,098,411)
2.	ODA 5tg 7.04 W 9%	Stg 128.96	1,531,412	-	1,531,412	167,490,892	143,560,540 (23,930,352)
3.	IDA	UA 0.94	342,662,246	-	342,662,246	441,753,099	441,753,099 (28,255,360)
4.	AFDB (UA 10.0M)	UA 0.94*	151,784,021	-	151,784,021	499,842,139.70	551,971,807 (34,129,667)
5.	KFW DM 4.5M	DM 0.94	19,258,884	-	19,258,884	8,374,213.78	20,697,102 (1,322,089)
6.	KFW DM 27.0M	DM 0.94	135,773,472	(1,500,000)	134,173,472	149,453,987.61	159,658,839 (10,204,852)
7.	KFW DM 8.60M BANQUE INDOSUEZ	DM 0.94	18,199,050	-	18,199,050	19,189,825.66	20,500,123 (1,310,298)
8.	1989 USS 0.80 M. (1997) 7.4% US\$	US \$ 64.70	399,188	(809,269)	89,919	5,817,759	7,048,724 (1,250,995)
9.	PARIS CLUB RESCHEDULING US\$	US \$ 64.70	8,313,399	-	8,313,399	537,876,915	612,946,909 (75,069,599)
* Dollar strength used in the absence of exch. Rate					<b>3,630,741,656.70</b>	<b>3,850,413,731</b>	<b>(219,672,073)</b>

**SERIAL LOANS FOR THE YEAR ENDED JUNE 30, 2007**

	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERTED CONVERTED APPLYING RATE AS AT 30.6.2007 Kshs.	INITIAL LOAN BALANCES AS AT 30.6.2006 Kshs.	CUMULATIVE EXCHANGE GAIN/ (LOSS) Kshs.
1.	IBRD 1981 USS58.00(1976 OKE) 9.8%	-	27,637,994	1,829,635,171	1,910,276,568	(80,641,410)
2.	ODA 5tg 7.04 W 9%	-	1,531,412	203,034,603	143,560,540	59,474,063
3.	IDA	-	342,662,246	441,753,099	441,753,099	-
4.	AFDB (UA 10.0M)	-	151,784,021	533,971,807	533,971,807	-
5.	KFW DM 4.5M	-	19,258,884	20,697,102	20,697,102	-
6.	KFW DM 27.0M	(1,600,000)	134,173,472	159,658,839	159,658,839	-
7.	KFW DM 8.60M BANQUE INDOSUEZ	-	18,199,050	20,500,123	20,500,123	-
8.	1989 USS 0.80 M. (1997) 7.4% US\$	(809,269)	89,919	5,952,538	7,048,724	(1,096,087)
9.	PARIS CLUB RESCHEDULING US\$	-	8,313,399	650,347,014	612,946,909	(37,398,895)
				<b>3,765,560,402.77</b>	<b>3,850,413,731</b>	<b>(84,853,328)</b>

June 30, 2006		June 30, 2007	
	Shs		
US \$ 1 =	64.70	US \$ 1 =	66.20
£Stg. 1 =	128.96	£Stg. 1 =	132.58
Euro. 1 =	102.16	Euro. 1 =	88.98
1 SDR =		1 SDR =	1.45514
UA =		UA =	1.29
DM =			



GOVERNMENT PROVISIONS

	Staff Pensions Kshs.	Widows & Orphans Pensions Kshs.	Fixed Assets Obsolescence Kshs.	Insurance Kshs.	Gratuities & Provident Fund Kshs.	TOTAL Kshs.
Balance as at 1st July 2007	254,242,108	182,663,498	(3,624,230)	(31,368,774)	8,340,886	410,253,489
Charges in the Accounts	254,242,108	182,663,498	(3,624,230)	(31,368,774)	21,956,379	21,956,379
<b>Total</b>	<b>254,242,108</b>	<b>182,663,498</b>	<b>(3,624,230)</b>	<b>(31,368,774)</b>	<b>30,297,265</b>	<b>432,209,868</b>
LESS Payments/Transfers						
Balance as at June 30, 2008	<u>254,242,108</u>	<u>182,663,498</u>	<u>(3,624,230)</u>	<u>(31,368,774)</u>	<u>30,297,265</u>	<u>432,209,868</u>

Note 22

CAPITAL COMMITMENTS

	2007/2008 Kshs	2006/2007 Kshs
Approved & commitments as 30th June	180,000,000	-
Approved & Non-commitments as 30th June	676,000,000	-
<b>Total Approved</b>	<u>856,000,000</u>	<u>-</u>

2

100

