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REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 2006



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REGISTRY HEADQUARTERS
NAIROBI

THE

KENYA RAILWAYS

CORPORATION

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2006

KENYA RAILWAYS CORPORATION

Annual Report and Financial Statements For the Year Ended 30th June 2006

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KENYA RAILWAYS CORPORATION

Corporation Information For the year Ended 30th June 2006

PRINCIPAL PLACE OF BUSINESS

Head Office:

Railway Head Quarters
Haile Sellasie Avenue
P.O Box 30121-00100
NAIROBI

REGISTERED OFFICE

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

BANKERS

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

CITIBANK N.A.

Citibank House,
P.O. Box 30711-00100
NAIROBI

SOLICITORS

1. Betain Okero Advocates,
P.O. Box 1234 - 40100
KISUMU
2. Mukite Musangi & Co. Advocates
P.O. Box 149-20100
NAKURU
3. Mutonyi Mbiyu & Co. Advocates.
P.O. Box 14219
NAKURU
4. Oraro & Co. Advocates
P.O. Box 51236-00200
NAIROBI

KENYA RAILWAYS CORPORATION

Corporation Information For the year Ended 30th June 2006

5. Mwaniki Gachoka & Co. Advocates
P.O. Box 13439-00800
NAIROBI
6. Lumumba Muma & Kaluma Advocates
P.O. Box 10686,00400
NAIROBI
7. Musinga Muthiani & Co. Advocates
P.O. Box 84367-80100
MOMBASA
8. Tom Mutei & Co. Advocates
P.O. Box 7289-30100
ELDORET

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

KENYA RAILWAYS CORPORATION

Corporation Information For the year Ended 30th June 2006

ABOUT THE CORPORATION

The Kenya Railways Corporation was incorporated as a State Corporation in 1978 under The Kenya Railways Corporation Act, Cap 397. The Corporation is a body corporate with perpetual succession and a common seal

PRINCIPAL ACTIVITY

The principal activity of the Corporation is to provide cargo and passenger transport services. However, the recent amendment to the Act, Kenya Railways Corporation (Amendment) Act, 2005 has significantly changed the role of Kenya Railways with effect from 1st November, 2006. KRC is now playing the role of a "railway transport regulator" after the concessioning. The corporation will also inter alia manage non-conceded assets.

AUDITORS

The Kenya National Audit Office will continue in the office in accordance with relevant legislation.

KENYA RAILWAYS CORPORATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

The Kenya Railways Corporation Act 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.

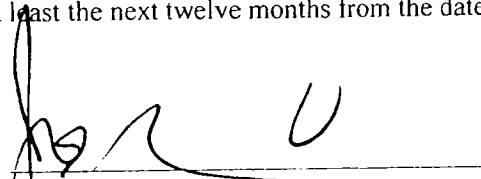
It also requires the Directors to ensure the Corporation keeps proper books of account and other books and records in relation to the Corporation and to all undertakings, funds, investments activities and properties of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with generally accepted accounting practices and 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:



Date:

23/06/07

Managing Director:



Date:

23/06/07



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 2006

I have audited the financial statements of Kenya Railways Corporation set out on pages 5 to 30 which comprise the balance sheet as at 30 June 2006, the income statement, the statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes. I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Directors' responsibilities 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

Responsibilities 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 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 company'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. Preparation and presentation of financial statements

Contrary to the requirements of International Accounting Standards No. 1 on "Presentation of Financial Statements", the nature and purpose of each reserve within equity has not been disclosed in the notes. Significant accounting policies on taxation, retirement benefit costs, leave pay provision and contingent liability provision have not been disclosed. Property, plant and equipment statement No. 1 to the accounts has not been presented in accordance with the International Accounting Standards as there is no comparative net book value for 2005. Consequently, the financial statements do not provide relevant, reliable, and understandable information.

2. Financial position

The Corporation realized a surplus of Kshs.737,731,459 (2005-Kshs.852,233,577 deficit) during the year. This brought its net appropriation account to negative Kshs.13,491,821,951. The surplus for the year of Kshs.737,731,459 was however as a result of an extra ordinary item described as government grant of Kshs.1,000,000,000 received for operation purposes and also an unexplained credit of Kshs.20,821,118 described as other provisions. The balance sheet also reflects negative working capital of Kshs.5,459,490,153 attributed mainly to loan interest charges and arrears amounting to Kshs.11,869,748,314. Despite the improved profitability, it is apparent that the Corporation is technically insolvent. The financial statements have, therefore, been prepared on a going concern basis on the assumption of continued financial support from the Government and its creditors. In the absence of such support, this basis would not be appropriate.

3. Stocks

The Corporation did not carry out physical stock taking to determine the actual stock holding as at 30 June 2006. In addition, the stock figure includes capital stores of Kshs.49,785,328, materials in transit of Kshs.37,474,344, claims of Kshs.7,306,247, construction plant of Kshs.1,217,152 and uniforms of Kshs.111,800 that were not supported by any schedules. The stock figure of Ksh.1,937,953,800 is net of Ksh. 426,371,226 in respect of obsolete stores for which workings were not produced for verification. In the circumstances, it is not possible to confirm whether the carrying value of the stocks figure of Kshs.1,937,953,800 as stated in the financial statements reflects the fair value as at the balance sheet date.

4.0. Receivables

4.1. Traffic Account and Uganda Railways Debts

The Corporation's gross debtors had accumulated to Kshs.5,523,398,169 as at 30 June 2006 with Traffic account and Uganda Railways accounting for Kshs.4,068,046,712 and Kshs.1,229,809,460 respectively, an indication that the Corporation may not have exercised prudent financial management on collection of over due debts. In addition, Traffic accounts reflected as Kshs.4,068,046,712

did not agree with the ledger balance of Ksh.4,486,789,402 leading to unexplained difference of Kshs 418,742,690 Traffic account balance also includes suspense of Kshs 1,919,500,718 representing 35% of total debtors without relevant schedules and supporting documentation.

The traffic account further includes old deposit accounts totalling to Ksh 213,185,510 which excluded credit balances of Ksh.23,541,922 thus overstating the accounts receivables by the same amount The old deposits have remained outstanding for many years and it was not clear why the Corporation has continued to maintain the balances in its books even when it is known to the Corporation that some of the accounts holders cannot be traced. In addition, as a result of double conversion of US dollars account balances for new deposits, the credit balances were overstated by Ksh.331,601,105 thereby understating accounts receivable by the same amount. Further, computation of the provision for bad and doubtful debts of Ksh.174,943,552 was not consistent with the Corporation's policy on bad debts as indicated in note 1 on accounting policies.

4.2. Numerical Machining Complex Debt

The balance sheet as at 30 June 2006 reflects 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. Available information indicates that this balance was the subject of a dispute between the two Corporations which was resolved and KRC was to pay NMC a net amount of Kshs.6,986,901. This fact was confirmed by KRC top Management in a letter dated 13 February 2002 and another letter dated 4 September 2001 from the General Manager, NMC. Failure by KRC to maintain correct current accounts has therefore resulted in misstatement of accounts receivable by Kshs.16,344,156. Under the circumstances, it was not possible to confirm that receivables balance of Kshs.5,523,398,169 as at 30 June 2006 is fairly stated.

5. Property, Plant and Equipment

Property, plant and equipment of Ksh.6,913,351,384 as at 30 June 2006 excludes several of the Corporation's unsurveyed land of undetermined value. Further, journal vouchers produced to explain additions of Ksh.111,944,450 were not supported and no engineer's certificates were attached as evidence of works completed. The Corporation further sold some of its land for Kshs.5,299,993 in October 2005. This was however not reflected as a disposal in the fixed assets movement schedule. Valuation report in respect of this sale was also not seen and it was therefore not clear how the price was determined. In addition, the Corporation did not produce an updated fixed assets register as at 30 June 2006. Further, balances of Ksh.1,275,582,791 and Ksh.66,589,283 reflected as capital works in progress and workshops works in progress (current assets) respectively were not supported as details of the specific works were not availed. Consequently, i am unable to confirm whether the carrying values as stated in the financial statements reflect the fair values of the tangible fixed assets as at 30 June 2006.

6. Cash on Hand

Cash on hand balance of Kshs.32,107,123 includes cash with overseas agents amounting to Kshs.1,296,991 for which supporting documents were not produced for verification. In addition, although the accounts and the supporting schedule reflect a balance of Kshs.10,715,691 as cash imprest, the same could not be verified from the imprests ledger. In addition, cash in transit of Ksh. 15,515,221 as at 30 June 2006 appear to have been understated as the system only captured cash received in the month of July for earnings prior to 30 June 2006 and cash balances received from regional offices after July 2006, but relating to the period under review were excluded. A sample of cash remittance notes for the period under review indicated that as at 30 September 2006, an amount of Ksh. 4,000,000 had been excluded from the cash in transit balance. Under the circumstances, the accuracy and completeness of the cash on hand balance of Kshs.32,107,123 as at 30 June 2006 could not be confirmed.

7. Short-term Investments

The balance sheet reflects short-term investments totalling to Kshs.288,671,337 placed with two commercial banks. The Corporation did not produce evidence of Treasury approval to support these investments. The investments were therefore made contrary to Treasury circular No.10 of 15 July 1992 which prohibits state corporations from investing any surplus funds in commercial banks other than in Treasury Bills and Bonds. In addition, available information indicated that the Corporation placed Kshs. 486,000,000 in a 7 day call deposit with a commercial bank on 15 June 2006 and Kshs.49,990,000 on 27 June 2006. However, as at 30 June 2006, these amounts were not reflected in the financial statements despite the fact that the amounts still remained in the said bank. Information available indicates that the Kshs.486 million investment was lifted on 20 July 2006. Moreover, the fixed deposit certificates for the above investments were not availed for verification. In view of the foregoing, it was not possible to ascertain the accuracy of the short-term investments figure of Kshs.288,671,337 as at 30 June 2006.

8. Payables and Accrued Charges

Provision for audit fee was wrongly posted as Kshs.5,347,656 instead of Kshs.9,229,460 leading to an understatement of Kshs.3,881,804. Further, included in creditors and accrued charges figure are statutory deductions with a net debit balance of Kshs.3,284,134,495 for which no supporting records and schedules or reconciliations were produced for audit verification, a situation that implies that the Corporation is owed this amount by statutory bodies. In addition, the opening balance for Uganda Railways of Kshs.880,574,581 did not agree with the ledger opening balance of Kshs.911,839,686 resulting in unexplained difference of Kshs.31,315,105. Further, debit entries of Kshs.46,034,514 appearing under International firm ledger account were not verified as the respective payment vouchers were not produced for audit verification.

Accrued payments figure of Kshs.3,072,471,876 includes an amount of Kshs.15,716,322 relating to unpaid vouchers for advances that were wrongly

included under creditors. Additionally, supporting schedules for accrued payments reflected Kshs.3,042,414,504 leading to unexplained difference of Kshs.30,057,372 which had no supporting schedules. Further, supporting schedules for salaries / wages, and fixed recoveries of Kshs.5,607,383 and Kshs.155,171,679 respectively were also not produced for verification. Under the circumstances, and in the absence of reconciliations and adequate supporting records and documentation, the completeness, accuracy, and validity of the payables and accrued charges figure of Kshs.12,910,319,670 as at 30 June 2006 could not be confirmed.

9. Bank Overdraft

The Corporation's balance sheet reflects an overdraft of Kshs.296,448,600 as at 30 June 2006, for which no bank reconciliation statements were prepared for the whole year. As noted in the previous year's report the Corporation did not maintain cashbooks for the individual bank accounts. As a result the overdraft figure was extracted from the various bank statement balances, and as such the accuracy of the overdraft could not be ascertained as the reconciling items were not taken into consideration. For instance as at 30 June 2006, a list of un-presented cheques amounted to about Ksh. 500 million which implies that as at 30 June 2006, the overdraft balance of 296,448,600 may have been materially misstated. In addition, the balance sheet overdraft balance includes KCB retention accounts with an overdraft of Ksh.110,530,152 while the respective bank statement reflected an overdraft of Ksh.101,225,462 giving rise to a difference of Kshs.9,304,690. Further, included in the bank balance note No. 10 are miscellaneous bank credits and debits amounting to Kshs.44,466,524 and Kshs.29,547,647 respectively for which no analyses were provided and which appear to have been double counted as the same are included in the main account. Additionally, undetermined balances for three dollar accounts and a Kenya shilling account were not incorporated in the financial statements, while nine other bank accounts with balances totalling to Ksh. 132,693 were also excluded from the financial statements. Under the circumstances, it was not possible to confirm the accuracy and completeness of the bank overdraft figure of Kshs. 296,448,600.

10. Net Public Debt

As disclosed in note 11 to the financial statements, the net public debt stood at Kshs.4,483,083,968 as at 30 June 2006 (2005 – Kshs.4,707,526,559). The Corporation has again failed to meet its obligations on current loan repayment on which the loan and accrued interest stood at Kshs.50,653,750 and Kshs.1,464,010,822 respectively. However, the Government has repaid some of these loans on behalf of the Corporation but reconciliation of the net public debt between the Corporation and the Government has not been done. Under the circumstances, it has not been possible to confirm the accuracy of the net public debt figure of Kshs.4,483,083,968 as at 30 June 2006.

11. Operating expenditure

The Corporation's locomotive running expenses of Kshs.1,635,388,847 was significantly understated as the Corporation continued to use stores requisition type 716 to charge fuel, and other key expenditure items. Stores document 716 uses catalogue prices as opposed to market prices at which these items are purchased. It has been established that the catalogue prices used to charge these expenses were last updated in the late 1980's and are therefore unrealistic. The accounting implication of this is that all expenditure abstracts relating to items issued through the stores have been materially understated. Due to non availability of the information on other consumable stocks, it was not possible to establish the total actual understatement during the year. In addition, examination of payment vouchers indicated that most of them were either missing or not properly supported. For, example, miscellaneous expenditure totalling Ksh.271,041,586 could not be verified as the respective payment vouchers were either missing or not properly supported. In view of the foregoing, it was not possible to confirm the Corporation's total operating expenditure of Kshs.3,865,653,357 for the year ended 30 June 2006.

12. Property sale and rental income

The Corporation disposed property LR 209/6629 comprising twelve, three bed room maisonettes on 1.039 ha of land situated on Riverside drive for KSh.42,250,000. Although the sale agreement was executed after the purchaser paid KSh.4,525,000, it was not clear whether the balance of KSh.37,725,000 was paid. In addition, the Corporation disposed off property LR NO.3734/839 comprising a three bedroom house on 0.3322 ha of land situated at Mzima Springs Lavington at KSh.6,500,000. Board's approval, valuation reports and information on tendering for the two properties were not produced for audit review. In addition, although the Corporation rented out a number of its properties to third parties, information on the related revenue could not be confirmed as a listing of the properties, their location, and rent receivable from each tenant was not produced for audit verification.

Opinion

Except for any adjustment that might be necessary arising from the foregoing paragraphs, 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 affairs of the Corporation as at 30 June 2006 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Kenya Railways Corporation Act (Cap 397).


P.N. KOMORA

CONTROLLER AND AUDITOR GENERAL

Nairobi

19 June 2007

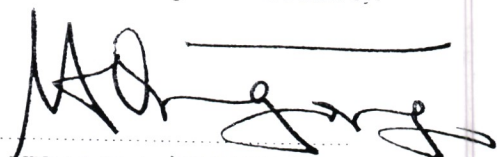
KENYA RAILWAYS CORPORATION

BALANCE SHEET AS AT 30TH JUNE

	NOTES	JUNE 30, 2005		JUNE 30, 2006	
		Kshs.	Kshs.	Kshs.	Kshs.
NON CURRENT ASSETS					
Property, Plant & Equipment	(2)	7,043,678,134		6,913,351,384	
Capital Works-in-progress	(3)	1,387,527,241		1,275,582,791	
Non Current Assets			8,431,205,375		8,188,934,175
CURRENT ASSETS					
Stores Inventories	(4)	1,930,667,856		1,937,953,800	
Short Term Investments	(5)	283,538,084		288,671,337	
Cash on Hand	(6)	98,935,771		32,107,123	
Receivables	(7)	5,677,005,958		5,523,398,169	
Workshops Works-in-progress	(8)	49,533,668		66,589,283	
Current Assets		8,039,681,337			7,848,719,712
TOTAL ASSETS			16,470,886,712		16,037,653,887
LIABILITIES & EQUITY					
CURRENT LIABILITIES					
Payables & Accrued Charges	(9)	14,017,996,832		12,910,319,670	
Bank Balances	(10)	7,460,754		296,448,600	
Current/Arrears Loan Liabilities	(11)	98,922,226		101,441,595	
KCB Short Term Loan	(11)	19,536,919		-	
Current Liabilities			14,143,916,731		13,308,209,865
EQUITY & NON-CURRENT LIABILITIES					
Net Public Debt	(11)		4,707,526,559		4,483,083,968
Govt. Subventions & Equity	(12)	518,000,000		518,000,000	
GOK Grants	(13)	35,555,108		35,555,108	
Provisions	(14)	837,511,754		760,628,478	
Reserves	(14)	10,423,998,420		10,423,998,420	
Net Appropriation Account	(15)	(14,195,621,861)		(13,491,821,951)	
Total Owner's Equity			(2,380,556,579)		(1,753,639,946)
TOTAL LIABILITIES & EQUITY			16,470,886,712		16,037,653,888

The financial statements were approved by the Board of Directors on 23/05/07 2007 and signed on its behalf by:-


JONATHAN D. MTURI
CHAIRMAN


ENG. VITALIS A. ONG'ONG'O
AG. MANAGING DIRECTOR

KENYA RAILWAYS CORPORATION

INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE

	<u>NOTES</u>	<u>2004/2005</u> <u>Kshs.</u>	<u>2005/2006</u> <u>Kshs.</u>
<u>EARNINGS :</u>			
Passenger Traffic		200,669,680	199,004,128
Other Coaching Traffic		15,665,218	23,827,151
Goods Traffic		3,640,605,454	4,223,720,825
Livestock		2,798,773	1,007,242
Catering Services		41,830,208	49,884,449
Water Transport Services		97,426,378	215,178,793
Railway Training Institute		72,421,208	77,086,860
Miscellaneous Earnings	Note 16	406,366,371	392,296,963
Interest on Cash Balances & Advances		7,043,730	8,775,627
TOTAL		4,484,827,020	5,190,782,038
<u>OPERATING EXPENDITURE :</u>			
Maintenance of Way and Works		691,713,592	478,829,048
Maintenance of Locos, Rolling Stock etc.		168,776,522	239,981,240
Locomotive Running Expenses		1,594,871,848	1,635,388,847
Traffic Expenses		283,736,207	289,237,310
Business Expenses		184,251,682	180,908,877
Catering Services		37,456,077	46,889,336
Water Transport Services		70,382,827	85,519,380
Electrical & Telecommunication Services		46,257,330	52,061,371
General Charges		252,534,854	252,511,053
Miscellaneous Expenditure		1,149,702,768	604,326,895
TOTAL		4,479,683,707	3,865,653,357
Operating Profit/(Loss)		5,143,313	1,325,128,681
<u>NON OPERATING EXPENDITURE :</u>			
Depreciation & Amortization	Stmt 1	234,456,000	222,733,200
Loans Foreign Exchange Adj.	Stmt 8	(172,155,251)	(123,000,996)
Interest on Borrowings	Note 19	1,364,254,339	1,508,486,135
Other Provisions	Note 18	180,821,801	(20,821,118)
Total Non-Operating Expenditure		1,607,376,889	1,587,397,222
Total Expenditure :		6,087,060,596	5,453,050,579
Surplus / (Deficit) before extra ord.items		(1,602,233,576)	(262,268,541)
Extra Ordinary Items:-			
GOK Revenue Grant		750,000,000	1,000,000,000
Surplus / (Deficit) For the Year		(852,233,576)	737,731,459
Working Ratios %	Actual	100	74
	Target	86	86

KENYA RAILWAYS CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2006

	Govt. Subventions	GOK Capital			Net Appropriation	
	Equity	Grants	Reserves	Provisions	Account	Total
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Balance as at 01-07-2005	518,000,000	35,555,108	10,423,998,420	837,511,754	(14,195,621,861)	(2,380,556,579)
Surplus for the year	-	-	-	-	737,731,459	737,731,459
Provisions write back	-	-	-	(76,883,276)	-	(76,883,276)
Prior year adjustments	-	-	-	-	(33,931,550)	(33,931,550)
	<u>518,000,000</u>	<u>35,555,108</u>	<u>10,423,998,420</u>	<u>760,628,478</u>	<u>(13,491,821,951)</u>	<u>(1,753,639,946)</u>

KENYA RAILWAYS CORPORATION

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE**

	2004/2005		2005/2006	
	Kshs	Kshs	Kshs	Kshs
Cash from Operations:				
Surplus/(Deficit) for the Year		(852,233,577)		737,731,459
Add : Items not Involving Movement of Cash				
- Depreciation for the Year	234,456,000		222,733,200	
- Other provisions		234,456,000	(20,821,118)	
Total Cash from Operations		(617,777,577)		939,643,542
Add : Movement In Current Assets				
Stores inventories Decrease/(Increase)	199,332,683		(7,285,944)	
Short T. Invest. Decrease/(Increase)	-		(5,133,253)	
Payables Increase/(Decrease)	1,543,601,774		(1,107,677,162)	
Curr. Loan Liab. Increase	6,463,844		2,519,369	
KCB current Loan (Decrease)	(47,463,081)		(19,536,919)	
Receivables Decrease	(452,420,268)		153,607,789	
W/Shop Sus. increase	(2,604,427)		(17,055,615)	
Net Current Assets Movement		1,246,910,525		(1,000,561,736)
Investing Activities				
Fixed Assets purchases	(34,955,113)			
Fixed Assets sale				
Capitalisation of Work In Progress(adj)	(46,697,201)		111,944,450	
Total Investing Activities		(81,652,314)		111,944,450
Financing Activities:-				
Short term Loans Repaid	26,381,271			
Foreign Exchange (gain)/loss	(172,155,251)			
Interest Charges	(1,253,573,989)			
Net Public Debt			(224,442,591)	
Provisions Increase/(Decrease)	312,645,831			
Reserves Increase/(Decrease)	19,495,759			
Prior Year Adjustments	129,507,101			
Total Financing Activities		(937,699,277)		(224,442,591)
Net Increase/(Decrease) In Cash and Cash Equivalents		(390,218,643)		(172,866,460)
Movement in Cash & Cash Equivalents				
Opening Balances :				
Opening Cash Balance	45,187,782		98,935,771	
Opening Bank Balance	(526,881,442)		(7,460,754)	
Total Opening Balances		(481,693,660)		91,475,017
Closing Balances :				
Closing Cash Balance	98,935,771		32,107,123	
Closing Bank Balance	(7,460,754)		(296,448,600)	
Total Closing Balances		91,475,017		(264,341,477)
Net Increase/(Decrease) In Cash and Cash Equivalents		(390,218,643)		(172,866,460)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note**1 ACCOUNTING POLICIES****(a) Basis**

The Financial Statements have been prepared on a historical cost basis as modified by the revaluation of fixed assets from time to time.

(b) Compliance

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

(c) Revenue

Cargo/Goods - Goods are invoiced when they are loaded on the wagons at the point of departure.
 Passenger Services - Revenue is recognised when passengers are issued with travel tickets.
 Rent - Revenue is recognised on the basis of lease agreements between KRC and tenants
 Rent invoices are sent to tenants at the beginning of each month/quarter/year during the lease period as per the lease 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 and Statement No.1 gives the movement of various assets.

(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 market 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.

KENYA RAILWAYS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

(i) **Bad Debts**

The Corporation makes 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 June 30, 2006. Arrears of loans and interest charges are transferred to current loan liability at the close of the Financial Year.

(n) **Provisions**

These are charged to the Accounts based on actual amounts set aside as shown in Statement Number 9.

(o) **Reserves**

Transfer to reserves include prior-year adjustments and write off/back shown in Statement No. 9.

(p) **Working Expenditure**

These are working accounts under various Abstracts as shown in Statement No. 10

(q) **Cashflow Statement**

This is provided in compliance with IAS 7

KENYA RAILWAYS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 2. PROPERTY, PLANT & EQUIPMENT (See Statement No.1)

Property, Plant & Equipment include Permanent Way, Buildings, Locomotives, Rolling Stock, Plant and 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>	<u>Rate (%)</u>
(1) Permanent Way and Bridges	50	2
(2) Buildings	50	2
(3) Plant and Machinery	30	4
(4) Signalling Equipment	40	3
(5) Telecommunication Equipment	25	4
(6) Locomotives	30	4
(7) Coaches	25	4
(8) Wagons	20	5
(9) Motor Vehicles	5	20
(10) Office Equipment	5	20

Detailed movements of tangible assets are set out in Statement No.1 on page 18. 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 brought into service during the year under review was Kshs. 111.94 Million.

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

Tangible Assets as at June 30.	2004/2005	2005/2006
	Kshs	Kshs
Land	3,769,545,000	3,769,545,000
Others	31,372,754,695	31,484,699,145
	<u>35,142,299,695</u>	<u>35,254,244,145</u>
Less:		
Accumulated Depreciation	(28,098,621,561)	(28,340,892,761)
Net Tangible Assets as at June 30	<u><u>7,043,678,134</u></u>	<u><u>6,913,351,384</u></u>

KENYA RAILWAYS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

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, 2006. Detailed movements of works-in-progress are set out in Statement No.1.

	2004/2005 Kshs	2005/2006 Kshs
Capital Works in Progress	1,387,527,241	1,275,582,791

Note 4. STORES INVENTORIES

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

	2004/2005 Kshs	2005/2006 Kshs
Stores Unissued	2,095,283,274	2,258,430,155
Capital Stores	49,785,328	49,785,328
Materials-in-transit	137,273,122	37,474,344
Claims - Goods	17,306,247	17,306,246
Construction Plant	1,217,152	1,217,152
Uniforms	111,800	111,800
GROSS STORES INVENTORIES	2,300,976,923	2,364,325,025
Less : Provision for Deterioration and Obsolescence of Stores.	(370,309,067)	(426,371,225)
NET STORES INVENTORIES	1,930,667,856	1,937,953,800

Note 5. SHORT TERM INVESTMENTS

These comprise the following :-

	2004/2005 Kshs	2005/2006 Kshs
K.C.B FDR NO.0020629	60,032,858	61,059,618
K.C.B FDR NO.0020614	212,555,226	216,661,719
CITI GROUP NO. KE/1566/37/91	10,950,000	10,950,000
TOTAL	283,538,084	288,671,337

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 6. CASH ON HAND

The balance of Cash on Hand consists of the following -

	2004/2005 Kshs	2005/2006 Kshs
Cash on Hand	1,642,411	4,579,220
Cash with Overseas Agents	1,296,991	1,296,991
Imprest Cash	28,047,930	10,715,691
Cash in Transit	67,948,439	15,515,221
TOTAL CASH ON HAND	98,935,771	32,107,123

Note 7. RECEIVABLES

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

	2004/2005 Kshs	2005/2006 Kshs
Traffic Account -Trade Debtors - statement 2	4,393,065,806	4,068,046,712
Advances General	11,481,505	6,823,330
Uganda Railways	1,086,488,300	1,229,809,460
Numerical Machining Complex Limited	16,293,629	16,344,156
Advances E/S Staff	165,260,216	198,371,474
Car Purchase Scheme	1,327,281	913,816
Kenrail Consultants	3,089,221	3,089,221
GROSS DEBTORS	5,677,005,958	5,523,398,169

The provision for bad and doubtful is based on debt that are not collectible as at June 30, 2006 as detailed in statement 9

Note 8. WORKSHOPS : WORKS-IN-PROGRESS

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.

	2004/2005 Kshs	2005/2006 Kshs
Central Workshops - Nairobi	6,776,830	14,192,368
Marine Workshops - Kisumu	17,036,854	26,666,660
Permanent Way Depot - Nairobi	25,719,984	25,730,255
TOTAL	49,533,668	66,589,283

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 9. PAYABLES & ACCRUED CHARGES

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

	2004/2005 Kshs	2005/2006 Kshs
(a) Industrial Area Accounts	52,502,813	52,502,813
(b) Loan Interest Charges (Statement No. 6)	10,405,737,492	11,869,748,314
(c) Statutory Deductions	(261,085,839)	(3,284,134,495)
(d) Salaries and Wages	2,672,559	5,607,383
Fixed Recoveries	-	155,171,679
Sub-Total	10,199,827,025	8,798,895,694
(f) Demands Payable		
(i) Accrued Payments - statement 4	2,866,741,953	3,072,471,876
(ii) Subsidiary Loan current and Arrears - Statement 5	98,922,226	101,441,595
(iii) Uganda Railways	880,574,581	1,022,817,842
(vi) Spoornet (South A)	52,454,175	9,397,143
(vii) Audit Fees	7,288,558	5,347,656
(viii) Municipal Rates	11,110,541	1,389,459
Sub-Total	3,917,092,034	4,212,865,571
(ix) Retrenchment costs	-	-
Sub-Total	3,917,092,034	4,212,865,571
TOTAL	14,116,919,059	13,011,761,265
Less : Loan Liabilities(Arrears & current)- Statement 5	98,922,226	101,441,595
GRAND TOTAL	14,017,996,832	12,910,319,670

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 10 BANK BALANCES

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

	2004/2005 Kshs	2005/2006 Kshs
Cash Book Balance adjusted(Main Account)	(23,704,657)	(257,676,074)
Land Account	96,170	-
Passenger Services Account	1,752,974	-
Scrap Metal Account	1,741	-
Collection Accounts	1,702,382	-
Pension Warrants Account	(1,984,654)	240,677
Central Workshops Account	-	-
Railway Training Institute Account	49,853	10,138,160
K.G.I.A. Account	9,881	-
Letters of Credit - Active Account	38,870	-
Escrow Account	(189)	-
Project Account	29,718,475	433,945
Rental Account	258,934	-
Salary Account	(100,937,647)	(110,530,152)
Retention Accounts KCB	21,079,173	10,923,026
Citibank A/C 300045-006	21,727,450	45,678,659
Citibank A/C 300045-014	21,859	18,453,955
Citibank A/C 300045-022	-	-
Citibank A/C 100082-012	18	808,081
TOTAL BANK BALANCES	(50,169,368)	(281,529,723)
Add : Miscellaneous Bank Debits	49,194,052	29,547,647
Less : Miscellaneous Bank Credits	(6,485,439)	(44,466,524)
NET BANK BALANCES	(7,460,754)	(296,448,600)

Note 11(a) LOANS

The Net Public Debt amounted to Kshs 4 483 billion as detailed on statement No 7

Current loan liabilities payable amounted to Kshs 101 Million in the year ended June 30 2006 as detailed in statement No 5

The interest on Net Public Debt in the year 2006 amounted to Kshs 1,464 million and the accumulated unpaid loan interest on Net Public Debt is Kshs 11.869 Million as detailed on statement No 6

The foreign exchange gain amounted to Kshs 123 Million as detailed in Statement 8

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 12. GOVERNMENT SUBVENTIONS & EQUITY

These consists of the following -

	2004/2005 Kshs	2005/2006 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
TOTAL	518,000,000	518,000,000

Note 13. 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.

Note 14. MOVEMENT IN PROVISIONS AND RESERVES

Details of movements in Provisions and Reserves are set out in Statement No.9.

Note 15. NET APPROPRIATION ACCOUNT

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

	2004/2005 Kshs	2005/2006 Kshs
Cummulative Deficit brought forward	(13,213,881,182)	(14,195,621,861)
* Prior year's adjustments during the year	(129,507,101)	(33,931,550)
Net Cummulative Deficit brought forward	(13,343,388,283)	(14,229,553,411)
Add: (Deficit) / Surplus for the year	(852,233,577)	737,731,459
Cummulative Deficit carried forward	(14,195,621,861)	(13,491,821,951)
* Prior Year's adjustments		14,706,550
Adjustment on land sale refunds		19,225,000
Adjustment on miscellaneous revenue		33,931,550
TOTAL		33,931,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Note 16. MISCELLANEOUS EARNINGS

These consist of the following :-

	2004/2005 Kshs	2005/2006 Kshs
Rents	137,160,308	67,437,988
Earnings from Uganda Railways	104,822,848	127,705,732
Land Sale	29,440,868	5,899,994
Other Misc. Earnings	51,744,761	59,369,132
Magadi Rail	82,241,601	29,483,524
Scrap Metal	955,985	97,267,581
Fixed Deposit Receipt	-	5,133,012
TOTAL	406,366,371	392,296,963

Note 17. EXPENDITURE

Detailed analysis of expenditure incurred under Working Accounts pertaining to their respective expenditure heads (Abstracts A to J), are as shown in Statement No.10

Note 18. OTHER PROVISIONS

These consist of the following :-

	2004/2005 Kshs	2005/2006 Kshs
1. Provision for Bad & Doubtful Debts	33,992,359	174,943,552
2. Provision for Obsolescence and deterioration	113,459,047	63,069,841
3. Provision for Insurance	33,370,360	35,038,878
4. Provisions for staff pension		(309,059,455)
5. Provisions for widows & orphans		8,168
6. Provisions for gratuities & provident fund		(40,884,260)
GROSS OTHER PROVISIONS	180,821,766	(76,883,276)
Provision for obsolescence in inventories (note 4 above)		56,062,159
Charge to income statement	180,821,766	(20,821,118)

Note 19. INTEREST AND ARREARS ON BORROWINGS AND LOANS

This consists of the following :-

	2004/2005 Kshs	2005/2006 Kshs
1. Interest on Loans - Statement 6	1,313,571,514	1,464,010,822
2. Interest on Internal Borrowing	17,717,340	943,446
3. Interest on Overdraft	32,965,485	43,531,867
TOTAL	1,364,254,339	1,508,486,135

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO.1

PROPERTY, PLANT & EQUIPMENT SCHEDULE FOR THE YEAR ENDED JUNE 30, 2006

	Land	Earth works Ballast and Fencing	Permanent Way Buildings and Other Improvements	Locomotives and Rolling Stock	Workshop Plant and Machinery	Telecommu- nications	Water Transport Road Services Other Assets	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1-7-2005	3,769,545,000	263,600,539	13,738,367,741	15,393,690,725	1,334,837,954	285,239,426	357,018,310	35,142,299,695
Additions during the period			87,465,160				24,479,290	111,944,450
Adjustments during the period								
Balance as at 30-6-2006	3,769,545,000	263,600,539	13,825,832,901	15,393,690,725	1,334,837,954	285,239,426	381,497,600	35,254,244,145

DEPRECIATION

Accumulated Depreciation as at 1-7-2005	249,439,362	11,210,480,173	14,849,128,991	1,210,462,754	236,546,737		362,101,544	28,118,159,561
Depreciation Adjustment Charge for the year	153,900	137,370,000	64,524,000	5,620,200	10,374,000		4,691,100	222,733,200
Accumulated Depreciation as at 30-6-2006	249,593,262	11,347,850,173	14,913,652,991	1,216,082,954	246,920,737		366,792,644	28,340,892,761

Net Book Value of Tangible Assets

Net Book Value of Tangible Assets	3,769,545,000	14,007,277	2,477,982,728	480,037,734	118,755,000	38,318,689	14,704,956	6,913,351,384
			6,261,535,005	598,792,734			53,023,645	6,933,351,384
		51,844,598	119,225,680	666,708,036	43,341,741	341,417,114	164,990,072	1,387,527,241
		51,844,598	119,225,680	666,708,036	43,341,741	341,417,114	164,990,072	1,387,527,241
			87,465,160				24,479,290	111,944,450
		51,844,598	31,760,520	666,708,036	43,341,741	341,417,114	140,510,782	1,275,582,791

WORKS-IN-PROGRESS

Expenditure as at 1-7-2005								
Add: Exp/Adjustment in 2005/06								
Sub-Total								
Less: Capitalisation in 2005/06								
Net Value of Works-in-Progress								

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO. 2

RECEIVABLES BALANCES AS AT 30/6/06

		TOTAL AMOUNT- KSHS.	Less than 1 year AMOUNT- KSHS.	More than 1 Year AMOUNT- KSHS.
LEDGER		533,490,903	62,491,762	470,999,141
DEPOSIT A/CS:- OLD		213,185,510	-	213,185,510
NEW		216,003,683	16,708,365	199,295,318
PROVISION OUTSTANDING:-	GOODS	323,531,588	18,824,154	304,707,434
	COACHING	153,344,013	5,221,854	148,122,159
DEBITS		612,309,557	29,671,166	582,638,391
GOVERNMENT WARRANTS		21,731,610	318,667	21,412,943
WATER		6,533,306	90,943	6,442,363
ATERING		3,941,671	-	3,941,671
PASSENGER AGENCIES		52,552,789	-	52,552,789
RTI		11,921,364	1,428,176	10,493,188
DISPENSE ACCOUNT		1,919,500,718	-	1,919,500,718
TOTAL		4,068,046,712	134,755,087	3,933,291,625

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO. 3RECEIVABLES (over 1 year) SCHEDULE BY CATEGORY AS AT 30TH JUNE, 2006

	MINISTRIES <u>Kshs.</u>	PARASTATALS <u>Kshs.</u>	PRIVATE FIRMS <u>Kshs.</u>	TOTALS <u>Kshs.</u>
1 Ledger Accounts	-	11,709,524	459,289,617	470,999,141
2 Deposit Accounts - New	-	-	199,295,318	199,295,318
- Old	-	-	213,185,510	213,185,510
3 <u>Station Outstanding</u>				
- Goods	-	304,707,434	-	304,707,434
- Coaching	-	148,122,159	-	148,122,159
4 Government Warrants	17,570,012	3,842,931	-	21,412,943
5 Catering	534,535	1,950,258	1,456,878	3,941,671
6 Water	1,605,337	48,883	4,788,143	6,442,363
7 Rents	9,471,803	46,582,691	526,583,897	582,638,391
8 Passenger Services- Note (i)	-	-	52,552,789	52,552,789
9 Railway Training Institute	-	-	10,493,188	10,493,188
10 Suspense Account - Note (ii)	1,919,500,718	-	-	1,919,500,718
TOTAL	<u>1,948,682,405</u>	<u>516,963,880</u>	<u>1,467,645,340</u>	<u>3,933,291,625</u>

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Payables Status Update as at 30 June 2006

	UNDER 30 KShs. 000	OVFR 30 KShs. 000	OVER 60 KShs. 000	OVER 90 KShs. 000	June 06 KShs. 000	June 05 KShs. 000	(Increase)/ Decrease
A GORVERNMENT/MINISTRIES							
Government Ministries	-	-	-	1,354	1,354	1,354	-
NHIF	1,912	1,832	1,405	110,361	115,510	118,761	(3,251)
N S S F	865	869	870	32,268	34,872	45,604	(10,732)
Telkom	47	270	197	136,104	136,618	150,411	(13,793)
Electricity	8	4	18	1,275	1,305	4,181	(2,876)
Water & Rates	1,597	-	47	136,806	138,450	147,884	(9,434)
SUB-TOTAL	4,430	2,974	2,536	416,815	426,755	466,841	(40,086)
B KENYA REVENUE AUTHORITY							
Customs & Excise	-	-	-	29,728	29,728	30,308	(580)
P A Y E	8,403	8,096	7,544	568,189	592,232	624,116	(31,884)
Value Added Tax	6,735	-	9,111	611,652	627,497	718,474	(90,977)
SUB-TOTAL	15,138	8,096	16,655	1,209,568	1,249,457	1,372,898	(123,441)
C STAFF DEDUCTIONS							
Check-off payments	15	29	-	34,611	34,655	35,854	(1,199)
Casuals	23,968	-	-	-	23,968	76,951	(52,983)
Cotu subscriptions	-	-	-	1,181	1,181	3,502	(2,322)
H E L B	-	-	-	521	521	521	(0)
Pension and Settlements	19,961	17,509	36,274	258,858	332,602	357,670	(25,068)
Railway Co-op Society	677	1,342	-	162,022	164,041	204,255	(40,214)
Railway Clubs	-	-	-	321	321	376	(55)
Railway Housing Co-op	786	-	-	4,595	5,381	4,026	1,355
RTI Part-time Staff	-	-	-	1,546	1,546	1,100	446
Save As You Earn(postbank)	-	-	-	1,855	1,855	1,855	-
SUB-TOTAL	75,683	35,072	36,274	465,510	566,072	686,110	(120,038)
D THIRD PARTIES							
Advocates	1,052	-	23	82,741	83,815	1,514,980	(1,431,165)
Reimbursement to Stations	837	566	530	90,195	92,128	82,795	9,333
Insurance Payables	-	-	-	52,802	52,802	54,922	(2,120)
Medical Services to KR	-	9	25	13,391	13,425	17,049	(3,624)
Miscellaneous Vendors	9	21	118	78,056	78,204	87,221	(9,017)
Security Charges	-	-	-	4,181	4,181	4,181	(0)
SUB-TOTAL	1,898	596	696	321,366	324,556	1,761,149	(1,436,593)
E SUPPLIERS							
Catering	91	-	-	5,448	5,539	7,744	(2,205)
Fuel and Oil	111,922	47,865	42,794	85,250	287,831	257,000	30,831
Others	2,370	4,031	1,042	204,821	212,263	204,042	8,221
SUB-TOTAL	114,383	51,896	43,836	295,519	505,633	468,786	36,847
GRAND TOTALS	211,531	98,634	99,997	2,708,778	3,072,472	4,755,783	(1,683,312)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO. 5CURRENT AND ARREARS LOAN LIABILITIES

<u>LOAN DETAILS</u>	<u>ARREARS OF LOANS 2004/2005 KShs.</u>	<u>LOANS CURRENT LIABILITIES 2005/2006 KShs.</u>	<u>TOTAL 2005/2006 KShs.</u>
1. ODA £Stg. 7.04 M. 9%	20,620,773	17,321,131	37,941,904
2. IDA (1820-O KE) SDR 21.80 M. 8.8%	21,416,390	21,416,390	42,832,780
3. KFW DM. 27.00 M. (2031) 7.5%	6,788,675	10,848,944	17,637,619
4. K.F.W DM 4.5M. (2031) 7.5%	1,962,007	1,067,285	3,029,292
TOTAL	<u>50,787,845</u>	<u>50,653,750</u>	<u>101,441,595</u>
5. KCB borrowing term loan payable	-	-	-
TOTAL	<u>50,787,845</u>	<u>50,653,750</u>	<u>101,441,595</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO 6LOAN INTEREST CHARGES AND ARREARS

Loan Details	Cumulative Interest as at June 30 2005 <u>Kshs.</u>	Interest for the year 2005-2006 <u>Kshs.</u>	Cumulative Interest as at 2005-2006 <u>Kshs.</u>
1 ODA £Stg. 7 04 M. 9%	528,140,310	74,362,156	602,502,466
2 IDA (1820-O KE) SDR 21.80 M. 8.8%	969,593,389	142,985,994	1,112,579,383
3 KFW DM. 27 00 M (2031) 7.5%	763,665,913	92,028,536	855,694,449
4 A.F.D.B. US\$ 11.031M. 8%	1,514,082,383	211,971,533	1,726,053,916
5 K.F.W DM 4.5M. (2031) 7.5%	11,556,859	619,393	12,176,252
6 IBRD 1981 US\$ 58.0M. (1976-0KE) 9.6%	5,691,697,538	796,837,655	6,488,535,193
7 K.F.W 1971 DM 8.6M. (1996) 3%	77,641,133	19,410,283	97,051,416
8 BANQUE INDOSUEZ USD.9490.12 @74	5,245,628	866,350	6,111,978
9 PARIS CLUB USD. 1,201,537.28 @74.00	844,114,339	124,928,922	969,043,261
TOTAL	10,405,737,492	1,464,010,822	11,869,748,314

STATEMENT NO. 7

MOVEMENTS OF LOANS BALANCES AS AT JUNE 30, 2006

	OPENING BALANCES AS AT JULY 1, 2005 (A)	Note (i) FOREIGN EXCHANGE (GAIN)/LOSS ADJUSTMENT (D)	LOAN LIABILITIES AS AT JUNE 30, 2006 (A-B+C+D)
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
A. FIXED TERM LOANS RAISED BY PUBLIC			
SUBSCRIPTION EAST AFRICAN LOAN STOCKS			
1954 STG PD. 5.0 M (1973-76) 4%	90,000	-	90,000
1957 STG PD. 8.5 M (1977-83) 5.7%	20,000	-	20,000
1975 STG 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>-</u>	<u>36,843,776</u>
LOANS			
B. INTERNATIONAL AGENCIES			
AFDB UA.10.0 M. 8 %	552,222,301	(18,250,494.41)	533,971,807
IBRD 1965 US\$ 38.00 M. (428)	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 %	1,975,467,572	(65,290,885.70)	1,910,176,686
LLOYDS BANK STG 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 %	7,289,642	(240,916.66)	7,048,725
IDA (1820-O KE) SDR 21.80 M. 8.8 %	456,851,612	(15,098,573.29)	441,753,039
ODA £Stg. 7.04 M. 9 %	108,051,937	(3,995,231.02)	104,056,706
PARIS CLUB RESCHEDULING	633,896,703	(20,949,765.49)	612,946,938
SUB TOTAL	<u>4,484,311,409</u>	<u>(123,825,866.57)</u>	<u>4,360,485,543</u>
C. OTHER GOVERNMENTS			
FEDERAL GOVERNMENT OF WEST GERMANY			
K.F.W. 1971 DM. 8.60 M. (1996) 3%	20,415,935	84,189.42	20,500,124
K.F.W. DM. 4.5M (2010) 2 %	20,529,632	84,998.37	20,614,630
K.F.W. DM. 27.00 M. (2031) 7.5 %	145,425,807	655,683.12	146,081,490
SUB TOTAL	<u>186,371,374</u>	<u>824,870.90</u>	<u>187,196,245</u>
TOTAL LOANS (NET PUBLIC DEBT A-B+C+D)	<u>4,707,526,559</u>	<u>(123,000,995.66)</u>	<u>4,584,525,564</u>
			Less current liability (101,441,595)
			Long term Debt <u>4,483,083,968</u>

Note (i). Computation of exchange gain is detailed in statement no. 8

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO. 8

CALCULATION OF EXCHANGE GAIN / (LOSS) FOR SERIAL LOANS FOR THE YEAR ENDED JUNE 30, 2006

	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERTED APPLYING RATE AS AT 30.6.2006 Kshs.	INITIAL LOAN BALANCES AS AT 30.6.2005 Kshs.	CUMULATIVE EXCHANGE GAIN/ (LOSS) Kshs.
1. IBRD 1981 US\$58.00(1976 O.K.E) 9.6%	27,637,994	-	27,637,994	1,910,276,588	1,975,567,474	(65,290,880)
2. ODA Stg 7.04 M 9%	1,531,412	-	1,531,412	143,560,540	147,555,771	(3,995,231)
3. IDA (1820.0 K.E) SDR 21.80 M. 8.8%	342,662,246	-	342,662,246	441,753,099	456,851,672	(15,098,573)
4. AFDB (UA.10.0M)	151,784,021	-	151,784,021	533,971,807	552,222,301	(18,250,494)
5. KFW DM. 4.5M.	19,258,884	-	19,258,884	20,697,102	20,612,104	84,998
6. KFW DM. 27.0M.	135,773,472	1,600,000	134,173,472	159,658,839	159,003,156	655,683
7. KFW DM. 8.60M. BANQUE INDOSUEZ	18,199,050	-	18,199,050	20,500,123	20,415,934	84,189
8. 1985 US\$ 0.90 M. (1997) 7.4 % US\$	899,188	809,269	89,919	7,048,724	7,289,641	(240,917)
9. PARIS CLUB RESCHEDULING US\$	8,313,399	-	8,313,399	612,946,909	633,896,674	(20,949,765)
				<u>3,850,413,731</u>	<u>3,973,414,727</u>	<u>(123,000,996)</u>

CALCULATION OF EXCHANGE GAIN / LOSS FOR SERIAL LOANS FOR THE PERIOD ENDING JUNE 30, 2005

	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERTED APPLYING RATE AS AT 30.6.2005 Kshs.	INITIAL LOAN BALANCES AS AT 30.6.2004 Kshs.	TOTAL CUMULATIVE EXCHANGE GAIN/ (LOSS) Kshs.
1. IBRD 1981 US\$58.00(1976 O.K.E) 9.6%	26,724,581	-	26,724,581	1,975,567,474	2,061,067,443	(85,499,969)
2. ODA Stg 7.04 M 9%	1,531,412	-	1,531,412	147,555,771	154,035,971	(6,480,200)
3. IDA	342,662,246	-	342,662,246	456,851,672	476,623,613	(19,771,941)
4. AFDB (UA.10.0M)	151,784,021	-	151,784,021	552,222,301	576,192,888	(23,970,587)
5. KFW DM. 4.5M.	19,258,884	-	19,258,884	20,612,104	21,506,824	(894,720)
6. KFW DM. 27.0M.	135,773,472	(1,600,000)	134,173,472	159,003,156	165,905,084	(6,901,928)
7. KFW DM. 8.60M. BANQUE INDOSUEZ	18,199,050	-	18,199,050	20,415,934	21,302,138	(886,204)
8. 1985 US\$ 0.90 M. (1997) 7.4 % US\$	899,188	(809,269)	89,919	7,289,641	7,605,127	(315,486)
9. PARIS CLUB RESCHEDULING US\$	8,313,399	-	8,313,399	633,896,674	661,330,890	(27,434,216)
				<u>3,973,414,727</u>	<u>4,145,569,978</u>	<u>(172,155,251)</u>

June 30, 2006

June 30, 2005

June 30, 2004

US\$ 1 = Kshs
£Stg 1 = Kshs
Euro 1 = Kshs
1 SDR =

73.73 US\$ 1 = Kshs
134.03 £Stg 1 = Kshs
92.53 Euro 1 = Kshs
1.45914 USD

76.25
137.76
92.15

US\$ 1 = Kshs
£Stg 1 = Kshs
Euro 1 = Kshs

79.55
143.81
96.15

STATEMENT NO. 9.

MOVEMENT IN PROVISIONS AND RESERVES

	Staff Pensions	Widows & Orphans Pensions	Fixed Assets Obsolescence	Insurance	Gratuities & Provident Fund	Bad & Doubtful Debts	TOTAL
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
A : PROVISIONS							
Balance as at 1st July 2005	357,893,925	182,728,016	(66,694,071)	(66,407,652)	20,442,630	409,548,905	837,511,754
Charges in the Accounts	228,543,429	688,156	63,069,841	35,038,878	27,900,220	174,943,552	530,184,076
Total	<u>586,437,354</u>	<u>183,416,172</u>	<u>(3,624,230)</u>	<u>(31,368,774)</u>	<u>48,342,850</u>	<u>584,492,457</u>	<u>1,367,695,830</u>
LESS							
Payments/Transfers	(537,602,884)	(679,988)	-	-	(68,784,480)	-	(607,067,352)
Balance as at June 30, 2006	<u>48,834,470</u>	<u>182,736,184</u>	<u>(3,624,230)</u>	<u>(31,368,774)</u>	<u>(20,441,630)</u>	<u>584,492,457</u>	<u>760,628,478</u>

B : RESERVES

	General Reserve	Reserves Adjustment	Asset Revaluation Reserve	Special Depreciation Magadi-Line	Total
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Balance as at 1st July 2005	2,712,819,270	(273,032,066)	7,970,238,584	13,972,632	10,423,998,420
Balance as at June 30, 2006	<u>2,712,819,270</u>	<u>(273,032,066)</u>	<u>7,970,238,584</u>	<u>13,972,632</u>	<u>10,423,998,420</u>

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT NO. 10WORKING EXPENDITURE FOR THE YEAR ENDED JUNE 30, 2006

Abstract A	Maintenance of Way and Works	2004/2005	2005/2006
		<u>Kshs.</u>	<u>Kshs.</u>
100 - 108	CCE's Headquarters and District Staff	121,728,750	122,442,812
109 - 120	Maintenance of Permanent Way	489,253,667	250,827,668
121 - 126	Maintenance of Bridges & Culverts	354,363	1,512,006
130 - 136	Maintenance of Works	3,550,787	20,715,626
140 - 145	Water Supply	-	13,296
150	Bush, Gardens Clearing and Conservancy	22,598,614	19,378,702
151	Maintenance of Tools and Plant	3,917,749	9,595,046
152	Purchase of Spares for Tools and Plant	91,338	963,897
153	Fuel Oil And Lubricant	12,122,681	16,681,292
154	Domestic Water Supply	23,988,896	9,647,412
155	Licences and Insurance for Motor Vehicles	15,100	-
156 - 157	Street Lighting	1,177	4,498,191
160	Contingencies for Floods and Accidents	9,706,525	16,898,949
165 - 169	Printing and Stationery	250,227	1,045,177
170 - 173	Maintenance of Mechanical Power Signals	531,595	11,556
180 - 186	Office Telephones	2,949,850	3,366,536
190	Minor Works	9,912	31,499
195	Non-Capitalised Major Works	664,329	-
196 - 199	Work Done for Other Departments	(21,968)	1,199,383
	Total - Abstract A	<u>691,713,592</u>	<u>478,829,048</u>
Abstract B	Maintenance of Locomotives, Rolling Stock, etc.		
200 - 208	Central Workshops Manager and Staff	20,337,101	17,554,371
210 - 215	Workshops - Maintenance of Locomotives	41,250,376	46,522,232
220 - 225	Workshops - Maintenance of Coaching Stock	17,245,436	24,046,923
230 - 235	Workshops - Maintenance of Goods Stock	52,986,155	103,979,931
240 - 244	Maintenance of Machinery, Tools and Plant	17,100,323	23,931,138
245	Work Done for Other Departments	56,496	-
246	Commercial & Private Work Orders	184,583	121,319
248	Departmental Telephone Charges	798,676	680,519
250	Electrical Maintenance	18,549,046	22,782,088
255	Printing and Stationery	254,810	50,825
270 - 297	Canteen Stores, Equipments, Staff & Uniforms	13,520	311,894
	Total - Abstract B	<u>168,776,522</u>	<u>239,981,240</u>

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

<u>Abstract C</u>	<u>Locomotive Running Expenses</u>	2004/2005	2005/2006
		<u>Kshs.</u>	<u>Kshs.</u>
300 - 305	CM&EE's Headquarters and District Staff	25,470,343	25,510,718
306	Drawing Office	1,221,730	2,031,569
308	Staff Training	42,019,924	17,313,923
310 - 316	Running Repairs	141,814,323	175,473,056
317	Running Expenses	127,916,435	139,678,142
320 - 329	Running Stores	13,253,068	26,808,476
330 - 336	Fuel	1,105,280,801	1,104,532,045
340 - 341	Locomotive Running Sheds	9,920,652	11,390,309
345 - 346	Work Done for Other Departments	13,538,216	8,748,109
350 - 356	Cleaning and Care of Locomotives	4,147,231	4,128,173
360 - 362	Maintenance of Machinery, Tools and Plant	1,281,636	2,192,384
367 - 368	Departmental Telephone Charges	1,921,753	1,909,330
369	Maintenance Repairs and Fuel to Dept. Vehicles	3,143,589	14,765,894
370 - 371	Maintenance of Outside Mech. Handling Equip.	2,321,029	2,314,905
372 - 375	Maintenance of Mech. Handling Equipment	107,472	167,973
380 - 382	Running Staff	80,837,616	76,885,644
383 - 384	Electrical Maintenance	10,484,718	10,762,439
385	Printing and Stationery	390,571	673,159
390	Accident Repairs	9,800,741	10,087,207
	Minor works	-	15,392
	Total - Abstract C	1,594,871,848	1,635,388,847
<u>Abstract D(i)</u>	<u>Traffic Expenses</u>		
400 - 408	CTM's Headquarters and District Staff	58,947,305	64,483,311
410 - 417	Station Staff	151,115,340	145,489,011
420	Loading and Unloading of Vessels and Trucks	3,028	54,270
421	Weighing at Ports	-	-
422	Shore Works	12,041,716	12,602,050
424	Motor Vehicles Fuel and Maintenance	2,165,741	2,449,279
425	Office Telephone Charges	7,623,647	6,258,342
426 - 435	Running Rooms Staff	26,840,053	29,702,566
440 - 444	Station Stores	15,334,322	17,500,848
445	Accidents	478,575	907,254
450	Clothing	757,045	82,094
460 - 465	Printing and Stationery	1,380,378	1,664,391
470 - 490	Collection, Delivery & local Haulage	7,049,057	8,043,894
	Total - Abstract D(i)	283,736,207	289,237,310
<u>Abstract D(ii)</u>	<u>Business Expenses</u>		
500 - 506	Business Manager's Headquarters Staff	15,617,729	15,511,832
507 - 511	Station Pier and Shore Working	31,547,552	30,076,446
	Maintenance Repairs and Other Transport Charges	632,878	985,316
513 - 515	Station Stores	2,355,836	704,473
516-517	Clothing	193,340	171,157
518	Entertainment	119,102	264,819
519	Commission, Rebates & Discounts	-	-
520-521	Printing and Stationery	332,711	516,825
522 - 529	Hire of Uganda Locos	118,221,802	117,516,148
530	Station Supervisory Staff	-	21,105
531 - 549	Hire of UR Wagons	15,230,732	15,140,756
	Total - Abstract D(ii)	184,251,682	180,908,877
<u>Abstract E</u>	<u>Catering Services</u>		
550 - 559	Superintendence	1,783,012	3,494,202
570 - 573	Refreshment Rooms	30,461,678	36,809,322
574	Hotels Licence Fees	324,365	-
575 - 576	Hotels Beddings and Laundry	4,597,082	6,450,267
577	Printing and Stationery	2,452	-
579	Agency Commission & Motor Maintenance	127,437	34,836
580 - 588	Inland Waterways	122,925	94,678
589	Uniforms	37,126	6,031
	Total - Abstract E	37,456,077	46,889,336

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

<u>Abstract F</u>	<u>Water Transport Services</u>	2004/2005	2005/2006
		<u>Kshs.</u>	<u>Kshs.</u>
600 - 608	Superintendence	2,916,341	3,070,631
610 - 620	Maintenance and Minor Renewals in Workshops	18,642,655	10,112,942
621 - 631	Running Expenses	45,346,683	71,099,810
632	Repairs, Fuel and Other Transport Charges	601,475	920,306
633	Departmental Telephone Charges	-	-
635 - 636	Printing and Stationery	68,995	130,382
637	Uniforms	55,316	-
640	Stocks of Minor Works	1,633,130	-
645	Non-Capitalised Major Works	-	-
646	Insurance	1,118,232	185,309
	Total - Abstract F	<u>70,382,827</u>	<u>85,519,380</u>

<u>Abstract G</u>	<u>Maintenance of Electrical & Telecommunication Services</u>		
650 - 655	Superintendence	11,200,412	9,765,684
656	Motor Drivers	1,377,680	933,082
657	Works & Supervisory Staff	14,032,035	14,413,955
658	Staff Training	716,354	530,112
659	Electrical Maintenance	21,570	159,202
660 - 665	Station Operations	2,441,091	2,310,922
666 - 669	Signal and Radio Maintenance	13,852,238	15,691,416
670 - 677	Running expenses	2,064,198	7,978,309
678	Electricity Charges	291,531	176,763
680 - 689	Telephone Directory	48,480	67,986
690	New Minor Works	-	-
695	Non-Capitalised Major Works	211,741	33,940
	Total - Abstract G	<u>46,257,330</u>	<u>52,061,371</u>

<u>Abstract H</u>	<u>General Charges</u>		
700 - 701	Board Expenses	14,234,918	20,058,097
702 - 706	Administration	36,401,869	38,006,599
707 - 709	Legal Expenses	10,120,083	14,171,836
710 - 711	Secretariat	3,834,593	2,881,520
712 - 714	Internal Audit	5,701,739	7,109,013
715 - 718	Management Services	4,723,717	3,518,942
720 - 722	Data Processing	20,324,629	14,238,137
724 - 738	Personnel	37,384,810	29,983,887
740 - 744	Railway Training Institute	21,611,449	29,191,407
745 - 751	Railway Training Institute Hostels	29,220,070	28,937,011
753 - 755	Staff Training (R.T.I.)	303,728	500,000
756	Secretarial Staff Training	10,000	-
760 - 761	Finance	26,267,955	25,029,010
762 - 763	Audit Expenses	1,981,432	3,913,000
764	Staff Training (Finance Department)	457,800	196,240
769 - 774	Supplies	17,019,858	14,736,209
780 - 790	Corporate Communication	22,936,204	20,040,145
	Total - Abstract H	<u>252,534,854</u>	<u>252,511,053</u>

KENYA RAILWAYS CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

		2004/2005	2005/2006
<u>Abstract J</u>	<u>Miscellaneous Expenses</u>	<u>Kshs.</u>	<u>Kshs.</u>
800 - 804	Pensions and Gratuities	700,565,673	231,967,894
805 - 809	Free Railway Traffic Costs	32,173,773	18,485,296
810	Refund of Fares to Passengers	25,470	17,000
811	Compensation to Employees	79,800	1,160,448
812	Refund of Fares to Other persons	24,563,692	14,436,574
814	Loss and Damage to Freight	15,813,384	8,757,873
816	Aid Activities & Awareness	39,482	323,025
820 - 823	Security Services	70,275,064	53,104,648
825 - 827	Fire Precautions	1,683,186	59,904
830 - 831	Headquarters Central Despatch Office	2,131,700	513,413
833	Cleaning of Passenger Coaches	1,818,564	1,720,113
835 - 838	Office Cleaning	163,157	61,193
840 - 844	Staff Housing	68,399,901	61,800,915
850 - 859	Staff Allowances	13,200	21,536
860 - 864	Stationery and Printing	17,606,921	18,466,035
865	Exchange and Brokerage and commission	71,046,023	31,981,660
866	Professional Subscriptions	-	-
867	Consulting Services	3,000	5,790,193
868	Municipal Rates	953,530	2,104,995
869	Out-patient Medical Services	25,953,799	35,350,463
870	Coffins and Transportations	346,007	668,609
871 - 872	Agency Services	-	5,050
873	Metric Conversion Services	-	-
874	Harambee Projects	60,000	600,000
876	Celebrations Costs	2,486	454
877	All African Railways	-	3,723,216
878	Local Authority Service charge	14,800	-
879	R. T. I. General Account	11,849,731	20,467,255
880	Motor Vehicles Fuel and Maintenance Costs	54,759,463	34,883,244
881	Road Warrants For Staff	34,624,598	39,888,991
883	Telephone Charges	14,644,004	17,449,262
885	Emergency Action Plan Costs	9,620	39,977
888	Union of African Railways	77,099	472,659
90	Retrenchment	5,641	5,000
	Total - Abstract J	1,149,702,768	604,326,895
	TOTAL EXPENDITURE	4,479,683,707	3,865,653,357

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