



REPUBLIC OF KENYA



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Leader of majority
on 15/2/2018
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REPORT



OF

THE AUDITOR-GENERAL

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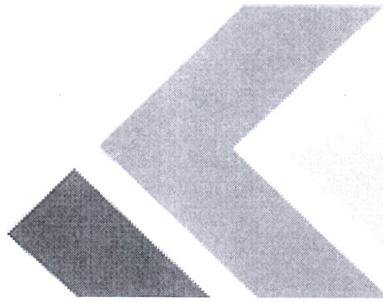
**THE FINANCIAL STATEMENTS OF
KENYA RAILWAYS CORPORATION**

**FOR THE YEAR
ENDED 30 JUNE 2016**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

- 9 JUN 2017

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KENYA RAILWAYS
right on track

KENYA RAILWAYS

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2016**



KRC is ISO 9001:2008 Certified



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

Vision, Mission and Mandate

Vision

To be the preferred provider of rail transport services

Mission

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

Our Mandate

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

CONTENTS

	<u>PAGE</u>
1 CORPORATION INFORMATION	1-3
2 BOARD OF DIRECTORS	4-7
3 MANAGEMENT TEAM	8-10
4 CHAIRMAN'S STATEMENT	11-12
5 MANAGING DIRECTOR'S STATEMENT	13-14
6 CORPORATE GOVERNANCE STATEMENT	15-19
7 CORPORATE SOCIAL RESPONSIBILITY STATEMENT	20-24
8 REPORT OF THE DIRECTORS	25
9 STATEMENT OF DIRECTORS' RESPONSIBILITIES	26
9i REPORT OF THE AUDITOR GENERAL	26i
10 STATEMENT OF COMPREHENSIVE INCOME	27
11 STATEMENT OF FINANCIAL POSITION	28
12 STATEMENT OF CHANGES IN EQUITY	29-30
13 STATEMENT OF CASHFLOWS	31
14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	32-41
15 NOTES TO THE ACCOUNTS	42-51

1.0 CORPORATE INFORMATION

1.1 Incorporation

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

1.2 Principal activities

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

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

1.3 Concession

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

1.4 Directors

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

- | | | |
|--------|--|---|
| (i) | Gen.(Rtd.) Jeremiah M. Kianga,EGII,CBS | Chairman |
| (ii) | Mr. Atanas K. Maina | Managing Director |
| (iii) | Dr. Henry Rotich | CS - Treasury (Alt. Esther Koimett, CBS, FBS) |
| (iv) | Mr. Irungu Nyakera | PS- MOTIHUD (Alt. Mr.Duncan Hunda) |
| (v) | Mr.Gichiri Ndua | Managing Director - KPA up to 9th Feb 2016 |
| (vi) | Ms Catherine Mturi Wairi | Ag. Managing Director - KPA wef 9th Feb 2016 |
| (vii) | Mr. Erick N. Kochellah | Director up to 14 th October 2015 |
| (viii) | Mr. Ahmed Haji Issa | Director up to 14 th October 2015 |
| (ix) | Dr. Macharia Irungu | Director up to 2 nd October 2015 |
| (x) | Mrs. Hellen Wamuiga Karu | Director |
| (xi) | Mr. John Kimanathi Maingi | Director |
| (xii) | Mr. Joseph Cheruiyot | Director |
| (xiii) | Amb. Dr. John M. Mutiso | Director with effect from 2 nd October 2015 |
| (xiv) | Mr. Herman N. Gaitho | Director with effect from 15 th October 2015 |
| (xv) | Mrs. Juliette J. Kipkorir | Director with effect from 15 th October 2015 |
| (xvi) | Ms Hellen Mungania | Corporation Secretary |

1.5 Registered office

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

CORPORATE INFORMATION (CONTINUED)

1.6 Corporate Headquarters

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

1.7 Corporate Contacts

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

1.8 Corporate Bankers

i. Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081, 00100
NAIROBI

ii. Citi Bank N.A
Upper Hill Branch
P.O Box 30711, 00100
NAIROBI

iii. Equity Bank
Moi Avenue Branch
P.O Box 75104, 00200
NAIROBI

1.9 Independent auditor


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

CORPORATE INFORMATION (CONTINUED)

1.10 Principal Legal Advisors

1	Behan Okero Advocates P.O. Box 1234 - 10100 KISUMU	8	Professor Lumumba Munira & Co Advocates P.O. Box 10676-00100 NAIROBI
2	Mukite Musangi & Co. Advocates P.O. Box 149-20100 NAKURU	9	Musinga Munyithya & Co Advocates P.O. Box 84367-80100 MOMBASA
3	Mutonyi Mbiyu & Co. Advocates P.O. Box 14219 NAKURU	10	Tom Muter Advocates P.O. Box 7289-30100 ELDORET
4	Oraro & Co. Advocates P.O. Box 51236-00200 NAIROBI	11	Ndegwa Muthama & Katisya Advocates P.O. BOX 87171 - 80100 MOMBASA
5	Mwaniki Gachoka & Co Advocates P.O. Box 13439-00800 NAIROBI	12	Ochieng Onyango Kibet & Ohanga Advocates P.O. Box 43170-00100 NAIROBI
6	Inamdar & Inamdar Advocates P.O. Box 43891-00100 NAIROBI	13	Miller & Co. Advocates P.O. Box 45707-00100 NAIROBI
7	Kalya & Co Advocates P.O. Box 235 ELDORET		

2.0 THE BOARD OF DIRECTORS

	<p>Gen.(Rtd.) Jeremiah M. Kianga,EGH,CBS, ndc'(K) 'cgsc'(USA) Chairman</p> <p>General Jeremiah Mutinda Kianga was born on 26 April 1950 He holds a Masters Degree in Strategy and Military Science from the Kansas University USA. Prior to his appointment as Chairman of the Board of Directors of the Kenya Railways Corporation in 2011, Gen. (Rtd) Jeremiah M. Kianga was the immediate former Chief of the Defence Forces in the Kenya defence Forces. He has 42 years experience in military training, leadership and command</p>
	<p>Mr. Atanas K. Maina Managing Director</p> <p>Mr Atanas K. Maina (born on 4th August 1966), holds a Bachelors Degree in Law from the University of Nairobi, Postgraduate Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary (CPS) and an Associate Member of the Chartered Institute of Arbitrators.</p> <p>Prior to his appointment ,he was the Group Company Secretary and the Head of Group Legal Services at UAP Holdings from 1st April 2011 to 31st December 2012. Under this capacity, he was involved in the provision of in house legal counsel and company secretarial services.</p>
	<p>Mr Irungu Nyakera PS- Transport services</p> <p>Mr Nyakera was born on 13th May 1982. he holds a Bachelor of Science, Management Science and Engineering (Financial Analysis and Decision Engineering) from the Stanford University, CA, USA and a Post Graduate Program- Coursework in Computer Science, Physics and French-Graduated Cum-Laude</p> <p>Prior to his appointment, he was the Managing Director of Equity Investment Bank, Subsidiary of Equity Group Holdings, . He also worked as a Regional Director, East and Southern Africa, Managing Director NIC Capital Limited having previously been a Senior Associate, Deputy General Manager, General Manager at the same firm). He also worked with Citigroup Global Markets, as a Financial Analyst, Emerging Markets Investment Banking Team, London, UK and a Summer Analyst, New York, NY</p>
	<p>Mr. Henry Rotich Cabinet Secretary, National Treasury</p> <p>Mr. Henry Rotich (47 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University.</p> <p>Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. He also worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.</p>

*Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016*



Mr. Gichiri Ndua
Managing Director up to 9th February 2016

Mr Gichiri Ndua (born on 26th August 1956) holds a Masters degree in Economics from the University of Nairobi. He is the current President of the International Association of Ports and Harbours (IAPH) and is the first African CEO to hold this post. He is also a member of the Institute of Economic Affairs and Kenya Institute of Management



Ms. Catherine Mturi Wairi
Ag. Managing Director with effect from 9th February 2016

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



Mr. Erick N. Konchellah Director up to 14th October 2015

Mr Erick N. Konchellah was Born on 1st January 1950. He's a CPA I & ACNC I & II Prior to appointment as a member of the Kenya Railways Board of Directors, Mr. Konchellah worked for the Kenya Dairy Board for a period of 26 years between 1976 and 2002 as an Accountant II, Administrative Assistant and Accounts Clerk II. Previously he worked as a Clerical officer in the salary section and the accounts department of the Ministry of Works



Mr. Ahmed Haji Issa Director up to 14th October 2015

Mr Ahmed Haji Issa (Born on 20th October 1956) holds a Diploma in Business Administration from the Kenya Institute of Management

Mr. Ahmed Issa is a businessman and business advisor by profession with experience in the Financial and Investments industry

Dr. Macharia Irungu Director up to 2nd October 2015



Dr Macharia Irungu is a Doctor of Philosophy (Strategic Management) - University of Nairobi. Holds a Masters in Business Administration (Marketing) from NU (USA) and a Bachelor of Science (Chemistry) - University of Nairobi
He is also a member of the American Chamber of Commerce
Dr. Macharia Irungu has 18 years experience in different Senior Management roles in the oil industry in Kenya and Africa as well as 3 years experience in chemical and X-ray analysis as a senior Industrial Chemist. He is also a University lecturer in Strategic Management, Research Methods and Leadership

**Mr. John Kimanthi Maingi
Appointed on 17th April 2015**



Mr John Kimanthi Maingi was born on 15th May 1962. He has a CPA from Strathmore University
He is the Managing Director of Kenya Tyres Distributors Limited running the day to day business of the company. Previously he was the Managing Director of King Cargo Agencies between 1997 and 2007

**Mr. Joseph Cheruiyot
Appointed on 17th April 2015**

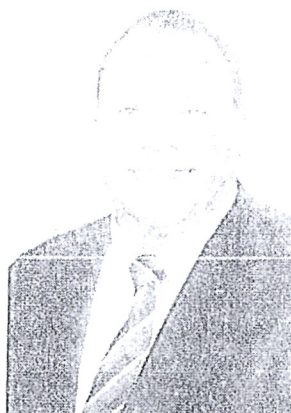


Mr Joseph Cheruiyot was born on 21st April 1948. He holds a P1 Certificate from the Kisii Teachers College
He was the Education Officer – Kuresoi Division between 1996 and 2003, the Divisional Inspector of School – Keringet Division between 1994 and 1996, the Assistant primary school inspector – Molo South Zone between 1989 and 1994 and had various teaching positions between 1974 and 1989.

**Mrs. Hellen Wamuiga Karu
Appointed on 17th April 2015**



Mrs Hellen Wamuiga Karu was born on 22nd October 1968. she holds a Post Graduate Diploma in Project Planning and Management – University of Nairobi and a Bachelor of Arts in Building Economics – University of Nairobi. She is a Graduate Member of the Institute of Quantity Surveyors of Kenya (IQSK)
Mrs. Hellen Wamuiga has 20 years experience in successful event and project planning, development and management, expertise in managing construction and project maintenance, events organization, contract negotiations and budget management. She is currently the Estates Manager at the Jomo Kenyatta University of Agriculture and Technology (JKUAT)



Amb. Dr. John Mutinda Mutiso

Appointed on 2nd October 2015

Born on 26th July 1968, Amb Dr John Mutinda Mutiso is a Doctor of Philosophy in Finance, JOOUST University. He holds an MBA (Finance) DR. BAMU University, India,-BA (Statistics, Econ, & Public Admin) from the Government College of Arts & Sciences,-Licentiate Certificate of the Institute of Insurance,- Fellow Certificate of FACP (UK),-Diploma in Journalism and Mass Communication, Horniman College,-Visitors Programme in US Financial Systems. He is a member of Public Relations Society of Kenya (PRSK).

Prior to his appointment, Amb. Dr. John Mutiso was the High Commissioner to the United Republic of Tanzania between 2009 and 2013. He was also the Member of Parliament (M.P) for Kilome Constituency and Deputy Chief Whip between 2001 and 2007 and the Assistant Manager Furniture Center between 1992 and 1994



Mrs. Juliet Jeptoo Kipkorir

Appointed on 15th October 2015

Born on 12th December 1977, Mrs Juliet Jeptoo holds an MBA Marketing and a Bachelor of Commerce (Marketing) from the Kisii University. she has Higher Diploma in Human Resource from the Rehema Institute and Diplomas in Public Relations and Food Sciences and Technology from the Kaimoi Technical Institute & Royal Institute of Management Studies respectively. She is also a Trainer of Trainees UN Women Mrs. Juliette Jeptoo was the Human Resource and Training Manager of Joyful Woman Organization between 2010 and 2013



Mr. Herman Gaitho

Appointed on 15th October 2015

Born on 22nd September 1962, Mr Gaitho holds a Post Graduate degree in Computer Science, -BSc (Hons) in Electrical and Electronics Engineering from the University of Nairobi

He has experience in the field of ICT of 27 years in Banking and Finance and 3 years experience as an ICT Consultant. His specialization is in the areas of project management, business process re-engineering, application development, system integration, training and payment technologies



Ms Hellen Mungania

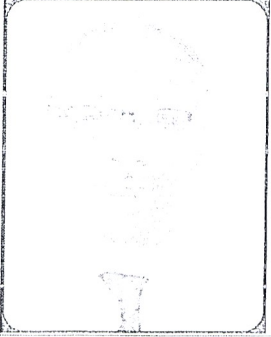

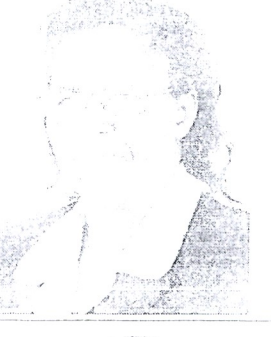


Corporation Secretary

Born on 5th October 1972 , Ms Hellen Mungania has been the Corporation Secretary since May 2013. She holds a Bachelor of Law degree from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law and a Diploma in Human Resource Management - Kenya Institute of Management .She is a member of Commonwealth Lawyers Association Kenya, Law Society and ICPSK

She has experience in the field of litigation, insurance law and company secretarial practice and previously worked as the Legal Officer in the Kenya Literature Bureau between 2004 and 2009 before being promoted to the Legal Services Manager. She has also served as a Legal Officer in Gateway Insurance Company for 2 years, State Counsel II in the Attorney General's Chambers between 2000 and 2001 and worked as an advocate at Gitobu Imanyara & Company Advocates

3.0 MANAGEMENT TEAM

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

	<p>Eng Benedict Kimau General Manager Concession</p>
	<p>Mr. Thurania Kinagwi Gen. Manager – Business</p>
	<p>Ms Josephine Masibo HR & Admin Manager</p>
	<p>Mr. Remy Kocch Risk & Audit Manager</p>
	<p>Ms Lucy Njoroge Procurement Manager</p>

Qualifications:
Bsc Civil engineering
He is a member of Engineers Registration Board of Kenya




Qualifications:
BA(Land Economics); MBA; PGDip in Marketing Management; Dip in Management Information Systems
He is a member of KIM, IMIS (UK)

Qualifications:
BA, MBA, PGDIP HRM and training in HR management Skills
She is a a member of IHRM

Qualifications:
BCom (Accounting Option), MBA.CPA(K).CISA
He is a member of ICPAK & ISACA

Qualifications:
MBA in Strategic Management, Graduate Diploma in Procurement & Supply, Certificate in Executive leadership, Certificate in Project Leadership, Bachelor of Science in Mathematics.
She is a member of CIPS & KISM

*Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016*

	<p>Capt.(Rtd) Nicholas Mutunga Security Services Manager</p> <p><u>Qualifications:</u> BSc in Military Science, Dip in Military Science</p>
	<p>Ms Mary Oyuke Corporate Affairs Manager</p> <p><u>Qualifications:</u> Masters in Corporate Communication, Bsc in Family & Consumer studies</p> <p>She is a member of Marketing Society of Kenya- MSK</p>
	<p>Mr. Ibrahim Mwadime ICT Manager</p> <p><u>Qualifications:</u> Masters in Information Science, Dip in Information Studies</p> <p>He is a Member of LIMIS</p>

4.0 CHAIRMAN'S STATEMENT



FOREWORD

I have pleasure in presenting the annual report and financial statements for Kenya Railways Corporation for the year ended 30th June 2016. Although 2015/16 remained a challenging year, I am glad to report that we remained right on track and focused on our strategic priorities of making rail the preferred transport mode of choice for freight and passengers.

BUSINESS ENVIRONMENT

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

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

INDUSTRY TRENDS

The transportation industry in Kenya is largely controlled by road trucks, transporting nearly 98% of freight from the port of Mombasa. The metre gauge railway operations are facing challenges and only managed to haul 2% of the freight. Clearly this is a problem we have to solve and Kenya Railways intends to dedicate considerable attention to it in the coming years.

FINANCIAL PERFORMANCE

The Corporation recorded a profit before tax of Ksh 574million (2014/15, Ksh. 1,058 million). The improvement in the economy and prevailing market conditions are expected to upscale this.

CHAIRMAN'S STATEMENT (CONTINUED)

STRATEGIC FOCUS

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

LOOKING AHEAD TO 2017

The progress on Phase I of the SGR project stood at 88% as at 30th June 2016 and we are determined to complete it in readiness for the launch on 1st June 2017. In 2017 the Corporation will be engaged in preparation for the operationalization of (SGR) phase I; commencement of construction of Phase 2 of SGR; managing and finding a solution for the concession; implementation of the RTI Master plan and leasing out the KenRail Towers.

CORPORATE SOCIAL RESPONSIBILITY

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

DIVIDEND

Our commitment to grow shareholder value remains intact as evidenced by the strong full year performance. The pre tax profit for the year stood at Kshs 574 million. However, we do not intend to pay out dividends this year.

APPRECIATION

I take this opportunity to record my sincere gratitude to the Government of Kenya.

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

I commend the management and staff for working tirelessly to achieve the level of business growth that we witnessed during the year. I am confident that they shall spare no effort to attain and surpass the targets we have set for the new financial year and according to the 2012-2017 Strategic Plan. In conclusion I thank our stakeholders and business partners for supporting the Corporation in various ways. We are confident that with your support Kenya Railways will continue to play its rightful role in the Country's economic agenda.

THANK YOU


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

CHAIRMAN

5.0 MANAGING DIRECTOR'S STATEMENT



PERFORMANCE

Kenya Railways is delighted to announce a successful year 2015/16. During the year, our corporate strategies continued to drive growth for the benefit of our stakeholders. The Corporation has continued to achieve improved performance in all its areas of operations. However, the profitability dropped in the financial year 2015/16 due to a rise in expenses during the year.

FINANCIAL RESULTS

The Corporation reported a pre tax profit of Kshs 574 million during the financial year ended 30th June 2016 compared to Kshs 1,058 million during the financial year ended 30th June 2015 representing a 46% decrease in profitability.

2015/16 YEAR IN REVIEW

This year saw huge investment in our capital program, particularly on the Standard Gauge Railway project. For us to grow as a business over the long term and achieve our vision of making rail the preferred mode of transport in Kenya, we first and foremost need to offer and deliver reliable and competitive services and the required capacity available for growth; but we also need to build a strong rail brand, continue to make rail easier to use and develop a banquet of supply chain solutions with rail as dominant component.

The modernization of railway infrastructure through investing in new standard gauge railway and commuter rail in Nairobi is an attestation to our commitment to bringing more freight and passengers onto rail.

HUMAN CAPITAL

As a Corporation we realize that our corporate objectives cannot be met without the support of committed, contented and loyal staff. We realise that it is important that our staff completely internalize what our corporate objectives are, what we aim to achieve and where we want to be in the future in every area of our operations. To this end, we continue to focus on the skills and capabilities of our staff through performance management, succession planning and development programmes.

MANAGING DIRECTOR'S STATEMENT- CONTINUED

CORPORATE SOCIAL RESPONSIBILITY

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

THE FUTURE

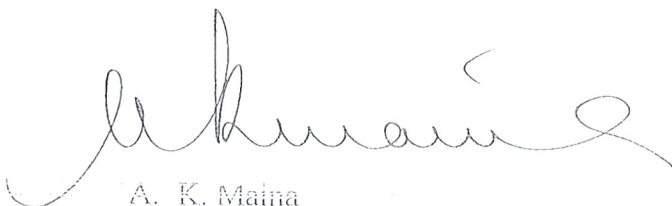
The business environment is extremely dynamic, unpredictable and characterised by cut-throat competition. Only entities fortified by appropriate strategies will survive or thrive. Unprepared businesses will surely be carnage on the wayside of "Business Avenue". As a Corporation we believe we have the strategy that will take Kenya Railways to the next level of operational efficiency and success within its operating business environment. To sustain our continued expansion and relevance to this effect we have initiated capital investment programs geared to modernization of rail transport to move more cargo and people in efficient and cost effective way. Over the long term, I am very optimistic about the future of rail transportation in general and Kenya Railways in particular.

We will indeed seek to maintain our ISO Certification , this should continue to drive efficiencies and act as a framework around which we will execute international best practices.

CONCLUSION

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

THANK YOU



A. K. Maina
MANAGING DIRECTOR

6.0 STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Kenya Railways Corporation is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

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

The Board defines the Corporation's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation. The Corporation Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held 4 regular and 13 special meetings during the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
GEN. (RTD) JEREMIAH M. KIANGA	4	12	16
MR. A. K. MAINA	4	13	17
MR. HENRY ROTICH	4	11	15
MR. DUNCAN HUNDA	4	11	15
MR. GICHIRI NDUJA	1	5	6
MR. ERICK KONCHELLAH	1	7	8
MR. AHMED HAJJ ISSA	1	7	8
DR. MACHARIA IRUNGU	1	4	5
MRS. HELLEN WAMUJIGA KARU	4	13	17
MR. JOHN KIMANTHI MAINGI	4	13	17
MR JOSEPH CHERUIYOT	4	13	17
AMB. DR. JOHN MUTINDA	3	9	12
MR. HERMAN GAITHO	3	7	10
MRS. JULIETTE JEPTOO	3	7	10
MR. PETER WAWERU		4	4
MS HELLEN MUNGANIA	4	13	17

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

COMMITTEES OF THE BOARD

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

a) Risk & Audit Committee

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

The membership of the Audit Committee is comprised as follows:

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

The Committee held 3 regular and 4 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	3	4	7
MR. HENRY ROTICH	2	4	6
MR. DUNCAN HUNDA	1	3	4
MR. AHMED HAJJ ISSA	1	2	3
MR. HERMAN GAITHO	2	2	4
MR. KIMANTHI MAINGI	3	4	7
MR. JOSEPH CHERUIYOT	3	4	7
MR. HERMAN GAITHO	2	2	4
MRS. HELLEN WAMUIGA		2	2
MS HELLEN MUNGANIA	2		2

b) Finance & HR Committee

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

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

- (i) Mr. Joseph Cheruiyot **Chairperson**
- (ii) Amb. Dr. John Mutinda
- (iii) Ms. Juliette Jeptoo Kipkorir
- (iv) Principal Secretary, Ministry of Transport and Infrastructure or Alternate
- (v) Cabinet Secretary, National Treasury or Alternate
- (vi) Inspector of State Corporations or Representative (By invitation)

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	4	8	12
MR. HENRY ROTICH	4	8	12
MR. DUNCAN HUNDA	4	7	11
MR. ERICK KONCHELLAH	1	2	3
DR. MACHARIA IRUNGU	1	2	3
MRS. HELLEN WAMUIGA	2	2	4
MR. PETER WAWERU	1	1	2
MR. JOSEPH CHERUIYOT	2	8	10
AMB. DR. JOHN MUTISO	2	8	10
MRS. JULIETTE JEPTOO	2	8	10
MS. HELEN MUNGANIA	4	8	12

c) Business & Concession Committee

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

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

- | | |
|---|--------------------|
| (i) Amb. Dr. John Mutinda | Chairperson |
| (ii) Mrs. Hellen Wamuga Karu | |
| (iii) Mr. Herman Githo | |
| (iv) Principal Secretary, Ministry of Transport and Infrastructure or Alternate | |
| (v) Cabinet Secretary, National Treasury or Alternate | |
| (vi) Inspectorate of State Corporations or Representative (By invitation) | |

The Committee held 4 regular & 3 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MR. A. K. MAINA	3	1	7
MR. HENRY ROTICH	2	4	6
MR. DUNCAN HUNDA	2	2	4
MR. ERICK KONCHELLAH	1		1
MRS. HELLEN WAMUIGA	3	1	7
MR. KIMANTHI MAINGI	1		1
MR. HERMAN GITHO	3	3	6
MR. PETER WAWERU	2		2
AMB. JOHN MUTINDA	3	3	6
MS. HELEN MUNGANIA	3	1	7

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

d) Strategic Project Committee

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

The membership of the Strategic projects Committee is comprised as follows

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

The Committee held 6 regular meetings 3 special meetings in the year under review. The attendance per board member was as follows:-

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
GEN. (RTD) JEREMIAH M. KIANGA,EGH,CBS	3		3
MR. A. K. MAINA	6	3	9
MR. HENRY ROTICH	6	2	8
MR. DUNCAN HUNDA	6	1	7
MR. AHMED HAJJ ISSA	2		2
DR. MACHARIA IRUNGU	2		2
MR. KIMANTHI MAINGI	6	2	8
MRS. HELLEN WAMUIGA	6	2	8
MRS. JULIETTE JEPTOO	5	2	7
MS HELLEN MUNGANIA	6	3	9

Risk Management and Internal Controls

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

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

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Creating Shareholders' Value

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

Directors' Emoluments

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

Employees

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

Information and Board Developments

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

All directors have access to the advice and services of the corporation secretary who, if necessary, has access to external legal advice.

Directors receive induction training on appointment to the Board which is tailored to their individual needs and experience. Information is provided to Directors on their responsibilities, regulations and legal obligations.

7.0 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

During the year under review, the following CSR activities were undertaken:-

- i. Sponsorships
 - Inaugural Syokimau Road Race
 - Kwale Marathon
 - Golf tournaments
- ii. Participation in the First Lady's Marathon/ Beyond Zero campaign
- iii. A visit and donations to Angaza Sports Centre
- iv. Annual Tree planting in Chepalungu Forest, Bomet County

i. Sponsorships

Inaugural Syokimau Road Race

Given the strategic location of the Syokimau Railway station, Kenya Railways is among key stakeholders of the Syokimau area. In this regard, the Corporation sponsored the inaugural Syokimau Annual Road Race, which was held on August 29, 2015. Organized by the Syokimau Residents Association (SRA), the event attracted close to 1,000 participants, who participated in the 2.5 km, 5km and 10km races.

The purpose of the road race was to raise funds to rehabilitate one of the idle public lands, converting it into a public sports field for the Syokimau community.

Kwale Marathon

The third edition of the Kwale county marathon took place on December 26, 2015 at Mwaluphamba Secondary School, Burani village. The event dubbed "Talanta Zetu Maisha Yetu" aimed at creating awareness on the need to protect water springs, water sources and the environment of Mwaluphamba location and Mkongani ward as a whole. It was also geared towards nurturing upcoming sports personalities in the area, as well as enhancing peace and co-existence among the different communities.

Given the Corporation's engagement with the region through construction of the Standard Gauge Railway, participation in the event and sponsorship of the same was KR's way of underscoring importance of environmental conservation amid infrastructural development.

Golf tournaments

The Corporation sponsored two golf tournaments in the Financial Year- the Railway Golf Club tournament as well as the Muthaiga Captains Prize tournament, which both aimed at building relationships with the sports fraternity.

ii. **First Lady's Half Marathon/ Beyond Zero Campaign**

A team from Kenya Railways joined Her Excellency Mrs. Margaret Kenyatta and thousands of other participants for the third edition of the First Lady's Half Marathon held on March 6, 2016. The race was flagged off at Nyayo stadium and saw participants crossing the finishing line at the same venue. The enthusiastic team participated in the various categories which included the twenty one, ten, five and two kilometer races.

Under the initiative commonly referred to as the "Beyond Zero campaign", the First Lady's office partners with various stakeholders in raising funds to promote maternal, newborn and child health in Kenya, through the establishment of mobile clinics. Some of the areas affected by high maternal and child mortality rates include areas traversed by the Standard Gauge Railway project.

Kenya Railways partnered with Beyond Zero campaign in both the second and third editions of the marathon through sponsorship and direct participation in the races, given the Corporation's commitment to health and wellness as a key component of the CSR policy. The Corporation was represented by Board members, staff from the Headquarters, as well as those from the Railway Training Institute.

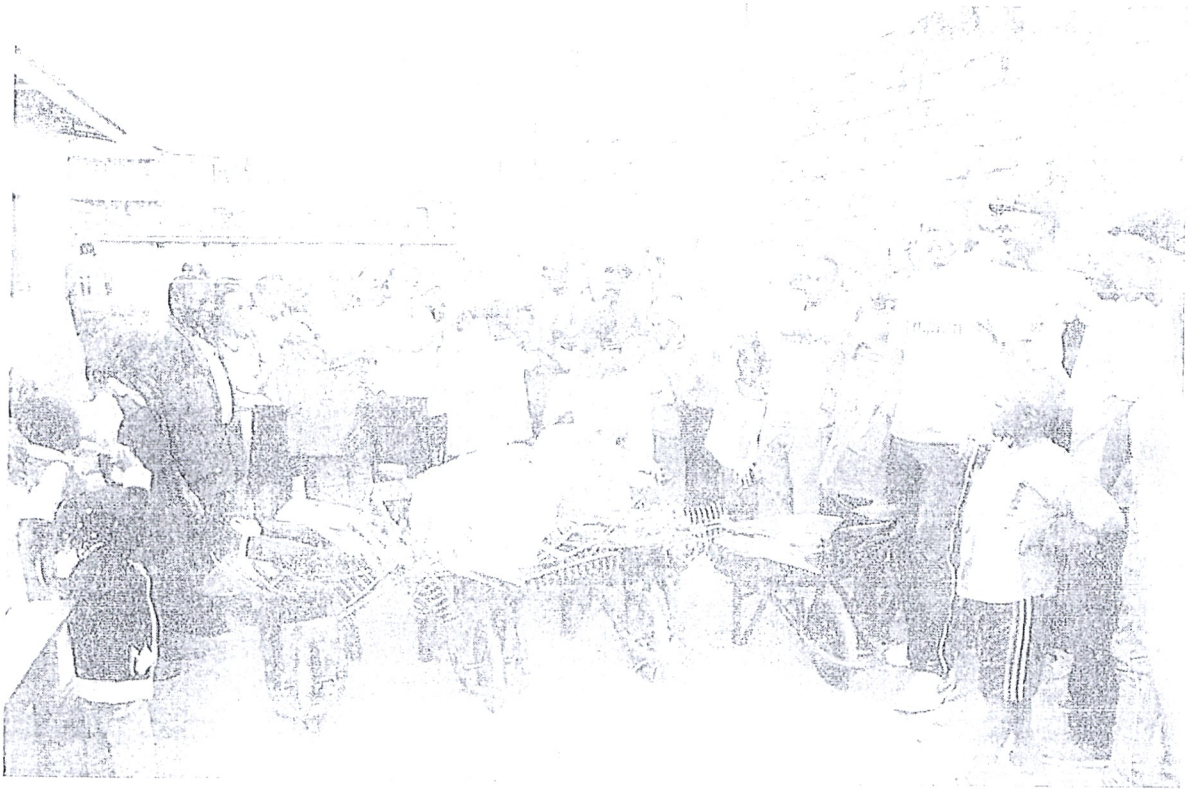




iii. Visit and Donations to Angaza Sports Centre

Members of staff drawn from different Departments at the Corporation visited Angaza Sports Centre in Kiandutu, Thika on April 1, 2016. The visit was aimed at providing support for the Centre through the Corporation's Corporate Social Responsibility initiatives. During the visit, the members donated items which included sportswear for the Centre's senior soccer team, wheel barrows, rakes and spades.

Angaza Sports and Development Centre is a community and youth driven Non-Governmental organization, which relies mostly on the support of well wishers who assist by sponsoring their various programmes which include Mtaa Safi, Go Sisters, Rafiki Club and Angaza Ndoto. The Centre was founded in 2008 and sets out to intervene in the daily lives of the youth through sports, environmental and entrepreneurship initiatives. The specific areas of focus include HIV/AIDS awareness and life skills, economic empowerment initiatives, education, the girl-child empowerment and peace building and reconciliation. The Centre upholds the power of sports as an all terrain vehicle for addressing the initiatives.



iv. Tree planting in Bomet County

As part of the Corporation's CSR activities, members of staff contributed to environmental conservation and rehabilitation by planting 10,000 indigenous trees in Chepalungu forest in Singiroi block of Bomet County. The Corporation had in FY 2014/2015 planted trees in the same area, and this second exercise was not only aimed at introducing vegetation cover in the Mau forest which had been depleted over the years as a result of human activities in the region, but to also have a more significant contribution towards this, by planting in a larger area that would enhance community ownership of the project.



*Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016*



8.0 REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the *Corporation's* affairs

Principal activities

The Corporation's principal activity is to provide a co-ordinated and integrated system within Kenya of rail & inland waterways transport services, port facilities in relation to inland waterways transport services and auxiliary road services in connection therewith

Results

The results of the Corporation for the year ended June 30, 2016 are set out on page 27.

Dividends

The directors have not declared any dividend for the year

Directors

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

Retirement from the Board

- | | |
|----------------------------|--|
| (i) Mr. Brick N. Kochellah | Director up to 14 th October 2015 |
| (ii) Mr. Ahmed Haji Issa | Director up to 14 th October 2015 |
| (iii) Dr. Macharia Irungu | Director up to 2 nd October 2015 |

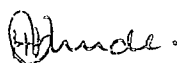
Appointment into the Board

- | | |
|---------------------------------|---|
| (i) Amb. Dr. John M. Mutiso | Director with effect from 2 nd October 2015 |
| (ii) Mr. Herman N. Gatho | Director with effect from 15 th October 2015 |
| (iii) Mrs. Juliette J. Kipkottu | Director with effect from 15 th October 2015 |

Auditors

The Auditor General is responsible for the statutory audit of the *Corporation*

By Order of the Board



Ms Hellen Mungania
Corporation Secretary
Nairobi
Date.....

9.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *Corporation's* financial statements, which give a true and fair view of the state of affairs of the *Corporation* for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes:

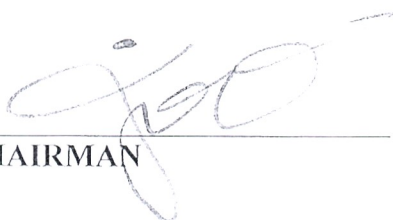
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Corporation*;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the *Corporation*;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Corporation's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *Corporation's* financial statements give a true and fair view of the state of *Corporation's* transactions during the financial year ended June 30, 2016, and of the *Corporation's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Corporation*, which have been relied upon in the preparation of the *Corporation's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Corporation's* financial statements were approved by the Board on _____ 2016 and signed on its behalf by:



CHAIRMAN



MANAGING DIRECTOR

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

9.0i REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Railways Corporation set out on pages 27 to 51, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Report of the Auditor-General on the Financial Statements of Kenya Railways Corporation for the year ended 30 June 2016

on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Illegal Allocations of Land

The statement of financial position as at 30 June 2016 reflects a balance of Kshs.22,571,735,017 in respect of property, plant and equipment. However, and as reported in the previous year, various parcels of land have been allocated to private developers by either the Commissioner of Lands or Local Authorities without the consent of the Corporation. Land measuring approximately 3 acres within Limuru Railway Station constituting industrial plots No.7882/2-10 was allocated to private developers. Similarly, private buildings have been put up on another piece of land measuring approximately 2 acres within Kikuyu Railway Station while in Mombasa parcels of land measuring approximately 1 and 0.75 acres adjacent to Mombasa Railway Station have been allocated to private developers, without the Corporation's consent.

Consequently the accuracy of the property, plant and equipment balance of Kshs.22,571,735,017 as at 30 June 2016 could not be confirmed.

2.0 Current Assets

2.1 Short Term Deposits

Included in current assets balance of Kshs.79,497,740,347 as at 30 June 2016 was short term deposits amounting to Kshs.2,725,000,000 out of which Kshs.800,000,000 is held as a fixed deposit with Chase Bank Ltd at a rate of 12.5% p.a. However, Chase Bank Ltd was placed under receivership and Kenya Deposit Insurance Corporation (KDIC) appointed to assume the management and control of the bank on 7 April 2016. In the circumstances, the recoverability of the total of Kshs.800,000,000 is doubtful.

2.2 Inventories

Further, the current assets balance of Kshs.79,497,740,347 also includes stores inventories amounting to Kshs.3,471,628,460. However, no stocktaking was carried out as at 30 June 2016. In the circumstances, it was not possible to confirm the accuracy of the total inventories balance of Kshs.3,471,628,460 included in the current assets as at 30 June 2016.

3.0 Payables and Accrued Charges

Included in payables and accrued charges balance of Kshs.2,197,081,570 as at 30 June 2016 is an amount of Kshs.742,224,851 relating in payables which have been outstanding for over a year. No satisfactory explanation was provided as to why the same had remained outstanding for over a year.

4.0 Unaccounted for Cash

4.1 Staff Travel Advance Surrendered but not Banked

Evidence available indicates that an amount of Kshs.4,853,766.00 was surrendered by officers to the Corporation's cashier, but the same was not banked as summarized below;

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

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

4.2 Museum Revenue not accounted

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

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the

financial position of Kenya Railways Corporation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Railways Corporation Act, Cap 397 of the Laws of Kenya.



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

Nairobi

25 July 2017

*Kenya Railways Corporation**Reports and Financial Statements For the financial Period ended June 30, 2016*

10.0 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	<u>Note</u>	2016 <u>Shs</u>	2015 <u>Shs</u>
REVENUES			
Main income	1	819,066,455	826,499,415
Grants received from the National Government	2	34,709,893	
Other income	3	<u>795,579,935</u>	<u>810,967,341</u>
TOTAL REVENUES		1,649,356,284	1,637,466,757
OPERATING EXPENSES			
Board expenses	4	49,281,352	40,575,041
Administration expenses	5	1,119,993,492	990,589,820
Depreciation of property, plant and equipment	6	218,959,616	173,823,451
Amortisation of Intangible Assets	7	<u>313,521</u>	<u>3,145,073</u>
TOTAL OPERATING EXPENSES		<u>1,388,547,982</u>	<u>1,208,133,385</u>
OPERATING PROFIT		260,808,301	429,333,371
Other comprehensive income			
Finance Income	8	<u>313,995,375</u>	<u>629,301,596</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>574,803,676</u>	<u>1,058,634,967</u>
INCOME TAX EXPENSE	9	60,957,170	117,980,125
PROFIT/(LOSS) AFTER TAXATION		<u>513,846,506</u>	<u>940,654,842</u>

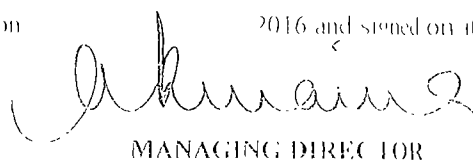
Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

11.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

	Note	<u>2016</u> Kshs.	<u>2015</u> Kshs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	22,571,735,017	21,503,369,452
Investment property	11	23,445,304,922	19,553,893,729
Intangible assets	12	125,429,112	91,703,114
Capital Works in-progress	13	180,323,808,524	115,955,236,524
Total Non-Current Assets		<u>226,466,277,575</u>	<u>160,107,202,819</u>
Current Assets			
Stores Inventories	14	3,171,628,460	3,379,104,469
Trade and other Receivables	15	64,190,633,155	62,121,468,197
Short Term Investments	16	2,725,000,000	2,813,000,000
Cash deposits & guarantees	17	6,227,176,383	3,591,599,767
Cash & Bank Balances	18	2,883,302,348	856,385,887
Total Current Assets		<u>79,497,740,347</u>	<u>72,761,558,320</u>
TOTAL ASSETS		<u>305,964,017,922</u>	<u>232,868,761,139</u>
EQUITY & LIABILITIES			
Equity			
Govt. Subventions & Equity	19	40,474,007,122	40,474,007,122
GOK Grants	20	10,557,231,908	10,277,844,099
Restructuring reserves	21	20,075,487,838	20,079,448,290
Accumulated losses	22	(17,715,776,569)	(18,091,623,230)
Total Equity		<u>53,390,950,299</u>	<u>52,739,676,280</u>
LIABILITIES			
Non-Current Liabilities			
East African Loan stocks	23	36,843,776	36,843,776
Exim bank loan	24	173,576,987,893	123,720,245,893
KCB Mortgage	25	300,000,000	300,000,000
Provisions	26	195,636,946	193,826,515
Total Noncurrent liabilities		<u>174,109,468,615</u>	<u>124,250,916,184</u>
Current Liabilities			
Payables & Accrued Charges	27	2,197,081,570	1,866,262,471
Deferred Income	28	2,169,436,963	4,152,399,794
Total Current Liabilities		<u>78,463,599,008</u>	<u>55,878,168,675</u>
Total liabilities		<u>252,573,067,623</u>	<u>180,129,084,859</u>
TOTAL EQUITY & LIABILITIES		<u>305,964,017,922</u>	<u>232,868,761,139</u>

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

CHAIRMAN

2016 and signed on its behalf

 MANAGING DIRECTOR

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

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

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

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

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

12. STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015

	Share Capital	Share Capital	Accumulated Losses	Restructuring	Total
	(Govt. Subventions & Equity) Kshs	(GoK Grants) Kshs	(Net Appropriation a/c) Kshs	reserves Kshs	Kshs
At 1st July 2014	40,474,007,122	16,801,005,276	(18,514,313,370)	20,325,476,757	59,086,175,784
Prior period adjustment*	-	-	(517,964,702)	(246,028,467)	(763,993,170)
Restated balance	40,474,007,122	16,801,005,276	(19,032,278,073)	20,079,448,290	58,322,182,615
For the year		104,483,890	940,654,842		1,045,138,732
Reclassified		(6,627,645,067)			(6,627,645,067)
At 30th June 2015	40,474,007,122	10,277,844,099	(18,091,623,230)	20,079,448,290	52,739,676,280

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

Prior years expenses	7,302,417
Overstated Rental charges	45,208,101
Prior years' tax expense	465,454,184
	<u>517,964,702</u>

Kenya Railways Corporation

Reports and Financial Statements For the financial Period ended June 30, 2016

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2016

	2016		2015 (RESTATED)	
	Kshs	Kshs	Kshs	Kshs
Cash flows from operating activities				
Profit after income tax		513,846,506		940,654,842
Add : Items not Involving movement of Cash				
- Depreciation of PPE	218,959,616		173,823,451	
- Depreciation- Intangible assets	313,521		3,145,073	
		<u>219,273,137</u>		<u>176,968,524</u>
Operating profit / (loss) before working capital changes		733,119,643		1,117,623,366
<u>Add : Movement In Working capital</u>				
Increase in stores inventories	(92,523,991)		(35,041,389)	
(Increase)/decrease in Receivables	(2,456,141,730)		(226,504,606)	
Increase/(decrease) in payables	330,819,099		353,210,240	
Net Current Assets Movement		<u>(2,217,846,622)</u>		<u>91,664,245</u>
Net cash generated from / (used in) operating activities		(1,484,726,979)		1,209,287,612
<u>Cash flow from Investing Activities</u>				
Purchase of property, plant and equipment	(51,127,028)		(30,620,659)	
Disposal of assets	1,811,255,596			
Purchase of intangible assets	(10,233,830)		(30,928,810)	
Adjustment on fixed assets depreciation	-		348,396,543	
Capital works started during the year	<u>(68,328,242,631)</u>		<u>(108,168,911,168)</u>	
Net cash generated from / (used in) investing activities		(66,578,347,893)		(107,882,064,093)
<u>Cash flow from Financing Activities:-</u>				
Restructuring reserves movement	(3,960,451)		(246,028,467)	
Prior year adjustment to accumulated losses	(137,999,845)		(517,964,702)	
Other provisions	1,810,431		1,264,544	
SGR prepayments	386,976,771		(59,457,424,251)	
(Increase)/decrease in cash deposits	(2,635,576,616)		(3,357,657,125)	
Movement in Long term loans	49,856,742,000		123,870,245,893	
GOK grant	279,387,809		(6,523,161,177)	
Deferred income	22,254,611,234		53,388,879,488	
Net cash generated from / (used in) financing activities		<u>70,001,991,334</u>		<u>107,158,154,201</u>
Increase in Cash and Cash Equivalents		<u>1,938,916,460</u>		<u>485,377,719</u>
<u>Movement in Cash & Cash Equivalents</u>				
Opening Balances		3,669,385,888		3,184,008,169
Add increase/(decrease) in cash & cash equivalent		1,938,916,460		485,377,719
Closing balance of cash & cash equivalent note 29		<u>5,608,302,349</u>		<u>3,669,385,888</u>

14.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(i) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies

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

(ii) Adoption of International Financial Reporting Standards

In preparing The Kenya Railways Corporation's statement of financial position that complies fully with International Financial Reporting Standards (IFRSs), the following applicable standards were adopted:

- International Accounting Standards (IAS 2) - Inventories.
- International Accounting Standards (IAS 8) - Accounting policies, changes in accounting estimates and errors.
- International Accounting Standards (IAS 12) - Income tax.
- International Financial Reporting Standards (IFRS 8)- Segment reporting
- International Accounting Standards (IAS 20) - Accounting for Government grants and disclosure of Government assistances.
- IFRIC 4 - Determining whether an arrangement contains a lease, reviewed in relation to the Concession agreement with Rift Valley Railways.
- IFRIC 12 - Service Concession Arrangements. Reviewed and applied in the recognition and accounting for the assets under Concession Agreement with Rift Valley Railways (RVR)
- International Accounting Standards (IAS 24) - Related party disclosures (due to / from other state corporations and Government agencies) and key management compensations.
- International Accounting Standards (IAS 32) - Financial instruments; presentation,
- International Accounting Standards (IAS 36) - Impairment of assets.
- International Accounting Standards (IAS 37) - Provisions, contingent liabilities and contingent assets. International Accounting Standards (IAS 37)
- International Accounting Standards (IAS 38) - Intangible assets.
- International Accounting Standards (IAS 7) - cash flow statements
- International Accounting Standards (IAS 16) - Property, plant and equipment.
- International Accounting Standards (IAS 18) - Revenue recognition
- International Accounting Standards (IAS 19) - Employee benefits
- International Accounting Standards (IAS 21) - Effects of exchange rate changes.
- International Accounting Standards (IAS 40) - Investment property

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *Corporation* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *Corporation's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *Corporation's* activities as described below.

a) Rail operation revenue –

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

b) Landed property income: include land rents, property sales, rent from building etc and shall be recognised on accrual basis.

c) Dividend income shall be recognised when the right to receive payments is established.

d) Interest income shall be accounted on a time proportion basis using effective interest method.

e) Student hostel, food and beverage income are recognised on a cash basis in the period in which they relate.

f) Scrap disposal income shall be recognised on the basis of customer invoice which are issued on delivery.

g) Government grants:

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

(iv) In-kind contributions

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

(v) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment

losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Fixed assets were last revalued in 2010 by external registered valuers; Knight Frank Limited.

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

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

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

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

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

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

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

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

(vi) Depreciation and impairment of property, plant and equipment

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

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

	<u>Rate</u> (%)	<u>Useful life</u> (Years)
Permanent Way and Bridges	2.00%	50
Buildings	2.00%	50
Plant and Machinery	3.33%	30
Signaling Equipment	2.50%	40
Telecommunication Equipment	4.00%	25
Locomotives	2.50%	40
Coaches	2.50%	40
Wagons	2.50%	40
Wagon ferries	2.50%	40
Dry dock	2.50%	40
Ancillary vessels	2.50%	40
Ferry terminals	1.67%	60
Marine equipment	3.33%	30
Lorries - above 3 tonne tare weight	37.5%	2.67
Motor Vehicles - 3 tonne and above	25.00%	4
Office Equipment	12.50%	8
Furniture & fittings	12.50%	8
Computer, copiers & faxes	30.00%	3.33

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

(vii) Intangible assets

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

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the corporation and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

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

(viii) Amortisation and impairment of intangible assets

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

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

(ix) Investment property

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

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

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

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

(x) Finance and operating leases

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

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

(xi) Financial instruments

The Corporation classifies its investments into the following categories:

- a) **Financial assets at fair value through profit or loss:**
 This category has two sub - categories: financial assets held for trading, and those designed at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making or if so designated by management.
- b) **Held-to-maturity investments** which are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has a positive intention to hold to maturity.
- c) **Loans and receivables** which are non-derivative financial assets created by the Corporation by providing money or products directly to the debtor other than those with the intent to be sold immediately or in the short run.
- d) **Available-for-sale financial assets** which are assets held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates.

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

(x) **Financial risk management objectives and policies**

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

a). **Liquidity risk**

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

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

	Less than 1 month <u>Kshs '000</u>	Between 1 & 3 months <u>Kshs '000</u>	Between 3 - 12 months <u>Kshs '000</u>	over 1 year <u>Kshs '000</u>
Trade & other payables	116,218	73,149	781,831	1,286,841
Borrowings - KCB bank	0	0	0	300,000
TOTAL	<u>116,218</u>	<u>73,149</u>	<u>781,831</u>	<u>1,586,841</u>

b). Credit risk

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

	Fully performing <u>Kshs '000</u>	Past due but not impaired <u>Kshs '000</u>	Past due and impaired <u>Kshs '000</u>	Total <u>Kshs '000</u>
Cash at bank	2,882,380			2,882,380
Short term investments	2,725,000			2,725,000
Cash deposits & guarantees	6,227,176			6,227,176
Trade & other receivables	60,396,137	3,854,094		64,251,014
TOTAL	<u>72,230,693</u>	<u>3,854,094</u>	<u>0</u>	<u>76,026,788</u>

c). Market risk

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

Foreign exchange risk

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

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

Price risk

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

Interest rate risk

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

(xi) Financial instruments

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

The directors classify financial assets as follows:

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

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

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

(xii) Inventories

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

(xiii) Trade and other receivables

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

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

(xiv) Taxation

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

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

(xv) Cash and cash equivalents

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

(xvi) Borrowings

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

(xvii) Trade and other payables

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

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

(xviii) Retirement benefit obligations

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

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

(xix) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the *Corporation* operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(xx) Comparative figures

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

(xxi) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015

xxii Critical Accounting Estimates and Judgements

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

a) Impairment of non-financial assets

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

b) Contingent liabilities and assets

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

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

c) Going concern issues

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

15.0 NOTES TO THE FINANCIAL STATEMENTS

1 MAIN INCOME

	2015/16	2014/15
	Kshs	Kshs
Concession fees - Freight	616,759,886	611,710,016
Museum Earnings	2,000,161	975,250
Kisumu Port Earnings	3,022,062	7,067,469
Railway Training Institute	152,188,344	157,155,578
NCR revenues	45,096,003	49,591,102
	819,066,455	826,499,415
2 Grants received from the National Government		
NUTRIP project	33,874,693	0
Marine school project - KCA IIIIF	835,200	0
	34,709,893	0
3 OTHER INCOME		
Net rental income from investment property	773,513,347	740,554,944
Sundry income	956,136	355,900
Sale of tender documents	53,000	74,000
Sale of biological assets	38,900	39,500
Sale of spares	5,450,952	57,764,997
Wagon lease	15,567,600	12,178,000
	795,579,935	810,967,341
4 BOARD EXPENSES		
Director's Fees	13,719,000	16,016,103
Directors' Sitting Allowances	16,640,000	9,700,000
Board training	2,012,540	1,868,591
Directors' Travel & Accommodation	16,909,812	12,990,347
	49,281,352	40,575,041
5 ADMINISTRATIVE EXPENSES		
Staff costs	5a 435,618,683	419,819,687
Postages and telephones	5,138,222	3,010,756
Vehicle running & generator maintenance	6,793,179	9,836,882
Travel & Accommodation	74,781,585	57,231,665
Printing and stationery	9,353,800	6,927,843
Advertising and sales promotion	37,429,200	32,059,985
Audit fees provision	2,164,380	2,164,380
Legal and professional fees	176,676,008	228,307,899
Bank charges and commissions	4,347,581	3,028,191
General Office Expenses	5b 67,421,869	61,749,197
Occupancy & Utilities	5c 51,066,345	43,051,124
Insurance	11,300,293	12,602,729
(Increase)/ Decrease in provision for bad debts	5d 105,922,748	2,059,394
Security	109,805,757	91,962,255
Repairs & Maintenance	22,173,843	16,777,833
TOTAL	1,119,993,492	1,031,164,861

Kenya Railways Corporation

Reports and Financial Statements For the financial Period ended June 30, 2016

5a	STAFF COSTS		
	Salaries and wages	330,288,746	338,298,480
	Staff medical	26,257,862	26,811,514
	Provision for leave	3,588,236	3,357,171
	Provision for long-term service dues	27,036,956	26,543,156
	Group life Insurance & group personal accident	2,431,784	2,431,784
	Staff training	42,240,282	19,708,421
	Subscriptions	3,774,817	2,929,229
		<u>435,618,683</u>	<u>419,819,687</u>
5b	GENERAL OFFICE EXPENSES		
	Office tea & beverages	3,618,593	3,692,844
	Cleaning services	34,166,193	30,745,673
	Office repairs & maintenance	1,600	258,302
	Students' food and essentials	19,860,753	17,127,326
	Concession monitoring cost	4,262,285	6,866,873
	Other office expenses	5,512,445	3,058,179
		<u>67,421,869</u>	<u>61,749,197</u>
5c	OCCUPANCY & UTILITIES COSTS		
	Land rates	39,186,260	28,475,697
	Electricity	8,673,488	11,413,102
	water	3,206,597	3,162,325
		<u>51,066,345</u>	<u>43,051,124</u>
5d	PROVISION FOR BAD DEBTS		
	It is the Corporation's policy to maintain a 5% provision on trade receivables .		
	Balance b/fwd	(91,376,573)	(89,317,178)
	Prior year adjustment	(5,550,394)	-
	Charge for the year	(105,922,748)	(2,059,394)
	Balance carried forward	<u>(202,849,714)</u>	<u>(91,376,573)</u>
6	DEPRECIATION		
	Buildings	59,045,943	57,884,017
	Water Supplies & Transport equip.	5,729,319	5,729,319
	Plant & Machinery	37,494,778	37,494,780
	Telecommunications Equipment	1,406,188	1,406,188
	Motor Vehicles	1,641,885	3,848,614
	Furniture & Fittings & Office Equipment	99,639,188	61,080,442
	Computers	8,002,316	6,380,091
		<u>218,959,616</u>	<u>173,823,451</u>
7	ARMOTIZATION OF INTANGIBLE ASSETS		
	Charge for the year	313,521	3,145,073
		<u>313,521</u>	<u>29,948,460</u>

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

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

	Land	Buildings	Water Supplies & Transport	Plant & Machinery	Telecommu nications Equipment	Motor Vehicles	Furniture & Fittings & Office Equipment	Computer s	Cash generating assets	TOTAL
<u>COST/Revaluation</u>										
As at 30.06.15	15,175,501,812	2,812,279,310	171,920,000	1,125,022,228	35,165,100	48,438,621	713,104,151	75,400,630	5,487,695,979	25,644,527,831
Capitalized		24,316,372					23,137,378			47,453,750
Purchased		1,788,220	0	6,556,189	0.00	25,560,871	10,511,225	6,710,523		51,127,028
Disposals									(1,811,255,596)	(1,811,255,596)
As at 30.06.16	<u>15,175,501,812</u>	<u>2,838,383,903</u>	<u>171,920,000</u>	<u>1,131,578,416</u>	<u>35,165,100</u>	<u>73,999,492</u>	<u>746,752,753</u>	<u>82,111,153</u>	<u>3,676,440,383</u>	<u>23,931,853,013</u>
<u>DEPRECIATION</u>										
As at 30.06.15	0	221,069,398	40,145,663	262,642,334	9,853,758	34,769,869	146,565,281	62,640,496	363,471,579	1,141,158,379
Charge for the year	0	59,045,943	5,729,319	37,494,778	1,406,188	7,641,885	99,639,188	8,002,316	0	218,959,616
As at 30.06.16	<u>0</u>	<u>280,115,341</u>	<u>45,874,982</u>	<u>300,137,112</u>	<u>11,259,946</u>	<u>42,411,754</u>	<u>246,204,469</u>	<u>70,642,811</u>	<u>363,471,579</u>	<u>1,360,117,995</u>
<u>NET BOOK VALUE</u>										
As at 30.06.15	<u>15,175,501,812</u>	<u>2,591,209,913</u>	<u>131,774,337</u>	<u>862,379,894</u>	<u>25,311,342</u>	<u>13,668,752</u>	<u>566,538,870</u>	<u>12,760,134</u>	<u>5,124,224,400</u>	<u>24,503,369,452</u>
As at 30.06.16	<u>15,175,501,812</u>	<u>2,558,268,562</u>	<u>126,045,018</u>	<u>831,441,305</u>	<u>23,905,154</u>	<u>31,587,738</u>	<u>500,548,284</u>	<u>11,468,342</u>	<u>3,312,968,804</u>	<u>22,571,735,017</u>

Kenya Railways Corporation

Reports and Financial Statements For the financial Period ended June 30, 2016

8 FINANCE INCOME

Interest-short term deposit	305,510,447	305,042,182
Interest- ordinary advances	124,378	3,180
Interest-car loans advances	593,276	801,954
Interest-mortgage advances	2,954,214	2,450,526
Unrealized gain on foreign currency translation	4,813,061	321,003,755
	<u>313,995,375</u>	<u>629,301,596</u>

9 INCOME TAX EXPENSE

The Current year's tax is just a provision. Final tax will be computed after the accounts have been audited

	2016	2015
	<u>Kshs</u>	<u>Kshs</u>
Profit as per financial statements	574,566,252	1,058,634,967
Adjustments	(371,375,686)	(665,367,884)
Taxable profit	<u>203,190,566</u>	<u>393,267,083</u>
Tax @ 30%	<u>60,957,170</u>	<u>117,980,125</u>

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

	2016	2015
	<u>Kshs</u>	<u>Kshs</u>
11 INVESTMENT PROPERTY		
Balance b/fwd	19,553,893,729	19,553,893,729
Additions	3,891,411,193	0
Balance c/fwd	<u>23,445,304,922</u>	<u>19,553,893,729</u>
12 INTANGIBLE ASSETS		
Cost		
Balance b/fwd	124,651,575	93,722,765
Additions	31,039,518	30,928,810
Cost c/fwd	<u>155,691,093</u>	<u>124,651,575</u>
Amortisation		
Balance b/fwd	29,948,460	26,803,387
Charge for the year	313,521	3,145,073
Balance c/fwd	<u>30,261,981</u>	<u>29,948,460</u>
Net Carrying amount	<u>125,429,112</u>	<u>94,703,114</u>
13 CAPITAL WORKS-IN-PROGRESS		
Balance b/fwd	115,955,236,524	8,046,886,801
Amount injected during the year	68,328,242,631	108,168,911,168
Capitalized	(3,959,670,631)	(260,561,445)
Balance c/fwd	<u>180,323,808,524</u>	<u>115,955,236,524</u>
14 STORES INVENTORIES		
Capital stores	3,468,441,513	3,376,411,770
Stationery stores	2,779,071	2,332,864
Foodstuffs	407,876	359,835
Net stores inventories	<u>3,471,628,460</u>	<u>3,379,104,469</u>
15 TRADE AND OTHER RECEIVABLES		
Trade receivables	4,056,994,284	1,827,531,453
Less: provision for impairment losses	(202,849,714)	(91,376,573)
Net trade receivables	<u>3,854,144,569</u>	<u>1,736,154,881</u>
Prepayments	59,171,357,887	59,483,687,910
Other receivables	1,165,130,699	901,625,406
Net Receivables	<u>64,190,633,155</u>	<u>62,121,468,197</u>
16 SHORT TERM INVESTMENTS		
iii FDR with consolidated bank @ 12.25%	125,000,000	100,000,000
iv FDR with Chase bank @ 12.5%	800,000,000	800,000,000
v FDR with KCB @ 11.25%	1,100,000,000	1,000,000,000
vi RTI money with KCB on call @ 10%	0	13,000,000
x BANK OF AFRICA @ 10.75%	0	200,000,000
xi CFC BANK @ 10%	700,000,000	700,000,000
TOTAL	<u>2,725,000,000</u>	<u>2,813,000,000</u>

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

17	CASH DEPOSITS AND GUARANTEES		
i	Kshs 12m FDR Kenya commercial bank @ 7%	13,600,622	13,371,381
ii	FDR savings & loans @ 6.5%	15,406,999	21,512,122
vii	S&L - Mortgage Back up 7.5%	70,542,799	61,926,295
viii	Citibank Deposit account - KILDEPL 062580058 @ 2%	13,128,097	12,699,851
ix	KCB Car loan lien @ 1%	21,010,507	20,506,222
xii	FUEL DEPOSIT GUARANTEE @ 2%	2,068,900	2,034,195
	Escrow Retrenchment	1108981968	61,819,229
	Escrow Environment	1108982174	45,899,910
	KCB- Mortgage Drawdown A/c	1146951868	2,109,403
	KCB-SGR Escrow payment A/C-USD	1162573333	5,981,587,210
	KCB-SGR Escrow revenue A/C KES	1162574615	2,708
	TOTAL	6,227,176,383	3,591,599,767
18	CASH & BANK BALANCES		
i)	Cash in hand		
	Cash on hand - RTI	7,762	52,460
	Cash on hand - Imprest holders	769,302	866,810
	Cash on hand - HQ Cash office	320,250	130,178
	Sub total	1,097,314	1,049,448
ii).	Bank balances		
		Account no.	
	KCB Rent Collections A/c	1108981917	12,086,322
	KCB USD account (USD)	1101706872	48,471,795
	RTI - KCB main a/c	1102590363	5,512,552
	RTI - KCB imprest a/c	1102587699	694,018
	KCB - project account	1107161487	375,166,248
	Citibank a/c	300045003	9,635,138
	Citibank a/c USD (USD)	300045014	168,719
	Operational account	1107161398	7,125,878
	Equity bank	0470298041416	1,787,812
	KCB- Land compensation a/c	1162575387	2,393,718,473
	NIC Bank NUTRIP KES A/C	1001004049	17,840,054
	Standard Chartered - RAP A/c		9,998,025
	Sub total	2,882,205,034	855,336,439
	TOTAL CASH & BANK BALANCES	2,883,302,348	856,385,887
19	GOVERNMENT SUBVENTIONS & EQUITY		
	GOK equipment loan, 1974	50,000,000	50,000,000
	GOK Equity for the Purchase of new equipment	168,000,000	168,000,000
	Conversion of loan to equity	39,956,007,122	39,956,007,122
	TOTAL	40,474,007,122	40,474,007,122

Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016

20	GRANTS		
	Balance B/forward	10,277,844,099	16,801,005,276
	Transfers during the year(net)	279,387,809	(6,523,161,177)
	Balance C/forward	<u>10,557,231,908</u>	<u>10,277,844,099</u>
21	RESTRUCTURING RESERVES		
	Balance b/fwd	20,079,448,290	20,325,476,756
	Adjustments	(3,960,451)	(246,028,467)
	Balance c/fwd	<u>20,075,487,838</u>	<u>20,079,448,290</u>
	Adjustments		
	Adjustment to fixed assets	(60,000,000)	
	Adjustments to Payables write offs	68,937,932	(93,106,786)
	Impairment loss on CGU		(4,109,733)
	Adjustments to Receivables		348,386,099
		(4,977,481)	(5,141,112)
		<u>3,960,451</u>	<u>(246,028,467)</u>
22	ACCUMULATED LOSSES		
	Balance b/fwd	(18,091,623,230)	(18,514,313,370)
	Adjustments	(137,999,845)	(517,964,702)
	Restated balance	(18,229,623,075)	(19,032,278,073)
	Profit for the year	513,846,506	940,654,842
	Balance c/fwd	<u>(17,715,776,569)</u>	<u>(18,091,623,230)</u>
23	EAST AFRICAN LOAN STOCKS		
	1954 STG PD 5.0M	90,000	90,000
	1957 STG PD 8.5M	20,000	20,000
	1975 STG PD 5.9M	24,918,842	24,918,842
	1970 KENYA PD 1.0	513,100	513,100
	1971 KENYA PD 3.4	11,301,834	11,301,834
		<u>36,843,776</u>	<u>36,843,776</u>
24	EXIM BANK LOAN		
	Balance b/fwd	123,720,245,893	
	Amount disbursed during the year	49,856,742,000	
	Balance c/fwd	<u>173,576,987,893</u>	<u>123,720,245,893</u>
25	KCB MORTGAGE		
	Balance b/fwd	300,000,000	300,000,000
	Amount disbursed during the year	-	-
	Balance c/fwd	<u>300,000,000</u>	<u>300,000,000</u>
26	PROVISIONS		
	Leave	270,000	1,893,258
	Municipal rates	156,236,827	156,236,827
	Insurances refundable to former staff	29,876,479	30,056,666
	Gratuities	9,253,640	5,639,764
		<u>195,636,946</u>	<u>193,826,515</u>

*Kenya Railways Corporation
Reports and Financial Statements For the financial Period ended June 30, 2016*

27	TRADE PAYABLES		
	Trade creditors	1,671,056,400	1,518,771,654
	Staff creditors	61,041,436	67,121,582
	Customer deposits	234,352,993	215,636,199
	Accruals	221,630,711	64,477,036
	TOTAL	2,197,081,570	1,866,262,471

28	DEFERRED INCOME		
	Stand premiums/revenues	276,795,309	289,967,684
	SGR Government grant	64,051,368,498	15,387,351,233
	SGR Escrow grant	5,782,086,676	3,115,774,523
	RAP	5,795,852,394	1,895,156,857
	NUTRIP	36,761,654	
	Land sales	323,652,907	323,652,907
	TOTAL	76,266,517,438	54,011,906,204

29 CASH AND CASH EQUIVALENTS

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

	2016	2015
	<u>Kshs</u>	<u>Kshs</u>
Cash in hand	1,260,408	1,049,448
Cash at bank	2,882,380,687	855,336,439
Short term investments	2,725,000,000	2,813,000,000
TOTAL	<u>5,608,641,095</u>	<u>3,669,385,887</u>

30 CONTINGENT LIABILITIES.

The Corporation had contingent liabilities amounting to Kshs 36,786,849,648 detailed as follows:

	<u>Kshs</u>	<u>Kshs</u>
Law suits against the Corporation yet to be determined	1,868,844,572	4,180,527,200
Dormant cases	0	500,000,000
Guarantees given on behalf of the Corporation	28,715,436	28,715,436
* *Ederman's case - Golf city project	26,007,614,588	26,487,668,000
Total contingent liabilities	<u>27,905,174,596</u>	<u>31,196,910,636</u>

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

Kenya Railways Corporation

Reports and Financial Statements For the financial Period ended June 30, 2016

31 CONTINGENT ASSETS

The Corporation had contingent assets amounting to Kshs.1. 161,702,175 detailed as follows:-

	<u>Kshs</u>	<u>Kshs</u>
Due from Magadi Soda Company still under discussion	924,441,851	924,441,851
Due from dormant court cases	0	206,921,514
Due from Uganda Railways Corporation still under discussion	0	30,338,810
Total contingent assets	<u>924,441,851</u>	<u>1,161,702,175</u>

32. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The Government of Kenya is the principal shareholder in Kenya Railways Corporation. During the year the Government made the following capital payments on behalf of the corporation:-

	<u>Kshs</u>	<u>Kshs</u>
	<u>2016</u>	<u>2015</u>
Cash payments made directly to RAP contractors	833,435,537	4,895,156,857
Cash deposits to SGR Escrow a/c - USD	2,494,768,738	3,048,044,071
Cash deposits to Land Compensation a/c - KES	6,353,022,834	7,802,680,520
Cash Paid directly to Geo Surv		22,780,660
Marine school equipments		60,450,716
Sub total	9,681,227,109	15,829,112,823

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

In the financial year 2015/16, the Board expenses amounted to kshs 49,281,352, while compensation to key management staff amounted to kshs 48,495,119.38.