REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

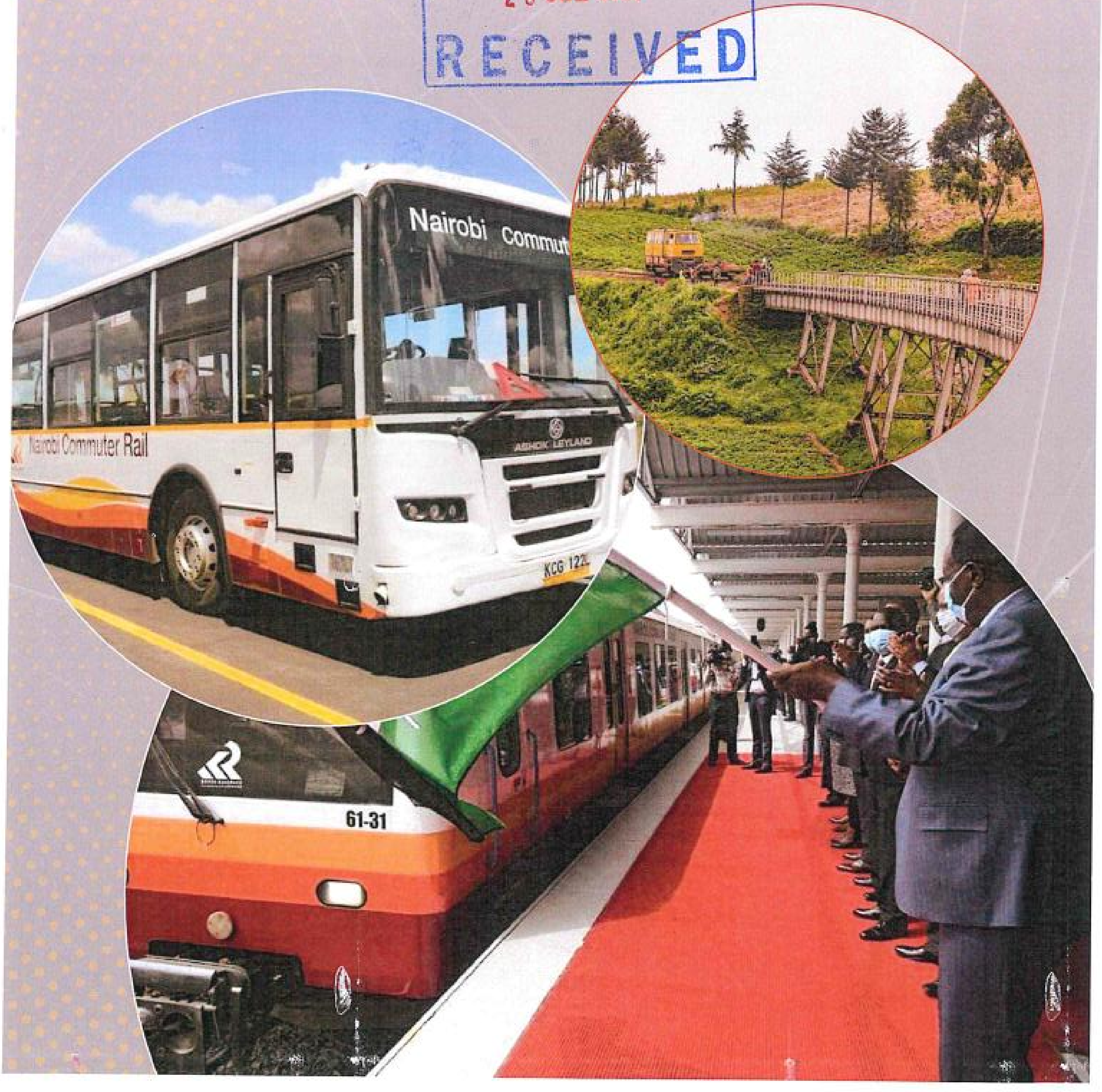
KENYA RAILWAYS CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2021

KENYA RAILWAYS

right on track

2020-2021 ANNUAL REPORT



KENYA RAILWAYS

right on track

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2021

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

TABLE OF CONTENTS

1. KEY CORPORATION INFORMATION & MANAGEMENT

Kenya Railways (KR) is a State Corporation in the Ministry of Transport, Infrastructure, and Housing, Urban Development and Public Works. The Corporation was established in 1978 under the Kenya Railways Corporation Act (Cap 397) of the Laws of Kenya to take over the railways sector in Kenya after the collapse of East Africa Community in 1977 which managed the East African Railways and Harbours Corporation.

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

The Corporation is domiciled in Kenya with headquarters in Nairobi.

1.1 Principal Activities

The principal activity of the Corporation is provision of rail services within the Republic of Kenya. Rail services provided include freight and passenger services. The Corporation manages the Meter Gauge Railway including operations that reverted to the Corporation subsequent to the termination of the concession agreement by the courts on 31 July 2017. The meter gauge railway offers freight services for goods for both domestic and regional economies. The line runs from Mombasa to Malaba with various branch lines. Thika-Nanyuki branch line is currently fully operational. KR also runs the marine services on Lake Victoria through MV Uhuru. This serves needs of the regional economies around Lake Victoria. Passenger services is in form of commuter services for Nairobi and the environs. There is also a long distance passenger services from Nairobi to Nanyuki.

The Corporation also runs the Standard Gauge Railway (SGR) that is a key infrastructure funded by Government of Kenya (GoK) and loan from China Exim Bank. SGR offers freight and long-distance passenger services between Mombasa and Nairobi. The service also offers freight services to Naivasha ICD and passenger services from Nairobi Terminus to Suswa Station. The Operations and Maintenance (O&M) of the SGR has been sub-contracted to China Road and Bridge Corporation whose operations are under Africa Star Rail Operations Company (AfriStar) through a Novation Agreement. The Corporation has started a phased takeover of operations beginning with takeover of passenger ticketing, fuel management and security that all happened in the financial year.

The Corporation's Vision, Mission and Mandate is as below;

Vision

To be a provider of world class rail services

Mission

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

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

1.2 Directors

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

S. No	Name & ID Number	Designation	Date of Appointment & End of Term
1	Maj. Gen. (Rtd) Pastor Awitta	Chairman	Appointment: 18.10.2019 End of Term: 17.10.2022
2	Mrs. Hellen Wamuiga Karu	Director	Appointment: 06.06.2018 End of Term: 07.08.2020
3	Mr. John Kimanthi Maingi	Director	Appointment: 06.06.2018 End of Term: 05.06.2021
4	Eng. John C. Cherongony	Director	Appointment: 08.02.2019 End of Term: 07.08.2020
5	Mr. Christopher Musembi Mumo	Director	Appointment: 17.10.2019 End of Term: 07.08.2020
6	Mr. James Mithika	Director	Appointment: 17.10.2019 End of Term: 07.08.2020
7	Dr. Rahab N. Nyaga	Director	Appointment: 08.02.2019 End of Term: 07.02.2022
8	Prof. John O. A. Nyerere	Director	Appointment: 07.08.2020 End of Term: 20.10.2022
9	Mr. Martin Mogwanja	Director	Appointment: 07.08.2020 End of Term: 20.10.2022
10	Ms. Catherine Musakali	Director	Appointment: 07.08.2020 End of Term: 05.06.2021
11	Mr. Tom Omariba	Director	Appointment: 07.08.2020 End of Term: 07.02.2022
12	Mr. Humphrey Muhu	Alt Director - National Treasury	Statutory Office Holder
13	Dr. Duncan Hunda	Alt Director – MOTI-HU&PW	Statutory Office Holder
14	Mr. Peter Waweru	Rep. Inspectorate of State Corporation	Statutory Office Holder
15	Capt. William Ruto	Alt Director – Kenya Ports Authority	Statutory Office Holder

1.3 Corporation Secretary

Mr. David K. Njogu
P.O Box 30121 –00100
NAIROBI

1.4 Registered Office

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

1.5 Corporate Headquarters

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

1.6 Corporate Contacts

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

1.7 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

iv. NCBA Bank
NCBA House, Masaba Rd.
Upperhill
P.O. Box 44599-00100,
NAIROBI

v. SBM Bank
Riverside Mews
P.O. Box 34886-00100,
NAIROBI

vi. Standard Chartered Bank
Chiromo Westlands
P.O. Box 30003-00100,
NAIROBI

1.8 Independent Auditor

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

1.9 Principal Legal Advisors

1. Behan Okero Advocates
   P O Box 1234-00100
   KISUMU

2. Prof. Albert Mumma and Company Advocates
   P O Box 10481-00100
   NAIROBI

3. Humphrey and Company Advocates
   P O Box 21398 – 00100
   NAIROBI

4. Mukite Musangi and Company Advocates
   P O Box 149-20100
   NAKURU

5. Mutonyi Mbiyu and Company Advocates
   P O Box 14219
   NAKURU

6. Oraro and Company Advocates
   P O Box 51236-00200
   NAIROBI

7. Mwaniki Gachoka and Company Advocates
   P O Box 13439-00800
   NAIROBI

8. Inamdar and Inamadar Advocates
   P O Box 43891-00100
   NAIROBI

9. Kalya and Company Advocates
   P O Box 235
   ELDORET

10. Ndegwa Muthama Katisya and Associates
    P O Box 87171-80100
    MOMBASA

11. Kiogora Mutai and Company Advocates
    P O Box 45790-00100
    NAIROBI

12. Musinga Munyitha and Company Advocates
    P O Box 84367-80100
    MOMBASA

13. Tom Mutei Advocates
    P O Box 7289-30100
    ELDORET

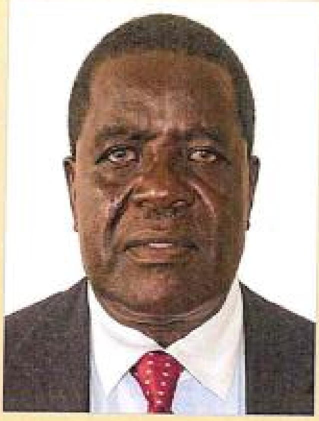
14. K. Macharia and Company Advocates
    P O Box 32304-00600
    NAIROBI

15. Nungo, Oduor and Waigwa Advocates
    P O Box 70678-00400
    NAIROBI

16. Miller and Company Advocates
    P O Box 45707-00100
    NAIROBI

17. Nyaanga and Mugisha Company Advocates
    P O Box 34544-00100
    NAIROBI

2. THE BOARD OF DIRECTORS



Major General (Rtd) Pastor O. Awitta 'MGH' 'EBS' ndc(K) Psc (USA)
Chairman

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

Mr. Philip J. Mainga, EBS
Managing Director

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

Mr. Solomon Kitungu, CBS

Principal Secretary – State Department for Transport

Mr. Solomon Kitungu is the Principal Secretary – State Department of Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. He joined the State Department for Transport from the National Treasury and Planning Ministry where he was an Investment Director from 2003 – 2009 and from October 2017 to January 2020. Prior to this, he served as an officer at the National Treasury as the Executive Director and CEO of the Privatization Commission from April 2009 to September 2017. He holds a Bachelor of Arts degree in Economics (1987) from the University of Nairobi and a Master of Arts degree in Economics (1990) from the University of Manchester, United Kingdom.

Hon. Amb. Ukur Yatani Kanacho, EGH
Cabinet Secretary - National Treasury

Hon. Amb. Ukur Yatani Kanacho is the Cabinet Secretary – National Treasury. He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Previously he served as the Cabinet Secretary for Labour and Social Protection, Assistant minister for science and technology, pioneer Governor of Marsabit County, Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. He holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, and Bachelor of Arts in Economics, Egerton University, Kenya.

Eng. Rashid K. R Salim
Ag. Managing Director – Kenya Ports Authority

Eng. Rashid Salim is the current Ag. Managing Director at the Kenya Ports Authority. He is an experienced Marine Engineer with over 29 years' experience. He is a registered Incorporated Marine Engineer (IEng) with the Engineering Council, London, United Kingdom and a member of the Institute of Marine Engineering, Science and Technology (MIMarEST) and an Incorporated Engineer. He holds an HND in Marine Engineering (UK), holder of the Chief Engineer Certificate of Competency (COC) from South Shields Marine College (presently South Tyneside College in UK).

Dr. Rahab Njeri Nyaga
Director

Dr. Rahab Nyaga is an independent Director of the Board. Dr. Nyaga has over 30 years' experience in training, curriculum development and review, international administration, accounting, governance and strategic leadership and research. She is currently the Academic Dean and Senior Lecturer at Pan Africa Christian University. She is a member of the International Communication Association, the Public Relations Society of Kenya, International Association for Media and Communication Research and the East African Communication Association. She holds a Doctorate in Philosophy from Kenyatta University, a Master's Degree in Arts from Daystar University and a Bachelor of Commerce Degree from University of Nairobi.

Mr. John Kimanthi Maingi
Director

Mr John Kimanthi Maingi was an independent Director of the Board upto 5th June, 2021. He has a CPA 1 Certificate from Strathmore College.

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.

Mrs. Hellen N.W. Karu
Director

Mrs Hellen N.W. Karu was an independent Director of the Board between 6th June 2018 and 7th August 2020. Mrs. 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 a Graduate Member of the Institute of Quantity Surveyors of Kenya (IQSK). She is the Founder Chairperson of the Women Students Welfare Association (WOSWA) University of Nairobi. She is currently the Estates Manager at the Jomo Kenyatta University of Agriculture and Technology (JKUAT) 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.

Eng. John Changwo Cherogony
Director

Eng. John Cherogony was an Independent Director of the Board between 8th February 2019 and 7th August 2020.He has over 20 years' experience in engineering having served, among others, as District Road Engineer, Provincial Roads Engineer and Assistant Engineer under the Ministry of Transport and Communications. He is currently the Managing Director of Tai Enterprises Limited where he has overseen projects under the Ministry of Roads and Public Works, Kenya National Highways Authority, and various County Governments. He is a registered professional with The Engineers Registration Board. He holds a Bachelor of Science in Civil Engineering Degree from University of Nairobi.

Mr. Christopher M. Mumo
Director

Mr. Christopher Mumo was an independent Director of the Board between 17th October 2019 to 7th August, 2020. He is a registered Architect with the Board of Registration of Architects and Quantity Surveyors of Kenya with over 15 years of experience in private practice. He is a Corporate member of the Architectural Association of Kenya: Architects Chapter and Construction Project Management Chapter. He has served on the board of the Architectural Association of Kenya and East African Institute of Architects. He holds a Bachelor of Architecture from the University of Nairobi.

Mr. James Mithika
Director

Mr. James Mithika was an Independent Director of the Board between 17th October 2019 to 7th August, 2020. He has worked in various Health facilities and is currently the Chief Executive Officer at the Laare Maternity and Nursing Home. Mr. Mithika has taken part is several community development projects in different constituencies in the Meru Region. He was a member of the Health Management Board of Laare Health Centre and a member of the Board of Governors at Machungulu Day Secondary School and Ithima Youth polytechnic. He holds a Bachelor of Science in Public Health from Meru University of Science and Technology and a Diploma in Medicine and Surgery from the Kenya Medical Training College.

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

Mr. Tom Omariba was appointed as an Independent Director of the Board on 7th August 2020. He is a business leader with over 15 years' experience at strategic, operations and Board level in executive and non- executive roles. He is a governance, finance, ICT, risk and compliance professional with a wealth of experience in telecommunications, media and insurance industries. Mr. Omariba is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK) and the past President of the Corporate Secretaries International Association (CSIA HongKong Ltd), the worldwide umbrella body for Institutes of Corporate Secretaries. In addition to his current role as CEO at the Consultancy firm of Thompson Associates, he does part time executive leadership coaching at Strathmore University Business School in Nairobi, Kenya. He holds a Masters of Business Administration (Finance) from the University of Nairobi and Bachelor of Science (Wood Sc. & Technology) from Moi University, Kenya.

Prof. John O. A. Nyerere
Director

Prof. John O. A Nyerere was appointed as an Independent Director of the Board on from 7th August, 2020. He has over 34 years' experience in consulting, lecturing and board directorship. He has a background in Economics and experience in Strategic Planning and Operations Management, he served as the General Manager - Commercial & Operations, at Kenya Railways Corporation before moving to academia and consulting. He also serves as an independent non-executive member of the Board of KCB Group Holdings Limited and a board member of KCB Bank (Tanzania). Currently, he is the Board Chairman of National Bank. He is also an ISO certified Lead quality system auditor. Mr. Nyerere is a Fulbright (Hubert H. Humphrey – HHH) fellow with residency at Rutgers, the States University of New Jersey – New Brusswick, holds an MBA, in Strategic Management and Leadership from the University of Ljubljana, Slovenia and a Bachelor of Arts (Hons) Economics and Sociology from the University of Nairobi, Kenya.

Mr. Martin Mogwanja, MBS
Director

Mr. Martin Mogwanja was appointed as an Independent Director of the Board on 7th August, 2020. He has over 35 years' experience in development Planning and Management, international development, humanitarian response programmes and management in global organizations. Mr. Mogwanja was previously the Assistant Secretary General of the United Nations and Deputy Executive Director of UNICEF for Management; UN Humanitarian Coordinator in Pakistan and Uganda; UNICEF Country Representative in Pakistan, Uganda and DR Congo; and the Deputy Regional Director UNICEF for West and Central Africa. He holds a M.Sc. in Chemical Engineering and Development Studies from the Imperial College, London, UK and a Bachelor of Science (Hons.) in Systems Control Engineering from the University of Leeds, UK.

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

Mrs. Catherine Musakali was an Independent Director of the Board from 7th August 2020 to 5th June 2021. She is an Advocate of the High Court of Kenya and a Fellow of the Institute of Certified Secretaries of Kenya. Catherine is the Founder of Dorion Associates LLP, a firm specializing in governance matters and commercial legal consultancies. Prior to founding Dorion Associates, Catherine worked for Kenya Shell Limited (Now Vivo Energy Kenya Limited) as their Company Secretary and Head of Legal for over fifteen (15) years, during which period she managed the Legal Functions of Shell operations in Kenya, Uganda, Tanzania, Sudan, Eritrea, Ethiopia, Morocco, Egypt and Tunisia. She has worked for shell in the United Kingdom during which period she specialized in Mergers and Acquisitions and other commercial transactions as well as being the Legal Focal Point for all Contracting and Procurement matters for its businesses in the 23 Countries in Africa. She holds a Master of Laws Degree from the University of Nairobi, a Higher National Diploma in Law (Kenya), a Bachelor of Laws (LLB) Degree as well as a certificate in Securities and Investment from the Securities and Investment Institute (London).

Dr. Duncan G. Hunda
Alternate Director – PS,
State Department for Transport

Dr. Duncan Hunda is an Alternate Director to the Principal Secretary, State Department of Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. He has over 25 years of Public sector experience. He is currently serving as Secretary, Transport Policy, Planning, Finance and Coordination of State Corporations in the State Department of Transport. He is a Certified Public Accountant (CPA) and a Member of ICPAK. Dr. Hunda holds a Doctorate Degree (PhD) in Finance from SMC University, Switzerland, MA, International Finance from North London University, UK, Bachelor Degree in Economics and Statistics from University of Nairobi.

Mr. Humphrey Muhu
Alternate Director to the Cabinet Secretary,
National Treasury.

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

Captain William Ruto
Alternate Director – Managing Director,
Kenya Ports Authority

Captain William Ruto is the Alternate Director to the Managing Director, Kenya Ports Authority. With over 19 years of service at KPA, he is currently the General Manager Operations and Harbor Master. He is a trained Mariner by profession and holds a Class 1 Master Mariner from the United Kingdom (UK). He is an Associate Fellow of the Nautical Institute (AFNI) and a Member of International Harbour Master's Association (IHMA – UK). He has undertaken Port Security course at the University of Maryland (USA), IMO course on Port Management and Operations, in France - Port du Havre and several other short courses on port maritime and management. He holds a Master of Business Administration (MBA) Strategic Management option, from Jomo Kenyatta University of Agriculture and Technology (JKUAT).

Mr. David K. Njogu
General Manager –
Corporation Secretary & Legal Services

Mr. David Njogu is the General Manager – Corporation Secretary & Legal Services. He has over 15 years' legal experience, 9 years of which have been in Kenya Railways Corporation. He previously served in legal services positions in Concord Insurance Company Limited and UAP Insurance Company Limited. He is an advocate of the High Court of Kenya. He holds a MA in Public Policy and Management from Strathmore University, a Post Graduate Diploma in Law from the Kenya School of Law, and a Bachelor of Laws (LLB) from the University of Nairobi.

BOARD COMMITTEES
STRATEGIC PROJECTS COMMITTEE

1st July 2020 – 7th August, 2020

1. Mr. Kimanthi Maingi - **Chairperson**
2. Mr. Christopher M. Mumo
3. Dr. Rahab Nyaga
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

7th August 2020 – 30th June, 2021

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

FINANCE, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE

1st July 2020 – 7th August, 2020

1. Mr. Christopher M. Mumo - **Chairperson**
2. Mrs. Hellen Wamuiga Karu
3. Mr. Kimanthi Maingi
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

7th August 2020 – 30th June, 2021

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

BUSINESS, OPERATIONS & INVESTMENTS COMMITTEE

1st July 2020 – 7th August, 2020

1. Mrs. Hellen Wamuiga Karu – Chairperson
2. Mr. James Mithika
3. Eng. John Cherongony
4. Principal Secretary, Ministry of Transport and Infrastructure or Alternate
5. Cabinet Secretary, National Treasury or Alternate
6. Inspectorate of State Corporations or Representative (By invitation)

7th August, 2020 – 30th June, 2021

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

RISK & AUDIT COMMITTEE

1st July 2020 – 7th August, 2020

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

7th August, 2020 – 30th June, 2021

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

2.1. Key Management

The Corporation's Management is organised as follows: -

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

2.2. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Managing Director	Mr. Phillip J. Mainga
2	Principal Railway Training Institute(RTI)	Ms Milly Kizili
3	Acting General Manager - Finance	Ms Jemimah Matu
4	Acting General Manager - Supply Chain Management	Ms. Gilian Soi
5	Acting General Manager - Human Resource and Administration	Ms Florence Kanja
6	Acting General Manager Internal Audit	Mr. Remmy Koech
7	Acting General Manager - Business Development & Operations	Ms. Millicent Omido
8	General Manager - Infrastructure Development	Eng. Tobias Otieno
9	General Manager - Research Planning Compliance and ICT	Ms. Jessica Indangasi
10	General Manager – Legal Services & Corporation Secretary	Mr. David K. Njogu
11	Acting General Manager – Legal Services & Corporation Secretary	Mr. Stanley Gitari

3. MANAGEMENT TEAM

Mr. Phillip J. Mainga
Managing Director

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

Ms. Milly Kizili
Principal RTI

Qualifications:

MBA in Strategic Management, Post Graduate Degree in HR, Post Graduate Degree in Finance and a Bachelor of Education degree.

Ms. Jemimah Matu
Acting General Manager, Finance

Qualifications:

Bachelor of Commerce, Accounting Option
She is a member of ICPAK

Ms. Milly Omido
Acting General Manager,
Business Development & Operations

Qualifications:

Strategy & Marketing Consultant
MBA, B. ED, MCIM,

Ms Florence Kanja
Acting General Manager, Human Resources & Administration

Qualifications:
MBA-HR, BA-Social Work, HND-HR

Professional Membership
IHRM, CHRA(Chartered Human Resource Analyst)

Ms. Jessica Indagasi
General Manager-Research, Planning, Compliance & ICT

Qualifications:

MA - Economic Policy Management- University of Nairobi,
BA- Economics Major - Egerton University
CPA I - KASNEB
Senior Management - Kenya Institute of Administration
Professional Qualifications:
Balanced Scorecard professional - The Balanced scorecard Institute and The George Washington University

Mr. Remmy Koech
Acting General Manager- Internal Audit

Qualifications:

Bachelor of Commerce (Accounting Option), MBA.CPA(K), CISA

He is a member of ICPAK & ISACA

Ms. Gillian C. Soi
Acting General Manager -Supply Chain Management

Qualifications:

Bachelor of Administration – Marketing

She is a member of KISM and also CIPS Graduate Diploma holder in Supply Chain Management with over 18 years' experience.

Mr. David K. Njogu
General Manager – Corporation Secretary & Legal Services

Qualifications

MA in Public Policy and Management from Strathmore University,
International Module Course for Global Leaders from Robert F. Wagner Graduate School of Public Service, New York University,
Post Graduate Diploma in Law from the Kenya School of Law,
Bachelor of Laws (LLB) from the University of Nairobi.
He is a member of good standing of the Law Society of Kenya.

Eng. Tobias Otieno
General Manager – Infrastructure Development

Qualifications

Bachelors of Science Civil Engineering
He is a member of Engineers Board of Kenya (EBK) and Institution of Engineers of Kenya (IEK)

Mr. Stanley Gitari
Acting General Manager – Legal Services and Corporation Secretary
With effect from March 2021.

Qualifications

Post Graduate Diploma in Law from the Kenya School of Law
Bachelor of Law from the University of Nairobi
He is a member of good standing of the Law Society of Kenya and a member of the Commonwealth Lawyers Association

4. CHAIRMAN'S STATEMENT

Major General (Rtd) Pastor O. Awitta 'MGH' 'EBS' ndc(K) Psc (USA) Chairman

Economic Overview

A year and a half since the onset of the COVID-19 pandemic, the global economy is poised to stage its most robust post-recession recovery in 80 years in 2021. But the rebound is expected to be uneven across countries, as major economies look set to register strong growth even as many developing economies lag.

"I always did something I was a little not ready to do. I think that is how you grow. When there's that moment of 'Wow, I'm not really sure I can do this,' and you push through those moments, that's when you have a breakthrough."
Marissa Mayer

Global growth is expected to accelerate to 5.6% this year, largely on the strength in major economies such as the United States and China. While growth for almost every region of the world has been revised upward for 2021, many continue to grapple with the effects of the COVID-19 pandemic and what is likely to be its long shadow. Despite this year's pickup, the level of global GDP in 2021 is expected to be 3.2% below pre-pandemic projections, and per capita GDP among many emerging market and developing economies is anticipated to remain below pre-COVID-19 peaks for an extended period. As the pandemic continues to flare, it will shape the path of global economic activity.

The Kenyan economy, however, recorded reduced activities due to restrictions placed by Governments and private decisions. The uncertainty in the post-pandemic landscape and policies has slowed investment, and concerns on the viability of the global value chains and the course of the pandemic have weighed on international trade and tourism.

In Africa, many countries have come up with post COVID-19 recovery plans that include targeted investments in the sectors most affected including the transport sector.

Impact of COVID-19 on Rail Transport in Kenya

The impact of COVID-19 in the rail sector has been mainly two fold. On freight volumes, the performance has largely been affected by the general slump in the world economy arising from suppressed production and consumption. Maritime operations have been affected due to limited availability of cargo at the port of Mombasa due to closure of major Ports in China, USA and Europe as well as restrictions in crossing boarders in the regional markets. Further, the levels of efficiencies in operations have been negatively affected as a result of the various containment measures including material alteration in working hours. Despite the effects of the pandemic being experienced in the year 2020-2021, Kenya Railways rallied to perform better than the previous year improving total tonnages of freight cargo hauled by 25% from 4 million tons in 2019-2020 to 5 million tons owing to the increased movement of conventional cargo.

On the passenger division, the impact of COVID-19 was experienced due to the containment measures put by the Government, including cessation of movements, curfews and restriction in capacity. This resulted in the service suffering huge disruptions due to suspension of inter-county travel therefore affecting travel on the Madaraka Express service and alteration of timings. The Corporation came up with a number of initiatives including the introduction of the SGR night train in SGR thereby increasing from two (2) pairs to three (3) pairs of passenger trains. There was also the opening up of new commuter routes that rallied the division to record marginal improvement of 12% compared to the previous year.

Our centre of excellence, The Railway Training Institute, was equally affected as the Government announced total closure of institutions of learning to curb communal spread of the virus. The disruption in learning ultimately affected the performance of the Institute.

Financial Performance.

The impact of the general economic slowdown on Kenya Railways operations was significant considering the effects on the keys divisions particularly passenger and RTI. The Corporation shall continue to closely monitor the situation to come up with innovative ways to continue delivering excellent services in support of the economy.

Despite the challenging economic environment, the Corporation's total net revenue (without GoK grants) in FY 2020/21 was Kes16.877Billion against Kes 14.556 Billion the previous year indicating a growth of 15.9%. Operation expenses grew by 15.6% to Kes 42.639 Billion up from Kes 36.896 Billion the previous FY. The loss in the FY was recorded at Kes 24 Billion, which is the same as the previous years. The Corporation within the year also received support from GoK in form of revenue and capital grants.

The Board of Directors and the Management undertook measures that rallied the performance higher than the previous year. This included robust focus on the top line by exploring new business and revenue streams, cost-cutting measures including renegotiation of the SGR Operations and Maintenance contract and realization of the capacity building capital projects.

Projects and Enhancing of Rail Capacity

Critical to achievement of our strategic objective of movement of 22 million tons of cargo and 5 million passengers by 2022 is aligning the capacity of Kenya Railways to meet the market demands not only in the Kenyan economy but also of the East African region. In this regard, Kenya Railways has been undertaking Key projects to achieve synergy both from within its ranks but also from other transport stakeholders.

A key cog in this is to find synergy between the speed and efficiency of SGR and the network expansiveness of the Meter Gauge Railway line. This has been achieved by the construction of the 24 km Longonot -Mai Mahiu link and the resultant intermodal facility. The rehabilitation of the Longonot - Malaba line to improve the design speed and safety will ensure that cargo bound west of Nairobi to other regional economies will efficiently be delivered through a reliable rail operation. With the completion of the rehabilitation of the Nakuru-Kisumu line, the completion of the Kisumu Port rehabilitation and the commissioning of MV Uhuru, Kenya Railways has positioned itself strategically as an important player in both the blue economy and East Africa.

His Excellency President Uhuru Kenyatta officially launched MV Uhuru. The vessel has transformed Lake Victoria Marine transport and enhanced regional trade for countries bordering Lake Victoria.

The Corporation is equally opening up the branch lines to expand service delivery locally. The rehabilitation of Gilgil-Nyahururu, Kisumu-Butere and Kitale-Leseru lines will enhance the ability of the Corporation to offer services to customers. The revamping of the commuter lines within Nairobi and its environs is ongoing and enabled the Corporation to open new routes. During the year, the Corporation launched the Diesel Multiple Units (DMUs) that have positively impacted the commuter service in Nairobi. Compounded with the operationalization of the Bus Rapid Transport, the commuter experience in Nairobi has been made more exciting.

His Excellency President Uhuru Kenyatta Officially Launching the Diesel Multiple Units(DMUs) at the Nairobi Central Station.

The above improvements in the permanent way is complemented by enhancement of the capacity of the rolling stock, whereby the Corporation is acquiring new MGR locomotives to enhance both freight and shunting capacity. During the year, the Corporation commissioned the RTI Marine school in Kisumu that will offer specialized training in both Rail and Marine courses as a pioneer institution in the region.

The commissioning of the Kenya Railways Transit Shed, a customs bonded facility is most welcome to small scale cargo consolidators who can now access the services very close to their business premises within the Central Business District. The facility aims to lower cost of doing business for small business owners in Nairobi and its environs.

His Excellency the President with small scale traders at the Kenya Railways Transit Shed. The facility has significantly reduced the cost of doing business.

Government Support

All the above could not be possible without support of the Government of Kenya (GoK). Through The National Treasury, GoK has availed Kes 15 Billion in form of capital grants to implement the above projects.

During the year, the Corporation also received Kes 20.9 Billion cash grant towards the Standard Gauge Railway operations. It also facilitated the negotiation of the conditions of the Escrow agreement enabling partial access of Escrow banks accounts to meet the costs and ensure seamless continuity of operations to the Operator, AfriStar.

Equally, the Corporation has benefited greatly from exploiting on the expertise and capacity of other Government agencies such as the Kenya Defence Forces, the National Youth Service, the Security apparatus of the county governments and other agencies to further its objectives and goals. Through the support of KEBS, the Corporation achieved the milestone of the ISO QMS 9001:2015 certification in January 2021.

In the year, we were honoured to have various Corporation projects commissioned by His Excellency the President of the Republic of Kenya, such as the KR Transit Shed, the Diesel Multiple Units (DMUs), the refurbished and refitted MV Uhuru, the Kisumu Port and RTI Marine School.

Way Forward

The global economy and geopolitical context continue to be uncertain in the wake of the COVID-19 pandemic. The outlook for the transport sector is promising as the world adapts to the pandemic including global mass vaccination and normalization of various containment measures. The leading economies have stabilized leading to growing normalcy especially in the freight and logistics activities. However, there remains the inherent danger of mutation leading to development of new virus variants.

The Corporation is looking forward to its continued positioning as a major player in the Kenyan economy and beyond. The capacity building projects will crystalize making KRC the one of the major macro enabler in the growth of the economy. Also envisaged are the efficiencies as a result of seamless operations between Kenya Railways Corporation (KRC), Kenya Ports Authority(KPA) and Kenya Pipeline Corporation(KPC) with Kenya Transport Logistics Network (KTLN).

The implementation of the Commuter Master Plan will continue, core to this being the realization of the transformative, innovative and iconic Railway City project. Upon completion, the face of Nairobi will be improved through an expanded Central Business District, a globally competitive infrastructure, an investment hub and improved quality of life for residents.

With the intended handover of SGR Operations in June 2022, the Corporation is looking to greatly enhance its human resource capacity. This is in the realization that an efficient work force is key to effective service delivery with improvement of general working conditions and terms being an important consideration for the Board.

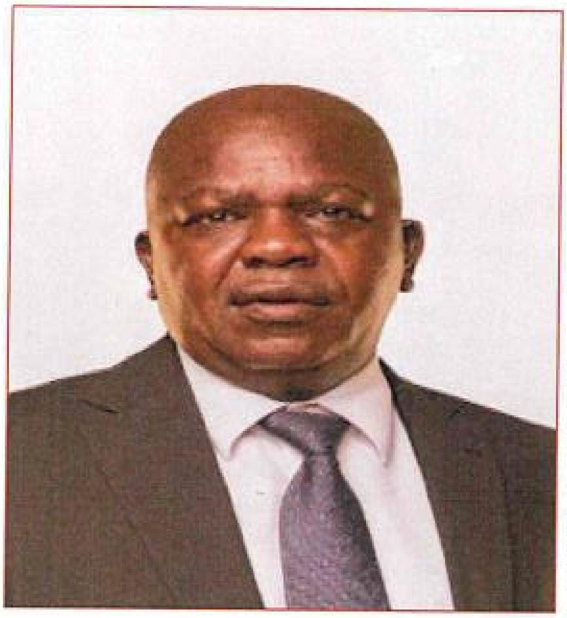
The Board will continue to steer the organization to financial health as Management continues to implement the Kenya Railways Business Strategic Plan which aims to make the Corporation competitive and sustainable in the long term. This plan includes ensuring that the Corporation achieves top line targets, effective cost management, maintains a high level of customer service and progressively adapts to the dynamic business environment.

On behalf of the Board, I take this opportunity to express my sincere appreciation to our customers, the Government of Kenya and our shareholders for their continued support during the year.

In addition, I would like to greatly appreciate outgoing Directors Mrs. Hellen Karu, Mr. John Cherongony, Mr. Christopher Mumo, Mr. James Mithika, Mr. Kimanthi Maingi and Ms. Catherine Musakali for their contributions and dedication to the Board. Special praise to the Management and staff for the sacrifices and selflessness in ensuring that the rail is truly back on the track. We thank you all for being part of an amazing and transformative story.

Major General Pastor O. Awitta 'MGH' 'EBS' Ndc(K) Psc (USA)
CHAIRMAN

5. MANAGING DIRECTOR'S STATEMENT



Mr. Philip J. Mainga, EBS
Managing Director

"A successful team beats with one heart."
Michael Gokturk.

Overview of the Economy

The operating environment during the year has continued to be challenging as the Kenyan economy grapples with a full COVID-19 Pandemic financial cycle for the very first time. The global slowdown has affected the country through declining productivity and consumptions.

Equally affected was the transport and logistics sector. The containment measures as announced by the Ministry of Health had profound effects on the Corporation. Particularly the imposition of curfews, cessation of movements and closure of learning institutions drastically affected our operations.

Despite the above, KRC has once again rallied to record impressive operational figures in the FY 2020-2021. The Corporation continues to make investments to enhance its capacity to attain the objective of being a first class rail service provider in the region. In this regard, the Corporation has invested in the expansion and rehabilitation of various rail networks to enable us to recapture the lost market share across the country and the region. These efforts have begun bearing fruit with an increase in operational indicators such the tonnages, net ton kilometers and passenger numbers during the year under review reflecting our growing presence, strength and strategic competitiveness.

Key Operational Indicators

During the period, a total of 5,904,751 tons of freight was hauled for both MGR and SGR compared to 4,678,528 tons for the Financial year 2019-20 representing an impressive 26% growth. Segmentally 5,145,677 tons was hauled by SGR compared to 4,122,858 tons in the previous year translating to an increase of 19.8%. MGR on the other hand hauled 711,647 tons during the period recording an increase of 22.7% from the previous year's haulage of 550,670 tons. This included haulage of petroleum products across Lake Victoria by MV Uhuru which moved 38,120 tons during its first year of operations against a target of 42,240 tonnes.

Fuel tanks being loaded onto MV Uhuru. Transporting fuel over the lake has increased efficiency through reduced road congestion and accidents on our roads.

During the period, 4,509,505 passengers were moved using the three (3) pairs of the SGR's Madaraka Express trains, the Nairobi Commuter Rail (NCR) and the newly introduced Nairobi - Nanyuki Passenger Service. Commuter numbers improved from 2,893,960 in the previous period to 3,256,596 during the period under review indicating a 14% improvement due to increased routes.

To further gain a wider footprint in the Nairobi Metropolitan Area commuter movement, other initiatives were instituted including, the upgrade of the Embakasi Village-Nairobi Commuter Service line, the launch of the integrated Commuter Train and Bus service, resumption of Athi River-Nairobi Commuter Train Service, extension of the service to Lukenya and Limuru, commencement of the weekly Nairobi-Nanyuki Passenger Train Service, and the launch of the JKIA Express Service.

The SGR's Madaraka Express passenger service continued to establish itself as a preferred mode of transport between Nairobi – Mombasa due to the reliability and unique experience it offers to travelers. The service moved 1,244,277 passengers against a target of 2.2 million passengers. The passengers comprised of 1,218,273 moved between Nairobi and Mombasa and 26,004 along the Suswa line. The 955,723 passengers (43%) shortfall against the target was due to the COVID – 19 containment measures which affected movement in Quarter one (1) and four (4). The number of passengers moved by SGR increased by 36,732 compared to the previous year as a result of the introduction of an additional service between Mombasa and Nairobi from two to three pairs of trains a day.

Our Center of Excellence, the Railway Training Institute, recorded an enrolment of 2,448 students in the year compared to 5,151 in the previous financial year. As stated, the Institute was adversely affected by COVID-19 pandemic and the resultant containment measures and guidelines.

Financial performance

Despite the challenges, the Corporation's total revenue in FY 2020/21 was Kes 39.898 Billion. This is made up of Kes 16.877 Billion operational revenue and Kes 23 Billion grant (Kes 20.9Billion and Kes 2.2 Billion being cash and deferred revenue grant respectively). In FY 2019/20, revenue was Kes 18 Billion (Kes14.5 Billion being Operational and Kes 3.5Billion being the Revenue Grant) denoting a 122% increase. Operational expenses grew by 15.6% to Kes 42.639 Billion up from Kes 36.896 Billion the previous FY. This is attributed to an increase in depreciation and provision for doubtful debts arising from dues to the previous concessionaire Rift Valley Railways Ltd. The loss in the FY is Kes 24.01 Billion compared to Kes 24.17 Billion the previous year. The increase in loss is attributable to depreciation of Kes 19 Billion and the interest on the On-lent loan of Kes 17 Billion.

Operational revenue grew by 15.9% from Kes 14.556 Billion in 2019-2020 to Kes 16.877 Billion due to improved haulages for both MGR and SGR as discussed above. Growth arising from new business and product lines as part of the Corporation growth and expansion strategy was also realized. The properties and investment division remained steady generating Kes 1.1 Billion in FY 2020-2021 compared to Kes 1.14 Billion in the FY 2019-2021.

The major driver of cost is rail operations expenditure that declined by 3% despite the improvement in activity levels. This is attributed to cost cutting measures instituted by management including review of the Operations & Maintenance Contract and the gradual takeover of SGR operations. Efficiency has also resulted from crystallization of capital projects including locomotive rehabilitation and track maintenance in MGR.

Projects to Enhance Rail Operation Capacity.

The Corporation has continued with expansion of the network by way of revitalization, rehabilitation and construction of new lines. In order to provide the synergy between MGR and SGR in order to address the regional needs, the construction of the 24km line connecting Naivasha Inland Container Depot (NICD) and MGR at the Longonot station was undertaken, which is 85% complete.

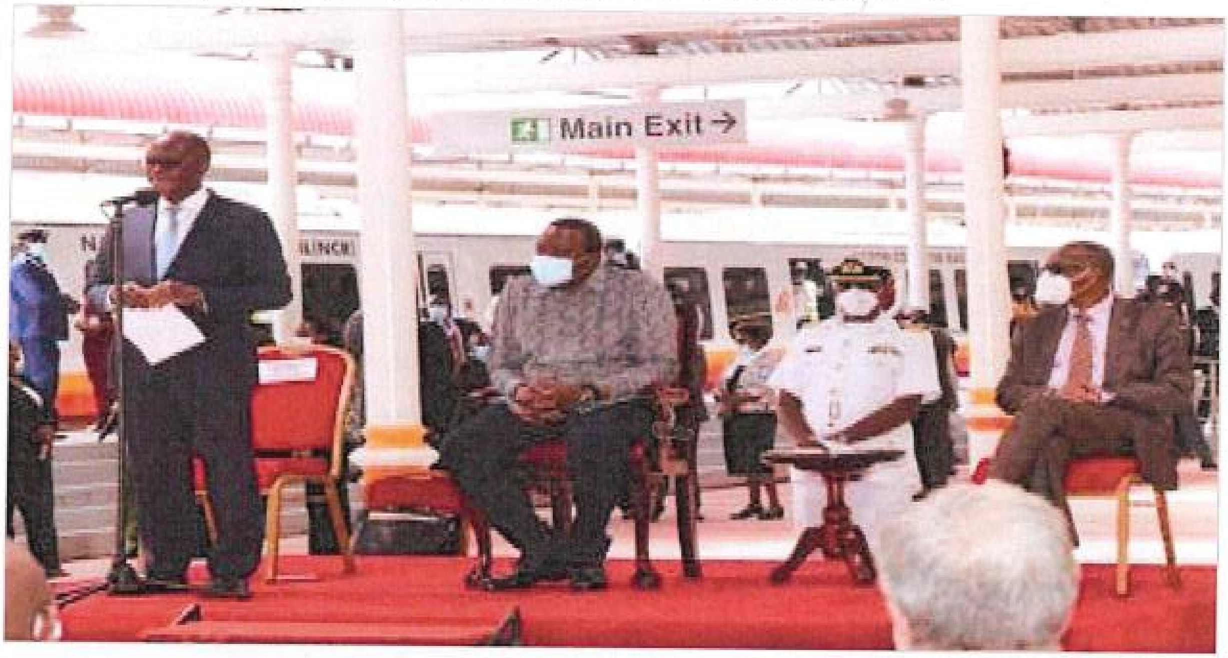
Ongoing construction of a bridge to link the SGR and MGR lines in Naivasha. The link will allow synergy of capacities for the two networks

Cargo train arriving at the Naivasha ICD. The Intermodal facility is critical to provision of services to destinations west of Nairobi

The Corporation is continuing with the rehabilitation of the 467 km Longonot-Malaba line which is 65% complete. Other ongoing rehabilitations include the Gilgil-Nyahururu line, the Kisumu-Butere line and the Nairobi-Konza line.

Ongoing Rehabilitation works on the Nakuru – Kisumu branch line. This will be a key artery in addressing the needs of the regional market.

In order to address the growing demand of commuter services, the Corporation has continued with the rehabilitation of the commuter links within Nairobi. Rehabilitation of the 7.4 km Embakasi village line was completed and commissioned. Of the Eleven (11) Diesel Multiple Units procured from Spain, five (5) units were operationalized whereas six (6) units are expected to be operational in FY 2021/22. This together with opening up of the new routes and operationalization of the connecting bus system is the reason for the impressive growth in passenger numbers despite the pandemic.



Cabinet Secretary MoTI-HUP, James Macharia, EGH giving an address during the launch of the Diesel Multiple Units (DMUs) and the rehabilitated Nairobi Central Station.

The Corporation has continued with the rehabilitation of the 217km Nakuru-Kisumu line which is now 75% complete as at end of June 2021. The Corporation took part in the revitalization of the Kisumu Port and launch of the refitted and refurbished MV Uhuru II in the year and is currently undertaking the building of a new passenger station at Kisumu which is 45% complete. A similar activity is ongoing in Chaka along the Thika-Nanyuki line, which is 90% complete with ten (10) other stations along the line have been completed.

CHAKA RAILWAY STATION

A side view of the Chaka Railway station. Chaka town is a strategic trading center along the Nairobi –Nanyuki Highway. The station is designed to support both cargo and passenger transport.

The Corporation is also refurbishing locomotives to increase the motive power in the MGR network. In the year, six (6) locomotives, eighteen (18) cattle wagons and forty-five (45) tank wagons were successfully refurbished to increase the rolling stock capacity of MGR. The Corporation also completed the re-modification of CX-70 type wagons to increase the fleets in the SGR network.

In order to provide a value chain solution to our customers, the Corporation constructed the Kenya Railways Transit Shed which is a customs bonded facility greatly beneficial to SME and other small scale traders who can now clear the goods at the facility at favorable terms there by easing ways of doing business.

His Excellency President Uhuru Kenyatta officially launches the Kenya Railways Transit Shed during the year.

In SGR, the Nairobi Freight Terminal (NFT) was completed. This has led to the increased uptake of conventional cargo that has led to the 24% growth in SGR volumes this year.

During the year, the Corporation commenced the takeover process of SGR Operations and Maintenance. In this respect, the Operator, AfriStar, handed back passenger ticketing services, security and fuel management as well as loading / offloading equipment. This process will continue until 30th May 2022.

In the period, construction of new facilities including classrooms, laboratories, workshops and a security fence at the RTI main campus was completed, as well as operationalization of the Kisumu Marine School through completion and commissioning of the new hostel and conference facilities. The above have contributed to the improved performance during the year.

President Uhuru Kenyatta and visiting Burundi Head of State Evariste Ndayishimiye commissioning the Railway Training School Marine School Complex in Kisumu

Government Support and Stakeholder Collaborations.

The Corporation is particularly thankful to the Government of Kenya for the support in delivering its mandate. The Government has financed Capital projects to the tune of Kes 39 Billion in Capital grants. In the same period, the Government extended Kes 20.9 Billon in SGR operations grant. In the wake of investments in Huge capital projects such as the SGR, the support is invaluable as infrastructure projects are not evaluated on the profits alone but the contributions to the macro economy and other socio economic benefits.

During the year, the Corporation embarked on a major task of reclaiming the Corporations land that had been lost through encroachment and illegal occupation. To this end, let me appreciate the critical support from the multi-sectorial committee set up to undertake this mandate. The Corporation reclaimed land along the Corridor that is critical for future expansion and safety of operations.

Through the Kenya Transport Logistics Network (KTLN) framework, the Corporation has forged a beneficial and collaborative working relationship leading to higher efficiency in the whole logistics value chain. The support of the Kenya Ports Authority in implementing the Take or Pay agreement is highly appreciated as it has secured volumes and enhanced efficiency of revenue collection and consolidation.

The Kenya Defense Forces and the National Youth Service have been critical in realizing the infrastructure investments with a huge cost savings. This has ensured that there is value for money arising from savings of up to 70% of the project cost as compared to projects undertaken by private contractors. The Kenya Shipyard division was integral to revitalization of MV Uhuru I and II and the ongoing rehabilitation of Locomotives.

Loco 9316 being rehabilitated at our central workshop with the assistance of the Kenya shipyard engineers. This is geared towards capacity enhancement of the Meter Gauge Rail

During the year, the Corporation attained ISO 9001: 2015 Certification on the Quality Management System. This was a demonstration of confidence in our processes and the KRC's commitment to its customers. Critical to the attainment of the certification is the support of Kenya Bureau of Standards.

KR Chairman Major General (Rtd) Awitta receiving the ISO 9001:2015 certificate from Kenya Bureau of Standards (KEBS). This is a mark to Kenya Railways commitment to quality and excellent service.

Human Capital

The Corporation prides in developing a skilled and motivated human capital to effectively respond to the increasing mandate and operational demands. Human resources will take a leadership role and provide service in support of the Corporations vision by promoting the concept that our employees are our most valuable resource.

During the year, the Corporation has enhanced staff skills in their various disciplines through Continuous Professional Development (CPD). During the year, the Corporation facilitated training for staff in specialized courses both in-house and externally to improve their capability. The COVID-19 pandemic however dealt a huge blow, as the premium training facility, the Railway Training Institute was closed as per Government directives. The Corporation, however, has designed an elaborate human resource matrix that assesses and identifies knowledge, and nurtures the same to ensure growth and optimal utilization. The desire to have a motivated workforce has seen the Corporation resolve the post concession staffing challenges leading to a harmonized work force by having a uniform structure that aligns to the operations.

The Corporation takes seriously capacity development. In the wake of the intended takeover of SGR operations, a team has been formed with broad representation from various departments to enable knowledge transfer in readiness for the June 2022 takeover.

During the pandemic, the Corporation instituted measures that ensure that the workforce and the work environment is secure and free from threat of COVID-19. The Corporation invested in equipment and facilities to ensure adherence to GoK directives. It ensured that the most vulnerable such as the elderly, persons with underlying condition and lactating mothers are working from home until the work environment has been certified safe.

The Corporation values workplace safety and compliance to work safety protocols and regulations has been key. We have provided tools and equipment to ensure a livable work environment. The Corporation is also alive to work life balance that also includes mental health of the work force. Specific trainings have been undertaken to address emerging challenges including training for those exiting the workforce through retirement. Above all, Kenya Railways upholds the dignity and respect to all employees and prides itself as an equal opportunity employer.

Challenges in the year

The COVID-19 pandemic has remained the biggest challenge in the financial year. However, the global rebound coupled with robust containment measures including mass vaccination will see this challenge surmounted.

It is noted that MGR has an aging permanent way and rolling stock. This has led to inefficiencies resulting from low tracked load, temporary speed restrictions and long transit times. The result has been depressed volumes, shrinking top lines and customer dissatisfaction resulting from inability to plan due to the unreliable service. Initiatives to remedy the challenges include the ongoing rehabilitations and refurbishments as well as purchasing of new rolling stock to enhance capacity. The Corporation is further seeking government subsidies to run the SGR passenger and Nairobi commuter services that are currently run as a public service.

In the property and investment division, the Corporation obtains base rent resulting from dilapidation of the premises. The Corporation has obtained a budget allocation to modernize the existing properties. Commercial businesses have also been affected by the pandemic resulting to customers' seeking for rent waivers and moratoriums. The inability of the premises to attract market rates is suppressing the revenue ye the funds from the division being critical for supporting rail operations.

The SGR has a high fixed cost structure. The SGR has not lived to its full potential owing to the lack of seamless connectivity to the regional economies. The MGR-SGR Intermodal facility and link to the two networks will resolve this situation. There is now an importunity to grow the reach beyond the borders. The takeover activity will significantly provide an opportunity to review the costs.

Way Forward

Going forward, the Corporation is expecting to be on the path to greater prosperity with numerous opportunities for business growth and expansion, supported by anticipated economic growth, held up by the Post COVID-19 economic recovery strategies instituted by Government. In this regard, the Corporation will emphasize on enhancing operational efficiency, improving internal controls and processes to streamline its business operations, improve customer satisfaction and ultimately expand our bottom line.

Enhancement of capacity through projects remains key to our recovery and we will continue to expand the service to the widest coverage. We are doing everything we can to emerge as a more financially stable and competitive rail service provider. The future is bright and our aim is to rebuild the Corporation into a strong and sustainable organization.

On behalf of Management, I want to commend the Board of Directors and the Kenya Railways family for their resilience and commitment to keeping the train on the track during a challenging year; I was truly inspired and encouraged. I am grateful to our customers, the Government of Kenya, and the support of our partners during the year.

We look forward to welcoming you on board this exciting undertaking.

Philip J. Mainga, EBS

MANAGING DIRECTOR

6. STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

Kenya Railways Corporation had 5 strategic pillars and 5 objectives within its Strategic Plan for the FY 2017/2018- 2021/2022. These strategic pillars are as follows:

- Pillar 1: Policy, legal and regulatory framework;
- Pillar 2: Infrastructure development;
- Pillar 3: Service delivery;
- Pillar 4: Financial and economic sustainability of railway services; and
- Pillar 5: Capacity building, technology and knowledge management.

KR develops its annual work plans based on the above 9 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KR achieved its performance targets set for the FY 2020/2021 period for its 9 strategic pillars, as indicated in the diagram below:

STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATORS		FY2020/2021	
			Target	Achievement
Objective 1: Achieve technical completion and commissioning of 30.9Km of rail and 100% development of associated infrastructure	KMs of track constructed		23.5	Construction of the 23.5Km MGR link between Naivasha ICD and MGR at Longonot was implemented upto 85% by the end of the period
	KM of track Upgraded		7.4	Upgrading of the 7.4Km Makadara – Embakasi Village was completed
Objective 2: Maintain Track Quality Index of below 10 for SGR and below 20 for MGR networks	Track Quality Index	SGR	6.2	An average TQI of 5.96 was achieved which was within the maximum acceptable level of below 15. The achieved index depicts improved condition of the track attributed to completion of the annual ballast addition and track tamping.
	KM of track Rehabilitated	MGR	1,299.4	Rehabilitation of Thika - Nanyuki Branch line (177Km) was completed while the Longonot – Malaba section of the main line was rehabilitated upto 65%
	No. of stations constructed	MGR	2	Construction of 2 new passenger station in Kisumu and Chaka was implemented upto 75% and 90% respectively
	No. of rehabilitated stations	MGR	10	Rehabilitation of 10 stations along the Thika- Nanyuki branch line was completed during the period
	No. of Refurbished Locomotives	MGR	5	Three (3), 93 class and Two(2) ,62 class locomotives were refurbished during the period.
	% availability of locomotives	SGR	95	There were 56 operational locomotives with an average availability of 97.37% up from 96.87% in the previous year which was above the Minimum Condition of Satisfaction (MCOs) of 95%

Objective 3: Increase rail freight market share from 15% (4.8 Million tonnes) in 2019 to 30% (11 Million tonnes) by December 2022	Total freight loaded (tons)	SGR	6,000,000	5,145,677
		MGR	1,000,000	673,527
		MV Uhuru	42,240	38,120
	Total freight – imports (tons)	SGR	5,429,896	4,506,174
		MGR	511,354	654,521
	Total freight – exports (tons)	SGR	570,104	639,503
		MGR	105,166	19,006
	Train transit time from Mombasa-Nairobi (hrs)	SGR	8.6	9.51
		MGR	18	24
	Train transit time Mombasa – Nakuru - Malaba (hrs)	MGR	36	57
	Train Speed for freight trains (Km/hr)	SGR	75	75
		MGR	30	30
	Pairs of freight trains per day between Mombasa and Nairobi (No.)	SGR	8	7.15
Objective 4: Move 8 Million commuters and 2 million passengers by 2022	No. of Refurbished Coaches	MGR	30	25
	No. of coaches	SGR	100	40
	No of DMUs acquired	MGR	11	11
	No. of long distance Passengers	SGR	720,000	1,244,277
	No. of Urban Commuters	MGR	3,000,000	3,254,866
	Pairs of passenger trains per day between Mombasa and Nairobi (No.)	SGR	2	3
	Pairs of passenger trains per week between Nairobi and Suswa (No.)	SGR	3	3
Objective 5: Increase revenue from Kes.14.6Billion in FY2019/20 to Kes.33.3Billion in FY2021/22	Allocated funds from Exchequer (Kes Million)		36,083	39,590
	Revenue raised internally (Kes Billion)		25,957	17,141

Objective 6: Reduce the total cost to revenue ratio from 150% in FY2019/20 to 85% of target revenue in FY2021/22	Cost/ Revenue ratio (%)	99	263
Objective 7: Attain Debt to Revenue ratio on receivables of 5 percent and pending bills of less than 1% of annual total budget.by FY2021/22	Debt / Revenue ratio (%)	10	129
	Pending bills (%)	<1	2.79
Objective 8: Increase internal revenue per employee by 10% every year	Revenue per employee	11,525,768	7,920,979
	Total No. of Employees	2,115	2,164
	No. of staff trained	150	
	No. of students attached, internships & Apprentices	50	382
Objectives 9: Increase enrolment at RTI from 2,513 in 2019 to 6,482 by 2022	No. of students enrolled	3,721	5,151
	No. trained in Standard Training Certification Watch for sea farers(STCW)	50	0
	No. trained in rail, Transport and Logistics courses	500	430

Performance of Rail Transport

The Third Medium Term Plan identifies rail transport as a key enabler towards national transformation and achievement of advanced socio-economic development through the "Big Four Agenda". Rail transport supports growth in other sectors of the economy by providing efficient, reliable and competitive supply chain and logistic solutions. The overall goal is to increase competitiveness of locally produced goods in the local, regional and international market by reducing the cost of doing business. In addition to the economic footprint, rail sector delivers significant environmental and social benefits including reducing CO2 emission and lowering road carnage.

Resurgence in performance witnessed in the subsector in the past five years is expected to continue in the foreseeable future considering the ongoing investment in development and rehabilitation of rail infrastructure. However, the recovery process was interrupted in the financial year 2020/21 by the impact of the global COVID-19 pandemic which presented unprecedented disruption on the transport sector and rail subsector in specific.

Rail operations were affected due to limited availability of cargo at the port of Mombasa due to closure of major Ports in China, USA and Europe as well as restrictions in crossing boarders in the regional markets. Other adverse effects arising from the slowdown in operations include; loss of revenue, increased expenditure as a result of activities put in place to fight the spread of the virus, legal challenges on current contractual obligations, delay in project implementation, reduced staff engagement, and closure of RTI.

The Corporation however remained resilient by posting considerable results in passenger movement, freight operations and project implementation as summarized below:

i. **Freight Haulage:** During the period, a total of 5,904,751 tonnes of freight were hauled against a target of 7,000,000 tonnes by both SGR and MGR. This constituted 5,145,677 tonnes haulage by SGR against a target of 6,000,000. In the previous year, SGR hauled 4,122,858 tonnes translating to an increase of 19.8% on a year to year basis.

   MGR on the other hand hauled 711,647 tonnes during the period against a target of 1,042,240 tonnes, translating to an achievement rate of 68.2% while also recording an increase of 22.7% from the previous year's haulage of 550,670 tonnes. This included haulage of petroleum products across Lake Victoria by MV Uhuru which moved 38,120 tonnes against an annual target of 42,240.

   Rail freight market share at the port of Mombasa was boosted by continued investment in rail and associated infrastructure including revitalization of the MGR system, increasing the asset capacity of SGR and marketing of rail transport as an alternative mode of transport along the Northern corridor.

ii. **Passenger Movement:** A total of 4,509,505 passengers were moved by the three 3 passenger services operated during the period including SGR's Madaraka Express, Nairobi Commuter Rail (NCR) and the newly introduced Nairobi - Nanyuki Passenger Service. The overall target set was 5,200,000 consisting of 2,200,000 long distance passengers and 3,000,000 commuters.

   During the period under review, a total of 1,235,075 passengers were moved between Nairobi and Mombasa representing an achievement of 56.1% against the set target, while 3,254,886 commuters used the NCR service accounting for an overachievement by 8.4%. Compared to the previous year, Madaraka Express passengers increased by 76,793 while commuter numbers rose by 361,723.

iii. **SGR take over –** During the year the Corporation commenced the takeover process of SGR Operations and Maintenance. In this respect, passenger ticketing services, security and fuel management as well as loading/ offloading equipment were handed back by the Operator, AfriStar. This process will continue until 30th May 2022.

iv. **Revamping of Nairobi Commuter Railway Network -** The year saw completion and commissioning of the revamped Nairobi Commuter Railway(NCR) service. The project entailed refurbishment of the Nairobi Central Station, rehabilitation and upgrade of 220Km of the track and acquisition of 11 Diesel Multiple Units (DMUs). Three (3) commuter routes were also introduced including Athi River, Lukenya and Limuru during the period.

   In addition, sidings were opened up in Thika, Ruiru, Industrial Area, Nzoia, Nakuru – Menengai and Mombasa to enhance first/last mile connectivity.

v. **Revitalization of Thika - Nanyuki branch line –** During the period, rehabilitation of the 177Km Thika – Nanyuki Branch Line was completed and operationalized.

vi. **Establishment of a Customs bonded facility at Kenya Railways Transit Shed -** In the period under review, KR established a customs bonded facility at the Nairobi Central Station yard area. The facility aims to lower cost of doing business for small business owners in Nairobi and its environs.

vii. **Upgrading of RTI infrastructure and Operationalization of Kisumu Marine School –** In the period, construction of new facilities including classrooms, laboratories, workshops and a security fence were completed at RTI main campus as well as operationalization of the Kisumu Marine School through completion and commission of the new hostel and conference facilities.

viii. **Integration of MGR services –** In the period under review, the MGR Operations were integrated into KR mainstream processes to improve operational efficiency and create harmonized structure at the Corporation.

ix. **Attainment of ISO 9001: 2015 –** During the period, the Corporation got ISO 9001: 2015 certification on the Quality Management system.

7. CORPORATE GOVERNANCE STATEMENT

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

Role & Functions of the Board of Directors

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

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

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it essential. The Board held the following meetings during the year under review.

The attendance per Board Member was as follows:

FULL BOARD

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
MAJ. GEN (RTD) P. AWITTA – **CHAIRMAN**	11	44	55
JAMES MITHIKA	-	4	4
HELLEN N. W. KARU	-	3	3
JOHN C. CHERONGONY	-	2	2
CHRISTOPHER MUMO	-	2	2
KIMANTHI MAINGI	8	42	50
RAHAB NYAGA	9	35	44
TOM OMARIBA	9	39	48
MARTIN MOGWANJA	10	37	47

JOHN NYERERE	6	16	22
CATHERINE MUSAKALI	7	30	37
HUMPHREY MUHU	8	28	36
DUNCAN HUNDA	10	25	35
WILLIAM RUTO	8	11	19
PETER WAWERU	2	9	11
RASHID SALIM	-	1	1
PHILIP J. MAINGA	11	31	42
DAVID NJOGU	9	39	48
STANLEY GITARI	2	5	7

STRATEGIC PROJECTS COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
KIMANTHI MAINGI	3	-	3
CHRISTOPHER MUMO	2	-	2
RAHAB NYAGA	9	7	16
MARTIN MOGWANJA	6	7	13
TOM OMARIBA	5	6	11
HUMPHREY MUHU	9	6	15
DUNCAN HUNDA	8	3	11
WILLIAM RUTO	5	2	7
PETER WAWERU	6	2	8
PHILIP MAINGA	9	2	11
DAVID NJOGU	9	7	16

FINANCE, HUMAN RESOURCES AND ADMINISTRATION COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
CHRISTOPHER MUMO	2	-	2
HELLEN N. W. KARU	2	-	2
KIMANTHI MAINGI	8	3	11
TOM OMARIBA	6	5	11
JOHN NYERERE	5	3	8
HUMPHREY MUHU	8	3	11
DUNCAN HUNDA	8	3	11
PETER WAWERU	2	2	4
PHILIP MAINGA	8	2	10
DAVID NJOGU	8	3	11

BUSINESS OPERATIONS & INVESTMENTS COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
HELLEN WAMUIGA KARU	1	-	1
JAMES MITHIKA	1	-	1
JOHN CHERONGONY	1	-	1
KIMANTHI MAINGI	5	6	11
CATHERINE MUSAKALI	3	3	6
JOHN NYERERE	4	2	6
DUNCAN HUNDA	6	5	11
HUMPHREY MUHU	6	6	12
WILLIAM RUTO	3	3	6
PETER WAWERU	4	3	7
PHILIP MAINGA	6	5	11
DAVID NJOGU	6	6	12

RISK AND AUDIT COMMITTEE

BOARD MEMBER	SCHEDULED	SPECIAL	TOTAL
JAMES MITHIKA	2	-	2
JOHN CHERONGONY	2	-	2
RAHAB NYAGA	6	3	9
MARTIN MOGWANJA	4	4	8
CATHERINE MUSAKALI	4	3	7
HUMPHREY MUHU	6	3	9
DUNCAN HUNDA	4	3	7
PETER WAWERU	6	1	7
PHILIP MAINGA	1	4	5

Board Performance

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

Directors' Emoluments

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2020/21 are disclosed in the notes to the financial statements under Note 18.6 . Non-executive directors are paid sitting allowances for every meeting attended.

Ethics, Conduct and Governance

The Corporation seeks to adhere to the principles of good governance as appropriate. The Corporation is a non-discriminatory employer operating an equal opportunities policy which aims to eliminate discrimination, harassment and 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.

Orientation, Information and Board Developments

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

The new Board Members are also taken through induction tours in all regions in the country where railways asset exists.

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

8. MANAGEMENT DISCUSSION

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

Despite the effects of COVID 19 on the economy, performance of rail remained resilient during FY2020/21 thereby acting as a key enabler of growth in other sectors including manufacturing.

This report provides information on the Corporation's performance in its key operational units for the FY2020/2021. It also highlights financial performance, implementation status of projects as well as challenges faced during the period and actions recommended for future improvement.

8.1. Financial Performance

In the period under review, KR revenues were Kes 40 Billion (including Investment income) in comparison to Kes 18 billion in 2019/20. A summary of the Corporation's financial performance indicators is provided in the table below.

Table 1: Key Financial performance; Revenue

Indicator	FY20/21	FY19/20	Change	Variance
Rent income	1,103,768,145	1,144,009,795	(40,241,650)	-4%
SGR income	13,572,421,989	12,079,604,997	1,492,816,992	12%
Equipment lease	60,460,850	43,944,074	16,516,776	38%
Museum income	694,650	2,200,234	(1,505,584)	-68%
Investment income	306,544,742	41,796,368	264,748,373	633%
Other income	372,070,045	22,266,146	349,803,900	1571%
MGR revenues	1,556,536,885	1,073,007,503	483,529,383	45%
RTI revenue	211,551,557	180,031,098	31,520,459	18%
Total Operational Revenue	**17,184,048,862**	**14,586,860,213**	**2,597,188,649**	18%
GOK GRANT	23,021,169,736	3,448,825,536	19,572,344,200	568%
Total	**40,205,218,598**	**18,035,685,749**	**22,169,532,849**	123%

The shortfall was mainly attributed to low volumes of cargo hauled in the period against the targeted volumes associated to the effects of COVID 19. Revenue increased by 18% compared to FY2019/20 as a result of increased demand for rail services.
The Corporation incurred an operating loss, without the provision of the GOK grant, of Kes 42. 6Billion against a target of Kes. 13.81Billion in the year translating to Return on Investment (ROI) of -5.67% against a target of -2. This was as a result of the shortfall in revenue from business units affected by the pandemic, provision for RVR debt incurred during concession and payment on loan interest for SGR construction. The situation is expected to gradually improve with reduction in operating expenditure as rehabilitation of MGR track, associated infrastructure and rolling stock nears completion.

The Corporation absorbed Kes 39.59Billion (98%) of GoK allocated funds against a target of Kes 40.395Billion. The funds were used for rail operations, refurbishment of coaches and settlement of contractor fees in construction of SGR Phase 2A and Naivasha special economic zone Textile park- ICD Naivasha. Likewise, Kes 9.28Billion (100%) of externally mobilized funds from development partners, EXIM Bank, were fully absorbed in settlement of SGR Phase 1 and Phase 2A contractor fees.

The Corporation's total revenue in FY 2020/21 was Kes 16.877 Billion, net of discounts and grants, against Kes 14.556 Billion the previous year. The total loss in the FY is Kes 24 billion compared to Kes 24.178 Billion in the FS 2019-20. The significant increase in loss is largely attributable to SGR depreciation of Kes 19 billion and Interest On On-lent loan of Kes 17.5 Billion. Other income generated Kes 1.5 billion mainly attributed to net rental income from investment property and RTI Kes 211Million.

Total Operating expenses of Kes 42.639 Billion were incurred compared to Kes 36.896 Billion the previous year with the increase by Kes 5.743 Billion being attributed to the depreciation on SGR Assets. Costs incurred on SGR operational costs to the Operator, AfriStar, based on the Operational and Maintenance contract and other costs for the marketing of the both the passenger and freight services were Kes 37 Billion including SGR depreciation. MGR rail Direct Operation costs were at Kes 2.1 Billion including staff cost of Kes 596 million

The performance under each segment is as per below;

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th June 2021					
	SGR 30th June 2021 Kshs.	MGR 30th June 2021 Kshs.	Non Rail 30th June 2021 Kshs.	RTI 30th June 2021 Kshs.	30th June 2021 Kshs.
REVENUES					
Main Income	14,507,825,953	1,672,777,912	1,103,768,145	211,551,557	17,495,923,566
Discount Allowed	(936,023,612)	(55,780,177)	-	-	(991,803,789)
Other income	-	129,321,057	244,063,286	-	373,384,343
TOTAL REVENUES	**13,571,802,341**	**1,746,318,791**	**1,347,831,431**	**211,551,557**	**16,877,504,120**
OPERATING EXPENSES				-	-
Board expenses	(18,979,123)	(11,387,474)	(7,591,649)	(1,000,700)	(38,958,946)
Staff Cost	(363,454,731)	(596,179,000)	(432,294,095)	(178,258,226)	(1,570,186,052)
Administration expenses	(65,321,779)	(192,744,771)	(338,946,278)	(83,210,789)	(680,223,616)
Rail Operational expenses	(17,685,789,224)	(1,303,788,309)	-	-	(18,989,577,533)
TOTAL OPERATING EXPENSES	**(18,133,544,857)**	**(2,104,099,554)**	**(778,832,022)**	**(262,469,715)**	**(21,278,946,148)**
TOTAL EXPENSES	**(18,133,544,857)**	**(2,104,099,554)**	**(778,832,022)**	**(262,469,715)**	**(21,278,946,148)**
OPERATING PROFIT/(LOSS)	**(4,561,742,515)**	**(357,780,762)**	**568,999,409**	**(50,918,158)**	**(4,401,442,027)**
Other comprehensive income					
Finance Income	-	-	429,181,957	439,836	429,621,793
Finance Expense	(17,531,014,336)	-	-	-	(17,531,014,336)
Penalties/Interests On Deb	(644,343,297)	-	-	-	(644,343,297)
Exchange Gain/Loss	(116,080,205)	-	-	-	(116,080,205)
Government Grants	23,021,169,736	-	-	-	23,021,169,736
Depreciation of property, plant and equipment	(19,694,423,113)	(80,179,627)	(246,889,609)	(12,905,388)	(20,034,397,736)
Amortisation of Intangible Assets	(3,530,709)	-	-	-	(3,530,709)
Provision For Bad Debts	(4,721,701,545)	-	-	-	(4,721,701,545)
PROFIT/(LOSS) BEFORE TAXATION	**(24,251,665,983)**	**(437,960,389)**	**751,291,757**	**(63,383,710)**	**(24,001,718,326)**

8.2. Operational Performance

Operational performance will cover the highlights of the operating divisions of MGR and SGR

8.2.1. MGR Operational Discussions

8.2.1.1. Performance Matrix

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

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

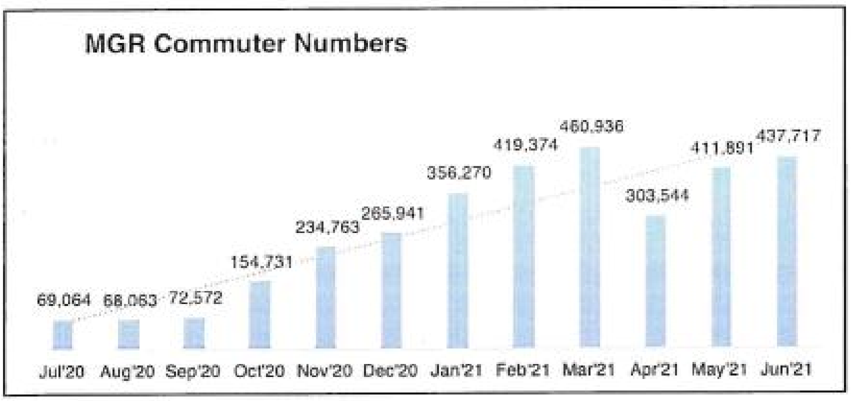
Table 2: Summary of MGR Operational Performance

Indicator	Unit	FY20/21 Target	FY20/21 Actual	Variance	FY19/20 Actual	Variance
		A	B	B-A	C	B-C
Number of Passenger	No.	3,000,000	3,256,596	256,596	2,893,960	362,636
Freight Haulage	Tons	1,000,000	711,647	288,353	555,670	155,977
Net Tonne Km	Ton Km	-	473,223,083	-	321,280,477	151,942,606
Gross Tonne Km	Ton Km	-	859,421,223	-	610,090,933	249,330,290
Gross Wagon Km	Km	-	14,997,838	-	9,975,555	5,022,283
Locomotive Availability	%	100	21	(79)	18	(3)
Wagon Availability	%	100	50	(50)	62	(12)

8.2.1.2. Commuter Services

During the period, 3,256,596 commuters were moved against a target of 3 Million. This comprised of 3,241,426 moved on the Nairobi Commuter Railway network and 15,170 along the Nanyuki line translating to an increase of 362,636 passengers (12.5%) compared to the previous year's performance of 2,893,960.

Figure 1: Commuter Service Performance



The month on month growth witnessed during the year was briefly interrupted in the month of April due to the COVID 19 mitigation measures.

However, the overall overachievement by 256,596 commuters (8.6%) during the period was mainly attributed to activities implemented to revamp the NCR network, which include:

i. Upgrade of the Embakasi Village-Nairobi Commuter Service line;
ii. Launch of the integrated Commuter Train and Bus service;
iii. Resumption of Athi River-Nairobi Commuter Train Service;
iv. Extensions to Lukenya and Limuru;
v. Commencement of the Weekly Nairobi-Nanyuki Passenger Train Service; and,
vi. Launch of the JKIA Express Service.

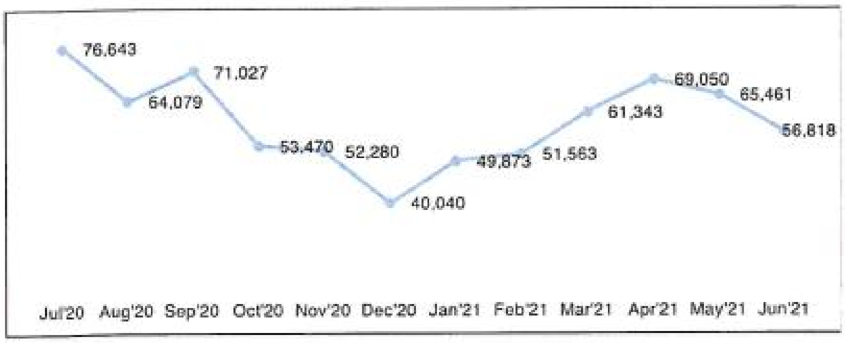
The improvement in NCR performance has also been sustained by extension of the NCR services to Lukenya and Limuru and introduction of DMUs which in effect increased number of daily trips from 13 at the beginning of the period to 38 by June 2021.

8.2.1.3 MGR Freight Services

During the year, a total of 711,647tonnes was hauled by the MGR service representing a shortfall of 288,353tonnes (28.8%) against the period's target of 1Million tonnes. However, compared to the previous period, freight hauled improved by 155,977 tonnes (28.1%) due to rehabilitation of the track and rolling stock during the year.

The figure below summarizes performance of MGR freight haulage during the period.

Figure 2: Performance of MGR Freight Service in tonnes



The downward trend witnessed between September to December 2020 was as a result of a major client (GBHL) preferring to haul its conventional freight by SGR. However, there was a rise in haulage between January – April 2021 due to increase in volumes of steel products. Haulage was affected in the months of May and June 2021 due to plant shut down by KAPA which transports vegetable oil products through the MGR service.

Performance was below target mainly due to low motive power to haul available freight on the network.

The management has initiated the following remedial actions to increase freight haulage in the FY2021/22.

i. Partnership with Kenya Shipyard Limited to overhaul 22 mainline locomotives, rehabilitate 6 mainline locomotives and 3 shunting locomotives;

ii. Acquisition of additional 22 locomotives (5 of 18.0 tons/ axle, 8 of 14.0 tons / axle and 9 of 12.5 tons / axle). The first batch of 4 new 12.5 tons per axle locomotives are expected by September 2021. The remaining 18 locomotives will be acquired in the FY2021/22.

iii. Rehabilitation of 45 white oil tank wagons and modification of containers to enable movement of bulk cargo;

iv. Enhanced security patrol process to reduce cases of vandalism of track materials which result to derailments and capsizements; and,

v. Engagement of additional staff in rolling stock to enhance man power required in the carrying out of major repairs and maintenance of locomotives and wagons.

vi. Continued rehabilitation of MGR track across the network

Gross Tonne Kilometre (GTK) - During the year, a total of 859,421,223-ton kilometre was moved by MGR from 610,090,933 in FY2019/20 and 743,378,371 in FY2018/19. This depicts an increasing trend in utilization of MGR rail infrastructure as a result from the better state of the network arising from rehabilitation.

GTK is a good indicator for monitoring direct costs including fuel efficiency (litres per gross ton km moved). During the period, an average fuel efficiency of 11.5 was achieved against the previous year's average of 12.04. The target fuel efficiency is set at 10L/100GTK.

Although fuel consumption increased by 45.6% as a result of a rise in number of trains, GTK improved due to growth in cargo haulage, improved locomotive availability as well as reduced transit times. The difference in the margins led to an improvement in fuel efficiency by 4%.

Net Tonne Kilometre (NTK) - During the year, MGR moved 473,223,083-ton kilometre compared 321,280,477 in FY 2019/20 and 394,523,272-ton Km FY2018/19. The growth in NTK is in tandem with the increase in freight hauled and revenue raised by the service over the past three years.

Gross Wagon Kilometre (GWK) - During the year, a total of 14,997,838 Gross Wagon Kilometres was moved compared to 9,975,555 in FY2019/20 and 11,451,197 in FY2018/19 portraying an increasing trend in the productivity wagons over the period.

Challenges and Solutions

a) **Rolling stock challenges** affected clearance of loaded cargo from Mombasa, consequently affecting the cycle time of the wagons.

On average, the upload in Changamwe is 60 wagons daily loaded waiting for motive power.

Below are the Management actions being taken to resolve the rolling stock challenges:

i. Ongoing rehabilitation of mainline locomotives in Workshops through internal reallocation of resources. Rehabilitation is planned under the program carried out by rolling stock team with support of Kenya Ship Yard (KSY). KSY will undertake the overhaul of 22 mainline locomotives, rehabilitate 6 mainline locomotives and 3 shunting locomotives. With funding from GOK, this revitalization plan of MGR locomotives has kicked off and is expected to rehabilitate and overhaul a total of 31 locomotives.

ii. Acquisition of additional 22 locomotives (5 No. 18.0 tons/axle, 8 No. 14.0 tons/axle and 9 No. 12.5 tons/axle) to support the increased scope of operational areas such as the

Kisumu and Nanyuki sections and to increase the capacity of the mainline locomotives for freight. The procurement process has been completed and contract signed for the purchase of the first 4 12.5 tons/axle locomotives of the 9 expected. The delivery of the 4 is expected in September 2021. RDLF has approved the budget for the remaining batch of 18 locomotives (5 No. 12.5 tons/axle, 5 No. 18.0 tons/axle and 8 No. 14.0 tons/axle). KR Board also approved the inspection of 3 No. 14.0tons/axle locomotives intended for use along Nakuru - Kisumu line.

b) **Track related Incidents:** There were 120 track related failures in the year that resulted in line blockage thus affecting movement of resources.

Management interventions to deal with the track related issues include:

i. Infrastructure department is undertaking rehabilitation of the entire MGR line so as to increase the speeds from the current 30KPH to a target of 50KPH to improve the transit and cycle time of wagons.

ii. The permanent way division has an aging workforce with high retirement of staff. The HR department had been tasked on partial extension of retirees' contracts and this was done. A long-term strategy of succession planning is being undertaken through RTI and this shall permanently solve the current challenge.

iii. The project teams have undertaken procurement of critical items that are at various procurement stages. Management is fast tracking delivery of materials to enable attainment of project goals.

c) **Suitable assets for specialized cargo:** Convectional volumes for the year moved reduced drastically due to the dynamic changes in the convectional business environment leading to a shift in loading of bulk cargo as compared to the traditional bagged cargo. Also the inadequate number of saddles has impacted the volumes moved considering the offers for steel coils (HRC's).

The Management has initiated conversion of containers to enable movement of bulk grains. The prototype for conversion was completed, tested and approved. Budgeting for large scale conversion is ongoing.

Management is implementing the following initiatives to address this challenge:

- Conversion of containers to enable movement of bulk grains has been initiated. The prototype for conversion was completed, tested and approved. Budgeting for large scale conversion is ongoing.
- The tender for production of 200 saddles has been floated in order to address the saddles shortage.

d) **Speed Restrictions**

The MGR network had a blanket speed restriction of 30KPH imposed due to dilapidation of the track. With the ongoing rehabilitation of the track, 344Km formerly on 30KPH temporary speed restriction have been lifted to 40KPH. 703.6 Km of track has temporary speed restrictions of 30KPH and below. This is due to track instability as a result of the ongoing rehabilitation projects. The various teams are undertaking concurrently various rehabilitation works that necessitate the input of TSR awaiting their completion and track stabilization. The emphasis is on track ballast screening (cleaning). As a mitigation strategy, ballast offloading and geometry correction activities have been enhanced.

The operational strategy on the restoration of section speed is anchored on the various track rehabilitation projects. Each project is geared towards the attainment of the strategy. Longonot Malaba track rehabilitation is ongoing at approximately 48% complete. The NCR project covering Konza to Kikuyu is equally on going at approximately 80% complete. Mombasa Konza and Kikuyu Longonot track rehabilitation project was recently commissioned and it's expected to be complete in five years over three phases. Phase 1 targeted to cover 196Km of track in two sections; MacKinnon Road to Voi and Sultan Hamud Emali section. Off the 196Km target scope, the TSR review from 30 KPH to 40 KPH has been reviewed and implemented. The team is awaiting finalization of ballast contract award and delivery so that they can undertake geometry correction and thereafter lift the TSR to section speed. Phase 2 documentation and approval is ongoing. With an extended scope of Mackinnon to Mtito and Sultan to Simba sections.

The performance of MGR is showing a positive trend and Management is taking the following actions to ensure continued improvement;

1. Ongoing maintenance and rehabilitation of mainline locomotives in Workshops through internal reallocation of resources.
2. Ongoing rehabilitation of mainline locomotives in Workshops through internal reallocation of resources. Rehabilitation is planned under the program carried out by rolling stock team with support of Kenya Ship Yard (KSY). KSY will undertake the overhaul of 22 mainline locomotives, rehabilitate 6 mainline locomotives and 3 shunting locomotives. With funding from GOK, this revitalization plan of MGR locomotives has kicked off and is expected to rehabilitate and overhaul a total of 31 locomotives.
3. Acquisition of additional 22 locomotives (5 No. 18.0 tons/axle, 8 No. 14.0 tons/axle and 9 No. 12.5 tons/axle) to support the increased scope of operational areas such as the Kisumu and Nanyuki sections and to increase the capacity of the mainline locomotives for freight. The procurement process has been completed and contract signed for the purchase of the first 4 12.5 tons/axle locomotives of the 9 expected. The delivery of the 4 is expected in September 2021. RDLF has approved the budget for the remaining batch of 18 locomotives (5 No. 12.5 tons/axle, 5 No. 18.0 tons/axle and 8 No. 14.0 tons/axle). KR Board also approved the inspection of 3 No. 14.0tons/axle locomotives intended for use along Nakuru - Kisumu line.
4. Continued improvement on section speeds through track rehabilitation so as to improve on the cycle times and turn round of resources.
5. The MGR division has an aging workforce with high retirement of staff. The HR department had been tasked on partial extension of retirees contracts, this was done. A long term strategy of succession planning is being undertaken through RTI and this shall permanently solve the current challenge.
6. Conversion of containers to adapt to the current market dynamic of conveying bulk cargo has been initiated by the management. The prototype for conversion was completed, tested and approved. Budgeting for large scale conversion is ongoing.
7. Close monitoring of the Key Performance Indicators through daily and weekly production meetings to review on agreed actions and performance challenges.

8.2.2. SGR Operations

SGR service during the period was monitored using the following Key Performance Indicators (KPIs):

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

The KPIs are as indicated in the table below.

Table 3: SGR Key Performance Indicators

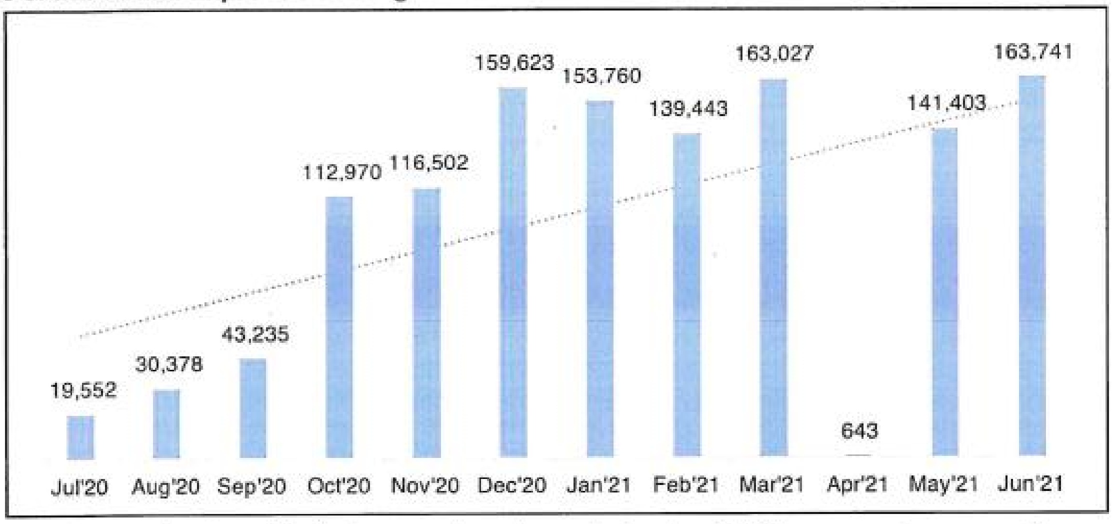
Indicator	Unit	FY20/21 Target	FY20/21 Actual	Variance	FY19/20 Actual	Increase / Decrease
		A	B	B-A	C	B-C
Passengers	No.	2,200,000	1,244,277	955,723	1,198,986	45,291
Freight	Tons	6,000,000	5,145,677	854,323	4,122,858	1,022,819
Net Tonne Km	Ton Km	-	2,442,062,012	-	1,945,121,614	496,940,398
Gross Tonne Km	Ton Km	-	5,536,903,812	-	4,740,508,856	796,394,956
Gross Train Km	KM	-	2,317,992	-	2,071,608	246,384
Gross Wagon Km	Km	-	118,123,664	-	99,635,896	18,487,768
Track Quality Index	TQI	<15	5.96	(9.04)	5.91	-0.05
Average Locomotive Availability	%	95	97.37	(2.37)	99.9	-2.53
Wagon Availability	No.	1,620	1431	(189)	1300	131

8.2.2.1 SGR Passenger Services Performance

During the year, Madaraka Express moved 1,244,277 passengers against a target of 2.2Million. This comprised of 1,218,273 passengers moved between Nairobi and Mombasa and 26,004 passengers along the Suswa line. The 955,723 passengers (43%) shortfall against the target was due to COVID 19 containment measures which affected movement within counties in Quarter 1 and part of Quarter 4.

The number of passengers moved increased by 36,732(4.5%) compared to the previous year as a result of introduction of an additional train service between Mombasa and Nairobi making a total of three trips per day. The average seat occupancy for the trains was at 92% against a set target of 95%. The figure below provides a summary of monthly numbers of passengers from July 2020 to June 2021.

Figure 3: Madaraka Express Passenger Numbers



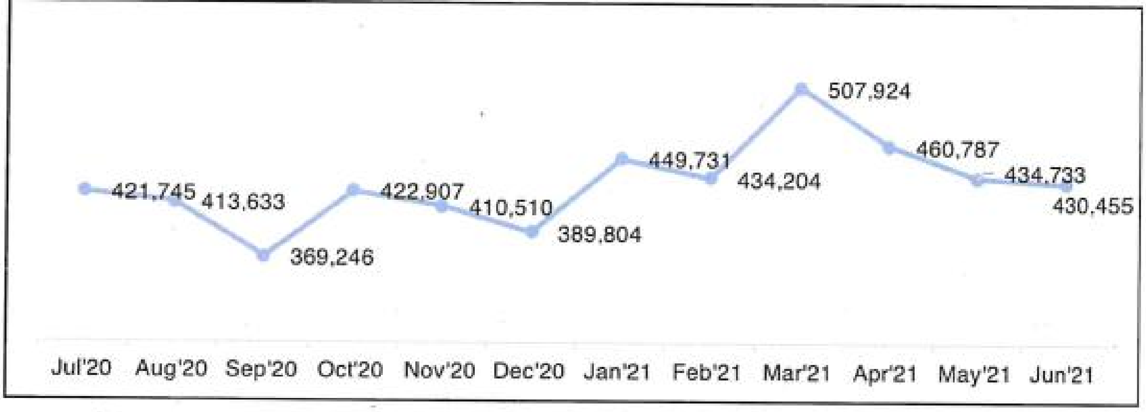
The increasing trend indicates growing demand due to reliability, convenience and improved ridership experience of the service. This however will be sustained through enhancement of automated ticketing services (self-seat selection, establishing more booking points and introduction of alternative payment options). In addition, management will also increase the SGR assets through acquisition of additional coaches to meet demand for the service.

8.2.2.2 SGR Freight Service Performance

The target for SGR freight haulage was set at 6,000,000 tonnes for FY2020/21. During the period a total of 5,145,677 tonnes was hauled up from 4,122,858 in FY 2019/20 translating to an annual increase of 1,022,819 tonnes (24.8%).

The year to year increase in performance was mainly due to introduction of double-stacked trains from the Port of Mombasa to ICD Nairobi, increased utilization of SGR assets coupled with enhanced intermodal connectivity following completion of the access roads at Nairobi ICD. The figure below shows the trend of haulage over the year.

Figure 4: SGR Freight Haulage (tonnes)



SGR freight haulage dipped from 421,745 tonnes in July 2020 to a low of 369,246 tonnes in September 2020 due to end of promotional rates for haulage of freight at Naivasha ICD but rose gradually to peak in March 2021 following full operationalization of GBHL bulk cargo handling facility in Embakasi.

However, freight haulage fell short of the year's target of 6Million by 854,323 tonnes (14.2%) mainly due to:

i. Uncompetitive last mile tariffs from ICD Naivasha for goods destined to Western Kenya and the Eastern Africa region.

ii. Loss of asset capacity through accidents during offloading operations.

iii. Occasional delays in loading/offloading within the port of Mombasa and Nairobi ICD.

iv. Disruption in handling conventional cargo due to the current expansion works at the Nairobi Freight Terminus (NFT) which is expected to be completed by September 2021.

The Corporation has laid down the following initiatives to improve haulage of freight in FY 2021/22:

i. Partnered with private sector to invest in equipment to haul specialized cargo (i.e. clinker, bulk, wheat, vegetable oil and liquids and vehicles) as well as provision of first and last mile solution.

ii. Modified 215 type C70E open top wagons to replenish the diminishing containerized cargo wagons.

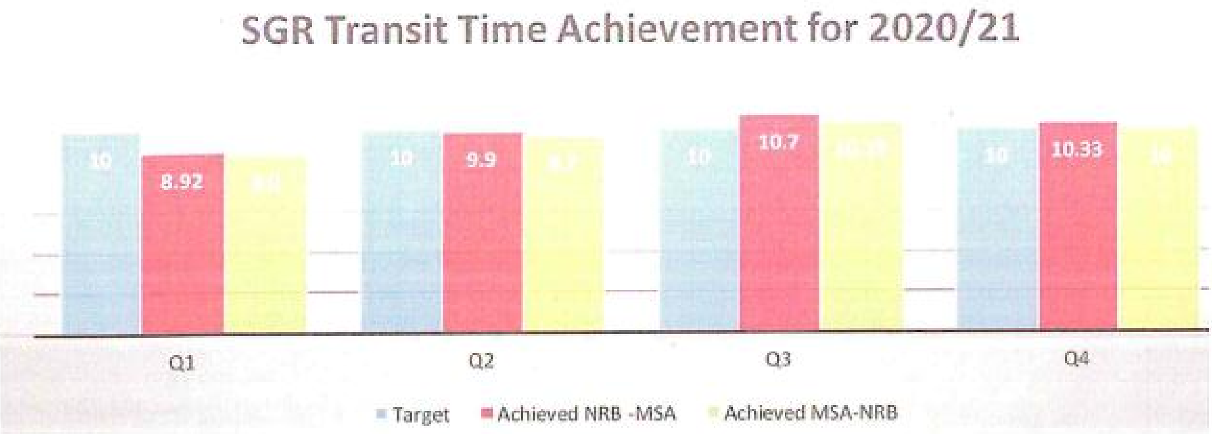
iii. Completion and operationalization of the Naivasha ICD SGR- MGR Longonot link to enhance last mile connectivity.

iv. Complete MGR connectivity to Mai Mahiu and operationalize the Mai Mahiu Railway Station for handling conventional cargo in order to increase haulage of non-containerized bulk freight to Naivasha ICD.

8.2.2.3 SGR Performance Indicators Tracking

Transit Time - During the period an average freight transit time of 9hrs 51Min hence achieving the annual target of below 10hrs as shown in the figure below.

Figure 5: SGR Average Freight Transit Time in FY2020/21



Transit time deteriorated from an average of 8.86Hrs in Quarter one (1) to 10.17Hrs in Quarter four (4) mainly due to deferred periodic maintenance of rolling stock which was conducted in Quarter four (4), and prioritization of passenger trains to freight trains.

The difference in transit time between Nairobi – Mombasa train and Mombasa – Nairobi train arises from the high gradient as well as heavy load for the Nairobi bound train hence the longer time it takes.

The target transit time for the passenger train was set at 4hrs 51Min for the express train and 5Hrs 50Mins for the inter county train. During the period under review, the average transit time achieved by the express train was 5Hrs 3Mins while the intercountry train achieved 5Hrs 49Mins. This depicted adherence to the train schedules with punctuality rate of 99%.

Gross Tonne Kilometre (GTK) - Gross Tonne Kilometre (GTK) is the total weight of the rolling stock, equipment and the load moved per kilometre. It is used to derive direct costs of haulage in terms of fuel and maintenance of assets, track and civil works. The measure assists in providing information on utilization of rail infrastructure.

During the year, a total of 5,536,903,812 tonnes per KM was moved by SGR from 4,740,508,856 in FY2019/20 and 4,345,286,546 in FY2018/19. This depicts an increasing trend in utilization of SGR rail infrastructure.

Net Tonne Kilometer (NTK) - Net Tonne Kilometre (NTK) measures tonnes of load moved per kilometre excluding the weight of rolling stock and equipment. The indicator is a standard measure for rail activity and providing information on pricing of freight services over distance moved.

During the year, SGR moved 2,442,062,012 NTK compared 1,945,121,614 in FY 2019/20 and 1,868,676,155 NTK in FY2018/19. The growth in NTK signifies increase in freight hauled and revenue raised by the service.

Gross Wagon Kilometre (GWK) - The Gross Wagon Kilometre (GWK) indicates mobility and utilization of wagons by the average number of kilometres moved. It includes both loaded and empty wagons.

During the year, a total number of 118,123,664 Gross Wagon KM was moved compared to 99,635,896 in FY2019/20 and 90,533,848 in FY2018/19 portraying an increasing trend in utilization of wagons over the period.

8.2.2.4 SGR Takeover

During the year, the Corporation commenced take-over of SGR services from AfriStar by seconding technical staff to key operational areas. The process is expected to be completed by 31st May 2022. During the year, the following services were successfully handed back to the Corporation: Passenger ticketing services, Security and fuel management, and Loading and offloading at Port Reitz which was later handed over to KPA.

Security Services: Milestones achieved included handover of police services in January 2021 and private security on 1st April 2021 followed by handover of internal security staff under AfriStar on 1st May 2021. Security at all stations has been handed over except at Port Reitz, Dispatch Centre and Afristar Head offices which will be completed in FY2021/22.

Passenger Operations: Passenger ticketing services were handed over to the Corporation on 1st March 2021 by taking over the passenger ticketing system and integrating 178 passenger operations staff into KR. However, the Operator, AfriStar, is still maintaining backend (servers, software) passenger operations.

Fuel Management: Takeover of fuel management, which included procurement, storage, distribution and management of fuel, was handed back on 31st March 2021. This included integrating 18 fuel management staff into KR mainstream.

To this end, the Corporation has set out training plans and continuous engagement with the Operator, AfriStar, on building capacity in order to achieve 89% localization of SGR operations and maintenance by June 2022.

8.2.2.5 SGR Track Maintenance

The condition of track in terms of geometry (profile and alignment cross levels) is measured using the Track Recording Car whose output is the Track Quality Index (TQI). During the period, an average TQI of 5.96 was achieved which was within the maximum acceptable level of below 15.

The achieved index depicts improved condition of the track attributed to completion of the annual ballast addition and track tamping. Maintenance of buildings and structures was also carried out as per the O&M agreement.

Signalling, Communication and Electricity (SCE)

During the year, the Operator, AfriStar, reported completion of the Operation and Maintenance of the Signalling, Communication and Electricity systems through the monthly performance reports in accordance with the Contract and the annual O&M services Programme.

Preventive and corrective maintenance of SCE systems and equipment was undertaken as per the Technical Approach and Methodology Document as well as the O&M Agreement.

Management continues to monitor and engage the Operator, AfriStar, on maintenance of all SCE equipment as per the adjusted periodic maintenance plan of 2020.

8.2.2.6 Rolling Stock Availability

Rolling stock performance is measured in terms of availability and reliability. During the year, there were 56 operational locomotives with an average availability of 97.37% up from 96.87% in the previous year which was above the Minimum Condition of Satisfaction (MCOs) of 95%.

In the year under review, the SGR Operator, AfriStar, had an average of 1,620 serviceable freight wagons out of which an average of 1,570 wagons were available for business representing a wagon availability of 96.9%.

8.2.2.7 Safety Reporting and Performance

During the period under review, a total of 407 safety related incidents occurred compared to 192 incidents in the previous year (as detailed in the Rail safety reportable accidents report). The incidents were majorly on open fires near the track, track interference, theft/ vandalism and Infrastructure failure (Signal / communication system failure).

In an effort to improve safety of the track, more Security guards and Police officers were deployed to reduce vandalism and control cases of train obstruction of by domestic and wild animals. In addition, continuous community sensitization on rail safety was conducted. To minimize signal failures, SCE batteries were replaced. Fire breaks were also created to prevent spread of wide fires into the corridor.

8.2.3. Non Rail

This section highlights performance of non-rail operations over the period under review. Non–Rail operations consist of all other commercial engagements at the Corporation including commercial buildings, advertisements, Museum and short term investments.

In the period under review, a total of 2.107Billion was collected from rent, RTI, Museum and other income sources compared to the previous year's collection of Kes1.795Billion as shown in the table below.

Table 4: Non Rail Revenue

Source of Revenue	Target 2020/21	FY2020/21	Variance	Actual 2019/20	Variance
Rent income	1,165,079,706	1,103,768,145	(61,311,561)	1,188,779,651	(85,011,506)
Museum Income	2,147,152	694,650	(1,452,502)	2,200,234	(1,505,584)
Other income	500,000,000	373,384,343	(126,615,657)	162,894,540	210,489,803
Total	**1,667,226,858**	**1,477,847,138**	**(189,379,720)**	**1,353,874,425**	**123,972,713**

During the period, rent income reduced by Kes 85 Million compared to the FY 2019/20. This was mainly attributed to a drop in commercial rent and termination of leases due to clearance of the corridor leading to loss of revenue approximately Kes 150Million per annum. Other revenue streams including investment income, lease of equipment, Bill boards, Way leaves and sale of scrap increased from Kes162Million in the previous period to Kes 373 Million in FY2020/21. This was mainly attributed to high investment income from project funds awaiting absorption.

In an effort to boost use of rail transport and promote intermodal connectivity, the Corporation is in the process of establishing logistic hubs for cargo consolidation, handling and other logistics business. During the period under review, partnerships were established with the private sector investors and leases issued in Eldoret and along the revamped branch lines of Thika-Nanyuki and Nakuru-Kisumu.

The slow take off of the initiative was due to encroachments and rent defaults. During the period, the Corporation reclaimed encroached land mainly along the Thika – Nanyuki and Nakuru Kisumu branch lines.

The following strategies will be implemented to enhance revenue collection from non-rail business units:

i. Continuous engagement with tenants with court cases for consideration of out of court settlement;
ii. Enhance credit control activities to follow up on collections.
iii. Enhance partnerships in investment through leases and PPPs
iv. Rehabilitate existing properties for pricing at market rate.

8.2.4. Railway Training Institute

During the year, enrolment rose from 2,513 in FY2019/20 to 5,151 in FY2020/21 out of which 317 students were in rail courses while 113 were in marine related courses. The positive variance in enrolment was mainly due to deferred graduation of students from the precious year to FY2020/21 due to effects of COVID 19

Table 5: RTI performance indicators

Indicator	Unit	FY20/21 Target	FY20/21 Actual	Variance	FY19/20 Actual	Variance	FY18/19 Actual
		A	B	B-A	C	B-C	D
Total Students Population	No.	2500	5,151	2651	2,513	2638	2956

During the period, out of the 1,100 students placed by Kenya Universities and Colleges Central Placement Services (KUCCPS) to the Institute, only 266 students reported. This is due to non-remittance of Government HELB loans to students at the Institute.

8.3. Key Projects and Investment Decisions

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

Construction of the Naivasha – Longonot MGR Link - The new 23.5km of MGR link between Naivasha ICD and Longonot MGR Station which commenced in October 2020 is 85% complete. The contract sum of the project Kes 6,273,808,309/- and the planned completion date is September 2021.

In order to ensure completion of the project as per within its timeframe, the Corporation is engaging The National Treasury and Planning and National Land Commission on timely release of project funds and completion of pending compensation and supplementary land acquisition respectively.

Rehabilitation of Longonot – Malaba MGR section – Rehabilitation of the 465Km section of the mainline commenced in October 2020. The project whose total cost is Kes 2,960,513,325/- is currently 65% complete and is expected to be completed by September 2021. The aim of the project is to enhance efficiency in haulage of freight across the Northern Corridor to the hinterland.

Construction of Nairobi ICD Yard and Access Roads – During the period under review, the Corporation completed the following outstanding activities of the project:

i. Upgrade of facilities at the Railway Training Institute (RTI) - the completed project entailed construction of a teaching block (including 20 classrooms with a total capacity of 800 students, one Computer lab, two studios, one hospitality lab; a library with a capacity of 300 seats; two gatehouses; connection roads within the institution; and a 1.6558km boundary wall.

ii. Construction of access roads (Road A) from Nairobi ICD linking to the Southern Bypass (3.779km) and (Road IV) from ICD linking to Mombasa (1.375km) were completed in the period under review despite land acquisition challenges. The aim of the project is to enhance evacuation of cargo from Nairobi ICD to decongest Mombasa Road on Rift Valley and Western Kenya bound cargo.

Rehabilitation of Nakuru-Kisumu MGR branch line 216.7Km – the project, which commenced in August 2020 at a cost of Kes 2,703,501,484, is currently at 78% completion rate. The project which includes construction of a new passenger station in Kisumu, was expected to be completed by June 2021, however due to delay in shipment of required spare parts coupled with encroachments and vandalism its end date was reviewed to 1st August 2021.

Construction of Hostels and Marine Safety training facilities at Marine school in Kisumu – The project entailed construction of two standard hostel blocks, one executive hostel block commissioned on 31st May 2021 and other marine training facilities currently at 95% completion rate which are expected to be completed by the first Quarter of FY2021/22.

Other projects implemented to different levels of completion include during the period include: Rehabilitation of the Gilgil – Nyahururu, Kisumu - Butere and Leseru – Kitale Branch Lines; Construction of Naivasha ICD Marshalling yard; Construction of NCR Mini – Stations including Mukuru, Lukenya, Konza, NCR Central Station, and Kibera; and Construction of an Ablution block at SGR Nairobi terminus during the period.

Table of On Going Projects

Phase	Coverage	Project Cost (Kes)	Progress to date	Financier	Contractor
One	Mombasa -Nairobi	436Billion	100%	China -Exim Bank (90%) and GoK (10%)	China Road and Bridge Corporation Ltd (CRBC)
ICD	Embakasi	21.7Billion	99%	China -Exim Bank (85%) and GoK (15%)	China Road and Bridge Corporation Ltd (CRBC)
Two -A	Nairobi-Naivasha	193Billion	100%-DLP to October 2020	China -Exim Bank (85%) and GoK (15%)	China Communication Construction Company Ltd (CCCC)
ICD	Naivasha	7.9Billion	99%	GoK (100%)	China Communication Construction Company Ltd (CCCC)
	Thika -Nanyuki Line	2.9 Billion	90%	GoK (100%)	KR
	Nairobi Commuter & DMUs	5.1 Billion	10%	GoK (100%)	KR
	Konza Line	478 Million	2%	GoK (100%)	KR
	Kisumu Marine School	476 Million	75%	World Bank /GoK (100%)	Millicon Ltd

8.4. Major Risks Facing KR

In order to realize the iconic Standard Gauge Railway, the Government of Kenya sourced financing from Exim Bank of China. The Corporation subsequently got an on lent loan that currently stands at Kes 569,023,145,606 from the National Treasury. The five-year grace period for repayment of the loan and interest has now lapsed in December 2019. The ability to repay the loan was pegged on performance of both freight and passenger business streams. This has not been sufficient leading to defaults which come with penalties. A loan default penalty has been recognized in this financial statement. The Corporation is in discussion with National Treasury on support for the loan repayment and other mitigation measures to honor the loan obligation.

The Corporation had invested Kshs 300,000,000 with Chase Bank in November 2015 for a period of 6 months and Ksh 500,000,000 in March 2016 for a period of 3 months. The bank was placed under receivership on 7th April 2016 before the maturity of these two deposits. Kenya Deposit Insurance Corporation (KDIC) was then appointed to assume management and control of the bank with effect from 16th April 2016.

Subsequently, the Central Bank of Kenya (CBK) and Kenya Deposit Insurance Corporation (KDIC) announced the signing of an agreement between SBM Bank (Kenya) Limited (SBM Kenya), and KDIC for the acquisition by SBM Kenya of certain assets and assumption of certain deposits with respect to Chase Bank (Kenya) Limited (In Receivership) (CBLR).

SBM Kenya in conjunction with KDIC also made an announcement in the Daily Nation of 19th July 2018 confirming the completion of this transaction and that SBM Kenya was to be opened from Monday 20th August 2018 offering full banking operations.

SBM availed Kes 500 million, the remaining Kes 100 million will be paid to the Corporation in August 2021. The recoverability of the Kes 200 million in Chase bank is doubtful and has been fully provided for under bad debts.

There is still the uncertainty brought about by COVID -19 situation and the ripple effect on the global economy. The Corporations has a huge Foreign Exchange Exposure arising from Dollar denominated loan obligations and Operator, AfriStar Co Ltd, invoices that are in US Dollars.

There is an impending takeover of SGR operations in June 2022. There are uncertainties to the comfort of full knowledge transfer. Moreover, there are outstanding bills to the Operator, AfriStar, which may not be fully settled by the time of takeover.

8.5. Material Arrears in Statutory and Financial Obligations

The Corporation has an on-lent loan from National Treasury of Kes 510 Billion from China Exim Bank for SGR Phase 1 and IIA development. Of the On –Lent Principal Loan amount Kes 34 Billion is already due but not settled and Interest of Kes 21 Billion.

There is also outstanding payables and accrued charges as at 30.06.2021 was Kes 50 Billion including dues to the Operator, Afristar of Kes 37 Billion.

8.6. Financial Probity and Serious Governance Issues

No financial improbity or governance issues have been reported in the financial year.

9. ENVIROMENTAL AND SUSTAINABITY REPORTING

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

i) Sustainability strategy and profile

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

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

The political environment in the region affects production and consumption. This consequently affects our key business areas of freight and passenger business. The Covid 19 pandemic has been particularly damaging.

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

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

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

In the year the key achievement is the 20% rise in freight volumes while the biggest challenge is the inability to raise enough revenues to repay the loan obligations that crystalized in the year.

ii) Environmental performance

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

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

To achieve the above stated commitment Kenya Railways will:

1. Comply with all applicable environmental, legal and other obligations in our railway development and operation activities;
2. Develop and implement environmental management system to assist in identifying and managing environmental risks and opportunities;
3. Carry out appropriate project planning and designs in order to manage identified environmental impacts;
4. Prevent or minimize pollution of the environment through reduction of waste generation;
5. Foster employee environmental awareness and responsible culture at work place;
6. Monitor and evaluate environmental performance to enhance improvement;
7. Engage with Government, community, customers, relevant stakeholders, contractors, suppliers and all business associates on environmental matters as our priority to promote environmental concern as our joint duty of care towards future generations.

iii) Employee welfare

The principles of affirmative action, gender and persons living with disability and national values will apply. The Corporation shall observe gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender.

All job advertisements contain the following: -

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

The Corporations conducts quarterly performance appraisal and target setting. This identifies the gaps for purposes of capacity improvement and rewards for excellent. The corporation is a non-discriminatory equal opportunity employer. It also has a robust drug and substance abuse policy. It is developing mental health policy to tackle the growing challenge of mental health in workplace

The Corporation will recognize and commit itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it will implement policies and programmes that assure their protection from such hazards and disasters. The policies and programmes will be implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws. This role will be under Human Resources and Administration.

9.1. Corporate Social Responsibility

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

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

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

This year CSR was affected by the COVID-19 pandemic which affected operations leading the Government to introduce policy changes and behavioural protocols. This affected planned activity and therefore, the work plan was not implemented as intended.

However, the Corporation sponsored the Kenya Railways Golf Club Chairman's Prize 2021 at a cost of Kes. 750,000.00. The Corporation also continued with the construction of public institutions affected by SGR Phase One land acquisition.

The Corporation also took time to celebrate attainment of ISO 9001:2015 Certification with customers and other stakeholders by issuing out give aways.

Kenya Railway Staff celebrating the ISO Certification with Customers onboard Madaraka Express

Golf Players taking part in the Railway Sponsored Tournament at the Railway Golf Club

Kenya Railway Branding at the Railway Golf Club during the KRC sponsored Golf Tournament

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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 transport services and auxiliary road services in connection therewith.

Results

The results of the Corporation for the year ended June 30, 2021 are set out on page 1 to 131.

Directors

The members of the Board of Directors who served during the year are shown on page v.

The following changes took place within the financial year: -

No	Title	Name	Date of Appointment	Contract Period	End of Term	Term	Tribe
1.	Director	Mr. John Kimanthi Maingi	06.06.2018	3 Years	05.06.2021	2nd	Kamba
2.	Director	Mr. Tom Oyugi Omariba	07.08.2020	1 year 6 Months	06.02.2022	1st	Kisii
3.	Director	Ms. Catherine Musakali	07.08.2020	10 months	05.06.2021	1st	Luhya
4.	Director	Prof. John Okoth Agoro Nyerere	07.08.2020	2 years 2 Months	20.10.2022	1st	Luo
5.	Director	Mr. Martin Mogwanja	07.08.2020	2 years 2 Months	20.10.2022	1st	Kikuyu

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year ended June 30, 2021.

By Order of the Board

Mr. Stanley Gitari
Ag. Corporation Secretary
Nairobi
Date. 01/07/2022

11. STATEMENT OF DIRECTORS' RESPONSIBILTIES

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

The Directors are responsible for the preparation and presentation of the Kenya Railway'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 ended on June 30, 2021. This responsibility includes:

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

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

The Directors are of the opinion that Kenya Railway's financial statements give a true and fair view of the state of the Corporation's transactions during the financial year ended June 30, 2021, and of the Kenya Railway'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 Kenya Railway'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 Kenya Railways will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Railway's financial statements were approved by the Board on 13th ~~September~~ July 2022 and signed on its behalf by:

Signature
Name
Chairperson of the Board

Signature
Name
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Railways Corporation set out on pages 1 to 45, which comprise of the statement of financial position as at

30 June, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Railways Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Kenya Railways Corporation Act, Cap 397 of the Laws of Kenya.

Basis for Qualified Opinion

1. Unsupported Prior Period Adjustment

The statement of changes in equity for the year ended 30 June, 2021 reflects a prior period adjustment of Kshs.1,812,334,744. However, Management did not provide journal vouchers to support this prior period adjustment. This is contrary to International Accounting Standard (IAS) 8 which requires restating the comparative amounts for the prior period in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

In the circumstances, the accuracy and completeness of the prior period adjustment of Kshs.1,812,334,744 could not be confirmed.

2. Standard Gauge Railway (SGR) Revenues

The statement of profit or loss and other comprehensive income reflects main income amount of Kshs.17,495,923,566 as disclosed in Note 5 to the financial statements which includes SGR revenues amounting to Kshs.14,507,825,953. However, the following anomalies were noted: -

2.1. Unsupported SGR Parking Revenue

Included in the Standard Gauge Railway (SGR) revenues is an amount of Kshs.1,712,310 described as unidentified parking fees. However, Management did not provide the system generated SGR daily collection summaries and banking slips to support these parking fees.

In the circumstances, the accuracy and completeness of the unidentified parking fees amount of Kshs.1,712,310 could not be confirmed.

2.2. Unsupported SGR Passenger Income

Included in the SGR revenues amount of Kshs.14,507,825,953 is an SGR passenger income of Kshs.1,369,714,160, out of which income amounting to Kshs.1,321,041,380 was not supported with system or manually generated SGR daily passenger records and extracts or passenger travel manifests and as such, it was not possible to confirm the of the amounts posted and as indicated in the ledgers provided for audit.

In the circumstances, the completeness and accuracy of the SGR passenger income amounting to Kshs.1,321,041,380 could not be confirmed.

2.3. Unreconciled Kenya Ports Authority Revenue

Included in the amount of SGR revenues of Kshs.14,507,825,953 is an amount of SGR freight revenue of Kshs.12,081,743,595 received from the Kenya Ports Authority (KPA). However, records maintained at KPA revealed that the reported SGR freight paid to the Corporation amounted to Kshs.14,308,854,700 thus resulting to an unreconciled variance of Kshs.2,227,111,105.

In the circumstances, the completeness and accuracy and of SGR freight revenue of Kshs.12,081,743,595 from the Kenya Ports Authority could not be confirmed.

3. Property Plant and Equipment

3.1. Un-Supported Adjustment

The statement of financial position reflects property, plant and equipment balance of Kshs.582,737,040,996 as disclosed in Note 19 to the financial statements. However, the movement schedule at Note 19a to the financial statements reflects an unsupported adjustment of Kshs.267,109,382.

In the circumstances, the accuracy of the adjustment of Kshs.267,109,382 could not be confirmed.

3.2. Illegal Allocation of Land

Included in property, plant and equipment balance of Kshs.582,737,040,996 as disclosed in Note 19 to the financial statements, is a balance of Kshs.15,175,501,812 in respect of freehold land. However as previously reported, various parcels of land were allocated to third parties without the consent of the Corporation by either the Commissioner of Lands or the defunct Local Authorities. For instance, land within Limuru railway station constituting nine (9) industrial plots measuring approximately three (3) acres; a piece of land within Kikuyu railway station measuring approximately two (2) acres; and parcels of land adjacent to Mombasa railway station measuring approximately 0.75 to one (1) acre were irregularly allocated to third parties with some having been developed. Further, another five hundred and twenty-nine (529) parcels of land were illegally allocated across the country. Management has sought court intervention to repossess twenty-seven (27) of the illegally allocated parcels as well as intervention of various Government agencies such as the Ethics and Anti-Corruption Commission, Ministry of Lands and Physical

Planning, National Land Commission and the Director of Survey to assist in the recovery of irregularly allocated land.

Despite various measures put in place by Management to recover the irregularly allocated land, many parcels of land belonging to the Corporation are yet to be recovered.

3.3. Land in Dispute and Unbilled Leases

As previously reported, leases with accumulated charges of Kshs.151,069,253 in Mombasa have been in dispute since 2013. The tenants have not been paying their lease dues thereby denying the Corporation the much-needed revenue. Further, tenants who were given lease accounts in 2018 were not fully invoiced and the Corporation lost about Kshs.10,049,600 annually from non-billing. Management had not demonstrated the action being taken to correct the anomaly.

3.4. Encroachment of Land (Ziwani Nakuru)

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

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

3.5. Encroachment of Land at Nakuru Station Area

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

3.6. Encroachment of Malaba Apartments

As previously reported, the Corporation renovated 24 units of two (2) bedroom apartments at Malaba but the apartments have remained unoccupied. Other than loss of revenue annually, the units are deteriorating due to non-occupancy. Further, four (4) buildings in Malaba have been encroached by private occupants. Management did not explain the actions being taken to remedy this encroachment.

3.7. Forceful Occupation of Residential Buildings in Kisumu

Further, as previously reported, some two hundred and forty-seven (247) residential units in Kisumu have been forcefully occupied by organizations with no lease agreements and therefore not paying rent thereby exposing the Corporation to loss of rent to the tune of Kshs.27,435,600 annually.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.15,175,501,812 could not be confirmed.

4. Unsupported Short-Term Investments

The statement of financial position reflects short-term investments balance of Kshs.3,000,000,000 as disclosed in Note 25 to the financial statements. As previously reported, this balance excludes a balance of Kshs.204,643,995 under fixed deposit with Chase Bank Limited (in Receivership). This amount was subsequently transferred to SBM Bank in an arrangement where 75% of the value of deposits was taken over by the bank to be made available over a 3-year period, while the balance representing 25% of the deposit remained under moratorium and whose accessibility remains uncertain. The Management treated the balance of Kshs.204,643,995 in Chase Bank as a bad debt on account that its recoverability is doubtful as disclosed in paragraph 8.4 on the major risks facing the Corporation on the Management discussion section of the financial statements. However, Management did not provide the necessary approvals from the Board for audit to support this decision.

In the circumstances, the completeness and accuracy of the short-term investment balance of Kshs.3,000,000,000 could not be confirmed.

5. Unsupported Store Inventories

The statement of financial position reflects stores inventories balance of Kshs.3,736,864,574 as disclosed in Note 23 to the financial statements. However, review of the stock taking report revealed that the physical stores inventories were valued at Kshs.2,464,970,723, resulting to un-explained and unreconciled variance of Kshs.1,271,893,851. Further, included in the stores' inventories balance of Kshs.3,736,864,574 is capital stores balance of Kshs.3,358,444,946 which further includes goods in transit balance of Kshs.482,494,860. However, Management did not provide any support documents for the goods in transit balance for audit.

Under the circumstances, the accuracy and fair statement of inventories balance of Kshs.3,736,864,574 could not be confirmed.

6. Trade and Other Receivables

6.1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.19,506,911,911 as disclosed in Note 24 to the financial statements which includes prepayments balance of Kshs.4,791,941,787. The balance includes an advance lumpsum balance of Kshs.11,813,898 included as a single entry in the general ledger and which occurred on 30 June, 2010 and remained outstanding thus casting doubt on its collectability. Further, included in the trade and other receivables balance is staff receivables balance of Kshs.61,897,227 for which the following unsatisfactory observations were made;

(i). Included in the staff receivables balance of Kshs.61,897,227 is staff debtors balance of Kshs.10,266,952. However, review of the staff debtors balance ledger revealed that staff debtors of Kshs.10,196,183.6 relate to transactions that occurred between 30 June, 2010 and 30 April, 2020 thus casting doubt on its recoverability.

(ii). Included in the staff receivables balance of Kshs.61,897,227 is an amount due from pensioners of Kshs.42,163,069. Out of this balance, Kshs.24,163,068 relates to transactions that occurred between 30 June, 2010 and 30 June, 2020 thus casting doubt on its recoverability.

(iii). Included in the staff receivables balance of Kshs.61,897,227 is salary advance amount of Kshs.1,613,707. Review of the salary advance ledger revealed that advances totalling to Kshs.1,767,540 related to the period between 30 June, 2010 to 30 June, 2020 casting doubt on recoverability of this balance.

6.2. Other Receivables

Other receivables balance of Kshs.530,399,334 disclosed in Note 24 to the financial statements includes World Bank receivable balance of Kshs.131,899,050 which relates to Kenya Railways Corporation staff pending bills from the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works. This balance arose during the pre-concession period and has been outstanding in the Corporation's books for a long time. It is however not clear how the Management intends to recover the outstanding balance from the World Bank and thus casting doubts on the recoverability of this amount.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.19,506,911,911 could not be confirmed.

7. Default in Repayment of Exim Bank Loan (On- Lent)

The statement of financial position reflects Exim Bank loan (on-lent) balance of Kshs.569,023,145,606 as disclosed in Note 33 to the financial statements. However, the Management did not make any repayments during the year under review towards this loan. Further, as disclosed in Note 35 to the financial statements, the payables and accrued charges reflects a balance of Kshs.50,920,344,125 which includes a default penalty payable balance of Kshs.644,343,297. Loan records revealed that the Corporation incurred the penalties and interests on the on-lent loan due to non-settlement of the maturing obligations as and when they fell due.

In the circumstances, the Corporation continues to be exposed financially due to non-settlement of the loan obligation.

8. Unsupported Capital Works-in-Progress

The statement of financial position reflects capital works-in-progress balance of Kshs.103,794,877,552 as disclosed at Note 22 to the financial statements balance. As previously reported, included is a balance of Kshs.12,000,000,000 being land compensation under SGR Phase 1. However, supporting documents for compensation amounting to Kshs.1,043,439,897 to Project Affected Persons (PAPS) including list of the beneficiaries; copies of national identity cards, personal identification number (PIN) certificates and title deed surrenders from the National Land Commission were not provided for audit. In addition, overpayments of Kshs.14,669,748 were made to some PAPS who were paid Kshs.15,752,406 instead of the entitlement of Kshs.1,082,658. Although recovery of Kshs.5,698,770 has been subsequently made, a balance of Kshs.8,970,978 was still outstanding.

In the circumstances, the accuracy and completeness of compensation to affected persons amount of Kshs.1,043,439,897 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Slow Progress of On-Going Relocation of Public Utilities Projects

The statement of financial position reflects capital works-in-progress balance of Kshs.103,794,877,552 as disclosed in Note 22 to the financial statements. Included in the balance are three (3) incomplete/ongoing projects arising from the relocation of public utilities during the construction of the SGR phase 1 from Mombasa to Nairobi whose details are shown in the table below;

Project	Contract Amount Kshs	Weighted Project Progress March, 2022	Original Contract Period (Weeks)	Elapsed Contract Period (Weeks)	Delay in Contract Completion (Weeks)	% Delay
Kathekani Secondary School	225,507,342	35%	52	228	176	338
Ndio Hivyo Special School for the mentally challenged	136,385,500	58%	52	163	111	213
Mtito Andei Health Centre	242,390,890	58%	52	163	111	213
Total	**604,283,732**					

All the projects were behind schedule in terms of project completion.

In the circumstances, value for money on the ongoing projects arising from the relocation of public utilities amounting to Kshs.604,283,732 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Inadequate Rent Collection Mechanisms

The statement of financial position and as disclosed in Note 24 to the financial statements, reflects trade and other receivables balance of Kshs.19,506,911,911 which includes a net trade receivables balance of Kshs.1,983,113,275 which in turn includes rent debtors' balance of Kshs.2,250,197,431 (net of provision for bad debts on closed accounts of Kshs.1,224,009,963 as per Note 9(d) to the financial statements). This is an indication of inadequate revenue collection mechanisms that exposes the Corporation to loss of rent income which cast doubt on the effectiveness of internal controls over rental revenue.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nairobi

08 September, 2022

13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th OF JUNE 2021

REVENUES	Note	30th June 2021 Kshs.	30th June 2020 Kshs.
Main Income	5	17,495,923,566	15,729,963,389
Discount Allowed	5(a)	(991,803,789)	(1,245,091,964)
Government Grants	6	23,021,169,736	3,448,825,536
Other income	7	373,384,343	70,334,553
TOTAL REVENUES		**39,898,673,857**	**18,004,031,494**
OPERATING EXPENSES		**30th June 2021 Kshs.**	**30th June 2020 Kshs.**
Board expenses	8	(38,958,946)	(48,339,192)
Administration expenses	9	(680,223,616)	(875,082,767)
Staff Cost	9(a)	(1,690,858,465)	(1,404,209,188)
Provision for bad Debts	9(e)	(1,201,600,500)	40,440,756
Rail Operational expenses	10	(18,969,577,533)	(19,508,683,584)
Depreciation of Property, Plant and Equipment	11	(20,034,397,736)	(15,136,822,921)
Amortisation of Intangible Assets	12	(3,530,709)	(3,643,322)
TOTAL OPERATING EXPENSES		**(42,639,147,505)**	**(36,936,540,217)**
TOTAL EXPENSES		**(42,639,147,505)**	**(36,936,540,217)**
OPERATING PROFIT/(LOSS)		**(2,740,473,648)**	**(18,932,508,723)**
OTHER COMPREHENSIVE ITEMS		**30th June 2021 Kshs.**	**30th June 2020 Kshs.**
Finance Income	14	313,541,588	209,949,118
Finance Expense	15	(17,531,014,336)	(5,456,118,633)
Penalties/Interest On On lent Loan	16	(644,343,297)	0
Provision for bad Debts For RVR (K) Ltd	9(e)	(3,520,101,045)	0
TOTAL OTHER COMPRENSIVE ITEMS		**(21,381,917,091)**	**(5,246,169,515)**
PROFIT/(LOSS) BEFORE TAXATION		**(24,122,390,738)**	**(24,178,678,238)**
Deferred tax Income	17	120,672,413	0
PROFIT/(LOSS) AFTER TAXATION		**(24,001,718,325)**	**(24,178,678,238)**

14. STATEMENT OF FINANCIAL POSITION AS AT 30th OF JUNE 2021

	Note	30th of June 2021 Kshs.	30th June 2020 Kshs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	19	582,737,040,996	424,583,767,239
Investment property	20	21,236,002,367	21,008,159,341
Intangible assets	21	129,910,401	115,874,860
Capital Works in progress	22	103,794,877,552	255,684,157,876
Total Non-Current Assets		**707,897,831,317**	**701,391,959,316**
Current Assets			
Stores Inventories	23	3,736,864,574	3,616,604,353
Trade and other Receivables	24	19,506,911,911	16,158,981,728
Short Term Investments	25	3,000,000,000	45,000,000
Cash deposits & guarantees	26	28,230,900,766	37,914,196,907
Cash & Bank Balances	27	590,526,871	244,051,506
Total Current Assets		55,065,204,121	59,978,834,794
TOTAL ASSETS		**782,963,035,438**	**761,370,794,110**
EQUITY & LIABILITIES			
Equity			
Government , subventions & equity	28	40,474,007,122	40,474,007,122
GOK Grants	29	10,373,896,105	10,373,896,106
Restructuring reserves	30	20,235,324,613	20,233,660,858
Accumulated losses	31	(96,262,068,766)	(70,448,015,697)
Total Equity		**(25,178,840,926)**	**633,548,388**
LIABILITIES			
Non-Current Liabilities			
East African Loan stocks	32	36,843,776	36,843,776
Exim bank loan (on lent)	33	569,023,145,606	544,726,184,971
Deferred Income	36	165,614,895,532	151,921,263,756
Provisions	34	251,398,327	241,586,616
Total Non current liabilities		**734,926,283,242**	**696,925,879,118**
Current Liabilities			
Payables & Accrued Charges	35	50,920,344,125	59,332,673,588
Deferred Income	36	2,295,248,997	4,478,693,016
Total Current Liabilities		**53,215,593,122**	**63,811,366,604**
Total liabilities		**788,141,876,364**	**760,737,245,722**
TOTAL EQUITY & LIABILITIES		**782,963,035,438**	**761,370,794,110**

The financial statements were approved by the Board on 01/07/ 2022 and signed on its behalf by:

....	....	....
Chairman of the Board	Managing Director Philip J. Mainga	General Manager Finance Sammy Kariuki ICPAK NO. 8354

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 2021

	Share Capital	Share Capital	Accumulated Losses	Restructuring	
	(Govt. Subventions & Equity) Kes	(GoK Grants) Kes	(Net Appropr'tion a/c) Kes	Reserves Kes	Total Kes
At 30th June 2019	40,474,007,122	10,373,896,106	(31,948,562,347)	20,239,260,616	**39,138,601,496**
Prior period adjustment*	-	-	((14,320,775,114)	-	**(14,320,775,114)**
Restated balance	**40,474,007,122**	**10,373,896,106**	**(46,269,337,461)**	**20,239,260,616**	**24,817,826,383**
Transfers to deferred income	-	-	-	-	-
Receipts in cash	-	-	-	(5,599,759)	**(5,599,759)**
Net income for the year	-	-	(24,178,678,236)	-	**(24,178,678,236)**
At 30th June 2020	**40,474,007,122**	**10,373,896,106**	**(70,448,015,697)**	**20,233,660,858**	**633,548,388**

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

	Depreciation on SGR assets	14,827,722,528		
	Over accrual of SGR variable costs	(650,640,430)		
	Medical Insurance expense	143,693,015		
	Total Prior year adjustments	**14,320,775,114**		

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2021						
	Note	**Share Capital (Govt. Subventions & Equity) Kshs**	**Share Capital (GoK Grants) Kshs**	**Accumulated Losses (Net Appropr'tion a/c) Kshs**	**Restructuring reserves Kshs**	**Total Kshs**
At 30th June 2020		40,474,007,122	10,373,896,106	(70,448,015,697)	20,233,660,858	633,548,388
Prior period adjustment*		-		(1,812,334,744)		**(1,812,334,744)**
Restated balance		**40,474,007,122**	**10,373,896,106**	**(72,260,350,441)**	**20,233,660,858**	**(1,178,786,356)**
Transfers to deferred income						-
Movement in Legacy Stocks		-		-	1,663,756	**1,663,756**
Receipts in kind						-
Net income for the year				(24,001,718,325)		**(24,001,718,325)**
At 30th June 2021		**40,474,007,122**	**10,373,896,106**	**(96,262,068,766)**	**20,235,324,613**	**(25,178,840,926)**
* The prior period adjustments on the accumulated losses brought forward are as follows:-						
		Depreciation on SGR assets		(3,572,460,745)		
		Deferred Income for 2019-2020		1,483,283,338		
		Deferred Income 2018-2019		276,842,663		
		Total Prior year adjustments		**(1,812,334,744)**		

16. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30th June 2021

	Notes	30th June 2021		30th June 2020	
		Kshs	Kshs	Kshs	Kshs
Cash flows from operating activities					
Profit after income tax	31		(24,001,718,325)		(24,178,678,236)
Add : Items not Involving movement of Cash					
- Depreciation of PPE	19	(20,034,397,736)		15,136,822,921	
- Depreciation- Intangible assets	21	(3,530,709)		3,643,322	
Provision for doubtful debt	9d	(4,721,701,545)			
Interest Expense and Penalty	15 and 16	(18,175,357,633)			
Deferred Tax	17	120,672,413			
Finance Income	14	313,541,588			
			(42,500,773,622)		**15,140,466,242**
Operating profit / (loss) before working capital changes	-		(66,502,491,947)		**(9,038,211,994)**
Add : Movement In Working capital					
Increase in stores inventories	23	(120,260,221)		(6,621,694)	
(Increase)/decrease in Receivables	24	(1,347,930,183)		709,563,103	
Increase/(decrease) in payables	35	(8,412,329,463)		19,444,565,678	
Net Current Assets Movement			**(9,880,519,868)**		**20,147,507,088**
Net cash generated from / (used in) operating activities			**(76,383,011,815)**		**11,109,295,094**
Cash flow from Investing Activities					
Purchase of property, plant and equipment	19	(397,904,616)		(90,164,323)	
Purchase of intangible assets	21	(17,566,250)		(6,128,161)	
Adjustment on fixed assets	19	267,109,382			
Capital works started during the period		-		(11,911,477,676)	
Net cash generated from / (used in) investing activities			**(148,361,483)**		**(12,007,770,160)**
Cash flow from Financing Activities:-	-				
Restructuring reserves movement	30	1,663,756		(5,599,759)	
Prior year adjustment to accumulated losses	18	1,812,334,744		(14,320,775,114)	
Other provisions	34	9,811,712		12,424,589	
Movement in Deposits	26	9,683,296,141		16,500,754,546	
Movement in Long term loans	22	24,296,960,635		58,005,046,091	
GOK grant	6	23,021,169,736		(22,892,325,126)	
Deferred income	36	11,510,167,758		((37,056,698,490)	
Net cash generated from / (used in) financing activities			**70,335,424,483**		**242,826,739**
Increase in Cash and Cash Equivalents			**(6,195,948,815)**		**(655,648,327)**
Movement in Cash & Cash Equivalents	-				
Opening Balances			**38,017,376,451**		**19,900,652,056**
Add increase/(decrease) in cash & cash equivalent			**(6,195,948,815)**		**18,257,596,657**
Closing Cash and Cash equivalent			**31,821,427,636**		**38,158,248,713**
Less cash Guarantees	27		**(28,230,900,766)**		**(37,869,196,907)**
Closing balance of cash & cash equivalent note 37	37		**3,590,526,871**		**289,051,806**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FY 2020/21

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR COMPARED WITH BUDGET

	Original budget	Final budget	Actual on comparable basis	Performance difference	% of utilisation	
RENT INCOME	895,370,965	895,370,965	1,103,768,145	208,397,179	23%	A
SGR INCOME	19,732,785,279	19,732,785,279	13,572,421,989	(6,160,363,290)	-31%	B
EQUIPMENT LEASE INCOME	43,659,025	43,659,025	60,460,850	16,801,824	38%	C
MUSEUM INCOME	741,948	741,948	694,650	(47,298)	-6%	
INVESTMENT INCOME	146,982,877	146,982,877	313,541,588	166,558,711	113%	D
OTHER INCOMES	500,000,000	500,000,000	372,070,045	(127,929,955)	-26%	E
MGR REVENUES	2,922,008,903	2,922,008,903	1,556,536,885	(1,365,472,018)	-47%	F
GOK GRANT	81,999,439	81,999,439	23,021,169,736	22,939,170,297	27975%	G
RTI Income	102,458,257	102,458,257	211,551,557	109,093,299	106%	H
TOTAL REVENUE	**24,426,006,695**	**24,426,006,695**	**40,212,215,444**	**15,786,208,750**	**65%**	
STAFF COSTS	(1,927,894,729)	(1,927,894,729)	(1,690,858,465)	237,036,264	12%	I
RAIL OPERATIONS COSTS	(20,046,883,468)	(20,046,883,468)	(18,989,577,533)	1,057,305,935	5%	
TRAINING	(23,169,949)	(23,169,949)	(10,458,496)	12,711,453	55%	J
TRAVEL & ACCOMODATION	(102,505,414)	(127,736,300)	(129,068,478)	(1,332,178)	-1%	K
LEGAL & PROFESSIONAL	(177,173,929)	(177,173,929)	(73,341,505)	103,832,424	59%	L
BOARD EXPENSES TOTAL	(38,208,000)	(38,208,000)	(38,958,946)	(750,946)	-2%	
GENERAL OFFICE EXPENSES	(429,920,967)	(429,920,967)	(241,527,374)	188,393,593	44%	M
PRINTING & STATIONERY	(12,491,625)	(12,491,625)	(12,547,269)	(55,644)	0%	
MV RUNNING EXP	(37,063,324)	(37,063,324)	(43,819,732)	(6,756,409)	-18%	N
UTILITIES EXPENSES	(80,671,110)	(80,671,110)	(61,305,408)	19,365,702	24%	O
COMMUNICATIONS COSTS	(44,120,750)	(44,120,750)	(10,170,881)	33,949,869	77%	P
ADVERTISING & PROMOTION	(38,409,080)	(38,409,080)	(35,284,488)	3,124,592	8%	
SUBSCRIPTION & DONATIONS	(15,326,636)	(15,326,636)	(3,079,559)	12,247,077	80%	Q
INSURANCE EXPENSES	(108,680,000)	(108,680,000)	(26,176,930)	82,503,070	76%	R
REPAIRS & MAINTENANCE	(60,959,175)	(60,959,175)	(33,443,496)	27,515,679	45%	S
PROVISION FOR DOUBTFUL DEBT	-	-	(4,721,701,545)	(4,721,701,545)	0%	T
TOTAL OPERATION COSTS	**(23,143,478,155)**	**(23,168,709,040)**	**(26,121,320,105)**	**(2,952,611,065)**	**-13%**	
PROFIT BEFORE NON OPERATIONAL COSTS	**1,282,528,540**	**1,257,297,654**	**14,090,895,339**	**12,833,597,685**	**-1021%**	
FINANCE EXPENSES	(12,910,581,729)	(12,910,581,729)	(17,531,014,336)	(4,620,432,607)	-36%	U
PENALTIES/INTERESTS ON DEB			(644,343,297)	(644,343,297)	0%	
Deferred Tax	-	-	120,672,413	120,672,413	0%	
DEPRECIATION EXP	(17,791,751,206)	(17,791,751,206)	(20,037,928,445)	(2,246,177,239)	-13%	V
NON OPERATING COSTS	**(30,702,332,935)**	**(30,702,332,935)**	**(38,092,613,664)**	**(7,390,280,730)**	**-24%**	
TOTAL COSTS	**(53,845,811,089)**	**(53,871,041,975)**	**(64,213,933,770)**	**(10,342,891,794)**	**-19%**	
NET SURPLUS / DEFICIT	**(29,419,804,395)**	**(29,445,035,280)**	**(24,001,718,325)**	**5,443,316,955**	**18%**	

	Explanation Notes:
A	Increased leasing of Idle and repossessed properties
B	Lower volumes from haulage of 5 million tons instead of the budgeted 6 million.
C	Additional Lease of MGR wagons
D	Income arising from higher fixed deposits based on project available funds
E	Reduction in Workshop Jobs and Wayleaves arising from general economic slow down
F	Reduction in Parking Fees owing to Covid Containment measures
G	Operation Grant from Escrow in support of SGR Operation and RDLF
H	RTI budget was rationalized for the effect of Covid 19
I	Non Engagement of Contract and casual staff to bridge operational requirements occasioned by expansions
J	Restricted Training owing to Covid Containment measures
K	Restriction of Travel owing to Covid
L	Budgeted Consultancy charges did not materialize owing to Covid 19
M	Cost Control and Covid Restriction Measures
N	Increased activities arising from expanded scope
O	Cost Control and Covid Restriction Measures including working from home.
P	Better Cost Control and restriction of advertising medium
R	Insurance budget was based on Anticipated completion of Capital Engagement
S	Suboptimal Operation leading to reduced activity
T	Increased due to full provision of RVR debt and first time provision for trade debtors .
U	Crystallization of loan for Phase 2A
V	Capitalization of WIP items of DMUS, Phase 2A

18. NOTES TO THE FINANCIAL STATEMENTS

18.1. General Information

Kenya Railways is established by and derives its authority and accountability from the Kenya Railways Act. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The 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.

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

18.2. Statement of Compliance and Basis of Preparation

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

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

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

New and amended standards and interpretations in issue effective in the year ended 30th June 2021.

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

2. **New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2021.**

Title	Description	Effective Date
IAS 1 – Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 – Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 – Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

3. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

18.3. Summary of Significant Accounting policies

a) Revenue recognition

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

i) Rail operation revenue –

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

- **Commuter fare-** fares received from commuter services in Nairobi

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

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

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

v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.

vi) **Other income** is recognised as it accrues.

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

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

ix) **Tuition income** is recognised on the basis of monthly allocation of term fees payable by registered students

b) In-kind contributions

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

Budget Information

The original budget for FY 2020-2021 was approved by the National Treasury on 8th October 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded additional appropriations on the 2020-2021 budget following the governing body's approval.

The Corporation's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 15 of these financial statements.

c) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

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 re-valued 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 are 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.

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.

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, civil works and installation and Rail improvement projects including revamping of branch lines for the Meter Gauge Railway.

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:

Asset Class	Rate	Useful life (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 tonnes tare weight	37.50%	2.67
Motor Vehicles - 3 tonnes and below	25.00%	4
Office Equipment	12.50%	8
Furniture & fittings	12.50%	8
Computer, copiers & faxes	33.33%	3
Track Tools	20.00%	5
SGR Information System	12.50%	8
SGR Track Subcomponents	10.00%	10
SGR Interval Communication	8.33%	12
SGR Signaling	6.67%	15
SGR Intra-Stn Communication	5.00%	20
SGR Water & Drainage System	4.00%	25
SGR Station Yards	3.33%	30

Asset Class	Rate	Useful life (Years)
SGR Stn Buildings	2.00%	50
SGR Main Line Track	1.67%	60
SGR Sub-Grade	1.00%	100
SGR Major Bridges	1.00%	100
SGR Tunnels	1.00%	100
Diesel Multiple Units	4.00%	25

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.

During the year, the Corporation made first time depreciation of capitalized Phase 2A SGR assets and Five Diesel Multiple Units. The Useful lives of assets is by reasonable estimates, industry best practice and expertise recommendation of KR Consultants on the SGR Project. Generally, the Engineering design life is considered the useful life subject to other factors including periodic maintenance. The deprecation has been prorated to the extent of the period remaining to the end of the financial year after capitalization.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) 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.

f) Research and development costs

The Corporation expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Corporation can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Specifically, land and buildings owned and used by Kenya Railways 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.

The policy of the Corporation is not to depreciate the property if land on which it is developed owned by the Corporation forms more than 70% of the total cost of investment. Critical estimates are made by Corporation in determining the useful lives and residual values to investment property based on the intended use of the assets and the economic lives of those properties. Subsequent changes in circumstances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Investment property acquired through a non-exchange transaction is measured at its cost as at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Finance and Operating Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Corporation. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Corporation also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

IV) Capital Risk Management

The objective of the Corporation's capital risk management is to safeguard the Board's ability to continue as a going concern. The Corporation capital structure comprises of the following funds:

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Corporation.

l) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Corporation does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Corporation does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) Trade and Other Receivables

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

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

n) Taxation

Current income tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

o) Nature and Purpose of Reserves

The Corporation creates and maintains reserves in terms of specific requirements.

The Corporation recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical

p) Changes in accounting policies and estimates

The Corporation recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement Benefit Plans

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

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

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

r) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially relateed during the period, are recognized as income or expenses in the period in which they arise.

s) Exchange Difference

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

t) 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.

Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. 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. The Corporation does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Corporation's financial risk management objectives and policies are detailed below.

(i) Credit Risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Corporation's management based on prior experience and their assessment of the current economic environment

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Corporation has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Corporation has significant concentration of credit risk on amounts due from rental debtors especially where accounts have been closed and recoverability doubtful. A full provision has been made.

The board of directors sets the Corporation's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated

(Ii) Liquidity Risk Management

The Corporation manages liquidity risk through continuous monitoring of forecasts and actual cash flows. This is through weekly forecast of inflows and outflows, scheduling of cash obligations including operational support payments and capital commitments.

Through an elaborate plan, the Corporation prudently invests excess cash flow into FDRs to earn interest.

(iii) Market Risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Corporation on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Corporation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Corporation's Finance Department is responsible for the development of detailed risk management framework.

There has been no change to the Corporation's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign Currency Risk

The Corporation has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Corporation manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the Corporation's financial condition may be adversely affected as a result of changes in interest rate levels. The Corporation's interest rate risk arises from bank deposits. This exposes the Corporation to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Corporation's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

(iv) Capital Risk Management

The objective of the Corporation's capital risk management is to safeguard the Board's ability to continue as a going concern. The Corporation capital structure comprises of the following funds:

c) Provision for staff leave pay

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

d) Borrowing costs

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

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.

e) 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.

f) Fully Depreciated Assets

The Corporation has some assets which were fully depreciated as at 30th of June 2021 was Kes 285,545,330. These assets are still in use by the Corporation. The policy of the Corporation is to make a full disclosure. No revaluation is done.

g) Related Parties

The Corporation regards a related party as a person or a Corporation with the ability to exert control individually or jointly, or to exercise significant influence over the Corporation, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Managing Director and senior managers.

h) Service Concession Arrangements

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

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the 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.

j) Provision for staff leave pay

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

k) Exchange rate differences

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

l) Comparative Figures

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

m) 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, 2021.

18.4. Significant Judgements and Sources of Estimation Uncertainty

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

Estimates and Assumptions

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

Useful Lives and Residual Values

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

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

Provisions

Provisions were raised and Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 9d.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Going Concern

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

18.5 Notes to the components of Financial Statements

5	Main Income		30th June 2021 Kshs	30th June 2020 Kshs
	SGR Revenues		14,507,825,953	13,324,696,981
	MGR Revenues		1,603,766,371	1,071,083,403
	Net rental income from investment property		1,103,768,145	1,144,009,795
	Railway training institute		211,551,557	180,031,098
	MGR Marine-MV Uhuru		69,011,541	10,142,113
	Total		**17,495,923,566**	**15,729,963,389**

Main Income relates to revenues accruing from the core activities of movement of freight cargo, passenger property &Investment and revenue from the center of excellence the Railway Training Institute.SGR and MGR Revenue is recorded at published tariff rates and contract rates to customers.

5a	Discount Allowed		30th June 2021 Kshs	30th June 2020 Kshs
	SGR Discounts		935,403,964	1,243,802,223
	MGR Discounts		55,780,177	1,289,761
	Other Discounts		619,648	-
	Discount Allowed		**991,803,789**	**1,245,091,984**

The Corporation will record all deviations from the Standard Published tariff in form of concessions, special rates and waivers as discounts accruing to the various units. The Corporation has also entered into Long Term Freight Agreements with Key Customers who have invested in rail infrastructure in order to enable the Corporation uptake cargo requiring special facilities. These customers enjoy investment based Contracted spot rates. In the year, contracted customers generated Kes 2.241 billion equivalent of business upon which a concession of Kes 1.232 billion arising from the contracted spot rates.

6	Government Grants		30th June 2021 Kshs	30th June 2020 Kshs
	SGR Operations Grant		20,816,915,149	2,029,567,230
	SGR Deferred Income		2,117,254,588	1,418,423,106
	NUTRIP Grant		87,000,000	-
	RAP project (Amortization)		-	835,200
	Total		**23,021,169,736**	**3,448,825,536**

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

7	OTHER INCOME		30th June 2021 Kshs	30th June 2020 Kshs
	Sale of scrap		145,029,297	20,784,896
	Sundry income		94,375,914	1,133,250
	MGR Non Operational Revenue		68,860,207	48,106,589
	Wagon lease		60,460,850	43,944,074
	Profit on sale of assets		3,520,000	0
	Museum Earnings		694,650	2,200,234
	Commercial Rent		442,425	1,924,100
	Sale of tender documents		1,000	0
	Sale of biological assets		0	14,000
	Sale of spares		0	334,000
	Total		**373,384,343**	**118,441,142**

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

8	BOARD EXPENSES		30th June 2021 Kshs	30th June 2020 Kshs
	Director's Fees		16,131,010	10,527,023
	Directors' Sitting Allowances		14,413,100	16,269,999
	Board training		549,810	450,000
	Directors' Travel & Accommodation		7,865,026	21,092,170
	TOTAL		**38,958,946**	**48,339,192**

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

9	ADMINISTRATION EXPENSES		30th June 2021 Kshs	30th June 2020 Kshs
	Postages and telephones		10,170,881	8,980,381
	Vehicle running & generator maintenance		43,819,732	27,841,370
	Travel & Accommodation		129,068,478	129,342,120
	Printing and stationery		12,547,269	4,990,220
	Advertising and sales promotion		35,284,488	34,883,379
	Audit fees provision		2,000,000	2,000,000
	Legal and professional fees		73,341,505	356,162,672
	Bank charges and commissions		7,829,822	5,819,557
	General Office Expenses(9b)		150,472,887	95,785,245
	Occupancy & Utilities(9c)		61,305,408	54,779,603

9	ADMINISTRATION EXPENSES		30th June 2021 Kshs	30th June 2020 Kshs
	Insurance		26,176,930	19,188,724
	Security		94,762,719	108,505,631
	Repairs & Maintenance		33,443,496	26,803,864
	TOTAL		**680,223,616**	**875,082,767**

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

9a	STAFF COSTS		30th June 2021 Kshs	30th June 2020 Kshs
	Salaries and wages		923,849,196	1,149,694,437
	Staff allowances		506,249,854	181,883,548
	Group life Insurance & group personal accident		2,054,093	2,515,557
	Other Staff costs		160,109,236	31,684,959
	Staff medical		98,596,085	38,430,687
	TOTAL		**1,690,858,465**	**1,404,209,188**
	This relates to the cost of human capital. Group Life insurance expense relates to the total premium for the Corporation Group life policy. Other Staff cost includes gratuities, Internship allowances, Extraneous allowance, Ex gratia expenses and Staff Welfare expenses. Salaries and wages relates to basic pay and employer pension contributions. Staff allowances relates to all allowances paid to staff in the course of engagement.			
	The average number of employees at the end of the year was:			
	Permanent employees – Management		1,489	244
	Fixed Term Contract		69	69
	Temporary Contract		606	1,628
	Total Without Casuals		**2,164**	**1,941**
	Casuals		2,279	73
	Grand Total		**4,443**	**2,014**
	In the year, Temporary contract staff in the MGR Division were absorbed into the permanent status			

9(b)	GENERAL OFFICE EXPENSES		30th June 2021 Kshs	30th June 2020 Kshs
	Office tea & beverages		12,779,109	5,525,543.4
	Cleaning services		56,555,885	32,994,606
	Office repairs & maintenance		1,939,754	1,629,546
	Students' food and essentials		23,345,522	13,124,716
	Concession monitoring cost		0	0
	Other office expenses		42,314,562	35,595,053
	Training,Subscription & Donation		13,538,055	6,915,781
	Total		**150,472,887**	**95,785,245**

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

9c	OCCUPANCY & UTILITIES COSTS		30th June 2021 Kshs	30th June 2020 Kshs
	Land rates		38,708,442	40,079,008
	Electricity		11,964,899	5,838,027
	Water		10,632,067	8,862,568
	Total		**61,305,408**	**54,779,603**

These relates to recurring utilities bills such water, Electricity and land rates. In the year, electricity bills. Electricity bills rose by 100% owing reclassification of office electricity cost from rail operation costs.

9d	PROVISION FOR BAD DEBTS			
	It is the Corporation's policy to maintain a 5% provision on trade receivables and Rent Receivable .			
	Balance b/fwd		(1,042,505,695)	(1,082,946,451)
	Charge for the year- general provision on bad debts		(4,721,701,545)	40,440,756
	Balance carried forward		**(5,764,207,240)**	**(1,042,505,695)**

The current provision is made of the following items

Category	Amount (Kes)
Closed rent accounts	1,224,009,963
Closed trade accounts	478,961,407
RVR outstanding	3,472,304,886
Inactive MGR accounts	170,273,695
General 5% Provision	165,310,735
SBM	200,000,000
Interest on Concession	47,796,159
Student Debtors	5,550,394
Total Reported Provision	**5,764,207,240**

Provision for bad debts will relate the change of provision between two successive years. As a policy, the Corporation provides fully for closed and inactive accounts for both trade and rent debtors. The balance of active accounts will have a general 5% provision. RVR outstanding inclusive of Interest has been reported under other comprehensive incomes

9(e)	Provisions Charge Classification	
	RVR outstanding Disclosed under Other Comprehensive items	(3,520,101,045.27)
	Other Movements Charged to P&L	(1,201,600,499.52)
	Total Movement Charged	**(4,721,701,544.79)**

10	Rail Operational expenses		30th June 2021 Kshs	30th June 2020 Kshs
	MGR Operations & Maintenance Costs		1,410,695,018	1,059,807,762
	SGR -Operations & Maintenance		17,578,882,516	18,449,075,822
	Total		**18,989,577,533**	**19,508,883,584**

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

11	Depreciation of property, plant and equipment		30th June 2021 Kshs	30th June 2020 Kshs
	Buildings		59,379,789	57,753,495
	Water Supplies & Transport equip.		7,826,031	6,786,623
	Plant & Machinery		40,833,707	38,307,122
	Permanent way		3,154,256	3,154,256
	Telecommunications Equipment		9,010,827	8,099,470
	Motor Vehicles		41,005,531	18,671,244
	Furniture & Fittings & Office Equipment		103,128,483	118,191,634
	Donated assets		48,667,318	48,667,318
	Computers		7,462,016	9,469,229
	Depreciation Of Dmus		19,506,665	0
	SGR Bridge Depreciation		662,242,372	397,378,068
	SGR Culvert Depreciation		273,277,952	181,655,901
	SGR Station Yard Depreciation		405,742,907	318,874,087
	SGR Building Depreciation		637,615,832	535,181,918
	SGR Track Depreciation		5,311,427,210	3,946,212,757
	SGR Electric Supplies Depreciation		985,686,759	685,580,290
	SGR Water & Drainage Depreciation		199,601,455	152,843,035
	SGR Fence Depreciation		999,130,422	793,562,980
	SGR Signaling Depreciation		1,579,489,924	1,302,195,457
	SGR Telecommunication Depr		2,153,710,280	1,649,026,306
	SGR Intangible Asset Depr		227,866,725	155,657,892
	SGR Air & Fire Equipment Depr		153,048,407	82,080,889
	SGR Integ Testing Equip Depr		16,216,761	14,386,149
	SGR Loco & Roll Stock Depr		1,966,254,083	1,744,295,574
	SGR Loco Depot Equip Depr		634,267,582	562,668,958
	SGR Loco Information Equip Depr		84,424,700	74,894,507
	SGR Roll Stock Depot Equip Depr		545,698,905	484,098,262
	SGR Station Yard Equip Depr		281,544,252	249,762,427
	SGR Track Maintenance Equip Depr		221,995,345	196,935,635
	SGR Subgrade Depreciation		2,191,775,393	1,300,431,435
	SGR Tunnel Depreciation		163,405,847	0
	Total		**20,034,397,736**	**15,136,822,921**

12	ARMOTIZATION OF INTANGIBLE ASSETS		30th June 2021 Kshs	30th June 2020 Kshs
	Charge for the year		3,530,709	3,643,322
	Total		**3,530,709**	**3,643,322**

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

13. RATES FOR DEPRECIATION.

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

14	FINANCE INCOME		30th June 2021 Kshs	30th June 2020 Kshs
	Interest-short term deposit		429,598,696	59,894,074
	Interest- ordinary advances		23,097	31,289
	Unrealized gain (Loss)on foreign currency translation		(116,080,205)	150,023,756
	Total		**313,541,588**	**209,949,118**

Finance income will include interest earned from investments in commercial banks. This is in form of Fixed Deposit Reserves from unutilized cash. The corporation also recognizes nominal interest in advances to staff. Also recorded is the unrealized gain or loss on foreign currency translations. The increase in 2020-2021 is as result of investment of funds received from the National Treasury. Unrealized Exchange gain/loss relates to difference between the recorded historical amounts of foreign denominated transactions and the presentation currency still open at the close of the period.

15	FINANCE EXPENSE		30th June 2021 Kshs	30th June 2020 Kshs
	SGR On Lent Loan Interest		17,531,014,336	5,456,118,633
	Total		**17,531,014,336**	**5,456,118,633**

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

16	PENALTIES/ INTEREST ON ON-LENT LOAN		30th June 2021 Kshs	30th June 2020 Kshs
	Penalties/interests on SGR On –Lent loan		644,343,297	-
	Total		**644,343,297**	-

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

17	INCOME TAX EXPENSE		30th June 2021 Kshs	30th June 2020 Kshs
	The Current year's tax is just a provision. Final tax will be computed after the accounts have been audited			
	Profit as per financial statements		(24,129,387,584)	(24,178,678,236)
	Adjustments		15,312,696,191	15,177,263,677
	Taxable profit		(8,816,691,393)	(9,001,414,559)
	Tax @ 30%		**(2,645,007,418)**	**(2,250,353,640)**
	Current taxation based on the adjusted profit for the year at 30%		(2,645,007,418)	(2,250,353,640)
	Current year deferred tax charge		120,672,413	-
	Total		**(2,524,335,005)**	**(2,250,353,640)**

18	OPERATING COSTS		30th June 2021 Kshs	30th June 2020 Kshs
	Staff Costs		1,690,858,465	1,404,209,188
	Rail Operations Costs		18,989,577,533	19,508,883,584
	Training		10,458,496	4,801,992
	Travel & Accommodation		129,068,478	129,342,120
	Legal & Professional		73,341,505	356,162,672
	Board Expenses Total		38,958,946	48,339,192
	General Office Expenses		241,316,855	204,220,132
	Printing & Stationery		12,547,269	4,990,220
	Mv Running Expenses		43,683,298	27,841,370
	Utilities Expenses		61,305,408	54,779,603
	Communications Costs		10,170,881	8,980,381
	Advertising & Promotion		35,284,488	34,883,379
	Subscription & Donations		3,064,231	1,091,064
	Insurance Expenses		9,018,053	19,188,724
	Repairs & Maintenance		33,411,296	26,803,864
	Provision For Doubtful Debt		4,721,701,545	1,062,808,795
	Finance Expenses		17,531,014,336	5,456,118,633
	Penalties/Interests On Deb		644,343,297	-
	Depreciation Expenses		20,037,928,445	15,136,822,921
	Total		**64,317,052,825**	**43,490,267,833**

18 (I)	Prior year adjustment to accumulated losses		30th June 2021 Kshs	30th June 2020 Kshs
	Depreciation on SGR assets		(3,572,460,745)	14,827,722,528
	Deferred Income for 2019-2020		1,483,283,338	(650,640,430)
	Deferred Income 2018-2019		276,842,663	143,693,015
	Total Prior year adjustments		**(1,812,334,744)**	**14,320,775,114**

Prior Year adjustments are posted directly to retained earnings and relate to material items of the Income statement relating to a period other than the current. The Corporation does not restate balances where the adjustments have been made in the retained earnings . Prior year adjustments relate to depreciation of SGR Assets. In 2019-2020 the Corporation Capitalized the SGR assets after commissioning and expiry of the Defect liability period. The operator through the Consultants shared the list of SGR assets acquired through the EPC contract. The assets were in clusters with useful engineering design life given per cluster. The total computed depreciation amounted to Kes 14,827,722,528.50. However, in 2021 upon full verification of the assists, the consultant provided an itemized list of assets within the same cluster. It was apparent that the assets within the same cluster were not homogeneous in terms of useful design life. The itemized depreciation resulted to a depreciation figure of Kes 16,613,952,901.04. Thus A difference of Kes 1,786,230,372.54. Over two years this is Kes 3,572,460,745.08. The resultant Deferred Income was Kes 1,760,126,001.24. Thus the net adjustment of Kes 1,812,334,744) reported.

2019	Freehold land	Buildings & civil works	Water Supplies	Plant and machinery		Motor vehicles, including, motor cycles	Office eq[illegible] ment, furniture & fittings
COST OR VALUATION							
At July 1, 2019	15,175,501,812	2,928,057,017	171,920,000	1,131,645,658	49,968,040	119,109,412	874,820,469
Additions	-	-	1,949,200.00	-	13,320,560	64,585,035.1	65,625.00
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2020	**15,175,501,812**	**2,928,057,017**	**173,869,200**	**1,131,645,658**	**63,288,601**	**183,694,447**	**874,886,094**
DEPRECIATION							
As At July 1, 2019	-	457,466,244	63,107,172	415,374,739	22,047,358	89,312,856	579,728,214
Charge for the year	-	57,753,495	6,786,623	38,307,122	8,099,470	18,671,244	118,191,634
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
At June 30, 2020	-	**515219739.1**	**69893794.93**	**453681861.4**	**30146828**	**107984100**	**697919848**
NET BOOK VALUE							
At June 30, 2020	**15,175,501,812**	**2,412,837,278**	**103,975,405**	**677,963,796**	**33,141,772**	**75,710,347**	**176,966,246**

19 (b) Property Plant and Equipment Movement Schedule

	Freehold land	Buildings & civil works	Water Supplies	Plant and machinery	Telecomication Equipment	Motor vehicles, including, motor cycles
COST OR VALUATION						
At July 1, 2020	15,175,501,812	2,928,057,017	173,869,200	1,131,645,658	63,288,601	183,694,447
Additions	-	62,420,190.59	-	110,380,727.22	20,877,396.26	155,458,416.65
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments	-	157,744,237.73	-	-	-	-
At June 30, 2021	**15,175,501,812**	**3,148,221,446**	**173,869,200**	**1,242,026,385**	**84,165,997**	**339,152,864**
DEPRECIATION						
As At July 1, 2020	-	515,219,739	69,893,795	453,681,861	30,146,828	107,984,100
Charge for the year	-	59,379,789	7,826,031	40,833,707	9,010,827	41,005,531
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
At June 30, 2021	-	**574,599,528**	**77,719,826**	**494,515,569**	**39,157,655**	**148,989,631**
NET BOOK VALUE						
At June 30, 2021	**15,175,501,812**	**2,573,621,917**	**96,149,374**	**747,510,816**	**45,008,342**	**190,163,232**

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

Computers & related equipment	Cash operating asets	Donated assets	Infrastructure	Signalling, Electricity, and Communication (including Training)	Machinery & Equipment	Total
119,740,044	4,193,612,280	2,454,589,676	-	-	-	27,218,964,408
10,243,902.0	-	-	305,298,685,799	57,605,369,204	66,611,083,374	429,605,302,700
-	-	-	-	-	-	-
-	-	-	-	-	-	-
129,983,946	**4,193,612,280**	**2,454,589,676**	**305,298,685,799**	**57,605,369,204**	**66,611,083,374**	**456,824,267,107**
106,726,327	372,965,764	167,225,745				2,273,954,419
9,469,229	3,154,256	48,667,318	12,940,043,505	8,528,472,686	8,186,928,866	29,964,545,450
-	-	-	-	-	-	-
-	-		-	-	-	-
116195555	**376120020**	**215893063**	**12,940,043,505**	**8,528,472,686**	**8,186,928,866**	**32,238,499,869**
13,788,390	**3,817,492,260**	**2,238,696,613**	**292,358,642,294**	**49,076,896,518**	**58,424,154,508**	**424,585,767,239**

Office equipment, furniture & fittings	Computers & related equipment	Cash operating asets	Donated assets	SGR Assets (Note 19C)	DMU	Total
874,886,094	129,983,946	4,193,612,280	2,454,589,676	429,288,214,400	-	456,597,343,131
20,915,253.52	27,852,631.72	-	-	-	-	397,904,616
-	-	-	-	181,323,902,926	731,499,955	182,055,402,881
-	-	-	-	-	-	0
15,517,956.05	(2,041,415.13)	(438,330,161.13)	-	-	-	-267,109,382
911,319,304	**155,795,163**	**3,755,282,119**	**2,454,589,676**	**610,612,117,326**	**731,499,955**	**638,783,541,245**
697,919,848	116,195,556	376,120,020	215,893,060	33,429,047,703	-	36,012,102,512
103,128,483	7,462,016	3,154,256	48,667,318	19,694,423,113	19,506,665	20,034,397,737
-	-	-	-	-	-	-
-	-	-	-	-	-	-
801,048,331	**123,657,571**	**379,274,277**	**264,560,377**	**53,123,470,817**	**19,506,665**	**56,046,500,249**
110,270,973	**32,137,591**	**3,376,007,842**	**2,190,029,298**	**557,488,646,509**	**711,993,290**	**582,737,040,996.28**

	Civil Works	Signaling and Communication	Rolling Stock	Other Civil Works	Total
As at 1st July 2018	287,384,406,546	75,379,329,992	61,531,043,527	4,993,434,335	429,288,214,400
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
As at 1st July 2019	287,384,406,546	75,379,329,992	61,531,043,527	4,993,434,335	429,288,214,400
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2020	287,384,406,546	75,379,329,992	61,531,043,527	4,993,434,335	429,288,214,400
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	137,322,890,229	19,490,135,722	-	24,510,876,975	181,323,902,926
As at 30th June 2021	**424,707,296,776**	**94,869,465,714**	**61,531,043,527**	**29,504,311,309**	**610,612,117,326**
Depreciation and impairment	-	-	-	-	-
As at 1st July 2018	-	-	-	-	-
Depreciation	7,751,713,804	5,450,620,524	3,230,645,272	281,544,252	16,714,523,852
Impairment	-	-	-	-	-
As at 30 June 2019	7,751,713,804	5,450,620,524	3,230,645,272	281,544,252	16,714,523,852
As at 1st July 2019	7,751,713,804	5,450,620,524	3,230,645,272	281,544,252	16,714,523,852
Depreciation	7,751,713,804	5,450,620,524	3,230,645,272	281,544,252	16,714,523,852
Impairment	-	-	-	-	-
As at 30 June 2020	15,503,427,609	10,901,241,048	6,461,290,543	563,088,504	33,429,047,703
As at 1st July 2020	15,503,427,609	10,901,241,048	6,461,290,543	563,088,504	33,429,047,703
Depreciation	9,704,077,010	6,314,750,734	3,230,645,272	444,950,098	19,694,423,113
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
As at 30th June 2021	25,207,504,618	17,215,991,781	9,691,935,815	1,008,038,602	53,123,470,817
Net book value as at 30th June 2021	399,499,792,157	77,653,473,932	51,839,107,712	28,496,272,707	557,488,646,509

20	INVESTMENT PROPERTY		30th June 2021 Kshs	30th June 2020 Kshs
	Balance b/fwd		21,006,159,341	21,006,159,341
	Additions during the year		229,843,026	-
	Balance c/fwd		**21,236,002,367**	**21,006,159,341**

21	INTANGIBLE ASSETS		30th June 2021 Kshs	30th June 2020 Kshs
	Cost			
	Balance b/fwd		162,440,950	156,312,790
	Additions		17,566,250	6,128,161
	Cost c/fwd		**180,007,200**	**162,440,950**
	Amortization		-	-
	Balance b/fwd		46,566,090	42,922,768
	Charge for the year		3,530,709	3,643,322
	Balance c/fwd		**50,096,799**	**46,566,090**
	Net Carrying amount		129,910,401	115,874,860

Intangible assets relates to System Software for Navision ERP, Ticketing Systems , PBX telephone exchange and other Operations software.

22	CAPITAL WORKS-IN-PROGRESS		30th June 2021 Kshs	30th June 2020 Kshs
	Balance b/fwd		255,684,157,876	673,287,818,576
	Additions during the year		30,395,965,583	11,911,477,676
	Capitalized to PPE		(182,055,402,881)	(429,515,138,377)
	Capitalized to Investment Property		(22,843,026)	-
	Balance c/fwd		**103,794,877,552**	**255,684,157,876**

Capital Works In progress relates to projects that are currently on going in the various divisions of the Corporation. In the current year, the capitalizations relates to Phase 2A at Kes 181 Billion and DMUs at Kes 731 million.

23	STORES INVENTORIES		30th June 2021 Kshs	30th June 2020 Kshs
	Capital stores		3,358,444,946	3,603,277,409
	Stationery stores		281,670,556	11,949,640
	Fuel Stores		96,361,805	
	Foodstuffs		387,268	1,377,304
	Net stores inventories		**3,736,864,574**	**3,616,604,353**

Stock Capital stores relates to the stock values of Spares for Rolling stock and Permanent way. Stationery Stocks relate to the stock values of Stationeries. Fuel Store relates to the residual value of fuel that must be retained in the tanks at the point of change of Suppliers. Food stuffs relate to food items in RTI .SGR Spares have been relocated to Prepayment in line with the O&M terms.

24	TRADE AND OTHER RECEIVABLES		30th June 2021 Kshs	30th June 2020 Kshs
	Trade receivables		6,583,098,047	6,177,949,803
	Rent Debtors		2,250,197,431	1,917,309,800
	Less: provision for bad debts		(5,764,207,240)	(1,042,505,695)
	Less: provision for discounts		(1,085,974,963)	(839,440,098)
	Net trade receivables		**1,983,113,275**	**6,213,313,810**
	Prepayments		4,791,941,787	2,770,668,880
	Tax Receivable		12,139,560,289	8,686,435,286
	Staff		61,897,227	52,947,368
	Other receivables		530,399,334	435,616,385
	Net Receivables		**19,506,911,911**	**18,158,981,728**

Trade receivables are dues to the Corporation from customers and trading partners. Trade Receivables relates to dues from trade transactions other than rent. Rent Debtors relates to dues from tenants in various properties. Provision will include specific provision for inactive and closed accounts. There is a general Provision of 5%. Discounts Provision relates to discounts as per the tariff of which the customers have not been awarded. Prepayments are monies received in advance for services. In particular, it relates also amounts received in respect to projects that have not been absorbed. Tax Receivable relates to the tax credit balance with KRA that arises from the nature of the Corporations transactions. Staff Debtors Relates to legacy staff obligations, salary advances and outstanding surrenders.

25	SHORT TERM INVESTMENTS		30th June 2021 Kshs	30th June 2020 Kshs
	FDR with KCB @ 9%		3,000,000,000	-
	RTI money with KCB on call @ 10%		-	45,000,000
	TOTAL		**3,000,000,000**	**45,000,000**

Short Term Investments records amount transferred to interest bearing arrangements with Commercial banks. The Ksh. 200,000,000 is no longer a fixed deposit since there is no certainty of its collectability. Its therefore treated as a receivable as we await the finalization of the Chase Bank liquidation by KDIC. The Corporation has made a full provision.

26	CASH DEPOSITS AND GUARANTEES			
i	Kshs 12m FDR kenya commercial bank at 3%		15,648,911	14,007,607
ii	KPLC Guarantee- (SGR Power connection) at 6%		80,788,589	78,857,008
iii	FDR savings & loans (Mortgage a/c)		17,997,238	3,362,599
iv	Escrow Retrenchment	1108981968	82,688	1,218,970
vi	Escrow Environment	1108982174	0	-
vii	KCB Car loan lien		29,991,057	21,010,507
viii	S&L - Mortgage Back up		89,372,352	97,961,715
ix	Fuel deposit guarantee for National oil kenya		32,595,287	96,030,185
x	KCB- Mortgage Drawdown A/c	1146951868	2,032	2,032
xi	KCB-Land compensation a/c	1162575387	1,386,546,007	3,604,849,489
xii	KCB-SGR Escrow payment A/C-USD	1162573333	3,709,752	9,195,200,216
xiii	KCB-SGR Escrow revenue A/C-KES	1162574615	469,302,952	2,991,272,808
xiv	KCB-SGR ESCROW REVENUE A/C-USD	1162573333	22,441,473,416	18,447,296,513
xv	KCB- SGR NBI -NVS ESCROW A/C	1203286473	3,254,589,431	2,853,104,749

26	CASH DEPOSITS AND GUARANTEES (Contd.....)		30th June 2021 Kshs	30th June 2020 Kshs
xiii	ESCROW ENVIROMENT DEPOSIT at 6%		45,862,683	63,227,108
xiv	ESC. RETRENCHMT DEPOSIT at 6%		62,056,199	47,675,280
xv	SBM SAVINGS A/C		100,127,391	199,872,609
xiii	FDR WITH CHASE BANK		200,254,780	199,247,514
xiv	KPA GUARANTEE		500,000	-
	TOTAL		**28,230,900,766**	**37,914,196,907**

Guarantees relates to cash that though is with the Corporation, is not available for use owing to the conditions in the creating instruments

27	CASH & BANK BALANCES		30th June 2021 Kshs	30th June 2020 Kshs
i)	**Cash in hand**			
	Cash on hand - RTI		135,772	11,721
	Cash on hand - HQ Cash office		600,000	921,843
	Imprest Card Balances		0	1,137,095
	Sub total		**735,772**	**2,070,660**
ii).	**Bank balances**			
		Account no.		
	KCB Rent Collections A/c	1108981917	10,054,605	21,447,814
	KCB USD account (USD)	1101706872	522,204,706	74,224,314
	RTI - KCB main a/c	1102590363	20,298,883	9,921,543
	RTI - KCB imprest a/c	1102587699	5,936,790	4,212,930
	KCB - project account	1107161487	3,509,581	56,889,321
	Citibank a/c	00300045003	3,196,022	3,234,524
	Citibank a/c USD (USD)	00300045014	972,426	972,426
	Operational account	1107161398	10,679,598	36,603,536
	KCB STAFF MORTGAGE A/C	1109889216	5,020,971	6,159,423
	Equity bank	047029841416	2,009,834	4,422,493
	NIC Bank NUTRIP-KES A/C	1001004049	127,621	128,673
	Standard Chartered - RAP A/c	01040440668800	0	140,811
	SBM SAVINGS A/C	0081019078063	5,645,959	5,494,494
	SBM Liquidation account	81019078001	21,674	18,128,994
	SBM Current account	0082019078064	(401)	-150
	KCB NCR PAYBILL 4062323		112,830	-
	Sub total		**589,791,098**	**241,981,146**
	TOTAL CASH & BANK BALANCES		**590,526,871**	**244,051,806**

28	GOVERNMENT SUBVENTIONS & EQUITY	30th June 2021 Kshs	30th June 2020 Kshs
	GOK equipment loan, 1974	50,000,000	50,000,000
	GOK Equity for the Purchase of new equipment	468,000,000	468,000,000
	Conversion of loan to equity	39,956,007,122	39,956,007,122
	TOTAL	**40,474,007,122**	**40,474,007,122**

Government Subventions and Equity denotes the Government Shareholding in the Corporation. In 2008, the GoK took up Kenya Railways loans and converted it to Equity.

29	GOK GRANTS	30th June 2021 Kshs	30th June 2020 Kshs
	Balance B/forward	10,373,896,105	10,373,896,105
	Balance C/forward	**10,373,896,105**	**10,373,896,105**

30	RESTRUCTURING RESERVES	30th June 2021 Kshs	30th June 2020 Kshs
	Balance b/fwd	20,233,660,858	20,239,260,616
	Adjustments	1,663,756	(5,599,759)
	Balance c/fwd	**20,235,324,613**	**20,233,660,858**

This relates to restructuring exercise on the KRC Balance Sheet in the year 2008 where all legacy issues are reconciled.

31	ACCUMULATED LOSSES	30th June 2021 Kshs	30th June 2020 Kshs
	Balance b/fwd	(70,448,015,697)	(31,948,562,347)
	Prior year adjustment to accumulated losses****	(1,812,334,744)	(14,320,775,114)
	Restated balance	(72,260,350,441)	(46,269,337,461)
	Loss for the year	(24,001,718,325)	(24,178,678,236)
	Balance c/fwd	**(96,262,068,766)**	**(70,448,015,697)**
	****** Prior year Adjustments has the following;**		
	Depreciation on SGR assets	(3,572,460,745)	14,827,722,528
	Deferred Income for 2019-2020	1,483,283,338	-650,640,430
	Deferred Income 2018-2019	276,842,663	143,693,015
	Total Prior year adjustments	**(1,812,334,744)**	**14,320,775,114**

Prior Year adjustments are posted directly to retained earnings and relate to material items of the Income statement relating to a period other than the current. Where prior year adjustments have been made, a corresponding restatement of comparatives has been made.

32	EAST AFRICAN LOAN STOCKS	30th June 2021 Kshs	30th June 2020 Kshs
	1954 STG PD 5.0M	90,000	90,000
	1957 STG PD 8.5M	20,000	20,000
	1975 STG PD 5.9M	24,918,842	24,918,842
	1970 KENYA PD 1.0	513,100	513,100
	1971 KENYA PD 3.4	11,301,834	11,301,834
	TOTAL	**36,843,776**	**36,843,776**

33	EXIM BANK LOAN		30th June 2021 Kshs	30th June 2020 Kshs
	Balance b/fwd		539,270,066,338	481,265,020,247
	Amount disbursed during the year		8,108,278,198	58,005,046,091
	Interest On loan		21,644,801,071	5,456,118,633
	Balance c/fwd		**569,023,145,606**	**544,726,184,971**

34	PROVISIONS		30th June 2021 Kshs	30th June 2020 Kshs
	Leave		3,469,605	2,194,507
	Municipal rates*		175,591,048	175,591,048
	Insurances refundable to former staff		29,441,666	29,515,646
	Gratuities		42,896,008	34,285,414
	TOTAL		**251,398,327**	**241,586,616**

* County rates relates to legacy unresolved issues relating land and properties

35	PAYABLES & ACCRUED CHARGES		30th June 2021 Kshs	30th June 2020 Kshs
	Trade creditors		7,509,091,711	4,166,445,786
	SGR Operator		32,873,627,159	45,473,906,064
	Land Compensation		8,307,857,507	8,307,857,507
	Staff creditors***		110,419,839	53,182,398
	Customer deposits		1,156,217,374	1,110,658,138
	Accruals		318,787,238	220,623,695
	Default Penalty Payable		644,343,297	-
	TOTAL		**50,920,344,125**	**59,332,673,588**
	****Staff Creditors is made up of the following*			

Provident Fund	15,198,819
Statutory outstanding	65,730,731
Ex Staff dues	29,490,289
****Total**	**110,419,839**

**Payables relates to dues from the Corporation to suppliers and other trading partners. Trade creditors Include Kes 32.8 Billion due to the Operator CRBC. Land Compensation is amount outstanding to activities leading to acquisition of the SGR Corridor. Staff creditors relates to outstanding legacy staff payments and payroll deductions. Deposits Relates to rent deposits. SGR On Lent loan Interest relates outstanding Interest on the SGR On lent Loan by National Treasury. Default Penalty will relate the penalty arising from non-payment of obligations

36	DEFERRED INCOME		30th June 2021 Kshs	30th June 2020 Kshs
	GoK Grant - SGR		111,590,644,705	133,430,374,990
	GoK Grant - Escrow		3,156,237,545	12,337,168,535
	Stand premiums/revenues		741,478,008	698,660,959
	RAP		5,712,831,897	5,712,831,897
	Land sales		323,652,907	323,652,907
	RTI		1,037,854,568	279,267,484
	GoK Grant - Nairobi Commuter Rail		5,321,100,000	3,140,000,000
	Gok Grant- Konza Line		478,000,000	478,000,000
	GOK GRANT- NANYUKI LINE		1,800,000,000	-
	GOK- Naivasha SEZ		6,500,000,000	-
	GOK- NKR - KSM MGR		3,250,000,000	-
	GOK Naivasha - Mlb MGR		3,000,000,000	-
	ICD NAIROBI GRANT		24,900,387,589	-
	GOK GRANT- KISUMU PORT		97,957,310	-
	TOTAL		**167,910,144,529**	**156,399,956,771**
	Amount To be amortized (Current)		**2,295,248,997**	**1,695,265,769**
			2,295,248,997	**4,478,693,016**
	Amount Deferred to Future		**165,614,895,532**	**151,921,263,756**

This relate to portion of Capital assets contributed by Government Grants (GoK) that will be amortized over the life of the resultant assets. SGR Escrow Grant declined as funds were utilized as Operational Grant to pay the SGR Operator.

37	CASH AND CASH EQUIVALENTS		30th June 2021 Kshs	30th June 2020 Kshs
	For the purpose of the cash flow statement, cash and cash equivalents comprise the following:			
	Cash in hand		735,772	2,070,660
	Cash at bank		589,791,098	241,981,146
	Short term Investments		3,000,000,000	45,000,000
	TOTAL		**3,590,526,871**	**289,051,806**

In the year Guarantees have been excluded from cash and cash equivalents

38	CONTINGENT LIABILITIES.	30th June 2021 Kshs	30th June 2020 Kshs
	The Corporation had contingent liabilities amounting to Kshs 4,270,041,585 detailed as follows:-		
	Law suits against the Corporation yet to be determined	4,241,326,149	2,507,630,589
	Guarantees given on behalf of the Corporation	28,715,436	28,715,436
	Total Contingent Liabilities	**4,270,041,585**	**2,536,346,025**

This relates to the exposures in form of pending cases that are currently ongoing against the Corporation. The management makes a disclosure based on the strength of the case and the resultant exposure.

39 CONTINGENT ASSETS

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

40 RELATED PARTY DISCLOSURE

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

The Board of Directors of Kenya Railways Corporation is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance. In the FY 2020/21, the Board expenses amounted to **Kes 38,958,946/-**. Of these costs **Kes 10,531,023/-** relates to Managing Director Salaries and Emoluments

41 MOVEMENT IN DEFERRED INCOME

Particulars	2019-2020	Movement	Inter Entity	Interest Earned	Amortization	2020-2021
GoK Grant -	133,430,374,990	(20,343,189,226)	-	104,952,897	(1,601,493,956)	111,590,644,705
SGR						
GoK Grant - Escrow	12,337,168,535	-	-	542,827,734	(9,723,758,724)	3,156,237,545
Stand premiums/revenues	698,660,959	42,817,049	-	-	-	741,478,008
RAP	5,712,831,897	-	-	-	-	5,712,831,897
Land sales	323,652,907	-	-	-	-	323,652,907
RTI	279,267,484	-	758,587,084	-	-	1,037,854,568
GoK Grant - Nairobi Commuter Rail	3,140,000,000	-	2,181,100,000	-	-	5,321,100,000
Gok Grant- Konza Line	478,000,000	-	-	-	-	478,000,000
GOK GRANT-	-	-	1,800,000,000	-	-	1,800,000,000
NANYUKI LINE						
GOK- Naivasha SEZ	-	-	6,500,000,000	-	-	6,500,000,000
GOK- NKR -	-	-	3,250,000,000	-	-	3,250,000,000
KSM MGR						
GOK Naivasha - Mlb MGR	-	-	3,000,000,000	-	-	3,000,000,000
ICD NAIROBI	-	-	24,900,387,589	-	-	
GRANT						24,900,387,589
GOK GRANT-	-	-	97,957,310	-	-	97,957,310
KISUMU PORT						
Total	**156,399,956,772**	**(20,300,372,177)**	**42,488,031,983**	**647,780,631**	**(11,325,252,680)**	**167,910,144,529**

42 REVALUATION RESERVE

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

43 FAIR VALUE ADJUSTMENT RESERVE

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

44 RETAINED EARNINGS

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

45 PROJECT STATUS REPORT

Phase	Coverage	Project Cost (Kes)	Progress to date	Financier	Contractor
One	Mombasa -Nairobi	436 Billion	100%	China -Exim Bank (90%) and GoK (10%)	China Road and Bridge Corporation Ltd (CRBC)
ICD	Embakasi	21.7 Billion	99%	China -Exim Bank (85%) and GoK (15%)	China Road and Bridge Corporation Ltd (CRBC)
Two -A	Nairobi-Naivasha	193 Billion	100%-DLP to October 2020	China -Exim Bank (85%) and GoK (15%)	China Communication Construction Company Ltd (CCCC)
ICD	Naivasha	7.9 Billion	99%	GoK (100%)	China Communication Construction Company Ltd (CCCC)
	Thika -Nanyuki Line	2.9 Billion	90%	GoK (100%)	KR
	Nairobi Commuter & DMUs	5.1 Billion	10%	GoK (100%)	KR
	Konza Line	478 Million	2%	GoK (100%)	KR
	Kisumu Marine School	476 Million	75%	World Bank /GoK (100%)	Milicon Ltd

46 UPDATE ON AUDITORS RECOMMENDATIONS

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

Ref No.	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1	Material Uncertainty Related to Going Concern	KR is a going concern and it is managing its bottom line through takeover of SGR Operations. KR is also improving its top line through rehabilitation of the MGR network and ensuring a seamless movement of cargo across the rail-network	Managing Director and ExCom Team	KR has been seeking government support in various ways from capital grants in order to improve business opportunities. KR Is also working on improving tonnages moved on railroad in the country	30.06.2022
2	Illegal Allocation of land	The Corporation, has written to the Ministry of Lands to revoke titles of all the land that was irregularly allocated by the Commissioner of Lands. Follow up letters have also been done.	General Manager Business	KR has been reclaiming and fencing its corridor with the Meter Gauge Rehabilitation	When NLC revokes the illegal titles.
3	Classification & Fair Statement of Short Term Investments	This related to funds deposited with Chase Bank Kes 800M	General Manager Finance	Partially resolved-Kes 600M recovered. Kes 200M in Chase Bank fully provided for in the books.	SBM Kes 100M recovered in August 2021. Balance of Kes 200M in Chase Bank awaits Receivership
4	Unsupported Inventories	The Corporation was to undertake a full stock take in FY 2020/21.	General Manager Supply Chain Manager	The Corporation has completed a physical verification of its stocks and is in the process of stock valuation for reconciling with KR financial statements reported figures.	31/12/2021
5	Unreconciled Trade & Other Receivables	The balance of trade & other receivables were shared with the OAG team before closure of audit	General Manager Finance	The balance in the trade and other receivables is well supported	30/06/2021
6	Irregular Land Compensation	This relates to SGR Land Compensation where documents are with the NLC	General Manager Infrastructure Development -GMID	Land Acquisition &Compensation was a NLC process and KR regularised by handing back the process to the Commission	n/a

Ref No.	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
7	Unsupported Railway Operation Expenses	The expenses of Kes 1.8B relate to SGR Expenditure which was an accrued amount as per the Operations and Maintenance Contract. This was shared with the auditors	General Manager Finance	The Operations and Maintenance Contract was shared with the Audit team for validation of expenses	n/a
8	Unreconciled SGR Freight Revenue	KR & KPA as guide by the Take or Pay Agreement have been reconciling the revenue and the debtors	General Manager Finance and General Manager Business & Operations	Reconciliation was done and the revenues updated in FY 2019/20	n/a
9	Irregular Use of revenue Collected for MGR Expenses	There was use of station earnings to directly pay for expenditure due to transition challenges from the RVR to MGR upon termination of the concession	General Manager Finance and General Manager Business & Operations	The matter was retrospectively regularised and all revenue captured and all expenses captured in the books in FY 2019/20	n/a
10	Adjustments in the Statement of Changes In Equity	This was due to Prior year adjustments which as per IAS 8 exception to adjusting opening balances on the basis of impracticability to make adjustment	General Manager Finance	KR relied on IAS 8 on impracticability to make adjustment and maintained the change in the statements of changes in equity	n/a

Managing Director

Kenya Railways

Date 01/07/2022

47 **APPENDIX 1: PROJECTS IMPLEMENTED BY THE CORPORATION**

Phase	Coverage	Project Cost (Kes)	Period/ duration	Financier	Separate donor reporting required as per the donor agreement (Yes/ No)	Consolidated in these financial statements (Yes/No)
One	Mombasa -Nairobi	436billion	4 YEARS	China -Exim Bank (90%) and GoK (10%)	NO	YES
ICD	Embakasi	21.7billion	3 YEARS	China -Exim Bank (85%) and GoK (15%)	NO	YES
Two -A	Nairobi-Naivasha	193billion	4 YEARS	China -Exim Bank (85%) and GoK (15%)	NO	YES
ICD	Naivasha	7.9billion	1 YEAR	GoK (100%)	NO	YES
	Thika -Nanyuki Line	2.9Billion	6 MONTHS	GoK (100%)	NO	YES
	Nairobi Commuter & DMUs	5.1Billion	1 YEAR	GoK (100%)	NO	YES
	Konza Line	478Million	1 YEAR	GoK (100%)	NO	YES
	Kisumu Marine School	476Million	2 YEARS	World Bank /GoK (100%)	YES	YES

48. APPENDIX 2: INTER-CORPORATION TRANSFERS

Break down of Transfers from the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works FY 2020/21

	INTER-CORPORATION TRANSFERS Breakdown of Transfers from Ministry of Transport FY 2020/2021	
DATE	Description	AMOUNT
	CAPITAL GRANT	
	SGR PROJECT	
24/08/2020	EAST AFRICA PORTLAND CEMENT COMPANY - PURCHASE OF LAND, 7TH INSTALMENT	250,000,000
14/09/2020	NAIVASHA (ICD) PROJECT FUNDING	1,500,000,000
18/03/2021	EAST AFRICA PORTLAND CEMENT COMPANY - PURCHASE OF LAND, 8TH INSTALMENT (A)	235,000,000
26/03/2021	CHINA ROAD AND BRIDGE CORPORATION-KENYA - NAIROBI ICD 5TH INSTALMENT	154,859,392
26/03/2021	CHINA ROAD AND BRIDGE CORPORATION-KENYA - LOCO & ROLLING STOCK, LOCAL PORTION	1,892,208,165
30/04/2021	EDON CONSULTANTS INTERNATIONAL - FINAL PAYMENT NO. 6A	7,279,548
30/04/2021	CHINA RAILWAYS DESIGN CORPORATION - FINAL PAYMENT NO. 6A	36,646,806
30/04/2021	APEC CONSORTIUM LIMITED - FINAL PAYMENT NO. 6A	66,136,913
30/04/2021	EAST AFRICA PORTLAND CEMENT COMPANY - PURCHASE OF LAND, 8TH INSTALMENT (B)	15,000,000
30/04/2021	KENYA WILDLIFE SERVICE - EASEMENT, 7TH INSLAMENT	500,000,000
05/05/2021	EAST AFRICA PORTLAND CEMENT COMPANY - PURCHASE OF LAND, 9TH INSTALMENT	250,000,000
	Sub-Total	**4,907,130,823**
	MGR PROJECT	
01/07/2020	NCR REHABILITATION FUNDING	181,000,000
02/07/2020	NAIROBI NANYUKI LINE PROJECT FUNDING	1,800,000,000
01/09/2020	NAIROBI COMMUTER RAIL LINE REHABILITATION FUNDING	2,000,000,000
30/12/2020	NAIVASHA-LONGONOT PROJECT FUNDING	1,000,000,000
30/12/2020	NAKURU-KISUMU LINE PROJECT FUNDING	2,700,000,000
30/04/2021	NAKURU-KISUMU LINE PROJECT FUNDING	550,000,000
30/04/2021	NAIVASHA-LONGONOT PROJECT FUNDING	2,000,000,000
	Sub-Total	**10,231,000,000**
	TOTAL CAPITAL GRANT	**15,138,130,823**
	OPERATION GRANT	
	RDLF GRANT	
30/04/2021	CHINA ROAD AND BRIDGE CORPORATION-KENYA - SGR O & M	1,084,851,943
23/07/2020	CHINA ROAD AND BRIDGE CORPORATION-KENYA - SGR O & M	9,245,051,492
24/07/2020	CHINA ROAD AND BRIDGE CORPORATION-KENYA - SECURITY COST	390,000,000
10/08/2020	SGR PROJECT SECURITY OPERATIONS FUNDING	180,000,000
24/08/2020	SGR PROJECT SECURITY OPERATIONS FUNDING	110,000,000
	Sub-Total	**11,009,903,435**
	ESCROW GRANT	
26/11/2020	CHINA ROAD AND BRIDGE CORPORATION-KENYA PAYMENTS	9,807,011,714
	Sub - Total	**9,807,011,714**
	NUTRIP PROJECT	
01/07/2020	MoTI- TO PAY DAR-HANDASAH - NUTRIP PROJECT	87,000,000
	Sub-Total	**87,000,000**
	TOTAL OPERATION GRANT	**20,903,915,149**
	GRAND TOTAL	**36,042,045,972**

49 EARNINGS PER SHARE

There were not dilutive or potentially dilutive ordinary share as at the reporting date.

50 INCORPORATION

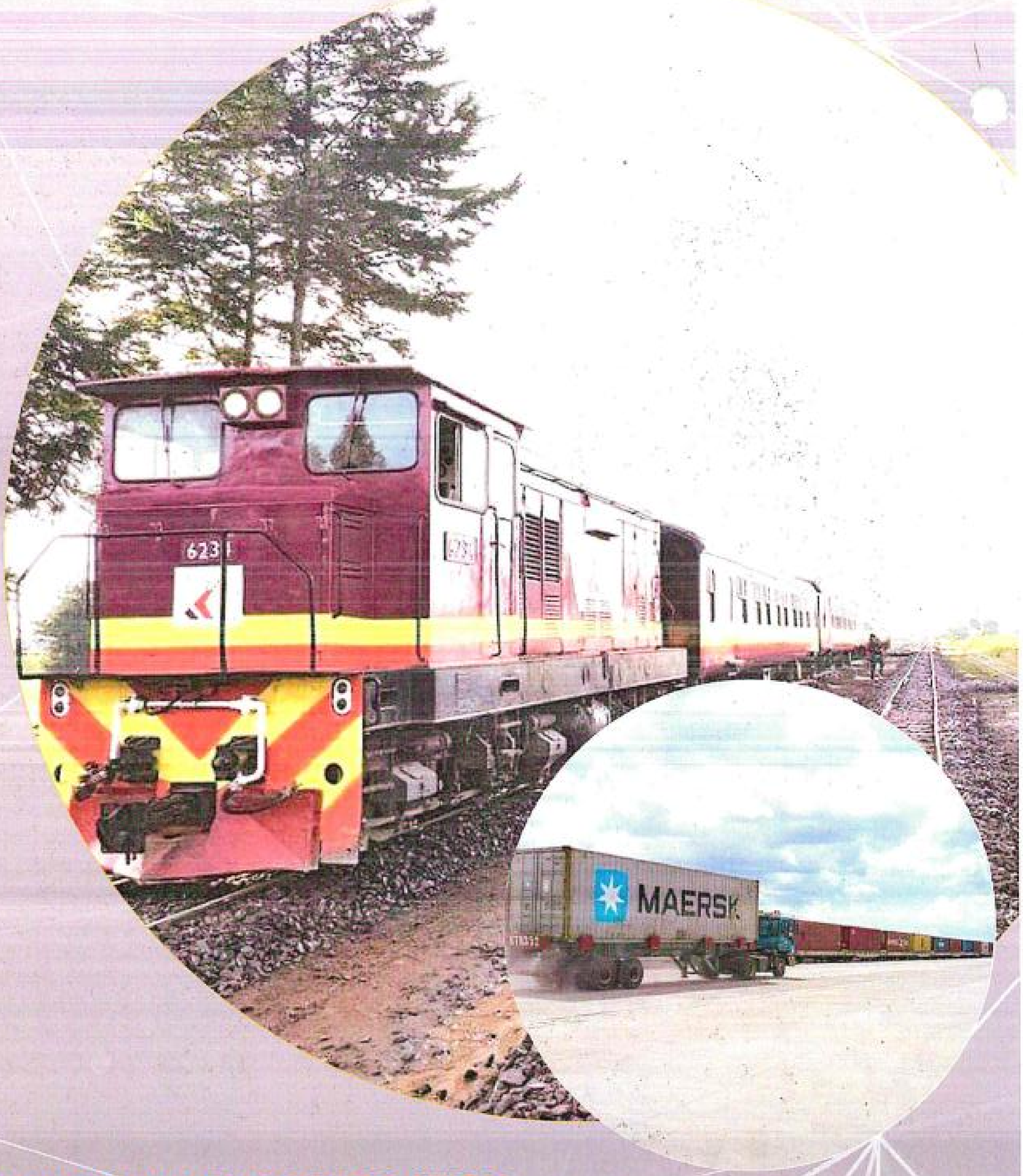
The Corporation is incorporated in Kenya under the Kenya Railway Act of 1978 and is domiciled in Kenya.

51 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

52 CURRENCY

The accounts have been presented in Kenya Shillings (KES).



KENYA RAILWAYS CORPORATION

Workshops Road, Off Haile Selassie Avenue
Opp. Technical University (formerly Kenya Polytechnic)
P.O. Box 30121 - 00100 NAIROBI

Tel: 020-2215211, 2215796, 02210200, 2216755
Mob: +254 728 603 581, +254 728 603 582
24hrs Emergency No. +254 711 777 577

E-mail: info@krc.co.ke
contact@krc.co.ke