



KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2024

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FOR THE PERIOD ENDED 30 JUNE 2024

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SCHEME INFORMATION

The following Trustees held office as at the close of the year:

TRUSTEES

1. Mr Martin Mogwanja (Chairperson)	From 3.06.2021
2. Mr Philip Jamhuri Mainga	From 1.08.2019
3. Mr James Kariuki Kanyeki	From 1.08.2019
4. CPA Jacqueline M'mboga	From 1.08.2019
5. CHRP Wilberforce Asava Kadima	From 1.08.2019
6. Mr Elijah Ogoti Mokaya	From 1.08.2019
7. Ms Nancy Chemutai Sang	From 26.10.2023
8. Mr Maurice Ombogo Awuor	From 27.02.2024

FUND MANAGER

Co-op Trust Investment Services Limited
Co-operative House, 13th Floor
Haile Selassie Avenue
P.O. Box 48231-00100
Nairobi

CUSTODIAN

KCB Bank Kenya Limited Custody Services
KCB Towers, 7th Floor, Upper Hill
Junction of Kenya Road and Hospital Road
P.O Box 30664-00100
Nairobi

INDEPENDENT AUDITOR

Ronalds LLP
Certified Public Accountants (K)
136 Manyani East Road, Off-Waiyaki Way
P.O Box 41331 – 00100
Nairobi, Kenya

SPONSOR

Kenya Railways Corporation
P.O Box 30121 – 00100
Nairobi

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REPORT OF THE BOARD OF TRUSTEES

The Trustees of Kenya Railways Staff Retirement Benefits Scheme (the 'Scheme') present the report together with the audited financial statements for the year ended 30 June 2024.

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

Kenya Railways Staff Retirement Benefits Scheme was set up as a defined benefit Scheme vide a Trust Deed signed on 3rd May 2006. The scheme is a defined benefit that is closed to new membership.

PRINCIPAL ACTIVITIES

The primary objective of the Scheme is to provide pension and retirement benefits to employees of the sponsor who retired up to October 31, 2006, and to offer support to the dependents of deceased members. To achieve this, the Trustees are responsible for managing the contributions made by the sponsor and members, along with any additional funds, investments, income, and lump sums, in accordance with the terms outlined in the Deed and the Rules.

The Scheme's assets comprise mainly investment property which was transferred from the sponsor, Kenya Railways Corporation by a Kenyan Gazette Notice No. 169 of September 2006.

The affairs of the Scheme are monitored by Trustees, Five (5) appointed by the sponsor, Kenya Railways Corporation and three (3) elected by Members. There is currently one (1) vacancy of sponsor nominated trustee.

CONTRIBUTIONS

The Scheme is closed and thus does not receive any contributions. However, given its nature, the sponsor is obliged to meet any actuarial deficits that could arise.

PENSIONER'S MOVEMENTS DURING THE YEAR

	2024	2023
1. Active pensioners		
Beginning of the year	6,028	6,092
Deferred members joined the Scheme	47	68
Reinstatement	113	149
Deceased members during the year	(137)	(281)
Sub-total	6,051	6,028
2. Beneficiaries		
Beginning of the year	664	515
Beneficiaries who joined during the year	123	288
Reinstatement	132	26
Beneficiaries paid for 5-year period	(150)	(165)
Totals	769	664
Suspended members	927	1,178
Deferred members (Pensionable & Non-Pensionable)	618	680
Total	8,365	8,550

Suspended members are members who have not returned their pension census forms. The last member census was conducted by the management in November, 2022. The suspended members' benefits continue to accrue and they will be reinstated and paid their accrued benefits once they return their census forms.

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REPORT OF THE BOARD OF TRUSTEES (CONT'D)

Deferred members are members currently in employment with Kenya Railways Corporation. On retirement, the members are eligible to pension benefits from the Kenya Railways Staff Retirement Benefit

There were 170 new joiners and 287 leavers during the year, with 6,051 active pensioners and 769 beneficiaries. Additionally, 245 members were reinstated, 618 deferred members remained in service, and 927 members were suspended. The joiners consist of employees who worked for Kenya Railways

The Trustees have undertaken various initiatives as disclosed in note 2 to the financial statements to improve the Scheme's liquidity position and settle the pension arrears.

TRUSTEES

The Trustees are responsible for the safeguarding of the Scheme's assets and as such regularly review the arrangements relating to custody, security and disposal of the assets. The Trustees hold regular meetings to discuss the affairs of the Scheme and to deal with any other discretionary matters.

The current Trustees are shown on page 1.

The statement of changes in net assets on page 16 shows a decrease in the net assets of the Scheme for the period of Kshs 2,903,110,000 and the statement of net assets on page 17 shows that the Scheme's assets as at 30 June 2024 was Kshs 33,361,469,000.

INVESTMENT

We confirm that there is no self-investment, and the Scheme's assets have not been utilized as security or collateral for the employer. The property at Chambilo L.R. Mombasa was leased to Blue Water Properties Limited, and this property was used as collateral by the lessee for securing a loan, as disclosed in note 11. This matter is being pursued.

The scheme is self - administered.

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REPORT OF THE BOARD OF TRUSTEES (CONT'D)

ACTUARIAL POSITION

The Scheme is required to be subjected to a triennial valuation by independent actuaries to fulfil the statutory requirements under the Retirement Benefits Act.

Actuarial valuation of Kenya Railways Staff Retirement Benefits Scheme was lastly undertaken for the period ended 30 th June 2023 by Actuarial Services East Africa (Actserve. EA)

The results of the last valuation are summarized below:

	Kshs '000'
Value placed on Scheme assets	29,412,000
Value of liabilities:	
Deferred members	2,975,000
Future benefits to current pensioners:	
Pensioners on payroll	7,708,000
Beneficiaries (dependants in receipt of pension)	314,000
Suspended pensioners	832,000
Total liabilities	13,004,000
Reserves	4,346,000
Total liabilities and reserves	17,350,000
Actuarial surplus	12,061,000
Fund level (ratio of Scheme assets to accrued past service liabilities)	169.5%

Reserves have been made mainly for mortality longevity, future joiners and pension increase arrears.

STATUTORY ASPECTS

Retirement Benefits Authority (RBA) allows a maximum investment of 30% of the Scheme's fund value in immovable property. The Scheme currently holds 89.06% of its total assets as immovable property. The Trustees are taking necessary steps to ensure that the management of the schemes assets comply with the Retirement Benefits Act 1997 and the Retirement Benefits Regulations 2000.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME**ANNUAL REPORT AND FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2024**

REPORT ON GOOD GOVERNANCE

1. In the year ended 30th June 2024, the following Trustees served in the Board of Kenya Railways Staff Retirement Benefits Scheme.

Name of Trustees	Age	Category(Member elected/Sponsor nominated/Professional)	No. of meetings Attended	Certified (Yes/No)	Highest qualification	Trusteeship in other Schemes
Martin Mogwanja	69	Sponsor nominated	37	YES	Master in Chemical Engineering & Development studies	N/A
Asava Kadima	51	Sponsor nominated	30	YES	Masters in HRM,CHRP-K, BED	N/A
Ms. Nancy Sang	41	Sponsor nominated	21	YES	MBA Public Policy Administration, BBA (HR)	N/A
CPA. Jacqueline M'Mbogah	48	Sponsor nominated	39	YES	CPA(K) , BCOM, Accounting	Kenya Railways Staff provident Fund
James Kanyeki	52	Member elected	57	YES	National Diploma in Computer studies	N/A
Elijah Mokaya	55	Member elected	52	YES	Certificate in basic occupational Safety and health	N/A
Maurice Ombogo	61	Member elected	18	YES	A level	N/A
Phillip Mainga	57	Sponsor nominated	0	NO	Master in Economics & Master in project management	N/A
Dennis Aroka	56	Sponsor nominated	17	YES	Masters in BA, Bachelor in law, CPS (K)	N/A
Henry Toili	67	Member elected (Deceased)	19	YES	A level education	N/A

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REPORT ON GOOD GOVERNANCE (CONT'D)

The Board of Trustees held 37 meetings during the year ended 30th June, 2024. (Full Board Meetings) The total number of meetings held by committees and the full Board were 59 meetings.

Summary of Attendance of Full BOT meetings

DATE	TYPE OF MEETING	Phillip Mainga	Martin Mogwanja	Asava Kadima	Jacqueline M'mbogah	James Kanyeki	Elijah Mokaya	Dennis Aroka	Henry Toili	Nancy Sang	Maurice Ombogo
3/07/23	Strategy, Finance and Investment Committee	-	-		1	1	1	1	-	-	-
4/07/23	Full BOT Meeting	-	1	-	1	1	1	1	1	-	-
6/7/23	Governance and Human Resource Committee	-	-	1	1	1	1	-	1	-	-
19/7/23	Full BOT Meeting	-	1	1	1	1	1	1	1	-	-
22/7/23	Full BOT Meeting	-	1	1	1	1	1	1	1	-	-
25/7/23	Full BOT Meeting (AGM Matters)	-	1	-	1	1	1	-	1	-	-
27/7/23	Full BOT Meeting	-	1	1	-	1	1	1	1	-	-
15/8/23	Full BOT Meeting	-	1	1	1	1	1	1	1	-	-
21/8/23	Full BOT Meeting	-	1	-	1	-	1	1	1	-	-
28/8/23	Special Board Meeting (Demarcation of Railways H/Q)	-	-	1	-	1	-	-	1	-	-
05/9/23	Full BOT Meeting	-	1	-	1	1	1	1	1	-	-
11/9/23	Full BOT Meeting	-	1	-	1	1	1	1	1	-	-
18/9/23	Joint Committee for Audit and Risk & Finance and Investment	-	-	-	1	1	1	1	1	-	-

DATE	TYPE OF MEETING	Phillip Mainga	Martin Mogwanja	Asava Kadima	Jacqueline M'mbogah	James Kanyeki	Elijah Mokaya	Dennis Aroka	Henry Toili	Nancy Sang	Maurice Ombogo
26/9/23	Full BOT Meeting	-	1	1	1	1	1	-	1	-	-
27/9/23	Full BOT Meeting	-	1	1	1	1	1	1	1	-	-
11/10/23	Full BOT Meeting	-	1	-	-	1	1	-	1	-	-
18/10/23	Governance and Human Resource Committee	-	-	-	-	1	1	-	1	-	-
30/10/23	Full BOT Meeting	-	1	1	1	1	1	1	1	-	-
02/11/23	Strategy, Finance and Investment Committee	-	-	1	1	1	1	1	-	-	-
03/11/23	Full BOT Meeting	-	1	1	1	1	1	1	1	1	-
27/11/23	Full BOT Meeting	-	1	-	1	1	1	1	-	-	-
28/11/23	Meeting between Trustees and Deferred	-	-	-	-	1	1	-	-	-	-
04/12/23	Full BOT Meeting	-	1	-	-	1	1	-	-	-	-
11/12/23	Full BOT Meeting	-	1	1	-	1	1	-	-	1	-
21/12/23	Full BOT Meeting	-	1	-	1	1	1	1	-	1	-
02/01/24	Adhoc committee meeting	-	-	-	-	1	1	1	-	-	-
04/01/24	Adhoc committee meeting	-	-	1	1	1	-	-	-	-	-
5/1/24	Governance and Human Resource Committee	-	-	1	-	1	1	-	-	-	-
10/1/24	Task Force Committee	-	-	-	-	1	1	-	-	-	-
17/1/24	Adhoc committee meeting	-	-	1	-	1	-	-	-	-	-
22/1/24	Adhoc committee meeting	-	-	1	1	1	-	-	-	1	-
23/1/24	Full BOT Meeting	-	1	-	1	1	1	-	-	1	-
24/1/24	Adhoc committee meeting	-	-	1	1	1	-	-	-	1	-
25/1/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	-
19/2/24	Adhoc committee meeting	-	-	-	1	1	-	-	-	1	-

DATE	TYPE OF MEETING	Phillip Mainga	Martin Mogwanja	Asava Kadima	Jacqueline M'mbogah	James Kanyeki	Elijah Mokaya	Dennis Aroka	Henry Toili	Nancy Sang	Maurice Omboge
20/2/24	Full BOT Meeting	-	1	-	1	1	1	-	-	1	-
22/2/24	Governance and Human Resource Committee	-	-	1	-	1	1	-	-	-	-
23/2/24	Full BOT Meeting	-	1	-	1	1	1	-	-	-	-
26/2/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	-
27/2/24	Full BOT Meeting	-	-	1	1	1	1	-	-	1	-
09/3/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	1
10/3/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	1
11/3/24	Consultation Meeting between Trustees &	-	1	-	-	1	1	-	-	-	1
18/3/24	Full BOT Meeting	-	1	-	-	1	1	-	-	1	1
20/3/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	1
21/3/24	Full BOT Meeting	-	1	-	-	1	1	-	-	1	1
28/3/24	Task Force Committee	-	-	-	-	1	1	-	-	-	1
03/4/24	Full BOT Meeting	-	1	-	1	1	1	-	-	-	1
15/4/24	Full BOT Meeting	-	1	-	1	1	1	-	-	1	1
16/4/24	Governance and Human Resource Committee	-	-	1	-	1	1	-	-	-	1
16/04/24	Risk and Audit Committee	-	-	-	1	1	1	-	-	-	1
22/4/24	Governance and Human Resource Committee	-	-	1	-	1	1	-	-	-	1
24/4/24	Adhoc committee meeting	-	-	-	-	1	1	-	-	-	1
07/5/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	1
04/6/24	Full BOT Meeting	-	1	-	1	1	1	-	-	1	1
10/6/24	Full BOT Meeting	-	1	1	1	1	1	-	-	-	1
18/6/24	Full BOT Meeting	-	1	1	1	1	1	-	-	1	1
20/6/24	Full BOT Meeting	-	1	1	-	1	1	-	-	1	1
Total		-	37	30	39	58	53	18	19	21	18

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REPORT ON GOOD GOVERNANCE (CONT'D)

1. The Board of Trustees held 59 meetings during the year ending the 30 June 2024
2. The composition of the Board of Trustees is as hereunder:
 - (a) Gender balance: Female 25 % Male 75 %
 - (b) Skills mix: No of Trustees with financial skills 12.5%
 - (c) Age mix: Number of Trustees who are younger than 35 years 0%
 - (d) Number of Trustees who are older than 35 years 100%
3. Board allowances during the year
 - a) Committee allowances

Committee name	No. of meetings held	Any external advisors, invitees to meetings (Yes/No) (if yes, mention the purpose)	Allowances paid (Ksh.)
Governance, Human Resource and Compensation	6	-	248,000
Strategy Finance and Investment	2	-	90,000
Risk and Audit	2	-	98,000
ADHOC	12	-	422,000
TOTALS	22	-	858,000

- b) Allowances for the full Board of Trustees Meetings

	No of meetings held	Allowances Paid (Ksh)
Full Board Of Trustees Meetings	37	3,380,000

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REPORT OF TRUSTEES

4. Fiduciary responsibility statement

The Board of Trustees is the governing body of the Kenya Railways Staff Retirement Benefits Scheme and is responsible for the corporate governance of the Scheme. The Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interests of the Scheme's members and the Sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- a. Acting honestly and did not improperly use insider information or abuse their position;
- b. Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- c. Performing their duties with the requisite degree of skill in ensuring that:
 - i) The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits Schemes and the Scheme's business operations.
 - ii) The Trustees have ensured that the fund manager has carried out all Scheme investments and that all Scheme assets and funds are held by the custodian.
 - iii) The Board Charter for the Scheme has been developed and implemented.

5. Responsible corporate citizenship

The Scheme has not participated in socially irresponsible investments and has not been involved in any activity that may undermine the wellbeing of the sponsor, members or the community in which it operates.

6. Key outcomes

The Board of Trustees aims to achieve the following:

- a) Building trust with the members and sponsor of the Scheme so that they are satisfied with the administration of the Scheme.
- b) Supporting innovation and developing solutions that meet the members' and sponsor's reasonable expectations; and
- c) Ensuring that the Scheme's administrative processes remain transparent and accessible to members and the sponsor.

The Board of Trustees will measure the progress towards these outcomes through:

- a) Triennial members' survey score. The latest score was N/A,
- b) Regular reports and feedback to the sponsor. Number of reports four

The Trustees certify that to the best of their knowledge and belief, the information furnished to the auditors for the purpose of the audit was correct and complete in every aspect. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and of its operating results.

7. Annual General Meeting

There was an Annual General Meeting held on 25th July 2023 which covered a discussion of the financial year ended 30th June 2020, 2021 and 2022 financial statements. There was another Annual General Meeting on 5th December 2023 covering discussions of the financial year ended 30th June 2023.

8. Members sensitization

The Board conducted member sensitization activities between 10th -14th July, 2023.

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FUND GOVERNANCE

9. Trustees remuneration policy

During the year under review, the Trustees were paid a net of tax Kshs 2,197,000. The payments complied with the trustee's remuneration policy.

10. Board of Trustees evaluation

The Board of Trustees did not undertake any board evaluation in the year under review.

.....
Signature (Chairperson)

.....
Date

19th September 2024

AUDITORS

The Auditors Messrs Ronalds LLP, Certified Public Accountants (K), have indicated their willingness to continue in office in accordance to Section 29(1) of the Retirement Benefits Act, 1997.

FURTHER INFORMATION

Individual members of the Scheme are welcome to obtain further information about the Scheme. The Scheme's Chief Executive Officer will be pleased to answer any queries, general or about individual entitlements to benefits, which can be sent to him at the Scheme's offices.

BY ORDER OF THE TRUSTEES

.....
Name of Trustee

.....
Signature

.....
Name of Trustee

.....
Signature

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Kenya Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which show a true and fair view of the financial transactions of the Scheme for the period and of the disposition of its assets and liabilities as at period end. It also requires the Trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme. The Trustees are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and error.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, and in the manner required by the Kenyan Retirement Benefits Act except for the departure from certain provisions of International Accounting Standards No.40 (IAS 40) on Investment Property and International Financial Reporting Standard No.13 (IFRS 13) on Fair Value Measurement as explained in note 1 to the financial statements. They also accept responsibility for:

- i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- ii) Selecting suitable accounting policies and applying them consistently.
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Trustees certify that to the best of their knowledge and belief, the information furnished to the auditors for the purpose of the audit was correct and complete in every aspect. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and of its operating results.

The Trustees acknowledge that 89.06% of the Scheme's investments are held in immovable properties and have undertaken various initiatives to improve the Scheme's liquidity.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Trustees on 19th September, 2024 and signed on its behalf by:

JAMES KANYU
Name of Trustee

[Signature]
Signature

Jacqueline Mmbogah
Name of Trustee

[Signature]
Signature

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME**Qualified Opinion**

We have audited the financial statements of Kenya Railways Staff Retirement Benefit Scheme, which comprise the statement of net assets available for benefits as at 30 June 2024, and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 34.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph below, the financial statements give a true and fair view of the state of the scheme's financial affairs as at 30 June 2024, the results of its operations and cash flows for the year then ended in accordance with applicable International Financial Reporting Standards and requirements of the Kenyan Retirement Benefits Act.

Basis for Qualified Opinion**Non- compliance with International Accounting Standards**

The statement of net assets available for benefit as at 30 June, 2024 reflects Investment property carrying amount of Kshs. 34,264,450,000 which, as disclosed in Note 11 to the financial statements, include Investment property valued at forced sale value of Kshs. 14,855,400,000. This is not consistent with the requirements of IAS 40 'Investment property' and IFRS 13 'Fair Value Measurement' which stipulates that the fair value of Investment property to reflect actual market state and circumstances as at the reporting date. A comprehensive valuation of the scheme's investment properties has not been conducted; therefore, we were unable to ascertain the level of adjustment to the carrying amount of the Investment property.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Emphasis of matter

We draw your attention to the following:

- Non-compliance with the Retirement Benefits Act with regards to Investment guidelines which requires a limit of 30% of scheme's investments in immovable property. As at 30 June 2024, 89.06% of the scheme's investments were held in immovable assets as disclosed in note 20. High concentration of the scheme's asset in immovable property indicates a material uncertainty on the scheme's ability to meet its obligation when they fall due.

Our opinion is not modified in respect to these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matters described in the Basis for Qualified Opinion and emphasis of matter section, the following were the key audit matters to communicate in our report.

Key Audit Matter	How the key audit matter was addressed
IFRS 9; Financial Instruments The Scheme has receivables from disposal property amounting to Kshs 4,913,706,148, rent receivables of Kshs 467,032,310 and other receivables of Kshs 9,231,523. However, there is no IFRS model and supporting workings in place used to compute the expected credit loss and provision for the same. Therefore, there is complexity in determining the level of accuracy and reasonableness of the management estimates with regards to expected credit loss.	We reviewed and assessed the reasonableness of management's estimates provided.



Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with applicable International Financial Reporting and Kenyan Retirement Benefits Act. This responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, they are responsible for assessing the Scheme'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 they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustee'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 Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.



Auditor's Responsibility (Continued)

- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme 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.

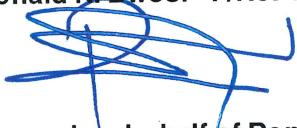
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

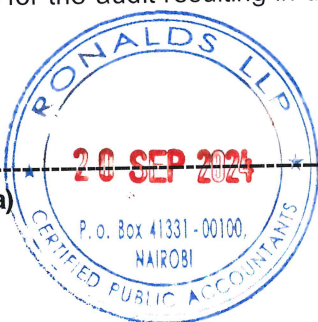
Report on Other Legal and Regulatory Requirements

As required by Kenyan Retirement Benefits Act, we report that the financial statements are in agreement with the books of account kept by the Scheme and that, based on our audit:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) Other than the matters described in the basis of qualified opinion paragraph and emphasis of matter paragraph, in our opinion proper books of accounts have been kept by the Scheme, so far as appears from our examination of those books.
- c) The Scheme's statement of Net assets available for Benefits is in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Ronald N. Bwosi - P/No. 1865.**


For and on behalf of Ronalds LLP
Certified Public Accountant (Kenya)
Nairobi, Kenya



C.P.A Ronald N. Bwosi
Practising No. P/1865



KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2024

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2024 Kshs '000	2023 Kshs '000
DEALINGS WITH MEMBERS			
Monthly pension payable		(1,214,888)	1,093,602
Pension Arrears(Kshs 1,000 increase)	4	(681,364)	-
Lumpsum/Gratuties Payment		(1,198,104)	-
Deferred members lumpsum/ gratuity		(536,615)	-
Net dealings with members		(3,630,972)	1,093,602
RETURN ON INVESTMENT PROPERTY			
Investment income	5	538,695	543,557
Property management expenses	6	(132,868)	(59,574)
Gain on revaluation of investment property	11	-	2,386,355
(Loss) on disposal of investment property	11	-	(42,750)
NET RETURN ON INVESTMENT PROPERTY		405,827	2,827,588
OTHER EXPENSES			
Investment management expenses	7	(80)	(70)
Other income	8	14,382	15,979
Administrative expenses	9	(208,497)	(385,853)
Finance costs	10	(773)	(7,021)
Net (decrease)/increase in assets for the year		(3,420,113)	1,357,020
Net assets available for benefits as at beginning of the year		36,264,579	34,953,383
Pension Recoveries	18	169	-
Prior year adjustment		-	(45,824)
Net assets available for benefits as at 30 June 2024		32,844,635	36,264,579

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2024

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2024 Kshs '000	2023 Kshs '000
ASSETS			
Investment property	11	34,264,450	34,264,450
Property and equipment	12	3,985	2,542
Intangible assets	13	8,665	7,149
Receivables and prepayments	14	4,107,715	5,331,490
Cash and cash equivalents	15	73,333	37,952
		<u>38,458,148</u>	<u>39,643,583</u>
LIABILITIES			
Payables	16	5,613,512	3,329,805
Bank borrowings	17	-	49,199
		<u>5,613,512</u>	<u>3,379,004</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u>32,844,635</u>	<u>36,264,579</u>
REPRESENTED BY:			
Fund balance	18	<u>32,844,635</u>	<u>36,264,579</u>

The financial statements were approved and authorized for issue by the Trustees on 19th Sept 2024 and were signed on its behalf by;

.....
CHAIRMAN

.....
TRUSTEE

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2024

STATEMENT OF CASH FLOWS

	Notes	2024 Kshs '000	2023 Kshs '000
OPERATING ACTIVITIES			
Other income		14,382	15,979
Benefits paid		(3,630,972)	(1,093,602)
Other expenses paid		(342,218)	(452,518)
Add: Depreciation expense		4,809	2,964
Movement in payables		2,283,708	(96,320)
Movement in receivables		(46,225)	1,383,588
Finance cost		773	(45,824)
Pension Recoveries		169	-
Net cash (used in) operating activities		(1,715,574)	(285,733)
INVESTING ACTIVITIES			
Rental income and deposits received on property		538,695	543,557
Proceeds from sale of investment property		1,270,000	21,250.00
Purchase of equipments		(7,769)	(9,236)
Movement in investment property		-	(2,386,355.22)
Gain on revaluation of investment property		-	2,386,355.00
Net cash generated from investing activities		1,800,925	555,571
FINANCING ACTIVITIES			
Movement in borrowings		(49,972)	(270,191)
Net cash generated from financing activities		(49,972)	(270,191)
Movement in cash and cash equivalents			
At the start of the year		37,953	38,306
Movement during the year		35,379	(353)
At the end of the year	15	73,333	37,953

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

ACCOUNTING POLICIES

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and comply with the International Financial Reporting Standards (IFRSs) and the Retirement Benefit Acts, 1997 as amended, and the guidelines set out in the Accounting Guidelines - Financial Reports of Retirement Benefit Schemes. The principal accounting policies adopted remain unchanged from the previous year and are set out as follows:

b) Statement of compliance

Except for the departure from certain provisions of the International Accounting Standards No. 40 (IAS 40) on Investment property and International Financial Reporting Standard No. 13 (IFRS 13) on Fair Value Measurement, the financial statements have been prepared in accordance with International Financial Reporting Standards and as the requirements of the Kenyan Retirement Benefits Act. The principal accounting policies adopted are as set below:

c) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i) *Relevant new standards and revised amendments to published standards effective for the year ended 30 June 2024*

IFRS 16, Leases

In the current year, the scheme has applied IFRS 16 (as issued by IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Scheme is not a lessee in any significant long-term lease arrangements or leases of high value assets therefore there is no impact on the company's financial statements on adoption of this standard.

Several other new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the scheme's financial statements.

ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the scheme.

iii) *Early adoption of Standards*

The scheme did not early -adopt any new or amended standards in 2024.

d) Benefits payable

Benefits payable are taken into account in the period in which they fall due.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

ACCOUNTING POLICIES (CONT 'D)

e) Revenue recognition

i) Rental income

Rental income is recognized on accrual basis over the term of the relevant lease.

ii) Interest income

Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes interest that is obtained from interest bearing instruments.

f) Taxation

The Scheme is a registered pension fund and is exempt from income tax under the Income Tax(Retirement Benefits) rules 1994.

g) Financial instruments

Financial assets and liabilities are recognized on the Scheme's statement of net assets when the Scheme becomes a party to the contractual provisions of the Instruments.

i) Financial assets

Classification

The Scheme classifies its financial assets into the following categories: Cash and Cash equivalents; and receivables. Management determines the appropriate classification of its investments at initial recognition.

Cash and Cash equivalents

For the purpose of the statement of cash flows, cash equivalents include cash in hand and deposits held at call banks.

Trade receivables

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established using the Expected Credit Loss (ECL) model in line with the requirements of IFRS 9 as outlined in the next section below. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to profit or loss.

ii) Financial liabilities

Financial liabilities are stated at amortized costs. Amortized cost of a financial liability is the amount at which the financial liability was measured at initial recognition less principal repayments, plus accrued interest on the outstanding principal.

Accounts payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

ACCOUNTING POLICIES (CONT 'D)

Borrowings

Borrowings are recognized fully at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in statement of changes in net assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for more than 12 months after the reporting period.

h) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, part of the investment property is measured at fair value or at forced sale value. Gains and losses arising from changes in the fair value of investment property are dealt with in statement of changes in net assets in the period in which they arise.

i) Equipment

Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation on equipment is calculated on a straight-line basis to write off the cost of the equipment over the following expected useful lives:

Computer equipment 3 years

Fixtures and fittings 8 years

Other office equipments 8 years

The gains and losses arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of changes in net assets.

i) Intangible assets

Intangible assets comprise software licenses and is amortized on a straight line basis over the useful life of the license which is five years.

j) Impairment of assets

The carrying amounts of the Scheme's assets are reviewed annually at the year end to determine if there is any indication of impairment. If such condition is identified, the asset's net recoverable amount is estimated. Where the asset's carrying amount exceeds its net recoverable amount, it is written down immediately to the recoverable amount and the resulting amount and the resulting impairment loss is treated as an expense in the statement of changes in net assets.

k) Currency

The financial statements are presented in Kenyan Shillings.

Gains and losses arising from the translations are dealt with in the statement of changes in net assets.

l) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 LIQUIDITY OF THE SCHEME

As at 30 June 2024, 89.06% (2023: 86.43%) of the Scheme's investments were held in immovable properties. The Scheme therefore does not always have sufficient liquid funds to meet its immediate pension obligations ;evading to pension arrears.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

ACCOUNTING POLICIES (CONT 'D)

(I) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 LIQUIDITY OF THE SCHEME

As at 30 June 2024, 89.06% (2023:86.43%) of the Scheme's investments were held in immovable properties. The Scheme therefore does not always have sufficient liquid funds to meet its immediate pension obligations, leading to pension arrears.

The Trustees have undertaken various initiatives to improve on the Scheme's liquidity including; planned disposal of the some investment properties, improvements on existing properties to enhance rent collections, developing both the prime properties and the undeveloped properties to earn rentals or for future sale and establishing a line of credit with a financial institution.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES

In the process of applying the Scheme' accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant judgements and estimates in the financial statements.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024
NOTES TO THE FINANCIAL STATEMENTS

	2024 Kshs '000	2023 Kshs '000
4 DEALINGS WITH MEMBERS		
Monthly pension payable	(1,214,888)	1,093,602
Pension arrears		
Kshs 1,000 Pension increment as at 1st July, 2023	(681,364)	-
Lump sum and gratuities 8% revision - Retirees		
Lump sum (2008 - 2020)	(806,865)	-
Lump sum (2021 - 2024)	(199,779)	-
Gratuities (2008 - 2020)	(175,424)	-
Gratuities (2021 - 2024)	(16,036)	-
Total Lump sum & Gratuities accrued during the year - 8% Revision	(1,198,104)	-
Lump sum and gratuities 8% revision - deferred members		
Lump sum and Gratuities for members in service (2006 - 2024)	(536,615)	-
Net dealings with members	(3,630,972)	1,093,602
Monthly Pension Payable of Kshs. 1,214,888 relates to Pension paid during the year 2024. Pension arrears of Kshs. 1,000 related to a one off pension increment while lump sum and gratuities Kshs. 1,198,104 and Kshs. 536,615 relates to 8% revision of Lump sum/gratuities to retirees and members still in service respectively.		
5 INVESTMENT INCOME		
Investment income relates to the rental income from the rental properties:		
Muthurwa	17,384	17,901
Makongeni	139,345	131,609
Landimawe	91,237	91,565
Ngara	76,111	76,144
Goods Sheds	80,323	72,092
Matumbato	16,565	16,581
Meru Court	3,600	3,600
Rhodes	2,507	2,352
Robins	3,015	2,490
Felling Court	3,002	2,762
Couper Court	3,180	3,135
Currie Court	2,160	2,160
Eastfield Court	3,122	3,122
Berbers Court	1,560	1,560
Hump Court	3,957	3,137
Eastern Wing Including Block D	91,624	113,347
Total investment Income	538,695	543,557
6 PROPERTY MANAGEMENT EXPENSES		
Land rates-Charge for the year	104,493	33,634
Land Rent	2,327	-
Surveying	633	-
Casual wages	12,350	11,933
Valuation fees	1,626	2,285
Water and electricity	657	492
Office expenses	5,586	6,672
Repair and maintenance	1,962	2,674
Estate eviction costs	2,059	1,004
Other expenses	1,175	880
	132,868	59,574
7 INVESTMENTS MANAGEMENT EXPENSES		
Custodian fees	80	70
8 OTHER INCOME		
Miscellaneous income	13,740	15,834
Interest income from cash and call deposits	641	145
	14,382	15,979

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS

9 ADMINISTRATIVE EXPENSES

	2024	2023
	Kshs '000	Kshs '000
Fund administration cost	63,772	48,546
Staff costs	56,953	47,373
Increase in provision for bad and doubtful debts	23,352	78,123
Pension bank transfer commission	4,880	3,809
RBA levy: Current year	5,000	5,000
:Penalties	25,000	30,000
Audit fees	2,070	3,940
Legal charges-Other	22,625	66,098
Fines and penalties(PAYE)	36	-
Legal charges-Mowbray Case	-	100,000
Depreciation (Note 12)	1,325	1,177
Amortization-Software upgrade	3,484	1,787
	208,497	385,853

10 FINANCE COSTS

Interest on borrowings	773	7,021
	773	7,021
	2024	2023
	Kshs '000	Kshs '000

11 INVESTMENT PROPERTY

At forced Sale Value	Valuation date		
L.R 209/6502 (Part)- Muthurwa Estate, Nairobi	July 2011	2,072,000	2,072,000
L.R 209/19382-Ngara railway estate-Nairobi	July 2020	7,580,000	7,580,000
L.R 209/12178-Upper Hill(Part), Nairobi	July 2011	1,155,000	1,155,000
L.R 209/6502 (Part)- HQ (Eastern " Wing including Block D)-Nairobi	July 2011	1,138,400	1,138,400
L.R 209/6506- Matumbato, Nairobi	April 2018	2,069,999	2,069,999
L.R 209/6507- Matumbato, Nairobi	April 2018	840,001	840,001
		14,855,400	14,855,400
At open market Value			
L.R XXVI/941- Chambilo, Mombasa	March 2014	500,000	500,000
L.R 209/6829 -Makongeni Estate, Nairobi	March 2023	11,500,000	11,500,000
L.R 209/12401- Goods Shed Area, Nairobi	March 2023	3,500,000	3,500,000
L.R 209/12088-Landmawe, Nairobi	March 2023	3,909,050	3,909,050
		19,409,050	19,409,050
Total		34,264,450	34,264,450
Movement in investment properties			
At the beginning of the year		34,264,450	31,942,095
Gain on property revaluation		-	2,386,355
Disposal		-	(64,000)
		34,264,450	34,264,450

A loan from KCB Bank of Kenya limited was secured by legal charge over L.R. No. 209/6506 Matumbato,Nairobi.However the bank requested for the replacement of the security since the previous security was not perfect according to the bank after carrying out a valuation. The scheme offered L.R. 209/19382-Ngara Estate and its in the process of extending the lease to fully facilitate charge of the facility. Once this is done the bank will discharge the old security 209/6506 which they claimed was not perfect security.

Chambilo L.R Mombasa /Block XXVI/941 was leased to Blue Water Properties Limited from 1st June 2014 to 1st June 2063 .However the property was used to obtain a bank loan by the lessee. The matter is being pursued.The trustees contested the lease in court, leading to its rescission by the Mombasa High Court. However, the lessee had obtained a loan from I&M Bank, secured against the leased property, and the bank subsequently challenged the rescission decision in court. The case is ongoing, with a scheduled hearing in December 2024.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY AND EQUIPMENT	Computers	Furniture & Office equipment	Total
	Kshs '000	Kshs '000	Kshs '000
COST			
<u>2023</u>			
As at 1 July 2022	9,170	7,204	16,374
Additions	300	-	300
As at 30 June 2023	<u>9,470</u>	<u>7,204</u>	<u>16,674</u>
COST			
<u>2024</u>			
As at 1 July 2023	9,470	7,204	16,673
Additions	1,880	889	2,769
As at 30 June 2024	<u>11,350</u>	<u>8,093</u>	<u>19,443</u>
DEPRECIATION			
<u>2023</u>			
As at 1 July 2022	7,709	5,246	12,955
Charge for the year	819	358	1,177
As at 30 June 2023	<u>8,528</u>	<u>5,604</u>	<u>14,132</u>
<u>2024</u>			
As at 1 July 2023	8,528	5,604	14,132
Charge for the year	950	375	1,325
As at 30 June 2024	<u>9,478</u>	<u>5,980</u>	<u>15,457</u>
NET BOOK VALUE			
As at 30 June 2023	<u>942</u>	<u>1,600</u>	<u>2,542</u>
As at 30 June 2024	<u>1,872</u>	<u>2,113</u>	<u>3,985</u>
13 COMPUTER SOFTWARE			
	2024	2023	
	Kshs '000	Kshs '000	
COST			
As at 1 July 2023	8,936	-	
Additions	5,000	8,936	
As at 30 June 2024	<u>13,936</u>	<u>8,936</u>	
AMORTIZATION			
As at 1 July 2023	1,787	-	
Charge for the year	3,484	1,787	
As at 30 June 2024	<u>5,271</u>	<u>1,787</u>	
NET BOOK VALUE			
As at 30 June 2024	<u>8,665</u>	<u>7,149</u>	

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS

14 RECEIVABLES AND PREPAYMENTS

	2024	2023
<u>Trade Receivables</u>	Kshs '000'	Kshs '000'
Receivables arising from disposal of property	4,913,706	6,183,706
Rent receivable	467,032	402,904
Provision for doubtful receivables	(1,282,255)	(1,258,903)
	4,098,483	5,327,707
Provision for doubtful debts is calculated based on the outstanding receivables using 5% of the total expected rental income for the current year.		
<u>Other receivables</u>		
Prepayment	3,573	3,573
Prepaid expenses (Staff medical)	5,381	-
Staff salaries advance	277	210
Total	4,107,715	5,331,490

Receivables arising from disposal of investment property relate to the following amount:

During the sale of part of Muthurwa (LR No. 209/6502) in November 01,2007,the land rates were still owing to the Ministry of Local government therefore the title had not yet been issued and the outstanding balance could not be cleared. The Ministry of Local Government owes Kes 105,000,000 and it has been established that the Ministry of Devolution will settle the debt.

Part of Makongeni LR No. 209/6829 was sold to KPLC in 2014 .The land rates on property are still owing to Nairobi County hence title has not yet been transferred for the debtor to settle the outstanding balance. The outstanding balance amounts to Kes 15,000,000.

Valley road LR No. 290/1064 was sold to Mahadi Investment in December 12, 2014.The titles of the land from the sponsor had incomplete information therefore ownership could not be transferred to the buyer. Follow up of titles is being done by the Lawyers and once resolved, the debtor will continue to settle the balance according to the payment plan. The outstanding balance amounts to Kes 79,902,200.

Matumbato LR 209/6507 ,Nairobi was sold to Primix Enterprises Limited in February 28,2019, portion J and F as per the proposed subdivison.However ,during the processing of title, the mother title was confiscated by the EACC due to investigation of the acquirer.

Nairobi Railways Club LR 209/11953 was acquired through compulsory acquisition(Gazette Notice Number 6601, Vol.CXXII-No 163) in September 2020 by Government of Kenya through KeNHA at Kshs 7,935,585,600. Total payments made to date is Kes. 3,850,000,000.00 and outstanding balance of Kshs 4,085,585,600.00 as at 30th June, 2024..

Hurlingham LR No.209/378/5 was sold to Meri Construction Limited at Kes 176,149,000 in June 2021.Total amount paid to date is Kes. 129,299,000.00 leaving an outstanding balance of Kes. 46,850,000.00 as at 30th June, 2024

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS

	2024 Kshs '000	2023 Kshs '000
15 CASH AND CASH EQUIVALENTS		
Cash at bank	8,022	617
Call deposit account	52,656	2,048
Escrow account	12,654	35,287
	<u>73,333</u>	<u>37,952</u>
16 PAYABLES		
Accruals and other payables		
Legal fee	881,848	952,668
RBA Levy & Penalties	346,500	321,500
Land Rates	229,891	136,017
Fund Management fee	51,403	53,403
Various Sacco deductions	41,825	44,298
Kenya Railways-KRC	61,000	61,000
Jipe Close	39,000	39,000
Valuation fee	5,842	10,649
Casual wages	948	996
Unreceipted Receipts	6,831	5,355
PAYE	1,275	922
NHIF	548	527
Water & Electricity	20,123	20,123
Provision for Audit	800	1,000
Vat Payable	4,691	23,059
Advertising	450	306
Surveying	1,541	1,394
Board accomodation	138	-
Airticket	48	-
Cleaning expenses	39	-
Canon	99	423
Staff Rent recovery	204	-
Staff Pension	99	-
	<u>1,695,143</u>	<u>1,672,638</u>

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16 PAYABLES (CONT'D)

	2024 Kshs '000	2023 Kshs '000
Benefits payable		
Pension increment arrears		
3% and 5% pension increment arrears as at 1st July	526,019	532,055
Less: Payment of 3% and 5% Arrears during the year	(17,980)	(6,036)
Outstanding 3% and 5% Pension Arrears as at 30th June	<u>508,039</u>	<u>526,019</u>
 Pension Increment (Kes.1,000 one off) as at 1st July	681,364	-
Less: Pension Arrears (Kes. 1,000) paid during the year	-	-
Outstanding Arrears (Kes. 1,000) as at 30th June	<u>681,364</u>	<u>-</u>
 Monthly pension payable		
Suspended Pension as at 1st July (from 2010, 2017, 2022 Census)	571,723	531,707
Increase/(Decrease) in suspended pensions during the year	<u>118,710</u>	<u>40,016</u>
Suspended Pension as at 30th June (from 2010, 2017, 2022 Census)	<u>690,433</u>	<u>571,723</u>
 Delayed/Unpaid Pension as at 1st July	504,414	655,038
Less: Delayed pensions paid during the year	<u>(235,732)</u>	<u>(150,624)</u>
Delayed/Unpaid Pension as at 30th June	<u>268,682</u>	<u>504,414</u>
 Outstanding Pension arrears as at 30th June	959,115	1,076,137
 Monthly pension payable during the year	1,144,350	1,031,654
Less: Monthly Pension paid during the year	<u>(1,251,555)</u>	<u>(1,148,676)</u>
Net monthly pension payable balance as at 30th June	<u>(107,205)</u>	<u>(117,022)</u>
 Outstanding Monthly Pension as at 30th June	<u>851,910</u>	<u>959,115</u>
 Unclaimed pension		
Outstanding unclaimed pension as at 1st July	49,986	39,086
Additional unclaimed pension during the year	3,827	13,309
Less: Payment during the year	<u>(2,648)</u>	<u>(2,409)</u>
Outstanding unclaimed pension as at 30th June	<u>51,165</u>	<u>49,986</u>
 Lumpsum/Gratuities		
Outstanding lumpsum/Gratuities as at 1st July	42,492	65,528
Additional 8% Revision for Retirees	1,198,104	-
Additional 8% revision for Members still in service	536,615	-
Less: Gratuities and Lumpsum paid during the year	<u>(45,304)</u>	<u>(23,036)</u>
Outstanding Lumpsum/Gratuities as at 30th June	<u>1,731,907</u>	<u>42,492</u>
 Total Benefits Payable as at 30th June	<u>3,824,385</u>	<u>1,577,612</u>
 Pension increment arrears of Kes.508,040 relates to 3% and 5% for year 2014 to 2021. Kshs. 681,364 relates to pension increment of Kshs. 1,000 (one off). Monthly Pension payable of Kshs. 268,682 relates to unpaid pension for the year ending 30th June, 2024 and Kshs. 690,433 relates to suspension for Members suspended in (2010, 2017 and 2022 Census). Unclaimed pension of Kshs. 51,165 relates to the rejected pension as at 30th June, 2024. Lumpsum/Gratuities of Kshs. 1,198,104 relates to 8%Lumpsum/Gratuities revision for retirees while Kshs. 536,615 relates to 8% Lumpsum/Gratuities revision for Members still in service.		
 Tenants deposits	92,209	78,445
Leave provision	<u>1,776</u>	<u>1,111</u>
	<u>93,984</u>	<u>79,556</u>
 Total Payables as at 30th June	<u>5,613,512</u>	<u>3,329,805</u>

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17 BANK BORROWINGS (Secured)

	2024 Kshs '000	2023 Kshs '000
Analysis of changes in bank borrowings		
As at 1 July 2023	49,199	31,939
Loan repayment	(49,972)	(325,650)
Accrued interest	773	6,259
As at 30 June 2024	-	(287,452)
Current Portion		
Bank overdraft: KCB Pension payment account	-	49,199
	-	49,199
Maturity analysis		
Repayable within 12 months	-	49,199

The "**Scheme**" paid in full both principal and interest thereon for the bridge loan facility that was obtained in late year 2020. This facility was cleared in December, 2022.

18 FUND BALANCE	2024 Kshs '000	2023 Kshs '000
Opening fund balance	36,264,579	34,953,383
Net increase/(decrease) in net assets for the year	(3,420,113)	1,357,020
Pension Recoveries	169	-
Prior year adjustment	-	(45,824)
Fund balance at the end of the year	32,844,635	36,264,579

19 RELATED PARTY TRANSACTIONS

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 operational decisions. The related party for the year was Kshs 4,919,831 paid as Trustees allowances and other emoluments. The breakdown of this figure is as below:

Name of meeting	No. of meetings held	Allowance paid
Governance, Human Resource and Compensation	6	248,000
Strategy, Finance and Investment	2	90,000
Risk and Audit	2	98,000
ADHOC	12	422,000
Full Board of Trustees	37	3,380,000
Other emoluments		681,831
TOTAL		4,919,831

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20 FINANCIAL RISK MANAGEMENT

The sponsor, Kenya Railways Corporation, transferred investment property to the scheme to cover the liabilities of the scheme at its inception. The scheme main source of revenue is therefore rental income from the investment property. These activities expose the fund to a variety of financial risks including credit risk. This is mostly informed by the probability of default by tenants in paying the rent dues. Other risks relate to property without titles. Retirement Benefits Authority (RBA) allows a maximum investment of 30% of the Scheme's funds in immovable property. The Scheme currently holds 89.06% of its total assets as immovable property. The Trustees are taking necessary steps to ensure that the management to the fund and assets comply with the Retirement Benefits Act 1997 and the Retirement Benefits Regulations 2000.

a) Market Risk

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

i) Interest rate risk

The Scheme holds interest bearing assets and liabilities and therefore it is exposed to interest rate risk.

b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Scheme

Credit risk arises from bank balances and receivables. As part of the credit risk management system, the Trustees monitor and review information on significant investment.

	Internal/E xternal rating	Gross carrying amount Kshs'000	Loss allowance Kshs'000	Net amount Kshs'000
At 30 June 2024				
Receivables	Various	5,380,738	(1,282,255)	4,098,483
Bank balances	Various	73,333	-	73,333
		5,454,071	(1,282,255)	4,171,816
At 30 June 2023				
Receivables	Various	6,586,610	(1,258,903)	5,327,707
Bank balances	Various	37,952	-	37,952
		6,624,562	(1,258,903)	5,365,659

Bank balances are not restricted and include deposits held with banks which have high credit ratings.

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c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. The Scheme is required to make periodic payment in respect of pensions to members and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash but do not earn interest. About 89.06% of the Scheme's portfolio is made up investment property which is not liquid. The trustees have however made plans to dispose some of the investment property as well as improve rent collections on its existing properties in order to increase the Schemes liquidity. The Retirement Benefits Authority regulations posits that a Schemes immovable assets portfolio be capped at 30 % of the investment property.

The table below shows the Scheme's remaining contractual maturity of its financial liabilities and has been drawn up based on the undiscounted cash flows.

	Less than 1 month Ksh'000	Between 1- 3 Months Ksh'000	Over 3 months Ksh'000	Total Ksh'000
At 30 June 2024				
Benefits payable	-	-	3,824,385	3,824,385
Creditors and other payables	9,055	18,501	1,761,571	1,789,127
Bank borrowing	-	-	-	-
	<u>9,055</u>	<u>18,501</u>	<u>5,585,956</u>	<u>5,613,512</u>

At 30 June 2023

Benefits payable	73,905	162,628	453,432	689,965
Creditors and other payables	-	16,429	1,696,891	1,713,320
Bank borrowing	-	-	(287,452)	(287,452)
	<u>73,905</u>	<u>179,057</u>	<u>1,862,871</u>	<u>2,115,833</u>

	2024 Kshs '000	2023 Kshs '000
21 OPERATING LEASE RECEIVABLE		
Amounts receivable in respect of obligations under operating leases:		
Within one year	233,038	204,544
Over one year	233,994	198,359
	<u>467,032</u>	<u>402,904</u>

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22 CONTINGENT LIABILITIES

	2024	2023
	Kshs'000	Kshs'000
Legal suits	833,095	615,693
	<u>833,095</u>	<u>615,693</u>

The legal suits relate to the following cases:

Nairobi Mississippi Water Limited vs KRSRBS & 3 others Case no.MWK/KR/50'C'/20 filed for breach of contract which claims special damages of Kshs 59,180,435.

Nairobi Autobacs Limited Vs KRSRBS & 3 others filed against the scheme for breach of contract which claims special damages of Kshs 129,206,890.

Nairobi Patflex Solutions Limited & 7others vs KRSRBS & 3 others filed against the Scheme for breach of contract which claim damages of Kshs 427,305,585.

23 FAIR VALUE OF NON-FINANCIAL ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Revaluations have been carried out as disclosed in Note 11.

As disclosed in Note 11, investment property of Kshs 14,855,400,000 have been revalued at forced sale value. This is not consistent with International Accounting Standard No 40 (Investment Property) which requires investment property carried at fair value to be revalued at the end of each reporting period. The investments property values are based on the forced sale value obtained during this valuation.

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; Unobservable inputs reflect the fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities, This level includes listed equity securities and debt instruments on exchanges.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).This level included equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Scheme considers relevant and observable market prices in its valuations where possible.

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24 FAIR VALUE OF NON-FINANCIAL ASSETS (CONT 'D)

The following tables shows an analysis of investment property recorded by level of the fair value hierarchy:

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
At 30 June 2024				
Total investment property	-	-	34,264,450	34,264,450
	<u>-</u>	<u>-</u>	<u>34,264,450</u>	<u>34,264,450</u>
At 30 June 2023				
Total investment property	-	-	34,264,450	34,264,450
	<u>-</u>	<u>-</u>	<u>34,264,450</u>	<u>34,264,450</u>

25 REGISTRATION

The Scheme is registered in Kenya under the Retirement Benefits Act.

26 REPORTING PERIOD

The reporting period for the Scheme's Annual Report and Financial Statements is July 1, 2023, to June 30, 2024.