



KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2025



**MWANGI & KAMWARA
ASSOCIATES**

P.O Box 34458-00100
Wood Avenue, Kilimani
Ushuru Sacco Building,
5th Floor.

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SCHEME INFORMATION

TRUSTEES, PROFESSIONAL ADVISORS AND OTHER INFORMATION

TRUSTEES	: Ms. Nancy Chemutai Sang - Chairperson (With effect from 20.11.24)
	: Mr. Martin Mogwanja (Term ended on 25.10.24)
	: Mr. Philip Jamhuri Mainga
	: Mr. James Kariuki Kanyeki
	: CPA Jacqueline M'mbogah
	: CHRP Wilberforce Asava Kadima
	: Mr. Elijah Ogoti Mokaya
	: Mr. Maurice Ombogo Awuor
	: Mr. Lewis Mutuiri Gitonga (Joined 26.11.24)
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
INVESTMENT MANAGER	: Co-op Trust Investment Services Limited
	: Co-Operative Bank House, 13th Floor
	: Haile Selassie Avenue
	: P.O Box 48231 - 00100
	: NAIROBI
INDEPENDENT AUDITOR	: Mwangi & Kamwara Associates LLP
	: Certified Public Accountants of Kenya
	: Ushuru Sacco Centre, 5th Floor
	: Wood Avenue - Kilimani
	: P.O. Box 34458 - 00100
	: NAIROBI
REGISTERED OFFICE	: Kenya Railways Headquarters
	: Haile Selassie Avenue
	: P.O Box 46796 - 00100
	: NAIROBI

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TRUSTEES REPORT

The Trustees present their report together with the audited financial statements for the year ended 30th June 2025, which disclose the state of affairs of the Scheme.

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

Kenya Railways Staff Retirement Benefits Scheme was established on 1st January, 2005 and is governed by the Trust Deed and Rules dated 3rd May, 2006. It is a defined benefit Scheme and provides, under the rules of the fund, pension and other retirement benefits for the employees of the Sponsor who retired up to 31st October, 2006 and the dependants of the deceased members. It is an exempt approved plan under the Income Tax Act, and is registered with the Retirement Benefits Authority.

The scheme is a closed defined benefits scheme and is administered in-house; thus, it does not receive any contributions. However, given its nature, the sponsor is obliged to meet any actuarial deficits that could arise.

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

MEMBERSHIP

	2025	2024
1. Active Pensioners		
As at start of the period	6,051	6,028
Deferred members joined the scheme	46	47
Reinstatement	301	113
Deceased	(202)	(137)
Suspended	(495)	-
As at end of the period	5,701	6,051
2. Beneficiaries		
As at start of the period	769	664
Joiners during the year	280	123
Reinstatement	108	132
Beneficiaries paid for 5-year period	(164)	(150)
Suspended	(185)	-
As at end of the period	808	769
Suspended members	1,121	927
Deferred members (Pensionable & Non-Pensionable)	544	618
	1,665	1,545
Total Members	8,174	8,365

Suspended members are members who have not returned their pension census forms. The last member census was conducted by the management in November, 2024. The suspended members' benefits continue to accrue and they will be reinstated and paid their accrued benefits once they return their census forms.

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 Benefits Scheme.

There were 326 new joiners and 366 leavers during the year, with 5,701 active pensioners and 808 beneficiaries.

Additionally, 409 members were reinstated, 544 deferred members remained in service, and 1,121 members were suspended. The joiners consist of employees who worked for Kenya Railways Corporation.

FINANCIAL REVIEW

The Statement of Changes in Net Assets Available for benefits on page 13 shows an increase in the net assets of the Scheme during the period of **Kshs. 1,868,908, 000 (2024: Decrease of Kshs. 3,420,113,000)**. The Statement of Net Assets Available for Benefits on page 14 shows the Scheme's net assets available for distribution as at 30th June 2025 of **Kshs. 34,713,783,000 (2024: Kshs. 33,844,635,000)**.

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TRUSTEES REPORT (CONT'D)

INVESTMENT OF FUNDS

Under the terms of their appointment, Co-op Trust Investment Services Limited are responsible for the investment of the funds. The overall responsibility for investment and performance lies with the trustees.

We confirm that there is neither self-investment nor have any Scheme's assets have been used as security or collateral on behalf of the employer.

During the period ended 30th June 2025, the investment portfolio against RBA thresholds was as follows:

	2025 Kshs '000	% of Portfolio	2024 Kshs '000	% of Portfolio	RBA Limits in % of portfolio
Total Investments					
Investment Property	37,434,450	93.21%	34,264,450	89.10%	30%
Other Assets	2,695,809	6.71%	4,120,365	10.71%	10%
Cash and Demand Deposits	29,117	0.07%	73,333	0.19%	5%
	40,159,377	100%	38,458,148	100%	

The Retirement Benefits Authority (RBA) allows a maximum investment of 30% of the scheme's funds in immovable property. The scheme currently holds 93.21% (2024: 89.1%) of its total assets as immovable property.

The scheme is therefore not in compliance with the stipulated regulation.

The trustees are taking the necessary steps to ensure that the management of the fund and its assets comply with the Retirement Benefits (Occupational Retirement Benefits Scheme) Regulations, 2000 made under Retirement Benefits Act, 1997.

The trustees have considered the nature, disposition, marketability, security and valuation of the scheme's investments and consider them appropriate relative to the reason for holding each class of investment. Details of the investments have been disclosed within the financial statements.

ACTUARIAL VALUATION

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

The actuarial valuation of the scheme was last undertaken for the period ended 30th June 2023 by Actuarial Services East Africa (Actserve. EA). The results of the last valuation are as summarized below:

	Kshs '000
Value placed on the Scheme's assets	29,412,000
Value of liabilities:	
Future benefits to current pensioners	7,708,000
Future benefits to current beneficiaries	314,000
Deferred members accrued benefits	2,975,000
Suspended pensioners	832,000
Outstanding benefits (Pension arrears)	1,176,000
Future expense value	1,745,000
Additional reserves	2,601,000
Total liabilities and reserves	17,350,000
Actuarial Surplus	12,061,000
Funding level (Ratio of Scheme's assets to accrued past service liabilities)	169.5%

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

TRUSTEES

Trustees are appointed in accordance with the Retirement Benefits Act. The names of the Trustees who served during the year and to the date of this report are shown on Page 1.

AUDITORS

Mwangi & Kamwara Associates LLP were the appointed auditors during the year, and have expressed their willingness to continue in office as auditors in accordance to Section 34(3) of the Retirement Benefits Act.

BY THE ORDER OF THE BOARD OF TRUSTEES

TRUST SECRETARY



.....29/09/2025

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SCHEME GOVERNANCE DISCLOSURE STATEMENT

1. Trustees in Office

In the year ended 30th June 2025, the following Trustees served in the Board of Kenya Railways Staff Retirement Benefits Scheme:

Name of Trustee	Age	Category (Member elected/sponsor - nominated)	No. of Meetings Attended	Certified (Yes/No)	Highest Qualification	Membership of other Boards
Ms. Nancy Chemutai Sang	42	Sponsor Nominated	35	Yes	Masters	None
Mr. Martin Mogwanja	70	Sponsor Nominated	7	Yes	Masters	None
Mr. Philip Jamhuri Mainga	58	Sponsor Nominated	2	Yes	Masters	None
Mr. James Kariuki Kanyeki	53	Member Elected	57	Yes	National Diploma	None
CPA Jacqueline M'mbogah	49	Sponsor Nominated	26	Yes	Degree	Railways Staff Provident Fund.
CHRP. Wilberforce Asava Kadima	52	Sponsor Nominated	32	Yes	Masters	None
Mr. Elijah Ogoti Mokaya	56	Member Elected	59	Yes	Certificate	None
Mr. Lewis Mutuiri Gitonga	37	Sponsor Nominated	6	Yes	Masters	None
Mr. Maurice Ombogo Awuor	62	Member Elected	50	Yes	A Level	None

2. Trustees Meetings

The board of trustees held twenty (20) full Board meetings and forty one (41) special meetings during the year ended 30th June 2025. The meetings were held on the dates as indicated on pages 5 and 6, focusing on strategic initiatives, compliance, investment strategies, and enhancing member services. The active participation of all trustees in these meetings underscores their commitment to the scheme's success.

3. The Composition of the Board of Trustees is as hereunder:

- a) Gender balance: Female 22% (2 Trustees), Male 78% (7 Trustees).
- b) Skills mix: Number of Trustees with finance skills: One (1).
- c) Age mix: Number of Trustees who are younger than 35 years: None, and Trustees older than 35 years: Nine (9).

4. Committees of the Board

Committee Name	No. of meetings held	Any external advisors, invitees to meetings (Yes/No)(If yes, mention the purpose)	Allowances Paid
Risk and Audit	1	None	36,000
Strategy Finance and Investment	7	None	396,000
Governance, Human Resource and Compensation	8	None	372,000
ADHOC	14	None	860,000
Other Special meetings	11	None	420,000

Allowances for the full Board of Trustees Meetings

	No. of meetings held	Allowances paid (Ksh)
Full BOT Meetings	20	2,380,000

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SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONT'D)

SUMMARY OF THE MEETINGS ATTENDED AS PER TRUSTEE MEETING REGISTER FROM 1ST JULY, 2024 TO 30TH JUNE 2025

DATE	TYPE OF MEETING	Phillip Mainga	Nancy Sang	Asava Kadima	Jacqueline M'mogah	James Kanyeki	Elijah Mokaya	Maurice Ombogo	Lewis Gitonga	Martin Mogwanja	Total Attendance	Allowance Rate (Kshs.)	Total Allowances (Kshs.)
19/07/24	ADHOC committee	-	-	-	-	1	1	1	-	-	3	12,000	36,000
27/02/25	ADHOC committee	-	-	-	-	1	1	1	-	-	3	12,000	36,000
20/03/25	ADHOC committee	-	-	1	-	-	-	-	1	-	2	12,000	24,000
05/05/25	ADHOC committee	-	-	-	-	1	1	-	-	-	2	12,000	24,000
23/06/25	ADHOC committee	-	1	1	1	1	1	1	1	-	6	12,000	72,000
15/01/25	ADHOC committee	-	-	-	-	1	1	1	1	-	3	12,000	36,000
20/05/25	ADHOC committee	-	1	1	1	1	1	1	1	-	6	12,000	72,000
19/09/24	ADHOC committee	-	-	-	1	1	-	-	1	1	4	20,000	80,000
20/11/24	ADHOC committee	-	-	1	-	1	1	1	1	-	4	20,000	80,000
05/12/24	ADHOC committee	-	-	1	-	1	1	1	1	-	4	20,000	80,000
08/01/25	ADHOC committee	-	1	-	1	-	1	1	1	-	4	20,000	80,000
30/01/25	ADHOC committee	-	1	-	-	1	1	1	1	-	4	20,000	80,000
21/05/25	ADHOC committee	-	1	-	-	1	1	1	1	-	4	20,000	80,000
19/06/25	ADHOC committee	-	1	-	-	1	1	1	1	-	4	20,000	80,000
05/02/25	Consultative Meeting	-	1	-	-	-	1	-	-	-	2	12,000	24,000
11/02/25	Consultative Meeting	-	1	-	-	1	1	-	-	-	3	12,000	36,000
12/02/25	Consultative Meeting	-	1	-	-	1	1	-	-	-	3	12,000	36,000
18/02/25	Consultative Meeting	-	1	-	-	1	1	1	1	-	4	12,000	48,000
25/02/25	Consultative Meeting	-	1	-	-	1	1	1	1	-	4	12,000	48,000
14/04/25	Consultative Meeting	-	1	-	-	1	1	1	1	-	4	12,000	48,000
05/05/25	Consultative Meeting	-	-	-	-	1	1	1	1	-	2	12,000	24,000
16/06/24	Consultative Meeting	-	-	-	-	1	1	1	1	-	3	12,000	36,000
25/07/24	Full BOT	-	1	1	1	1	1	1	1	1	7	20,000	140,000
29/07/24	Full BOT	-	1	1	1	1	1	1	1	1	7	20,000	140,000
19/08/24	Full BOT	-	-	-	1	1	1	1	1	1	5	20,000	100,000
21/08/24	Full BOT	-	-	-	1	1	1	1	1	1	5	20,000	100,000
11/09/24	Full BOT	-	1	1	1	1	1	1	1	1	7	20,000	140,000
18/09/24	Full BOT	-	1	-	1	1	1	1	1	1	5	20,000	100,000
24/09/24	Full BOT	-	1	1	1	1	1	1	1	1	6	20,000	120,000
09/10/24	Full BOT	-	1	1	1	1	1	1	1	1	6	20,000	120,000
18/11/24	Full BOT	-	1	1	1	1	1	1	1	1	6	20,000	120,000
19/11/24	Full BOT	-	1	1	1	1	1	1	1	1	6	20,000	120,000

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SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONT'D)
SUMMARY OF THE MEETINGS ATTENDED AS PER TRUSTEE MEETING REGISTER FROM 1ST JULY, 2024 TO 30TH JUNE 2025

DATE	TYPE OF MEETING	Phillip Mainga	Nancy Sang	Asava Kadima	Jacqueline Mimbogah	James Kanyeki	Elijah Mokaya	Maurice Ombogo	Lewis Gitonga	Martin Mogwanja	Total Attendance	Allowance Rate (Kshs.)	Total Allowances (Kshs.)
02/12/24	Full BOT	-	-	1	1	1	1	1	1	1	-	5	20,000
17/12/24	Full BOT	-	1	1	-	1	1	1	1	1	-	5	20,000
18/12/24	Full BOT	-	1	1	1	1	1	1	1	1	-	6	20,000
24/12/24	Full BOT	1	1	1	-	1	1	1	1	1	-	5	20,000
06/01/25	Full BOT	-	1	1	1	1	1	1	1	1	-	6	20,000
29/01/25	Full BOT	1	1	1	-	1	1	1	1	1	-	6	20,000
14/03/25	Full BOT	-	1	1	1	1	1	1	1	1	1	7	20,000
09/04/25	Full BOT	-	1	1	1	1	1	1	1	1	1	7	20,000
10/04/25	Full BOT	-	1	1	-	1	1	1	1	1	-	6	20,000
20/05/25	Full BOT	-	1	1	-	1	1	1	1	1	-	6	20,000
15/11/24	GHC Meeting	-	1	-	1	-	1	1	1	1	-	4	12,000
30/06/25	GHC Meeting	-	-	-	1	1	1	1	1	1	1	3	12,000
09/07/24	GHC Meeting	-	1	1	-	1	1	1	1	1	-	5	12,000
10/07/24	GHC Meeting	-	-	1	-	1	1	1	1	1	-	4	12,000
31/07/24	GHC Meeting	-	-	1	-	1	1	1	1	1	-	4	12,000
02/09/24	GHC Meeting	-	-	1	-	1	1	1	1	1	-	4	12,000
17/01/25	GHC Meeting	-	-	1	-	1	1	1	1	1	-	4	12,000
16/09/24	GHC Meeting-Combined	-	1	1	-	-	-	-	-	-	-	3	12,000
16/09/24	Audit & Risk-Combined	-	-	-	1	1	1	1	1	1	-	3	12,000
15/07/24	SFIC Meeting	-	1	1	1	1	1	1	1	1	1	6	12,000
17/07/24	SFIC Meeting	-	1	-	1	1	1	1	1	1	-	5	12,000
24/07/24	SFIC Meeting	-	1	-	1	1	1	1	1	1	-	5	12,000
31/07/24	SFIC Meeting	-	-	-	-	1	1	1	1	1	-	3	12,000
05/08/24	SFIC Meeting	-	1	1	1	1	1	1	1	1	-	6	12,000
06/08/24	SFIC Meeting	-	1	-	1	1	1	1	1	1	-	5	12,000
16/08/24	SFIC Meeting	-	-	-	1	1	1	1	1	1	-	3	12,000
23/01/25	Task Force	-	-	-	-	-	1	1	1	1	-	3	12,000
20/03/25	Task Force	-	-	-	-	-	1	1	1	1	-	4	12,000
27/08/24	Virtual meeting	-	-	-	-	1	1	1	1	1	-	3	12,000
Total		2	33	29	24	54	56	47	6	7	258		4,464,000

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SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONT'D)

10. Trustee's Remuneration Policy

During the year under review, the Trustees were paid a gross sum of Kenya shillings four million, four hundred sixty-four thousand (Ksh 4,464,000) for both Full Board of Trustees meetings and other special meetings. The payment complied with the Trustee remuneration policy of the Scheme as approved by members at the Annual General Meeting held on 5th December 2023. The policy has been signed by trustees and is in line with the Scheme Expenses Guidelines.

11. Board of Trustees Evaluation

The board and individual trustees did not undertake any board evaluation in the year under review.

ON BEHALF OF TRUSTEES

SIGNED.....  DATE..... 29th September 2025

CHAIRPERSON, BOARD OF TRUSTEES

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 made under the Retirement Benefits Act, 1997 require the trustees to prepare financial statements for each financial period which show a true and fair view of the financial transactions of the scheme for the period and of disposition at the end of the period of its assets and liabilities. 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. They are also responsible for safeguarding the assets of the scheme.

The trustees accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000. The trustees further accept responsibility for:

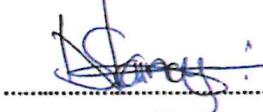
- i) designing, and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making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

The Trustees certify that to their best knowledge and belief the information furnished to the Auditors for the purpose of the audit was correct and complete in every respect.

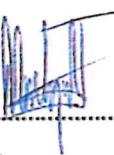
Nothing has come to the attention of the Trustees to indicate that the Scheme will not be able to meet its obligations for at least the next twelve months from the date of this statement.

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 *29th September* 2025 and Signed on its behalf by:


.....

CHAIRPERSON


.....

TRUSTEE



MWANGI & KAMWARA
— ASSOCIATES —
CERTIFIED PUBLIC ACCOUNTANTS

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 Benefits Scheme, set out on pages 13 to 28 which comprise the Statement of Net Assets available for benefits as at 30 June 2025 and the Statement of changes in Net Assets available for benefits and Statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial transactions of Kenya Railways Staff Retirement Benefits Scheme as at 30th June 2025, and of the disposition at that date of its assets and liabilities, other than the liabilities to pay retirement and other benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997.

Basis for Qualified Opinion

Non-Compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

The statement of net assets available for benefits as at 30th June 2025, reflects the investment property carrying amount of Kshs. 37,434,450,000, which, as disclosed in note 11 to the financial statements, includes investment property valued at forced sale value of Kshs. 7,275,400,000. This is inconsistent with IAS 40 'Investment Property' and IFRS 13 'Fair Value Measurement' requirements, which stipulate that the fair value of investment property should reflect actual market state and circumstances as at the reporting date. A comprehensive valuation of those investment assets 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 (ISAs). 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. The other information comprises the trustees report included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PARTNER: ROBERT KAMWARA, DANIEL MWANGI
ASSOCIATES: RUTH MUGO, ANDREW MULOGOLI, TIMOTHY MWACHANYA



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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME (CONT'D)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees 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 the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Schemes' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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, misrepresentation, 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 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 directors.
- 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 Schemes' 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. 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.

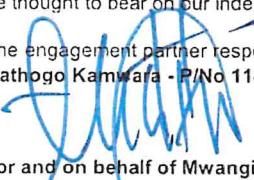
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA RAILWAYS STAFF
RETIREMENT BENEFITS SCHEME (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 of the entities or business activities within the Scheme to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Scheme's audit. We remain solely responsible for our audit opinion.
- We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner responsible for the audit resulting in this Independent Auditor's Report is CPA Robert Gathogo Kamwara - P/No 1143.


For and on behalf of Mwangi & Kamwara Associates LLP
Certified Public Accountants (Kenya)
Nairobi.



..... 29.09.2025

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2025**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

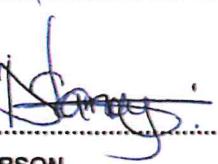
	Notes	2025 Kshs '000	2024 Kshs '000
DEALINGS WITH MEMBERS			
Pension benefits paid		(1,144,479)	(1,214,888)
Pension arrears(Kshs 1,000 increase)	4	(40,411)	(681,364)
Lumpsum/gratuities payment		(44,689)	(1,198,104)
Deferred members lumpsum/ gratuity		(17,919)	(536,615)
Net dealings with members		(1,247,499)	(3,630,972)
RETURN ON INVESTMENT PROPERTY			
Investment income	5	530,608	538,695
Property management expenses	6	(341,578)	(132,868)
Gain on revaluation of investment property	11	3,170,000	-
NET RETURN ON INVESTMENT PROPERTY		3,359,030	405,827
OTHER EXPENSES			
Investment management expenses	7	(158)	(80)
Administrative expenses	9	(264,007)	(208,497)
Finance costs	10	-	(773)
		(264,165)	(209,349)
Other income	8	21,542	14,382
Net (decrease)/increase in assets for the year		1,868,908	(3,420,113)
Net assets available for benefits as at beginning of the year		32,844,635	36,264,579
Pension recoveries	18	239	169
Net assets available for benefits as at 30 June 2024		34,713,783	32,844,635

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2025**

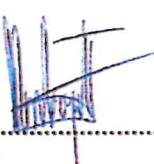
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2025 Kshs '000	2024 Kshs '000
ASSETS			
Investment property	11	37,434,450	34,264,450
Property and equipment	12	3,758	3,985
Intangible assets	13	4,020	8,665
Receivables and prepayments	14	2,688,032	4,107,715
Cash and cash equivalents	15	29,117	73,333
		<u>40,159,377</u>	<u>38,458,148</u>
LIABILITIES			
Payables	16	5,445,594	5,613,512
		<u>5,445,594</u>	<u>5,613,512</u>
NET ASSETS AVAILABLE FOR BENEFITS			
		<u>34,713,783</u>	<u>32,844,635</u>
REPRESENTED BY:			
Fund balance	18	<u>34,713,783</u>	<u>32,844,635</u>

The financial statements were approved and authorized for issue by the Trustees on 20th Sept 2025 and were signed on its behalf by:

.....

.....

CHAIRPERSON

.....

.....

TRUSTEE

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2025**

STATEMENT OF CASH FLOWS

	Notes	2025 Kshs '000	2024 Kshs '000
OPERATING ACTIVITIES			
Other income	8	21,542	14,382
Benefits paid	4	(1,247,499)	(3,630,972)
Other expenses paid		(605,742)	(342,218)
Add: Depreciation and amortization expenses		6,183	4,809
Movement in payables		(167,918)	2,283,708
Movement in receivables		(80,317)	(46,225)
Finance cost		-	773
Pension recoveries	18	239	169
Net cash (used in) operating activities		(2,073,512)	(1,715,574)
INVESTING ACTIVITIES			
Rental income and deposits received on property	5	530,608	538,695
Proceeds from sale of investment property		1,500,000	1,270,000
Purchase of equipment's	12	(1,310)	(7,769)
Net cash generated from investing activities		2,029,298	1,800,925
FINANCING ACTIVITIES			
Movement in borrowings		-	(49,972)
Net cash generated from financing activities		-	(49,972)
Movement in cash and cash equivalents			
At the start of the year		73,333	37,953
Movement during the year		(44,215)	35,379
At the end of the year	15	29,117	73,333

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES

1 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policy information considered material in the preparation of these financial statements is set out below:

a) Basis of Preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the Kenyan Retirement Benefits Act, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarize the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take into account obligations to pay benefits that fall due after the end of the year.

The financial statements are presented in Kenyan Shillings (KSh), rounded to the nearest thousand, and are prepared under the historical cost convention, as modified by the carrying of investments at fair value.

For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or liability, the scheme uses market observable data as far as possible. If the fair value of an asset or liability is not directly observable, it is estimated by the scheme using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in inactive markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognized by the scheme at the end of the reporting period during which the change occurred.

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.

KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

NOTES (CONTINUED)

MATERIAL ACCOUNTING POLICY INFORMATION (CONT 'D)

c) New and Revised Standards

i) *Adoption of New and Revised Standards*

Several new and revised standards and interpretations became effective during the year ended 30 June 2025. The Trustees have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

ii) *New and Revised Standards and Interpretations which have been Issued but are not yet Effective*

The Scheme has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2025.

Amendments to IAS 21 titled *Lack of Exchangeability* (issued in August 2023, effective 1 January 2025)

IFRS 18 titled *Presentation and Disclosure in Financial Statements* (issued in April 2024, effective 1 January 2027)

IFRS 19 titled *Subsidiaries without Public Accountability: Disclosures* (issued in May 2024, effective 1 January 2027)

Amendments to IFRS 9 and IFRS 7 titled *Amendments to the Classification and Measurement of Financial Instruments* (issued in May 2024, effective 1 January 2026)

The trustees have assessed the potential impact of the above and expect that they will not have a significant impact on the Scheme's financial statements.

iii) *Early adoption of Standards*

The scheme did not early -adopt any new or amended standards in 2025.

d) Benefits Payable

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

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) **Sale of Properties**

Sale of property relates to the transfer of property to the customer in an amount that reflects the consideration (payment to which the scheme expects to be entitled for the sale). A property is regarded as sold when control of the house (s) is transferred to the buyer.

g) **Taxation**

The Scheme is a registered pension fund with the Retirement Benefits Authority and its income is exempt from tax under the Income Tax Act.

h) **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.

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES (CONTINUED)

MATERIAL ACCOUNTING POLICY INFORMATION (CONT 'D)

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.

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.

j) 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.

k) 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 equipment's 8 years

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES (CONTINUED)

MATERIAL ACCOUNTING POLICY INFORMATION (CONT 'D)

k) Equipment (Cont'd)

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.

l) 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.

m) 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.

n) Currency

The financial statements are presented in Kenyan Shillings and rounded off to the nearest thousand.

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

o) 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 2025, 93.21% (2024: 89.06%) 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's 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 2025**

NOTES (CONTINUED)

	2025 Kshs '000	2024 Kshs '000
4 DEALINGS WITH MEMBERS		
Pension benefits paid to members (Monthly pension)	<u>(1,144,479)</u>	<u>(1,214,888)</u>
Pension arrears		
Kshs 1,000 Pension increment as at 1st July	<u>(40,411)</u>	<u>(681,364)</u>
Lump sum and gratuities 4% revision - active members		
Lump sum (2008 - 2020)	(32,146)	(806,865)
Lump sum (2023 - 2025)	(4,725)	(199,779)
Gratuities (2008 - 2020)	(6,993)	(175,424)
Gratuities (2023 - 2025)	(825)	(16,036)
Total Lump sum & Gratuities accrued during the year - 4% Revision	<u>(44,689)</u>	<u>(1,198,104)</u>
Lump sum and gratuities 8% revision - deferred members		
Lump sum and Gratuities for members in service (2006 - 2024)	<u>(17,919)</u>	<u>(536,615)</u>
Net dealings with members	<u>(1,247,499)</u>	<u>(3,630,972)</u>
Monthly pension payable of Kshs. 1,144,479 relates to pension paid during the year 2025.		
5 INVESTMENT INCOME		
Investment income relates to the rental income from the rental properties:		
Makongeni	140,934	139,345
Landimawe	90,997	91,237
Goods Sheds	80,475	80,323
Eastern Wing including Block D	76,638	91,624
Ngara	76,097	76,111
Upperhill Estate	26,250	17,281
Muthurwa	17,456	17,384
Matumbato	12,938	16,565
Upperhill Commercials	8,824	8,824
Total investment Income	<u>530,608</u>	<u>538,695</u>
6 PROPERTY MANAGEMENT EXPENSES		
Land rates arrears	253,569	55,687
Land rates charge for the year	49,089	34,470
Penalties	18,150	14,336
Casual wages	10,531	12,350
Security expenses	6,795	4,950
Estate eviction costs	1,278	2,059
Repair and maintenance	1,007	1,962
Water and electricity	598	657
Other expenses	294	1,175
Office expenses	168	636
Protective garments	61	-
Valuation fees	40	1,626
Land Rent	-	2,327
Surveying	-	633
	<u>341,578</u>	<u>132,868</u>
7 INVESTMENTS MANAGEMENT EXPENSES		
Custodian fees	<u>158</u>	<u>80</u>
8 OTHER INCOME		
Interest income from cash and call deposits	11,763	641
Miscellaneous income	9,779	13,740
	<u>21,542</u>	<u>14,382</u>

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES (CONTINUED)

	2025 Kshs '000	2024 Kshs '000
9 ADMINISTRATIVE EXPENSES		
Fund administration cost	92,392	63,772
Staff costs	55,532	56,953
Legal charges	34,315	22,625
Increase in provision for bad and doubtful debts	28,868	23,352
Pension bank transfer commission	11,288	4,880
RBA levy: Current year	5,000	5,000
:Penalties	30,000	25,000
Amortization-Software upgrade (Note 13)	4,645	3,483
Depreciation (Note 12)	1,538	1,325
Audit fees	429	2,070
Fines and penalties(PAYE)	-	36
	264,007	208,497
10 FINANCE COSTS		
Interest on borrowings	-	773
	-	773
11 INVESTMENT PROPERTY		
At forced Sale Value		
L.R 209/6502 (Part)- Muthurwa Estate, Nairobi	July 2011	2,072,000
L.R 209/19382-Ngara railway estate-Nairobi	July 2020	-
L.R 209/12178-Upper Hill(Part), Nairobi	July 2011	1,155,000
L.R 209/6502 (Part)- HQ (Eastern " Wing including Block D)-Nairobi	July 2011	1,138,400
L.R 209/6506- Matumbato, Nairobi	April 2018	2,069,999
L.R 209/6507- Matumbato, Nairobi	April 2018	840,001
	7,275,400	14,855,400
At open market Value		
L.R XXVI/941- Chambilo, Mombasa	October 2022	500,000
L.R 209/6829 -Makongeni Estate, Nairobi	March 2023	11,500,000
L.R 209/12401- Goods Shed Area, Nairobi	March 2023	3,500,000
L.R 209/12088-Landmawe, Nairobi	March 2023	3,909,050
L.R 209/19382-Ngara railway estate-Nairobi	May 2025	10,750,000
	30,159,050	19,409,050
Total	37,434,450	34,264,450
Movement in investment properties		
At the beginning of the year	34,264,450	34,264,450
Gain on property revaluation	3,170,000	-
Disposal	-	-
	37,434,450	34,264,450

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.

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES (CONTINUED)

12 PROPERTY AND EQUIPMENT	Furniture & Office equipment		Total
	Computers Kshs '000	Kshs '000	
COST			
As at 1 July 2024	11,350	8,093	19,443
Additions in the Year	1,081	230	1,310
As at 30 June 2025	<u>12,431</u>	<u>8,322</u>	<u>20,753</u>
DEPRECIATION			
At 1 July 2024	9,478	5,980	15,457
Charge for the Year	1,091	447	1,538
Accumulated Depr as at 30 June 2025	<u>10,569</u>	<u>6,426</u>	<u>16,995</u>
Net Book Value			
At 30 June 2025	<u>1,862</u>	<u>1,896</u>	<u>3,758</u>
At 30 June 2024	<u>1,872</u>	<u>2,113</u>	<u>3,985</u>
13 COMPUTER SOFTWARE			
	2025	2024	
Kshs '000	Kshs '000		
COST			
As at 1 July 2024	13,936	8,936	
Additions	-	5,000	
As at 30 June 2025	<u>13,936</u>	<u>13,936</u>	
AMORTIZATION			
As at 1 July 2024	5,271	1,787	
Charge for the year	4,645	3,484	
As at 30 June 2025	<u>9,916</u>	<u>5,271</u>	
NET BOOK VALUE			
As at 30 June 2025	<u>4,020</u>	<u>8,665</u>	

**KENYA RAILWAYS STAFF RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

NOTES (CONTINUED)

	2025 Kshs '000'	2024 Kshs '000'
14 RECEIVABLES AND PREPAYMENTS		
<u>Trade Receivables</u>		
Receivables arising from disposal of property	3,413,706	4,913,706
Rent receivable	581,715	467,032
	3,995,421	5,380,738
Provision for doubtful receivables	(1,311,123)	(1,282,255)
	2,684,299	4,098,483

Provision for doubtful debts is calculated based on the outstanding receivables using 5% of the total expected rental income for the current year.

Other receivables

Prepayment	3,573	3,573
Prepaid expenses (Staff medical)	-	5,381
Staff salaries advance	160	277
	3,733	9,232
Total receivables	2,688,032	4,107,715

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. 209/1064 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. However there is a new dispute against this piece of land that is in court.

Matumbato LR 209/6507, Nairobi was sold to Premix Enterprises Limited on February 28, 2019, portion J and F as per the proposed subdivision. 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. 5,350,000,000.00 and outstanding balance of Kshs 2,585,585,600.00 as at 30th June, 2025.

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, 2025.

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NOTES (CONTINUED)

	2025 Kshs '000	2024 Kshs '000
15 CASH AND CASH EQUIVALENTS		
Cash at bank	14,846	20,676
Call deposit account	<u>14,272</u>	<u>52,656</u>
	<u>29,117</u>	<u>73,333</u>

16 PAYABLES

Accruals and other payables (Note 19)	1,829,323	1,695,143
	<u>1,829,323</u>	<u>1,695,143</u>
Benefits Payable		
Pension payable liability	845,087	851,910
Pension increment arrears	1,020,349	1,189,404
Unclaimed pension	52,465	51,165
Lumpsum and gratuities	1,604,299	1,731,907
Total benefits payable	<u>3,522,201</u>	<u>3,824,386</u>
Tenants deposits	93,404	92,209
Leave provision	<u>667</u>	<u>1,776</u>
	<u>94,071</u>	<u>93,984</u>
Total payables	<u>5,445,594</u>	<u>5,613,512</u>

17 BANK BORROWINGS

Analysis of changes in bank borrowings

As at 1 July 2024	-	49,199
Loan repayment	-	(49,972)
Accrued interest	-	773
As at 30 June 2025	-	-

The "Scheme" currently has no outstanding loans with any bank.

18 FUND BALANCE

Opening fund balance	32,844,635	36,264,579
Net increase/(decrease) in net assets for the year	1,868,908	(3,420,113)
Pension recoveries	239	169
Fund balance at the end of the year	<u>34,713,783</u>	<u>32,844,635</u>

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NOTES (CONTINUED)

	2025 Kshs '000	2024 Kshs '000
19 PAYABLES		
Accrued legal fees	638,081	881,848
Land rates & penalties	550,698	229,891
RBA levy & penalties	376,500	346,500
Kenya Railways Corporation	81,000	61,000
Various Sacco deductions	49,362	41,825
Fund management fees - Co-optrust	45,403	51,403
Jipe Close	39,000	39,000
Water and electricity	20,123	20,123
Unreceipted receipts	11,038	6,831
Valuation & Surveying fees	7,383	7,383
VAT Payable	5,833	4,691
Salaries and payroll deductions	4,114	3,074
Audit fees provision	498	800
Administration expenses	272	675
Security services	19	99
	1,829,323	1,695,143

20 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. During the year ended 30th June 2025, a total of Kshs 4,464,000 was paid to Board of Trustees in the form of allowances and other emoluments. The breakdown of this figure is as shown below:

Name of Meeting	No. of meetings held	Allowance Paid
Governance, Human Resource and Compensation	8	372,000
Strategy, Finance and Investment	7	396,000
Risk and Audit	1	36,000
ADHOC	14	860,000
Full Board of Trustees	20	2,380,000
Other Special Meetings	11	420,000
TOTAL	61	4,464,000

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NOTES (CONTINUED)

21 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, which is mostly informed by the probability of default by tenants in paying the rent due. Other risks relate to property without titles.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide guidelines for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity. The Scheme also follows guidelines issued by the Kenyan Retirements Benefits Authority (RBA) in respect of maximum investment in different types of investments.

Retirement Benefits Authority (RBA) allows a maximum investment of 30% of the Scheme's funds in immovable property. However, during the year ended 30th June 2025, the Scheme held 93.21% of its total investment assets in immovable property. The Trustees are taking necessary steps to ensure that the management of the fund and assets complies with the Retirement Benefits Act 1997 and the Retirement Benefits Regulations 2000.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Some of the Scheme's financial instruments affected by market risk include borrowings and deposits.

i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Some of the Scheme's interest-bearing assets that expose it to interest rate risk are investments in fixed and call deposits.

ii) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or the future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Scheme is not exposed to foreign exchange risk as it does not invest in offshore investments.

ii) Price Risk

Price risk is the risk that the value of a security (or a portfolio) will decline in the future. For the year ended 30th June 2025, the Scheme had not invested in quoted shares classified at fair value through profit or loss to lower price risk rates.

b) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk arises from receivables, term deposits with financial institutions, interest-bearing investments, deposits with banks, and cash and cash equivalents. As part of the credit risk management system, the Investment Manager and the Trustees monitor and review information on significant investments.

The Scheme has an elaborate vetting process before a term deposit are placed in a financial institution. The deposits are also spread to mitigate against concentration risks. The vetting process is continuously reviewed to take into consideration of new developments.

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NOTES (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit Risk (Continued)

The amount that best represents the Scheme's maximum exposure to credit risk as at the reporting period is made up as follows:

	Internal/ External Rating	Gross Carrying Amount Kshs'000	Loss Allowance Kshs'000	Net Amount Kshs'000
As at 30 June 2025				
Receivables	Various	3,995,421	(1,311,123)	2,684,299
Bank balances	Various	29,117	-	29,117
		4,024,539	(1,311,123)	2,713,416
As 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

The Scheme has not pledged any part of the above assets to fulfil any collateral requirements.

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

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 93 % 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 Scheme's liquidity.

22 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. 7,275,400,000 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 fair value hierarchy described in note 1.

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NOTES (CONTINUED)

22 FAIR VALUE OF NON-FINANCIAL ASSETS (CONTINUED)

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 2025				
Total investment property	-	-	37,434,450	37,434,450
	<u>-</u>	<u>-</u>	<u>37,434,450</u>	<u>37,434,450</u>
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>

23 REGISTRATION

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