

Termination of Kenya-Uganda rail deal costs Egyptian firm Shs640b

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KAMPALA. The termination of the Kenya-Uganda railway concession has cost Egyptian investment firm Qalaa Holdings Shs641.3 billion, with the multinational saying it will soon dispose of all its investments in railways.

Kenya's High Court in July last year ordered the termination of the concessionaire Rift Valley Railways (RVR) contract at a time when Qalaa—the majority shareholder of the venture—was still scouting for a buyer of its 85 per cent stake.

A month earlier, the Ugandan government had also issued a 90-day termination notice to RVR but rescinded the contract cancellation on November 22, 2017 to give the company one last opportunity to fulfill its obligations.

Qalaa, which still uses its previous name Citadel Capital in its corporate documents, invested in the Kenya-Uganda railway through its subsidiary KU Railways Holdings Limited (KURH).

"Consequently, Citadel Capital recognised an impairment with the entire carrying value of the assets related to KURH with an impairment of 3.15 billion Egyptian pounds (Shs637 billion) in its consolidated financial information for the period ended September 30, 2017," the multinational said in a trading update.

The amount written off is equivalent to Qalaa's share of RVR's assets.

The railway firm's loans and other liabilities attributable to the multinational stands at Sh30 billion (Shs1.1 trillion) and their collection is doubtful. "The board... decided in its meeting held on September 17, 2017, to divest from all the owned subsidiaries



Wagon. A locomotive engine at a railway yard in Kampala. FILE PHOTO

in railways sector by selling and/or dispensing and/or liquidating these subsidiaries and take all the required procedures to execute that as soon as

possible," Qalaa said.

Qalaa says it was unable to obtain financial and accounting information for KURH as of September, a move

that saw its external auditor KPMG declare a qualified opinion on the multinational's accounts.

Uganda's reasons

Investment minister Evelyn Amite said their decision was due to the alleged breach of contract that made the railway outfit suffer a Sh7.84 billion loss.

Ms Amite said the Uganda Railways Corporation will also revive the railway's operation adding that there will be no further talks with Qalaa.

"There is no more room for negotiations with the RVR as they continually breached the agreement," Ms Amite was saying.

She alleged that RVR to remit Sh8.5 billion in fees besides performing its obligation on the agreed freight volumes.