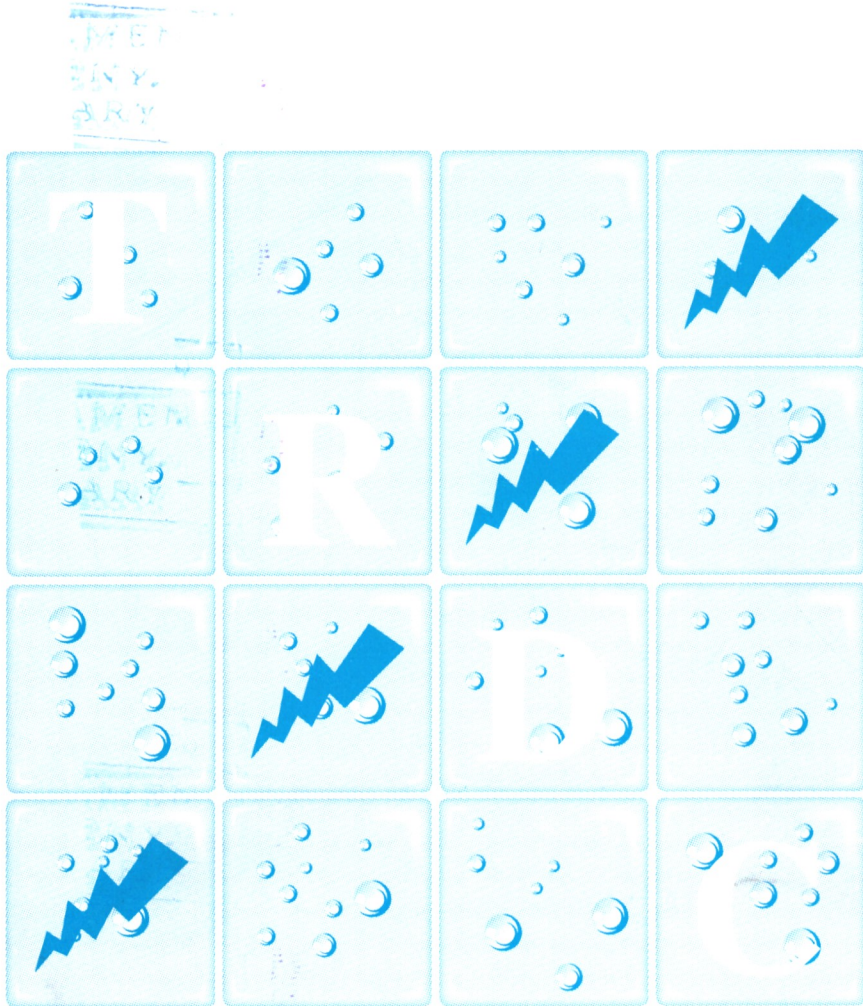


PARLIAMENT
OF KENYA
LIBRARY

TANA RIVER
DEVELOPMENT COMPANY LIMITED

36
Clerk Assis
H Editor
porters
Library



Annual Report and Accounts
For The Year Ended 30th June, 1995

Contents

Board of Directors.....	2
Notice of Meeting.....	3
Report of the Directors.....	4
Report of the Auditor-General (Corporations).....	5
Revenue Account.....	6
Balance Sheet	7
Statement of Source and Application of Funds	8
Notes to the Accounts.....	9-13
7 Year Financial and Statistical Record.....	14

Board of Directors

Mr. J. D. Muri
Chairman

Mr. E. D. Wasunna
Managing

Dr. E. E. Ambeva

Mr. J. M. Mugwe

Mr. M. N. Ali

Mr. J. M. Mwendwa

Mr. S. S. Lesrima

Mr. C. N. Mutitu

Mr. J. K. Kinyua
(Alternate Director)

Mr. S. W. Ndindiri
(Alternate Director)

Secretary and Registered Office
Mr. J. N. Kimani
Electricity House,
Harambee Avenue, Nairobi

Auditors
Deloitte & Touche
P O Box 40092
Nairobi

Bankers
Standard Chartered Bank
(Kenya) Limited
Electricity House,
Harambee Avenue, Nairobi

NOTICE IS HEREBY GIVEN that the THIRTY-SECOND Annual General Meeting of Tana River Development Company Limited will be held at the Registered Office of the Company, 8th Floor, Electricity House, Harambee Avenue, Nairobi, on 31st October, 1997 at 12.00 noon to transact the Ordinary Business of the Company.

Notice of Meeting

By Order of the Board

Nairobi, Kenya
9th October, 1997

J.N. KIMANI
Secretary

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. To be valid, the form of proxy must be duly completed and must be lodged at the Registered Office of the Company or posted in time to reach there not later than 12.00 Noon on 29th October, 1997.

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 30th June, 1995.

Business

The Company's power stations generated 2,597,702,457 kilowatt-hours during the year (1994 - 2,569,271,321 kilowatt - hours). Units used at source during the period amounted to 6,475,580 kilowatt - hours (1994 - 6,456,712 kilowatt - hours).

The total number of units sold to the Authorised Distributor, The Kenya Power and Lighting Company Ltd, was 2,591,226,877 kilowatt - hours at an ascertained cost of Shs 3,312,140,663 (1994 - 2,562,814,609 kilowatt - hours at an ascertained cost of Shs 3,251,198,762).

Results

The net income for the year amounted to	Shs '000 246,298
Which was transferred to reserves as follows:-	
Reserve and Equalisation Fund	2,317
Loan Capital Redemption Fund	243,981
	<u>246,298</u>

Directorate

The present members of the board of directors are shown on page 2.

Mr. J. D. Mturi was appointed a director and chairman of the Board in January 1997 in place of Mr. Albert C. Mumba.

Mr. S. S. Lesrima joined the board on 15th January 1997, following his appointment as Permanent Secretary in the Ministry of Finance, in place of Mr. B. K. Kipkulei.

Other directors appointed to the Board in January 1997 were, Messrs E. D. Wasunna, J. M. Mwendwa, J. M. Mugwe, E. E. Ambeva and M. N. Ali.

In accordance with Regulation 117 of the Company's Articles of Association, Messrs J. D. Mturi, S. S. Lesrima, E. D. Wasunna, J. M. Mwendwa, J. M. Mugwe, E. E. Ambeva and M. N. Ali retire and, being eligible, offer themselves for re-election.

In accordance with Regulation 109 of the Company's Articles of Association, Messrs C. N. Mutitu, J. M. Mwendwa and J. M. Mugwe retire and, being eligible, offer themselves for re-election.

Appointment of Auditors

The directors recommend that Messrs Deloitte & Touche, of P.O. Box 40092, Nairobi, be appointed Auditors of the Company in place of the Auditor-General (Corporations).

By Order of the Board

J. N. KIMANI
Secretary

Nairobi, Kenya.
12th August, 1997

Report of the Auditor-General (Corporations) on the Accounts of Tana River Development Company Limited for the Year Ended 30th June, 1995

I have examined the accounts of Tana River Development Company Limited for the year ended 30th June, 1995 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Companies Act, (Cap 486).

In my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the state of affairs of the Company as at 30th June, 1995 and of its profit and source and application of funds for the year ended on that date.

W. K. KEMEL.
Auditor-General (Corporations)
12th August, 1997

**Report
of the
Auditor-
General
(Corporations)**

**Revenue
Account**

For The Year Ended 30th June, 1995

	Notes	1995 Shs '000	1994 Shs '000
Revenue	2	3,312,140	3,251,199
Operating Expenses			
Operating Expenses		2,619,806	2,288,529
Depreciation		43,103	45,536
Total Operating Expenses	3	2,662,909	2,334,065
Net Operating Income		649,231	917,134
Interest	4	(188,124)	(294,884)
Net income before currency realignment		461,107	622,250
Currency Realignment	10	(214,809)	210,710
Net Income for the Period		<u>246,298</u>	<u>832,960</u>
Transfer To Reserves			
Reserve and Equalisation Fund		2,317	8,785
Loan Capital Redemption Fund	9	243,981	824,175
		<u>246,298</u>	<u>832,960</u>

Balance Sheet

As at 30th June, 1995

	Notes	1995 Shs '000	1994 Shs '000
SHARE CAPITAL	8	120,002	120,002
RESERVES	9	(1,716,642)	(1,962,940)
SHAREHOLDERS' FUNDS		(1,596,640)	(1,842,938)
LOAN CAPITAL	10	1,914,064	2,304,891
CAPITAL EMPLOYED		<u>317,424</u>	<u>461,953</u>
REPRESENTED BY:			
FIXED ASSETS	5	<u>963,758</u>	<u>1,005,814</u>
CURRENT ASSETS			
Stocks		45,106	81,324
The Kenya Power & Lighting Company Ltd	6	3,282,122	2,716,288
Debtors	6	11,306	14,613
Bank and cash balances		<u>157</u>	<u>246</u>
		<u>3,338,691</u>	<u>2,812,471</u>
CURRENT LIABILITIES			
Creditors	7	<u>3,985,025</u>	<u>3,356,332</u>
		<u>3,985,025</u>	<u>3,356,332</u>
NET CURRENT LIABILITIES		<u>(646,334)</u>	<u>(543,861)</u>
Net Assets		<u><u>317,424</u></u>	<u><u>461,953</u></u>

The accounts on pages 6 to 13 were approved by the Board of Directors on 12th August, 1997, and were signed on its behalf by:

MR. J. D. MTURI)
)
) Directors
)
MR. E. D. WASUNNA)

Statement of Source and Application of Funds

For The Year Ended 30th June, 1995

	1995 Shs '000	1994 Shs '000
Source of Funds		
Net Income for the year	246,298	832,960
Adjustments for items not involving movement of funds:-		
Depreciation	43,103	45,536
Loss/(Gain) on currency realignment (Note 10)	214,809	(210,710)
Total funds generated from operations	<u>504,210</u>	<u>667,786</u>
Application of Funds		
Capital expenditure	1,048	1,058
Repayment of loan capital	<u>501,893</u>	<u>659,001</u>
	<u>502,941</u>	<u>660,059</u>
Net Inflow of Funds	<u>1,269</u>	<u>7,727</u>
Represented by:		
Movement in Working Capital		
(Decrease)/Increase in stocks	(36,218)	41,373
(Decrease)/Increase in debtors	(3,307)	10,860
Increase in The Kenya Power & Lighting Company Balance	565,833	759,867
Increase in creditors	<u>(524,950)</u>	<u>(804,648)</u>
	1,358	7,452
Liquid Funds:-		
(Decrease)/Increase in bank/cash balances	<u>(89)</u>	<u>275</u>
	<u>1,269</u>	<u>7,727</u>

For The Year Ended 30th June, 1995

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The Company prepares its accounts on the historical cost basis of accounting.

(b) Revenue

Revenue represents the ascertained cost of electrical energy supplied to the Authorised Distributor computed in accordance with the Seven Forks Supply Agreement and the Bulk Supply Licence No. 3.

(c) Interest

During the period of construction of a project, the related interest charges are capitalised as part of the cost of the project.

(d) Stocks

Stocks are valued at average cost less provision for obsolescence.

(e) Depreciation

According to the terms of the Bulk Supply Licence No. 3, the company is not required to provide for depreciation but instead is required to set aside an amount each year to the Loan Capital Redemption Fund equal to the amount of loans and debentures repaid in the year.

In order to present the accounts on a conventional basis and to comply with the reporting requirements of the World Bank in respect of its loans to the Company, depreciation is provided for and only the excess or deficit or debt redemption over depreciation charged for the year is transferred to the Loan Capital Redemption Fund. The accumulated provision for depreciation and the balance on the Loan Capital Redemption Fund therefore represent the amounts required to be provided by the Bulk Supply Licence No. 3.

Depreciation is provided in accordance with the requirements of the Electric Power Act. This writes down the cost of the fixed assets to a residual value by equal annual instalments over their estimated useful lives.

(f) Foreign currencies

All balances in foreign currencies at the Balance Sheet date are translated at the rate ruling on that date. During the period of construction of a project, gains and losses on foreign loan currency realignments are capitalised as part of the cost of the project. Gains and losses arising from the currency realignments of foreign loan capital relating to completed projects are transferred to reserves and are recoverable from the Authorised Distributor as and when the loans are redeemed.

Notes to the Accounts (Contd)

(g) Taxation

The Company is exempt from Kenya Corporation Tax.

(h) Deferred Income

The Company provides for exchange differences that are recoverable in full from the Authorised Distributor when the differences are realised. The future recoveries are not included in the accounts until the repayments are made.

2. Revenue

Revenue represents the total ascertained cost of 2,591,226,877 kilowatt - hours (1994 - 2,562,814,609 kilowatt - hours) supplied to the Authorised Distributor resulting in a cost of Shs 1.28 per kilowatt - hour (1994 - Shs 1.27 per kilowatt - hour) and comprises of:

	1995 Shs '000	1994 Shs '000
Operating and Administration expenses	2,619,806	2,288,529
Interest, excluding interest on Reserve and Equalisation Fund investments (Note 4)	210,110	320,609
Reserve and Equalisation Fund	(19,669)	(16,940)
Depreciation (Note 5)	43,103	45,536
Excess of Debt Redemption over depreciation	458,790	613,465
	<u>3,312,140</u>	<u>3,251,199</u>

3. Operating Expenses

Included in the Operating expenses are:-

Cost of electricity purchased from Kiambere and Masinga	2,379,925	2,083,341
Operating and Administration expenses	239,651	204,958
Depreciation (Note 5)	43,103	45,536
Directors' remuneration fees	80	80
Auditor's remuneration fees	150	150
	<u>2,662,909</u>	<u>2,334,065</u>

4. Interest

Receivable on Reserve and Equalisation Fund investments	21,986	25,725
Interest payable on long term borrowings	(210,110)	(320,609)
	<u>(188,124)</u>	<u>(294,884)</u>

5. Fixed Assets

	Land and Buildings Shs '000	Transmission Lines Shs '000	Plant and Machinery Shs '000	Furniture and other Equipments Shs '000	Total Shs '000
Cost					
At 1st July, 1994	1,112,043	116,472	423,446	25,092	1,677,053
Additions				946	946
At 30th June, 1995	<u>1,112,043</u>	<u>116,472</u>	<u>423,446</u>	<u>26,038</u>	<u>1,677,999</u>
Depreciation					
At 1st July, 1994	401,345	70,424	189,054	11,027	671,850
Charge for year	<u>27,662</u>	<u>3,845</u>	<u>9,023</u>	<u>2,574</u>	<u>43,104</u>
At 30th June, 1995	<u>429,007</u>	<u>74,269</u>	<u>198,077</u>	<u>13,601</u>	<u>714,954</u>
Net Book Value					
At 30th June, 1995	<u>683,036</u>	<u>42,203</u>	<u>225,369</u>	<u>12,437</u>	<u>963,045</u>
Work in Progress					
					<u>713</u>
					<u>963,758</u>
Net Book Value					
At 1st July, 1994	<u>710,698</u>	<u>46,048</u>	<u>234,392</u>	<u>14,065</u>	1,005,203
Work in Progress					
					<u>611</u>
					<u>1,005,814</u>

Title to the land has not been transferred to the company.

6. Debtors

	1995 Shs '000	1994 Shs '000
The Kenya Power & Lighting Company Limited	3,282,122	2,716,288
Others	<u>11,306</u>	<u>14,613</u>
	<u>3,293,428</u>	<u>2,730,901</u>

**Notes
to the
Accounts
(Contd)**

**Notes
to the
Accounts
(Contd)**

7. Creditors

	1995 Shs '000	1994 Shs '000
Interest accrued	239,443	227,049
Loan repayments due within one year	669,521	565,778
Treasury	3,041,915	2,552,843
Others	34,146	10,662
	<u>3,985,025</u>	<u>3,356,332</u>

8. Share Capital

	1995 Shs '000	1994 Shs '000
Authorised, issued and fully paid 6,000,100 Ordinary Shares of Shs 20 each	<u>120,002</u>	<u>120,002</u>

9. Reserves

	Shs '000	Shs '000
(a) Capital Reserve		
At 1st July, 1994 and 30th June, 1995	<u>152,040</u>	<u>152,040</u>
(b) Reserve and Equalisation Fund		
At 1st July, 1994		137,411
Write back of 1992 and 1993 excess set off against ascertained costs	(19,669)	
Interest for the year	<u>21,986</u>	<u>2,317</u>
At 30th June, 1995		<u>139,728</u>
(c) Loan Capital Redemption Fund		
At 1st July, 1994		(2,252,394)
Loss on currency realignment	(214,809)	
Excess of debt redemption over depreciation	<u>458,790</u>	<u>243,981</u>
At 30th June, 1995		<u>(2,008,413)</u>
Currency realignments are recoverable in full when realised in future through ascertained cost.		
(d) Total Reserves		
At 30th June, 1995		<u>(1,716,642)</u>
At 30th June, 1994		<u>(1,962,940)</u>

10. Loan Capital

	Balance 01.07.94 Shs '000	Repaid Shs '000	Exchange Loss/(Gain) Shs '000	Balance 30.06.95 Shs '000
Kamburu - Unsecured				
7.25% International Bank for Reconstruction and Development 1975/1996 (US \$. 5,066,035)	476,124	(221,912)	23,660	277,872
7.25% Kingdom of Sweden 1975/1996	14,633	(10,412)		4,221
7.25% Government of Kenya 1975/1996	6,407	(3,964)		2,443
	<u>497,164</u>	<u>(236,288)</u>	<u>23,660</u>	<u>284,536</u>
Gitaru - Unsecured				
8.50% International Bank for Reconstruction and Development 1979/2000 (US \$ 41,565,562)	2,346,567	(257,840)	191,149	2,279,876
8.50% Government of Kenya 1979/2000	26,938	(7,765)		19,173
	<u>2,373,505</u>	<u>(265,605)</u>	<u>191,149</u>	<u>2,299,049</u>
	<u>2,870,669</u>	<u>(501,893)</u>	<u>214,809</u>	<u>2,583,585</u>
Repayments due within one year included in creditors	<u>(565,778)</u>			<u>(669,521)</u>
	<u>2,304,891</u>			<u>1,914,064</u>

11. Capital Commitments

	1995 Shs '000	1994 Shs '000
Authorised but not contracted for	5,701	237
Contracted but not provided for in the accounts	<u>2,715</u>	<u>2,535</u>
	<u>8,416</u>	<u>2,772</u>

**Notes
to the
Accounts
(Contd)**

7 Year Financial and Statistical Record

For The Years Ended	30th June 1989	30th June 1990	30th June 1991	30th June 1992	30th June 1993	30th June 1994	30th June 1995
Units Generated (Millions)							
Kiambere			962	872	887	894	996
Kamburu	403	382	431	402	437	421	485
Gitaru	779	772	794	811	844	856	704
Kindaruma	214	216	201	206	213	218	213
Masinga	103	124	181	185	177	180	200
	<u>1,499</u>	<u>1,494</u>	<u>2,569</u>	<u>2,476</u>	<u>2,558</u>	<u>2,569</u>	<u>2,598</u>
Units Sold (Millions)	<u>1,495</u>	<u>1,490</u>	<u>2,562</u>	<u>2,470</u>	<u>2,552</u>	<u>2,563</u>	<u>2,591</u>
Average cost of units sold (cents)	24.07	24.70	43.41	50.89	64.79	127	128
Revenue from electricity sold (Shs '000)	<u>359,963</u>	<u>368,122</u>	<u>1,115,101</u>	<u>1,257,204</u>	<u>1,653,673</u>	<u>3,251,199</u>	<u>3,312,140</u>
Net Income/(Loss) for the year before Extraordinary items	<u>(50,912)</u>	<u>(330,017)</u>	<u>(167,541)</u>	<u>(366,305)</u>	<u>(1,482,294)</u>	<u>832,960</u>	<u>246,298</u>
Net Income/(Loss) for the year	<u>(50,912)</u>	<u>(330,017)</u>	<u>(167,541)</u>	<u>(366,305)</u>	<u>(1,482,294)</u>	<u>832,960</u>	<u>246,298</u>
Funds Generated from Operations (Shs '000)							
Net Income/(Loss) for the year	(50,912)	(330,017)	(167,541)	(366,305)	(1,482,294)	832,960	246,298
Depreciation	39,427	39,443	39,808	42,911	42,850	45,536	43,103
Currency realignment	99,278	397,878	297,233	544,629	1,792,575	(210,710)	214,809
Amortisation of currency realignment	23,581	23,581	23,581				
	<u>111,374</u>	<u>130,885</u>	<u>193,081</u>	<u>221,235</u>	<u>353,131</u>	<u>667,786</u>	<u>504,210</u>
Capital Employed (Shs '000)							
Fixed Assets less depreciation	1,136,576	1,112,313	1,102,295	1,088,692	1,050,291	1,005,813	963,758
The Kenya Power & Lighting Co. Ltd	365,599	443,448	1,204,873	1,434,663	1,956,421	2,716,288	3,282,122
Deferred debt	35,372	11,791					
Net current liabilities	<u>(388,783)</u>	<u>(501,027)</u>	<u>(1,416,567)</u>	<u>(1,783,106)</u>	<u>(2,611,161)</u>	<u>(3,260,149)</u>	<u>(3,928,456)</u>
	<u>1,148,764</u>	<u>1,066,525</u>	<u>890,601</u>	<u>740,249</u>	<u>395,551</u>	<u>461,952</u>	<u>317,424</u>
Financed by (Shs '000)							
Share Capital	120,002	120,002	120,002	120,002	120,002	120,002	120,002
Reserves	(449,744)	(779,761)	(947,301)	(1,313,606)	(2,795,901)	(1,962,940)	(1,716,642)
Loan capital	1,478,506	1,726,284	1,717,900	1,933,853	3,071,450	2,304,892	1,914,064
	<u>1,148,764</u>	<u>1,066,525</u>	<u>890,601</u>	<u>740,249</u>	<u>395,551</u>	<u>461,954</u>	<u>317,424</u>
Capital Expenditure	<u>15,563</u>	<u>15,180</u>	<u>29,790</u>	<u>29,308</u>	<u>4,450</u>	<u>1,058</u>	<u>1,048</u>
Income for the year as a percentage of average Capital employed (%)	(4.30)	(29.80)	(17.12)	(44.92)	(261.01)	194.28	63.20



TANA RIVER DEVELOPMENT COMPANY LIMITED

Electricity House, Harambee Avenue, Nairobi, Kenya