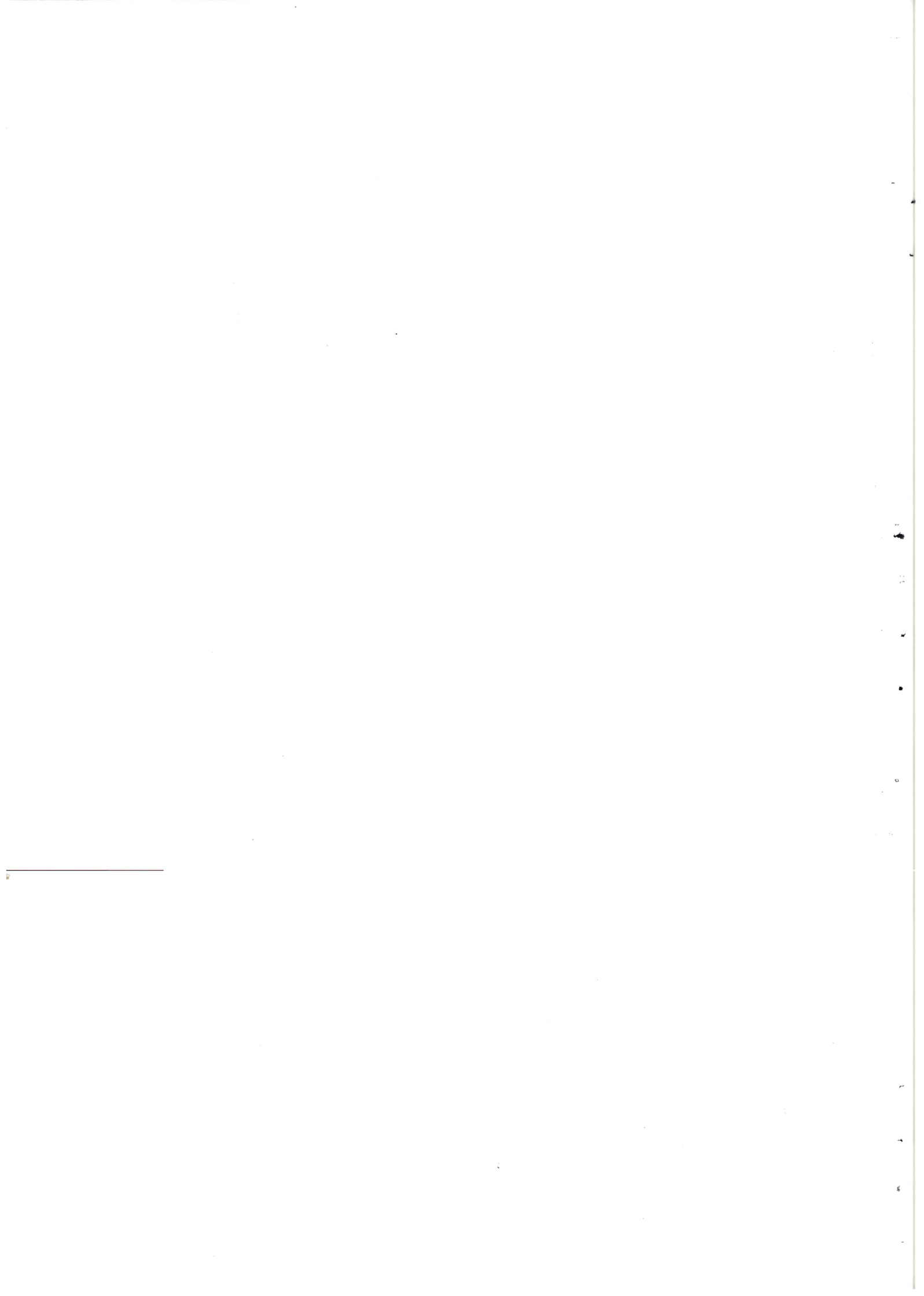


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**REPORT OF THE CONTROLLER AND AUDITOR
GENERAL ON THE ACCOUNTS OF KENYA RAILWAYS
CORPORATION FOR THE YEAR ENDED 30TH JUNE 2004**





KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 2004

I have audited the financial statements of Kenya Railways Corporation for the year ended 30 June 2004 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Corporation's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

Comments

1. Financial Performance and Financial Position

During the year, the Corporation's financial performance continued to deteriorate. The Corporation made a loss of Kshs.1,940,883,875 bringing its Net Appropriation Account to negative Kshs.13,213,881,182 as at 30 June 2004. The unfavourable result realized by the Corporation during the year was mainly attributed to locomotive running expenses of Kshs.2,267,085,222 and interest on

borrowing of Kshs.1,229,181,672 during the year. Further, the Balance Sheet reflects negative working capital of Kshs.5,430,493,547 (2003 - Kshs.3,550,794,834). In view of the foregoing, it is apparent that the Corporation is technically insolvent and its continued operation as a going concern is dependent upon continued financial support from the Government and its creditors.

2. Fixed assets

The Balance Sheet reflects tangible assets balance of Kshs.7,211,898,933 as at 30 June 2004. However, the Ledger EA74 and assets register on the other hand reflects Kshs.7,208,308,557 and Kshs.7,203,765,965 resulting to differences of Kshs.3,590,376 and Kshs.8,132,968 respectively. No explanation has been given for the differences. Further, the Balance Sheet figure of Kshs.7,211,898,933 excludes an undetermined value of the Corporation's unsurveyed land not valued as at 30 June 2004. This situation is indicative of significant impairment on some of the properties. Although the management has indicated there is a clean-up exercise of the balance sheet reconciliation, revaluation of assets and surveying of plots, the outcome of such activities has not been seen. Consequently, in light of the above, I am unable to confirm the carrying values as stated in the financial statements reflect the fair values of the fixed assets as at the balance sheet date.

3. Cash on hand

The Balance Sheet figure under current assets reflects Kshs.45,187,782 as cash on hand balance as at 30 June 2004 that includes imprests of Kshs.27,745,594, cash with overseas agents of Kshs.1,296,991 and cash in transit of Kshs.11,823,300. However, no verifiable certificates to support the imprest cash of Kshs.27,745,594 and evidence to support the cash with overseas agents of Kshs.1,296,991 were availed for audit. It was further noted that cash with overseas agents has been outstanding for a long time. Under the circumstances it was not possible to confirm the accuracy of the Balance Sheet cash on hand figure of Kshs.45,187,782 as at 30 June 2004.

4. Bank Overdraft

The Balance Sheet reflects bank balance overdraft of Kshs.526,661,442 which includes Kshs.539,800,995 overdraft in the main account cash book. However, the approved overdraft facility amounted to Kshs.200,000,000 resulting to un authorized and unapproved excess overdraft facility of Kshs.339,800,995. The Corporation did not prepare bank reconciliation statement as at 30 June 2004. Hence it was not possible to ascertain whether all bank transactions in the main bank overdraft account of Kshs.539,800,995 are fairly stated. Under the circumstances, it was not possible to confirm the accuracy of the bank balances as stated in the financial statements.

5. Debtors – Kshs.5,224,585,690

The debtors, less bad debts provisions balance of Kshs.5,224,585,690 reflected in the balance sheet includes Kshs.1,963,653,469 Suspense Account and Kshs.456,609,885 rents balance accounts without relevant schedules and supporting documentation. The debtors figure also includes Kshs.559,218,890 in deposits accounts split between Kshs.213,185,510 and Kshs.346,033,380 in old and new accounts respectively. It has not been explained why new accounts were operated alongside the old accounts and why new deposits accounts were opened while old deposit accounts still remained uncollected. The debtors further include Kshs.428,331,360 under stations out of which Kshs.293,333,710 refers to goods and Kshs.134,997,650 to coaching that include undetermined earnings collected at various stations that were expended at source. In view of the above, it was not possible to confirm the accuracy of the debtors figure as at 30 June 2004.

6. Stock

Although the balance sheet reflects a balance of Kshs.2,130,000,539 stores stocks as at 30 June 2004, the Corporation did not carry out physical stock take to determine the actual values of stocks. The Corporation has over the years not made any effort of taking annual stocks contrary to the generally accepted accounting practices governing stock. Also included in the balance sheet stores stocks balance is capital stores figure of Kshs.50,062,227 that did not tally with the figure of Kshs.57,481,629 supported by available documents, thus occasioning an unexplained difference of Kshs.7,419,629. Further stores and stocks figure include materials in transit figure of Kshs.348,818,722 that is cumulative over the years for overseas indents paid for but not received in the Corporation stores. No reconciliation statements of these materials in stock were provided for audit verification. The stores figure of un-issued balance of Kshs.2,029,400,926 as reflected in these accounts did not reconcile with the supplies office figures. In view of the foregoing, it was not possible to confirm the carrying value of stores stock figure of Kshs.2,130,000,539 as stated in the financial statements reflect the fair values of the stocks as at the balance sheet date.

7 Creditors and accrued charges - Ksh.12,474,395,058

The creditors and accrued charges balance of Kshs.12,474,395,058 includes demands payable balance of Kshs.3,409,189,334 as reflected in note 9 to the accounts which was not in agreement with the ledger balance of Kshs.3,585,063,879, hence the unexplained difference of Kshs.175,874,545. Further an amount of Kshs.15,914,202 is reflected as owed to General Electric (USA) while the ledger Account on the same showed a debit balance of Kshs.447,456.333 resulting to unexplained difference of Kshs.463,370,535

Under the circumstances, it was not possible to confirm the correctness of the creditors and accrued charges figure of Kshs.12,474,395,058 as reflected in these financial statements.

8. Net public debt

During the year under review, the net public debt rose from Kshs.4,558,566,632 in the previous year to Kshs.4,885,250,935 as at 30 June 2004. The Corporation, once again, failed to meet its obligations on current loan repayment of which the loan and accrued interest stood at Kshs.112,935,895 and Kshs.1,190,789,065 respectively. However the Government has repaid some of these loans on behalf of the corporation but a reconciliation of this public debt between the Corporation and the Government has not been done. Under the circumstances, it has not been possible to confirm the accuracy of the net public debt figure of Ksh.4,885,250,935 as stated in the balance sheet.

Opinion

Except for the matters set out in the foregoing paragraphs, in my opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Corporation as at 30 June 2004 and of its loss and cash flows for the year then ended and comply with Kenya Railways Corporation Act (Cap 397).



E.N. MWAI

CONTROLLER AND AUDITOR GENERAL

Nairobi

21 December 2005

KENYA RAILWAYS

INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30

	<u>NOTES</u>	<u>2002/2003</u> <u>Shs.</u>	<u>2003/2004</u> <u>Shs.</u>
<u>EARNINGS :</u>			
Passenger Traffic		127,966,555	207,401,796
Other Coaching Traffic		8,564,318	13,555,828
Goods Traffic		4,057,995,957	3,737,062,952
Livestock		648,454	4,664,092
Catering Services		33,475,046	38,958,678
Water Transport Services		167,512,796	133,167,933
Railway Training Institute		49,632,909	105,451,985
Miscellaneous Earnings	(16)	564,516,533	425,786,350
Interest on Cash Balances & Advances		10,188,435	4,132,754
TOTAL		5,020,501,003	4,670,182,368
<u>OPERATING EXPENDITURE :</u>			
Maintenance of Way and Works		646,744,657	642,011,404
Maintenance of Locos, Rolling Stock etc.		222,679,130	243,814,983
Locomotive Running Expenses		1,896,285,786	2,267,085,222
Traffic Expenses		311,405,185	307,184,891
Business Expenses		311,411,286	121,935,885
Catering Services		52,734,740	46,650,925
Water Transport Services		80,310,005	92,400,581
Electrical & Telecommunication Services		54,865,016	59,319,863
Railway Training Institute		39,173,436	64,841,748
General Charges		176,767,975	222,585,151
Miscellaneous Expenditure		1,220,027,385	690,866,618
TOTAL		5,012,404,601	4,758,697,272
Operating Profit/(Loss)		8,096,402	(88,514,904)
<u>NON OPERATING EXPENDITURE :</u>			
Depreciation & Amortization	(2)	268,992,675	242,269,852
Loans Foreign Exchange Adj.	(11)	(140,103,909)	290,831,323
Interest on Borrowings	(19)	1,063,073,258	1,229,181,672
Other Provisions	(18)	54,373,706	150,086,125
Total Non Operating Expenditure		1,246,335,730	1,912,368,972
Total Expenditure :		6,258,740,331	6,671,066,243
Net Surplus / (Deficit) before extra ord.iter		(1,238,239,328)	(2,000,883,875)
Extra Ordinary Items:-			
GOK Grant		1,607,240,322	60,000,000
Gain/(Loss) on Land Sale	(20)	31,750,000	0
Retrenchments		(270,654,007)	-
Total		1,368,336,315	60,000,000
Surplus / (Deficit) For the Year		130,096,987	(1,940,883,875)
Working Ratios %	Actual	100	102
	Target	86	86

KENYA RAILWAYS

CASHFLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2004

<u>2002/2003</u>		<u>2003/2004</u>	
Shs	Shs	Shs	Shs
		<u>Cash from Operations</u>	
	130,096,967		(1,940,883,875)
		Surplus/(Deficit) for the Year	
		Add : Items not Involving	
		Movement of Cash	
268,992,675		242,269,863	
0			
<u>268,992,675</u>		<u>242,269,863</u>	
399,089,662		(1,698,614,012)	
		<u>Total Cash from Operations</u>	
		<u>Add : Movement In Current Assots</u>	
(177,527,418)		476,707,572	
(410,944,955)		(586,730,564)	
711,322,509		1,411,990,785	
0		0	
(367,066,677)		(465,897,553)	
<u>(3,944,250)</u>		<u>(5,568,528)</u>	
(248,160,799)		830,501,711	
		<u>Not Current Assots Movement</u>	
		<u>Less : Investing Activities</u>	
91,567,586		92,458,382	
164,595,105		326,684,303	
36,843,776		36,843,774	
224,275,207		-	
(70,320,160)		(60,573,776)	
140,103,909		(290,831,323)	
(1,074,874,792)		(1,190,789,065)	
31,750,000		0	
(9,821,349)		-	
<u>(43,444,580)</u>		<u>(20,246,590)</u>	
(509,325,298)		(1,106,456,295)	
		<u>Total Investing Activities</u>	
		<u>Add : Financing Activities:-</u>	
11,100,000		0	
(127,770,136)		(334,612,169)	
(11,330,641)		294,296	
<u>(576,895,275)</u>		<u>22,302,919</u>	
(704,896,052)		(312,014,954)	
		<u>Total Financing Activities</u>	
		<u>Not Increase/(Decrease) In</u>	
		<u>Cash and Cash Equivalents</u>	
	<u>(44,641,891)</u>		<u>(73,670,961)</u>
		<u>Movement in Cash & Cash Equivalents</u>	
		<u>Opening Balances :</u>	
46,992,004		37,475,314	
(210,164,399)		265,825,883	
<u>(466,034,296)</u>		<u>(711,323,896)</u>	
(629,206,691)		(408,022,699)	
		<u>Total Opening Balances</u>	
		<u>Closing Balances :</u>	
37,475,314		45,187,782	
(711,323,896)		(526,881,442)	
<u>(673,848,582)</u>		<u>(481,693,660)</u>	
		<u>Total Closing Balances</u>	
		<u>Not Increase/(Decrease) In</u>	
		<u>Cash and Cash Equivalents</u>	
	<u>(44,641,891)</u>		<u>(73,670,961)</u>

KENYA RAILWAYS

NOTES TO THE ACCOUNTS

Hot

Note 1. ACCOUNTING POLICIES

- (a) Basis
Accounts are prepared on a historical cost basis as modified by the revaluation of fixed assets from time to time.
- (b) Compliance
Accounts are prepared in compliance with the Kenya Railways Corporation Act - Cap 397 and Exchequer and Audit Act -Cap 412, Laws of Kenya.
- (c) Depreciation
Depreciation is charged on a straight line basis based on the estimated useful life of the various classes of assets. Assets are depreciated with effect from the year following commissioning. Details of the useful lives of various classes of assets are shown in Note 2 and Statement No. 1 gives the movement of various assets.
- (d) Stores Stocks
These are stated at cost less provision for obsolescence and deterioration as shown in Note 4.
- (e) Short Term Investments
These consist of Fixed Deposits with various financial institutions stated at market value. They are normally used to provide security for short term borrowings, overdraft facilities and letters of credit. These are detailed in Note 5.
- (f) Cash-on-Hand
This is represented by a physical cash count at the close of the Financial Year as shown in Note 6.
- (g) Bad Debts
The Corporation provides for bad and doubtful debts at the rate of 5% of the debts that have proved uncollectable. This policy is effective from 1995/96 Financial Year.
- (h) Workshops : Works-in-Progress
Workshop works in progress comprises of all materials and labour in the workshops at the various stages of production valued at cost.
- (i) Creditors and Accrued Charges
These represent all short term indebtedness of the Corporation that are payable within the next Financial Year and include loan interest charges, arrears of loans, accrued payments and deposits .
- (j) Retention Accounts
These are accounts maintained in foreign currencies and are converted to Kenya Shillings using the rate ruling at the close of the Financial Year.
- (k) Loans
These are denominated in various foreign currencies as shown in Statements 8 is converted into Kenya Shillings using the closing rate as at June 30, 2004. Arrears of loans and interest charges are transferred to current loan liability at the close of the Financial Year.
- (l) Provisions
These are charged to the Accounts based on actual amounts set aside as shown in Statement Number 9.
- (m) Reserves
Transfer to reserves include prior-period adjustments and write off/back shown in Statement No. 9.
- (n) Working Expenditure
These are working accounts under various Abstracts as shown in Statement No. 10
- (o) Cashflow Statement
This is provided in compliance with IAS 7

KENYA RAILWAYS

NOTES TO THE ACCOUNTS

Note 2. TANGIBLE ASSETS (See Statement No.1)

Tangible Assets include Permanent Way, Buildings, Locomotives, Rolling Stock, Plant and Equipment etc. which are required for the on-going operations of the Railways. The table below shows the useful lives and the rates of depreciation for the major classes of Tangible Assets:-

<u>Class of Asset</u>	<u>Average Useful Life (Years)</u>	<u>Rate (%)</u>
(1) Permanent Way and Bridges	50	2
(2) Buildings	50	2
(3) Plant and Machinery	30	4
(4) Signalling Equipment	40	3
(5) Telecommunication Equipment	25	4
(6) Locomotives	30	4
(7) Coaches	25	4
(8) Wagons	20	5
(9) Motor Vehicles	5	20
(10) Office Equipment	5	20

Detailed movements of tangible assets are set out in Statement No.1 on page 13. The wasting assets are shown at replacement values with subsequent additions at cost. Depreciation is charged on wasting assets based on asset replacement values and calculated on the straight line method over periods related to the useful lives of the assets commencing at the beginning of the year following entry into service.

The value of assets brought into service during the year under review was Kshs. 20.2 Million.

The value of tangible assets has been arrived at as follows :-

<u>Tangible Assets as at June 30.</u>	<u>2002/2003 KShs</u>	<u>2003/2004 KShs</u>
Land	3,769,545,000	3,769,545,000
Others	31,305,808,904	31,326,057,494
	<u>35,075,353,904</u>	<u>35,095,602,494</u>
Less:		
Accumulated Depreciation	(27,641,434,329)	(27,883,703,561)
Net Tangible Assets as at June 30	<u>7,433,919,575</u>	<u>7,211,898,933</u>

Note 3. CAPITAL WORKS-IN-PROGRESS - KSHS. 1,399,269,329

This consists of the value, stated at cost, of all the on-going Capital Works which were being undertaken as at June 30, 2004. Detailed movements of works-in-progress are set out in Statement No.1, page 13

	<u>2002/2003 KShs</u>	<u>2003/2004 KShs</u>
Capital Works in Progress	<u>1,388,571,940</u>	<u>1,399,269,329</u>

KENYA RAILWAYS

NOTES TO THE ACCOUNTS

Note 4. STORES STOCKS

These are stated at cost less provision for obsolescence and deterioration and comprise the following:-

	2002/2003 KShs	2003/2004 KShs
Stores Unissued	2,504,365,757	2,029,400,925
Capital Stores	50,143,638	50,062,227
Materials-In-transit	302,060,451	348,818,722
Claims - Goods	17,306,248	17,306,248
Construction Plant	1,217,152	1,217,152
Uniforms	111,800	111,800
GROSS STORES STOCKS	2,875,205,045	2,446,917,074
Less : Provision for Deterioration and Obsolescence of Stores.	(268,487,935)	(316,916,535)
NET STORES STOCKS	2,606,717,110	2,130,000,539

Note 5. SHORT TERM INVESTMENTS

These comprise the following :-

	2002/2003 KShs	2003/2004 KShs
K.C.B. FDR NO.0016796	211,223,478	-
K.C.B FDR NO.0018221	600,000,000	-
K.C.B FDR NO.0016797	59,045,170	-
K.C.B FDR NO.0020629	-	60,032,858
K.C.B FDR NO.0020614	-	212,555,226
CITI GROUP NO. KE/1566/37/91	-	10,950,000
TOTAL	870,268,648	283,538,084

Note 6. CASH ON HAND

The balance of Cash on Hand consists of the following:-

	2002/2003 KShs	2003/2004 KShs
Cash on Hand	3,382,474	4,321,897
Cash with Overseas Agents	1,296,991	1,296,991
Imprest Cash	27,736,906	27,745,594
Cash in Transit	5,058,943	11,823,300
TOTAL CASH ON HAND	37,475,314	45,187,782

Note 7. DEBTORS

Details of debtors as at June 30, are as follows :-

	2002/2003 KShs	2003/2004 KShs
Traffic Account -Trade Debtors - statement 2	2,498,218,526	427,685,116
Bad & Doubtful Debts - Statement 3	1,263,187,498	3,664,735,589
Advances (General)	72,768,964	7,969,706
Uganda Railways	797,311,323	969,393,209
Numerical Machining Complex Limited	16,293,079	16,293,629
Advances E/S Staff	105,891,190	133,810,585
Car Purchase Scheme	1,928,336	1,608,635
Kenrail Consultants	3,089,221	3,089,221
GROSS DEBTORS	4,758,688,137	5,224,585,690
Provision for Bad & Doubtful Debts statement 3	32,363,675	3,664,735,589

The provision for bad and doubtful is based on debt that are not collectible as at June 30, 2004 as detailed in statement 3

KENYA RAILWAYS
NOTES TO THE ACCOUNTS

Note 8. WORKSHOPS : WORKS-IN-PROGRESS

This consists of the value, stated at cost, of all the unallocated works which were being undertaken at the underlisted three Kenya Railways workshops as at June 30.

	2002/2003 KShs	2003/2004 KShs
Central Workshops - Nairobi.	344,634	4,228,028
Marine Workshops - Kisumu	15,348,053	17,016,227
Permanent Way Depot - Nairobi	25,668,026	25,684,986
TOTAL	41,360,713	46,929,241

Note 9. CREDITORS & ACCRUED CHARGES

Details of Creditors and Accrued charges for the year ended June 30 are as follows:-

	2002/2003 KShs	2003/2004 KShs
(a) Industrial Area Accounts	53,443,213	52,502,813
(b) Loan Interest Charges (Statement No. 6)	7,901,376,913	9,092,165,978
(c) Statutory Deductions	7,459,629	7,555,054
(d) Salaries and Wages	4,458,932	5,440,261
Fixed Recoveries	-	-
Sub-Total	7,966,738,687	9,157,664,106
(f) Demands Payable		
(i) Accrued Payments - statement 4	2,043,101,303	2,429,488,007
(ii) Subsidiary Loan current and Arrears - Statement 5	91,567,586	92,458,382
(iii) Uganda Railways	761,192,497	800,475,470
(iv) General Electric International (USA)	-	15,914,202
(v) GOK - Payment to General Electric	130,000,000	-
(vi) Spornet (South A)	85,389,367	52,454,175
(vii) Audit Fees	5,347,656	7,288,558
(viii) Municipal Rates	20,486,453	11,110,541
Sub-Total	3,137,084,861	3,409,189,334
(ix) Retrenchment costs	50,148,311	-
Sub-Total	3,187,233,172	3,409,189,334
TOTAL	11,153,971,859	12,566,853,440
Less : Loan Liabilities(Arrears & current)- Statement 5	91,567,586	92,458,382
GRAND TOTAL	11,062,404,273	12,474,395,058

KENYA RAILWAYS
NOTES TO THE ACCOUNTS

Note 10. BANK BALANCES

Bank Balances for the year ended June 30 comprise the following:-

	2002/2003	2003/2004
	KShs	KShs
Cash Book Balance adjusted(Main Account)	(696,576,420)	(539,800,995)
Land Account	1,884	298,919
Passenger Services Account	1,304,813	1,356,007
Scrap Metal Account	5,041	1,740
Collection Accounts	2,544,072	8,004,910
Pension Warrants Account	(49,963,681)	1,543,329
Central Workshops Account	-	0
Railway Training Institute Account	7,916	84,045
K.G.I.A. Account	9,881	9,881
Letters of Credit - Active Account	40,970	38,870
Escrow Account	1,603,461	811
Project Account	41,549,205	60,491
Rental Account	2,136,437	1,621,847
Retention Accounts KCB	11,473,090	22,272,563
Citibank A/C 300045-006	305,578	(412,412)
Citibank A/C 300045-014	2,636,570	10,881,990
Citibank A/C 300045-022	682,117	657,810
Citibank A/C 100082-012	199,320	-
TOTAL BANK BALANCES	(681,940,745)	(493,380,194)
	(681,940,745)	(493,380,194)
Add : Miscellaneous Bank Debits	51,750,909	20,749,737
Less : Miscellaneous Bank Credits	(81,134,060)	(54,250,985)
NET BANK BALANCES	(711,323,896)	(526,881,442)

Note 11(a) LOANS

The Net Public Debt amounted to KShs. 4,885 as detailed on statement No. 7. Current loan liabilities payable amounted to KShs. 92.5 Million compared to KShs. 91.6 Million in the year to 30th June 2003 as detailed on page 17. The interest on Net Public Debt in the year 2004 amounted to KShs. 1,190 and the accumulated unpaid loan interest on Net Public Debt is KShs. 9,092 Million as detailed on statement No. 6. The foreign exchange loss amounted to KShs. 290 Million as detailed in Statement 9

Note 11(b) KCB TERM LOAN

This is a term loan acquired in August, 2002 from KCB on conversion of an existing Overdraft Facility of Kshs. 200,000,000. The balances as at 30th June 2004 is KShs 26,381,271. The amount payable in the next twelve months is KShs. 67.0 Million.

Note 12. GOVERNMENT SUBVENTIONS & EQUITY

These consists of the following:-

	2002/2003	2003/2004
	KShs	KShs
Government equipment loan Kenya Government, 1974	50,000,000	50,000,000
Kenya Government Equity for the purchase of new equipment	468,000,000	468,000,000
TOTAL	518,000,000	518,000,000

KENYA RAILWAYS

NOTES TO THE ACCOUNTS

Note 13. GRANTS

This consists of the balance of Capital materials paid through grants in the Financial Years 1989/90, 1990/91 & 1991/92 amounting to KShs. 35,555,108

Note 14. MOVEMENT IN PROVISIONS AND RESERVES

Details of movements in Provisions and Reserves are set out in Statement No.9.

Note 15. NET APPROPRIATION ACCOUNT

Movements in the Appropriation Account are as set out below :-

	<u>2002/2003</u> KShs	<u>2003/2004</u> KShs
Cumulative Deficit brought forward	(11,041,048,156)	(11,295,300,226)
Prior years adjustments during the year.	(347,115,394)	22,302,919
Net Cumulative Deficit brought forward	(11,388,163,550)	(11,272,997,307)
Add: (Deficit) / Surplus for the period	130,096,987	(1,940,883,875)
Cumulative Deficit carried forward	<u>(11,258,066,563)</u>	<u>(13,213,881,182)</u>

Note 16. MISCELLANEOUS EARNINGS

These consist of the following :-

	<u>2002/2003</u> KShs	<u>2003/2004</u> KShs
Rents & Platform tickets, etc.	139,524,097	193,209,129
Earnings from Uganda Railways	97,755,721	142,737,153
Land Sale	165,798,885	25,650,087
Other Misc. Earnings	158,683,178	29,989,541
Magadi Rail	0	25,131,567
Scrap Metal	2,754,652	9,068,873
Fixed Deposit Receipt	0	-
TOTAL	<u>564,516,533</u>	<u>425,786,350</u>

Note 17. EXPENDITURE

Detailed analysis of expenditure incurred under Working Accounts pertaining to their respective expenditure heads (Abstracts A to J), are as shown in Statement No.10

Note 18. OTHER PROVISIONS

These consist of the following :-

	<u>2002/2003</u> KShs	<u>2003/2004</u> KShs
1. Provision for Bad & Doubtful Debts	32,373,675	16,887,499.00
2. Provision for Obsolescence and deterioration	17,000,000	102,910,700
3. Provision for Write off of Assets	31	26
4. Provision for Insurance	5,000,000	30,287,900
GROSS OTHER PROVISIONS	<u>54,373,706</u>	<u>150,086,125</u>

KENYA RAILWAYS
NOTES TO THE ACCOUNTS

Note 19. INTEREST AND ARREARS ON BORROWINGS AND LOANS

This consists of the following :-

	2002/2003 KShs	2003/2004 KShs
1. Interest on Loans - Statement 6	1,074,874,792	1,190,789,065
2. Interest on Internal Borrowing	(58,607,068)	16,778,223
3. Interest on Overdraft	46,805,534	21,614,384
TOTAL	1,063,073,258	1,229,181,672

Note 20. LAND SALE AND SEVERANCE PAYMENTS :

These were treated as Extra-ordinary items during the year as follows:-

	2002/2003 KShs	2003/2004 KShs
Gross Land sales	42,850,000	-
Less: Book Value of Land	11,100,000	-
Gain on Sale of Land	31,750,000	-
Less: Severance payments	0	-
TOTAL	31,750,000	-

STATEMENT NO.1

FIXED ASSETS MOVEMENT SCHEDULE FOR THE PERIOD ENDED JUNE 30, 2004

ASSETS IN USE	Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs	
	Balance as at 1-7-2003	Adjustments during the period	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total
Land	3,769,545,000	0	3,769,545,000	0	0	3,769,545,000	0	0	0	3,769,545,000	0	0	0	3,769,545,000	0	0	0	
Earth works Ballast and Fencing	263,034,539	0	263,034,539	0	0	263,034,539	0	0	0	263,034,539	0	0	0	263,034,539	0	0	0	
Permanent Way Buildings and Other Improvements	13,696,813,962	4,160,000	13,700,973,962	0	0	13,700,973,962	0	0	0	13,700,973,962	0	0	0	13,700,973,962	0	0	0	
Locomotives and Rolling Stock	15,393,690,725	0	15,393,690,725	0	0	15,393,690,725	0	0	0	15,393,690,725	0	0	0	15,393,690,725	0	0	0	
Workshop Plant and Machinery	1,317,925,772	8,294,760	1,326,220,532	0	0	1,326,220,532	0	0	0	1,326,220,532	0	0	0	1,326,220,532	0	0	0	
Telecommu- nications	277,445,596	7,793,930	285,239,426	0	0	285,239,426	0	0	0	285,239,426	0	0	0	285,239,426	0	0	0	
Water Transport Road Services Other Assets	356,898,310	0	356,898,310	0	0	356,898,310	0	0	0	356,898,310	0	0	0	356,898,310	0	0	0	
TOTAL	35,075,353,904	20,248,590	35,095,602,494	0	0	35,095,602,494	0	0	0	35,095,602,494	0	0	0	35,095,602,494	0	0	0	

DEPRECIATION	Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs	
	Balance as at 1-7-2003	Adjustments during the period	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earth works Ballast and Fencing	248,630,197	0	248,630,197	0	0	248,630,197	0	0	0	248,630,197	0	0	0	248,630,197	0	0	0	
Permanent Way Buildings and Other Improvements	10,904,039,637	159,848,636	11,063,888,273	0	0	11,063,888,273	0	0	0	11,063,888,273	0	0	0	11,063,888,273	0	0	0	
Locomotives and Rolling Stock	14,712,222,171	60,986,820	14,773,208,991	0	0	14,773,208,991	0	0	0	14,773,208,991	0	0	0	14,773,208,991	0	0	0	
Workshop Plant and Machinery	1,199,093,772	5,452,982	1,204,546,754	0	0	1,204,546,754	0	0	0	1,204,546,754	0	0	0	1,204,546,754	0	0	0	
Telecommu- nications	224,614,436	5,812,299	230,426,737	0	0	230,426,737	0	0	0	230,426,737	0	0	0	230,426,737	0	0	0	
Water Transport Road Services Other Assets	352,843,453	1,746,061	354,589,514	0	0	354,589,514	0	0	0	354,589,514	0	0	0	354,589,514	0	0	0	
TOTAL	27,641,433,698	242,869,853	27,884,303,551	0	0	27,884,303,551	0	0	0	27,884,303,551	0	0	0	27,884,303,551	0	0	0	

WORKS-IN-PROGRESS	Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs	
	Balance as at 1-7-2003	Adjustments during the period	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total	Balance as at 30-6-2004	Accumulated Depreciation as at 1-7-2003	Depreciation during the period	Sub-Total
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earth works Ballast and Fencing	52,410,596	0	52,410,596	0	0	52,410,596	0	0	0	52,410,596	0	0	0	52,410,596	0	0	0	
Permanent Way Buildings and Other Improvements	92,116,215	30,942,979	123,059,194	0	0	123,059,194	0	0	0	123,059,194	0	0	0	123,059,194	0	0	0	
Locomotives and Rolling Stock	666,706,036	0	666,706,036	0	0	666,706,036	0	0	0	666,706,036	0	0	0	666,706,036	0	0	0	
Workshop Plant and Machinery	60,259,921	0	60,259,921	0	0	60,259,921	0	0	0	60,259,921	0	0	0	60,259,921	0	0	0	
Telecommu- nications	351,973,096	0	351,973,096	0	0	351,973,096	0	0	0	351,973,096	0	0	0	351,973,096	0	0	0	
Water Transport Road Services Other Assets	165,110,072	0	165,110,072	0	0	165,110,072	0	0	0	165,110,072	0	0	0	165,110,072	0	0	0	
TOTAL	1,396,571,940	30,942,979	1,416,517,919	0	0	1,416,517,919	0	0	0	1,416,517,919	0	0	0	1,416,517,919	0	0	0	

KENYA RAILWAYS

STATEMENT NO. 2DEBTORS BY CATEGORY AS AT 30TH JUNE, 2004

	TOTAL AMOUNTS <u>KSHS.</u>	LESS THAN ONE YEAR <u>KSHS.</u>	MORE THAN YEAR <u>KSHS.</u>
1 Ledger Accounts	605,149,659	197,595,588	407,554,071
2 Deposit Accounts - Old	213,185,510	-	213,185,510
- New	346,033,380	76,459,496	269,573,884
Station Outstanding - Goods	293,333,710	41,384,880	251,948,830
- Coaching	134,997,650	13,322,340	121,675,310
3 Government Warrants	21,481,354	1,113,494	20,367,860
4 Catering	3,925,360	292,600	3,632,760
5 Water	1,497,939	500,360	997,579
6 Rents	456,609,885	97,016,358	359,593,527
7 Passenger Agencies	52,552,789	-	52,552,789
8 Suspense Account	1,963,653,469	-	1,963,653,469
TOTAL	<u><u>4,092,420,705</u></u>	<u><u>427,685,116</u></u>	<u><u>3,664,735,589</u></u>

KENYA RAILWAYS
STATEMENT NO. 3

BAD AND DOUBTFUL DEBTORS BY CATEGORY AS AT 30TH JUNE, 2004

	<u>MINISTRIES</u> <u>KSHS.</u>	<u>PARASTATALS</u> <u>KSHS.</u>	<u>PRIVATE FIRMS</u> <u>KSHS.</u>	<u>TOTALS</u> <u>KSHS.</u>
1 Ledger Accounts	-	9,475,301	398,078,770	407,554,071
2 Deposit Accounts - New	38,511	24,231,794	245,303,579	269,573,884
- Old	-	-	213,185,510	213,185,510
3 <u>Station Outstanding</u>				
- Goods	-	251,948,830	-	251,948,830
- Coaching	-	121,675,310	-	121,675,310
4 Government Warrants	14,421,937	2,658,274	3,287,649	20,367,860
5 Catering	508,915	1,592,656	1,531,189	3,632,760
6 Water	288,138	2,622	706,819	997,579
7 Rents	5,173,100	37,830,581	316,589,846	359,593,527
8 Passenger Services- Note (i)	-	-	52,552,789	52,552,789
9 Suspense Account - Note (ii)	-	-	-	1,919,500,718
TOTAL	<u>20,430,601</u>	<u>449,415,368</u>	<u>1,231,236,151</u>	<u>3,620,582,838</u>

Comments

Note (i)

1) Passenger Agencies - The Corporation lost a case against Arbecrombie and Kent in 1996 and it is unlikely that this amount will ever be recovered.

Note (ii)

2) Suspense Account - KShs. 1,919,500,718: An exercise undertaken to establish the authenticity of the amount did not yield any results because there were no supporting documents for these amounts. Hence they will be difficult to collect.

KENYA RAILWAYS

STATEMENT NO. 4

CREDITORS BALANCES AS AT 30/06/2004

	<u>UNDER 30</u>	<u>OVER 30</u>	<u>OVER 60</u>	<u>OVER 90</u>	<u>TOTALS</u>
GORVERNMENT/MINISTRIES					
government ministries	20,000	0	0	1,285,571	1,305,571
NHIF	0	0	0	100,260,830	100,260,830
NSSF	0	0	0	29,933,184	29,933,184
Telkom	0	0	0	131,712,799	131,712,799
Water & rates	20,612	4,330,547	3,611,903	100,156,265	108,119,327
SUB-TOTAL	40,612	4,330,547	3,611,903	363,348,649	371,331,711
KENYA REVENUE AUTHORITY					
Customs & excise	1,913,719	0	0	15,484,977	17,398,696
PAYE	9,065,169	0	7,443,039	499,089,632	515,597,840
Value Added Tax	9,528,486	7,093,651	11,221,365	520,691,371	548,534,873
SUB-TOTAL	20,507,374	7,093,651	18,664,404	1,035,265,980	1,081,531,409
STAFF DEDUCTIONS					
Check-off payments	0	395,310	775,158	10,903,084	12,073,552
Casuals	0	0	0	52,443,685	52,443,685
Cotu subscriptions	294,874	0	107,634	461,235	863,743
HELB	0	0	0	480,106	480,106
Pension - lumpsum				260,426,186	260,426,186
Railway co-op society	0	0	0	145,595,698	145,595,698
Railway clubs	0	0	0	351,638	351,638
Railway housing co-op	745,651	0	27,060	3,699,442	4,472,153
RTI part-time staff	357,069	655,269	2,783,819	0	3,796,157
Save as you earn(postbank)	0	0	0	1,782,837	1,782,837
SUB-TOTAL	1,397,594	1,050,579	3,693,671	476,143,911	482,285,755
THIRD PARTIES					
Advocates	397,116	2,298	1,649,908	55,366,875	57,416,19
Imprests/departments	23,028,539	1,254,916	3,142,396	0	27,425,851
Insurance payables	45,894	0	0	0	45,894
Medical services to KR	0	2,933,936	0	17,836,970	20,770,906
Miscellaneous vendors	3,054,474	652,751	1,904,324	35,513,288	41,124,837
Security charges	0	0	0	4,180,889	4,180,889
SUB-TOTAL	26,526,023	4,843,901	6,696,628	112,898,022	150,964,574
SUPPLIERS					
Catering	1,201,317	14,390	1,184,111	3,054,069	5,453,887
Fuel and oil	64,944,000	0	0	0	64,944,000
Others	16,207,751	4,898,380	4,916,639	246,953,902	272,976,672
SUB-TOTAL	82,353,068	4,912,770	6,100,750	250,007,971	343,374,559
GRAND TOTALS	130,824,671	22,231,448	38,767,356	191,823,475	2,429,488,008

KENYA RAILWAYS
STATEMENT NO. 5

CURRENT AND ARREARS LOAN LIABILITIES

<u>S.</u>	<u>LOAN DETAILS</u>	<u>ARREARS OF</u>	<u>LOANS CURRENT</u>	<u>TOTAL</u>
		<u>LOANS</u>	<u>LIABILITIES</u>	<u>2003/2004</u>
		<u>2003/2004</u>	<u>2003/2004</u>	<u>2003/2004</u>
		<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
		<u>KShs.</u>	<u>KShs.</u>	<u>KShs.</u>
05,571	1. ODA £Stg. 7.04 M. 9%	17,291,783	17,569,914	34,861,697
60,830	2. IDA (1820-O KE) SDR 21.80 M. 8.8%	21,416,390	21,416,390	42,832,780
33,184	3. KFW DM. 27.00 M. (2031) 7.5%	6,788,674	6,788,674	13,577,348
12,799	4. K.F.W DM 4.5M. (2031) 7.5%	1,025,640	160,917	1,186,557
19,327	TOTAL	46,522,487	45,935,895	92,458,382
31,711	5. KCB borrowing term loan payable	-	67,000,000	67,000,000
8,696	TOTAL	46,522,487	112,935,895	159,458,382
7,840				
4,873				
1,408				

3,552
1,685
7,743
1,106
1,186
1,698
1,638
1,153
1,197
937

5

1
3
19
06
37
89
74

37
00
12

9
8

KENYA RAILWAYS

STATEMENT NO 6LOAN INTEREST CHARGES AND ARREARS

Loan Details	Cumulative Interest as at June 30 2003 <u>Kshs.</u>	Interest for the period 2003-2004 <u>Kshs.</u>	Cumulative Interest as at 2003-2004 <u>Kshs.</u>
1. ODA £Stg. 7.04 M. 9%	408,820,432	57,035,589	465,856,021
2. IDA (1820-O KE) SDR 21.80 M. 8.8%	724,742,386	115,572,004	840,314,390
3. KFW DM. 27.00 M. (2031) 7.5%	604,481,212	75,712,105	680,193,317
4. A.F.D.B. US\$ 11.031M. 8%	1,163,020,932	166,973,437	1,329,994,369
5. K.F.W DM 4.5M. (2031) 7.5%	10,354,247	595,224	10,949,471
6. IBRD 1981 US\$ 58.0M. (1976-0KE) 9.6%	4,320,651,214	652,102,889	4,972,754,103
7. K.F.W 1971 DM 8.6M. (1996) 3%	49,203,421	12,867,743	62,071,164
8. BANQUE INDOSUEZ USD.9490.12 @74.C	3,600,142	810,805	4,410,947
9. PARIS CLUB USD. 1,201,537.28 @74.00	616,502,927	109,119,267	725,622,194
TOTAL	<u>7,901,376,913</u>	<u>1,190,789,065</u>	<u>9,092,165,978</u>

KENYA RAILWAYS

STATEMENT NO. 7

MOVEMENTS OF LOANS BALANCES AS AT JUNE 30, 2004

	OPENING BALANCES AS AT JULY 1, 2003 (A)	Note (i) CURRENT LOAN LIABILITIES (B)	CURRENT UNREDEEMED LIABILITIES ADJUSTMENT (C)	Note (ii) FOREIGN EXCHANGE (GAIN)/LOSS ADJUSTMENT (D)	LOAN LIABILITIES AS AT JUNE 30, 2004 (A-B+C+D)
	Shs	Note (i) Shs	Note (ii) Shs	Shs	Shs
A. FIXED TERM LOANS RAISED BY PUBLIC					
SUBSCRIPTION EAST AFRICAN LOAN STOCKS					
1954 STG PD. 5.0 M (1973-76) 4%	90,000	0	0	0	90,000
1957 STG PD. 8.5 M (1977-83) 5.7%	20,000	0	0	0	20,000
1975 STG PD. 5.9 M (1977) 9%	24,918,842	0	0	0	24,918,842
1970 KENYA PD. 1.0 M (1990) 6.75%	513,100	0	0	0	513,100
1971 KENYA PD. 3.4 M (1986) 6.75%	11,301,834	0	0	0	11,301,834
	<u>36,843,776</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,843,776</u>
LOANS					
B. INTERNATIONAL AGENCIES					
AFDB UA. 10.0 M. 8%	507,337,377	0	0	68,955,511	576,192,888
IBRD 1965 US\$ 38.00 M. (428)	93,723,061	0	0	0	93,723,061
IBRD 1970 US\$ 42.40 M. (670)	165,855,789	0	0	0	165,855,789
IBRD 1981 US\$ 58.00 M. (1976-O KE) 9.6%	1,917,272,138	(100,000)	0	143,795,403	2,060,967,541
LLOYDS BANK STG 18.79 M.	106,126,421	0	0	0	106,126,421
EXIM BANK 1985 US\$ 15.3 M.	384,826,371	0	0	0	384,826,371
BANQUE INDOSUEZ 1985 US\$ 0.90 M. (1997) 7.4	6,696,309	0	0	908,819	7,605,123
IDA (1820-O KE) SDR 21.00 M. 8.8%	443,370,744	(42,832,780)	42,832,780	33,252,810	476,623,554
ODA Estp. 7.04 M. 9%	147,971,659	(34,861,697)	33,126,387	(27,062,075)	119,174,274
PARIS CLUB RESCHEDULING	615,191,555	0	0	46,139,364	661,330,919
SUB TOTAL	<u>4,388,371,424</u>	<u>(77,794,477)</u>	<u>75,959,167</u>	<u>265,889,832</u>	<u>4,652,425,946</u>
C. OTHER GOVERNMENTS					
FEDERAL GOVERNMENT OF WEST GERMANY					
K.F.W. 1971 DM. 8.60 M. (1996) 3%	18,756,517	0	0	2,545,622	21,302,139
K.F.W. DM. 4.5M. (2010) 2%	18,936,742	(1,186,557)	2,031,071	2,570,082	22,351,338
K.F.W. DM. 27.00 M. (2031) 7.5%	132,501,949	(13,577,348)	13,577,348	19,825,787	152,327,736
SUB TOTAL	<u>170,195,208</u>	<u>(14,763,905)</u>	<u>15,608,419</u>		<u>195,981,213</u>
TOTAL LOANS (NET PUBLIC DEBT A-B+C+D)	<u>4,595,410,408</u>	<u>(92,558,382)</u>	<u>91,567,586</u>	<u>265,889,832</u>	<u>4,805,250,935</u>

Note (i) - Computation on Statement No 5

Note (ii) - Computation on Statement No 8

STATEMENT NO. 8

CALCULATION OF EXCHANGE GAIN / LOSS FOR SERIAL LOANS FOR THE PERIOD ENDING JUNE 30, 2004

	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERTED APPLYING RATE AS AT 30.6.2004 Shs.	INITIAL LOAN BALANCES AS AT 30.6.2003 Shs.	TOTAL CUMULATIVE EXCHANGE GAIN/ (LOSS) Shs.
1. IBRD 1981 US\$50.00(1976 O KE) 9.6%	25,615,956	0	25,615,956	2,061,067,443	1,917,272,040	(143,795,403)
2. ODA Stg 7.04 M 9%	1,466,985	0	210,967,274	154,035,971	181,098,045	27,062,075
3. IDA	342,662,246	0	342,662,246	476,623,613	443,370,803	(33,252,810)
4. AFDB (UA.10.0M)	151,784,021	0	151,784,021	576,192,986	507,337,475	(68,855,511)
5. KFW DM. 4.5M.	19,253,884	0	19,258,884	21,506,824	18,936,742	(2,570,082)
6. KFW DM. 27.0M.	135,773,472	1,600,000	134,173,472	165,905,084	146,079,297	(19,825,787)
7. KFW DM. 8.60M. BANQUE INDOSUEZ	18,199,050	0	18,199,050	21,302,138	18,756,516	(2,545,622)
8. 1985 US\$ 0.90 M. (1997) 7.4 % US\$	899,188	809,269	89,919	7,635,127	6,696,308	(938,819)
9. PARIS CLUB RESCHEDULING US\$	8,313,399	0	8,313,399	661,330,890	615,191,526	(46,139,364)
				<u>4,145,570,076</u>	<u>3,854,730,753</u>	<u>(290,831,323)</u>

CALCULATION OF EXCHANGE GAIN / LOSS FOR SERIAL LOANS FOR THE PERIOD ENDING JUNE 30, 2003

	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	CONVERTED APPLYING RATE AS AT 30.6.2003 Shs.	INITIAL LOAN BALANCES AS AT 30.6.2002 Shs.	CUMULATIVE EXCHANGE GAIN/ (LOSS) Shs.
1. IBRD 1981 US\$50.00(1976 O KE) 9.6%	27,537,152	0	27,537,152	1,938,931,654	2,037,749,270	98,817,616
2. ODA Stg 7.04 M 9%	1,724,716	0	210,967,274	181,098,046	210,967,274	29,869,228
3. IDA	342,662,246	0	342,662,246	443,370,803	471,231,265	27,860,462
4. AFDB (UA. 10.0M)	151,784,021	0	151,784,021	507,337,475	465,998,212	(41,349,263)
5. KFW DM 4.5M.	19,250,884	0	19,250,884	20,967,813	19,258,884	(1,708,929)
6. KFW DM 27.0M.	135,773,472	1,600,000	134,173,472	146,079,297	134,173,472	(11,905,825)
7. KFW DM 8.60M. BANQUE INDOSUEZ	18,199,050	0	18,199,050	18,756,516	18,199,050	(557,466)
8. 1985 US\$ 0.90 M. (1997) 7.4 % US\$	899,188	809,269	89,919	6,696,308	7,117,089	420,781
9. PARIS CLUB RESCHEDULING US\$	8,313,399	0	8,313,399	615,191,526	653,848,831	38,657,305
				<u>3,856,769,824</u>	<u>4,018,533,347</u>	<u>140,103,909</u>

Loan balances denominated in foreign currency as at June 30, were converted using the following exchange rates

June 30, 2004	June 30, 2003	June 30, 2002
US \$ 1 = KShs. 79.55	US \$ 1 = KShs. 74.00	US \$ 1 = KShs. 70.65
£ Stg 1 = KShs. 143.81	£ Stg 1 = KShs. 122.32	£ Stg 1 = KShs. 120.12
Euro 1 = KShs. 96.15	Euro 1 = KShs. 84.66	Euro 1 = KShs. 84.32

STATEMENT NO. 9.

MOVEMENT IN PROVISIONS AND RESERVES

	Staff Pensions	Widows & Orphans Pensions	Fixed Assets Obsolescence	Insurance	Gratuities & Provident Fund	Bad & Doubtful Debts	TOTAL
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
A : PROVISIONS							
Balance as at 1st July 2003	542,406,733	161,771,449	(181,242,686)	(82,251,591)	40,506,026	358,688,620	859,878,551
Charges in the Accounts	446,642,695	1,064,510	54,482,100		68,521,846	16,887,499	587,599,650
Total	989,049,428	182,835,959	(126,760,586)	(82,251,591)	109,027,872	375,576,119	1,447,477,201
LESS							
Payments/Transfers	824,269,148	714,998		12,026,392	85,600,740		922,611,278
Balance as at June 30, 2004	164,780,280	182,120,961	(126,760,586)	(94,277,983)	23,427,132	375,576,119	524,865,923
B : RESERVES							
			General Reserve	Reserves Adjustment	Asset Revaluation Reserve	Special Depreciation Magdli-Lino	Total
			Shs	Shs	Shs	Shs	Shs
Balance as at 1st July 2003			2,693,265,932	(273,032,066)	7,970,238,584	13,972,632	10,404,445,082
Add : Adjustments / Charges in the Accounts			19,288	325,356		0	344,644
Less : Amounts written off / back				287,065		0	287,065
Balance as at June 30, 2004			2,693,285,220	(272,993,775)	7,970,238,584	13,972,632	10,404,502,661

KENYA RAILWAYS
STATEMENT NO. 10

WORKING EXPENDITURE FOR THE YEAR ENDED JUNE 30, 2004

<u>Abstract A</u>	<u>Maintenance of Way and Works</u>	2002/2003 <u>Shs.</u>	2003/2004 <u>Shs.</u>
100 - 108	CCE's Headquarters and District Staff	123,733,610	123,620,178
109 - 120	Maintenance of Permanent Way	369,584,978	404,779,031
121 - 126	Maintenance of Bridges & Culverts	2,843,603	1,536,653
130 - 136	Maintenance of Works	24,715,583	25,006,221
140 - 145	Water Supply	473,291	123,075
150	Bush, Gardens Clearing and Conservancy	34,535,398	24,322,627
151	Maintenance of Tools and Plant	9,889,959	7,460,635
152	Purchase of Spares for Tools and Plant	266,872	621,164
153	Fuel Oil And Lubricant	27,359,799	11,672,183
154	Domestic Water Supply	33,419,226	33,222,901
155	Licences and Insurance for Motor Vehicles	91,817	82,749
156 - 157	Street Lighting	3,890,391	3,195,291
160	Contingencies for Floods and Accidents	9,304,146	272,061
165 - 169	Printing and Stationery	525,071	953,396
170 - 173	Maintenance of Mechanical Power Signals	40,960	27,026
180 - 186	Office Telephones	5,272,049	3,071,366
190	Minor Works	237,643	248,767
195	Non-Capitalised Major Works	239,973	1,760,341
196 - 199	Work Done for Other Departments	300,288	35,739
	Total - Abstract A	<u>646,744,657</u>	<u>642,011,404</u>
<u>Abstract B</u>	<u>Maintenance of Locomotives, Rolling Stock, etc.</u>	2002/2003	2003/2004
200 - 208	Central Workshops Manager and Staff	25,940,972	29,688,461
210 - 215	Workshops - Maintenance of Locomotives	43,047,349	45,650,067
220 - 225	Workshops - Maintenance of Coaching Stock	25,070,573	25,105,026
230 - 235	Workshops - Maintenance of Goods Stock	80,966,561	113,328,658
240 - 244	Maintenance of Machinery, Tools and Plant	21,491,151	19,323,378
245	Work Done for Other Departments	83,481	9,136
246	Commercial & Private Work Orders	890,074	258,579
248	Departmental Telephone Charges	2,424,908	1,190,004
250	Electrical Maintenance	21,670,486	8,774,526
255	Printing and Stationery	837,244	421,737
270-297	Canteen Stores, Equipments, Staff & Uniforms.	256,331	65,412
	Total - Abstract B	<u>222,679,130</u>	<u>243,814,983</u>

KENYA RAILWAYS

Abstract C	Locomotive Running Expenses	2002/2003	2003/2004
		<u>Shs.</u>	<u>Shs.</u>
300 - 305	CM&EE's Headquarters and District Staff	25,564,435	26,431,585
306	Drawing Office	664,500	962,459
308	Staff Training	22,949,349	53,779,158
310 - 316	Running Repairs	386,854,384	215,726,107
317	Running Expenses	123,911,958	163,038,817
320 - 329	Running Stores	42,980,519	46,844,563
330 - 336	Fuel	1,143,755,813	1,555,121,347
340 - 341	Locomotive Running Sheds	14,286,977	12,250,721
345 - 346	Work Done for Other Departments	4,737,345	5,709,837
350 - 356	Cleaning and Care of Locomotives	10,507,818	6,931,939
360 - 362	Maintenance of Machinery, Tools and Plant	1,659,959	1,503,959
367 - 368	Departmental Telephone Charges	4,591,212	2,363,421
369	Maintenance Repairs and Fuel to Dept. Vehicles	8,992,198	23,424,145
370 - 371	Maintenance of Outside Mech. Handling Equip.	4,463,738	4,043,569
372 - 375	Maintenance of Mech. Handling Equipment	75,111	215,846
380 - 382	Running Staff	83,124,506	124,687,066
383 - 384	Electrical Maintenance	14,132,961	12,198,438
385	Printing and Stationery	330,331	611,398
387	Accident Repairs	2,698,172	11,116,127
390	Minor works	4,500	124,700
	Total - Abstract C	<u>1,896,285,786</u>	<u>2,267,085,222</u>
Abstract D(i)	<u>Traffic Expenses</u>		
400 - 408	CTM's Headquarters and District Staff	76,804,588	68,814,114
410 - 417	Station Staff	162,735,907	159,170,625
420	Loading and Unloading of Vessels and Trucks	47,397	6,929
421	Weighing at Ports	16,671	0
422	Shore Works	13,717,216	12,209,262
424	Motor Vehicles Fuel and Maintenance	1,315,275	1,570,222
425	Office Telephone Charges	12,910,475	13,390,546
426 - 435	Running Rooms Staff	25,864,221	28,560,111
440 - 444	Station Stores	9,813,290	9,437,465
445	Accidents	494,390	774,551
450	Clothing	78,244	3,716,221
460 - 465	Printing and Stationery	3,017,201	3,355,770
470 - 490	Collection, Delivery & local Haulage	4,590,310	6,179,075
	Total - Abstract D(i)	<u>311,405,185</u>	<u>307,184,891</u>
Abstract D(ii)	<u>Business Expenses</u>		
500 - 506	Business Manager's Headquarters Staff	20,955,988	17,909,175
507 - 511	Station Pier and Shore Working	26,927,226	30,941,677
512	Maintenance Repairs and Other Transport Charges	2,974,244	3,338,844
513 - 515	Station Stores	1,967,087	1,558,221
517	Clothing	175,190	88,574
518	Entertainment	509,362	72,926
519	Commission, Rebates & Discounts	167,391,415	0
520-521	Printing and Stationery	14,850	121,555
522 - 529	Hire of Uganda Locos	74,063,514	49,200,229
531 - 549	Hire of UR Wagons	16,432,410	18,704,684
	Total - Abstract D(ii)	<u>311,411,286</u>	<u>121,935,885</u>

KENYA RAILWAYS

		2002/2003	2003/2004
<u>Abstract E</u>	<u>Catering Services</u>	<u>Shs.</u>	<u>Shs.</u>
550 - 559	Superintendence	4,836,833	2,933,112
570 - 573	Refreshment Rooms	38,933,522	35,309,055
574	Hotels Licence Fees	52,800	343,690
575 - 576	Hotels Beddings and Laundry	7,841,204	6,945,248
577	Printing and Stationery	95,059	4,414
579	Agency Commission & Motor Maintainance	333,164	195,830
580 - 588	Inland Waterways	584,630	170,495
589	Uniforms	57,528	749,081
	Total - Abstract E	<u>52,734,740</u>	<u>46,650,925</u>
		2002/2003	2003/2004
<u>Abstract F</u>	<u>Water Transport Services</u>	<u>Shs.</u>	<u>Shs.</u>
600 - 608	Superintendence	1,772,859	2,925,520
610 - 620	Maintenance and Minor Renewals in Workshops	12,782,667	12,138,735
621 - 631	Running Expenses	63,593,053	74,865,183
632	Repairs, Fuel and Other Transport Charges	839,264	1,250,413
633	Departmental Telephone Charges	18,728	7,435
635 - 636	Printing and Stationery	76,673	38,291
637	Uniforms	14,290	50,780
645	Non-Capitalised Major Works	0	5,992
646	Insurance	1,212,471	1,118,232
	Total - Abstract F	<u>80,310,005</u>	<u>92,400,581</u>
		2002/2003	2003/2004
		<u>Shs.</u>	<u>Shs.</u>
<u>Abstract G</u>	<u>Maintenance of Electrical & Telecommunication Services</u>		
650 - 655	Superintendence	12,294,712	13,200,309
656	Motor Drivers	1,760,198	1,160,507
657	Works & Supervisory Staff	13,639,785	14,023,997
658	Staff Training	140,730	1,044,448
659	Electrical Maintenance	26,700	2,960
660 - 655	Station Operations	2,084,416	2,421,889
666 - 669	Signal and Radio Maintenance	17,861,735	17,200,129
670 - 677	Running expenses	5,291,682	9,059,172
678	Electricity Charges	1,337,032	720,301
680 - 689	Telephone Directory	31,320	49,996
690	New Minor Works	2,280	104,081
695	Non-Capitalised Major Works	394,426	332,072
	Total - Abstract G	<u>54,865,016</u>	<u>59,319,863</u>

KENYA RAILWAYS

<u>Abstract II</u>	<u>General Charges</u>	2002/2003	2003/2004
		<u>Shs.</u>	<u>Shs.</u>
700 - 701	Board Expenses	9,259,776	15,082,340
702 - 706	Administration	24,901,808	27,502,846
707 - 709	Legal Expenses	14,853,394	34,291,389
710 - 711	Secretariat	880,304	839,508
712 - 714	Internal Audit	4,889,683	4,889,710
715 - 718	Management Services	4,537,828	5,292,193
720 - 722	Data Processing	18,427,226	17,735,184
724 - 738	Personnel	34,586,123	34,637,247
740 - 744	Railway Training Institute	23,509,624	34,199,355
745 - 751	Railway Training Institute Hostels	14,931,196	29,975,590
753 - 755	Staff Training (R.T.I.)	732,616	666,803
760 - 761	Finance	32,804,008	29,220,217
762 - 763	Audit Expenses	1,940,902	1,944,747
764	Staff Training (Finance Department)	23,600	724,000
769 - 774	Supplies	18,826,699	21,940,442
780 - 790	Corporate Communication	10,836,624	28,485,327
	Total - Abstract II	<u>215,941,411</u>	<u>287,426,900</u>

KENYA RAILWAYS

		2002/2003	2003/2004
		<u>Shs.</u>	<u>Shs.</u>
<u>Abstract J</u>	<u>Miscellaneous Expenses</u>		
800 - 804	Pensions and Gratuities	709,208,221	304,887,096
805 - 809	Free Railway Traffic Costs	35,600,336	10,417,360
810	Refund of Fares to Passengers	95,251	0
811	Compensation to Employees	433,403	599,445
812	Refund of Fares to Other persons	28,947,158	14,254,460
814	Loss and Damage to Freight	31,413,628	12,881,136
816	Aid Activities & Awareness	0	804,408
820 - 823	Security Services	91,820,906	80,058,110
825 - 827	Fire Precautions	1,549,451	2,299,995
830 - 831	Headquarters Central Despatch Office	800,931	712,911
833	Cleaning of Passenger Coaches	(473,258)	2,556,585
835 - 838	Office Cleaning	186,283	194,266
840 - 844	Staff Housing	86,616,162	78,375,318
850 - 859	Staff Allowances	13,550	30,640
860 - 864	Stationery and Printing	33,474,565	32,622,114
865	Exchange and Brokerage and commission	26,889,546	32,206,441
866	Professional Subscriptions	54,000	427,152
867	Consulting Services	12,058,121	5,814,079
868	Municipal Rates	2,258,784	6,445,417
869	Out-patient Medical Services	36,049,426	24,440,357
870	sa	1,552,080	902,328
871 - 872	Agency Services	0	11,963
873	Metric Conversion Services	28,002	0
874	Harambee Projects	179,800	179,000
876	Celebrations Costs	0	5,190
877	All African Railways	0	950,229
879	R. T. I. General Account	35,334,451	10,031,142
880	Motor Vehicles Fuel and Maintenance Costs	36,003,788	29,775,597
881	Road Warrants For Staff	31,575,082	23,706,100
883	Telephone Charges	18,281,344	14,805,894
885	Emergency Action Plan Costs	1,753	70,806
888	Union of African Railways	74,421	401,078
890	Retrenchment	0	0
	Total - Abstract J	1,220,027,385	690,866,618
	TOTAL EXPENDITURE	<u>5,012,404,601</u>	<u>4,758,697,272</u>