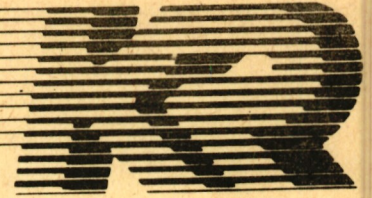


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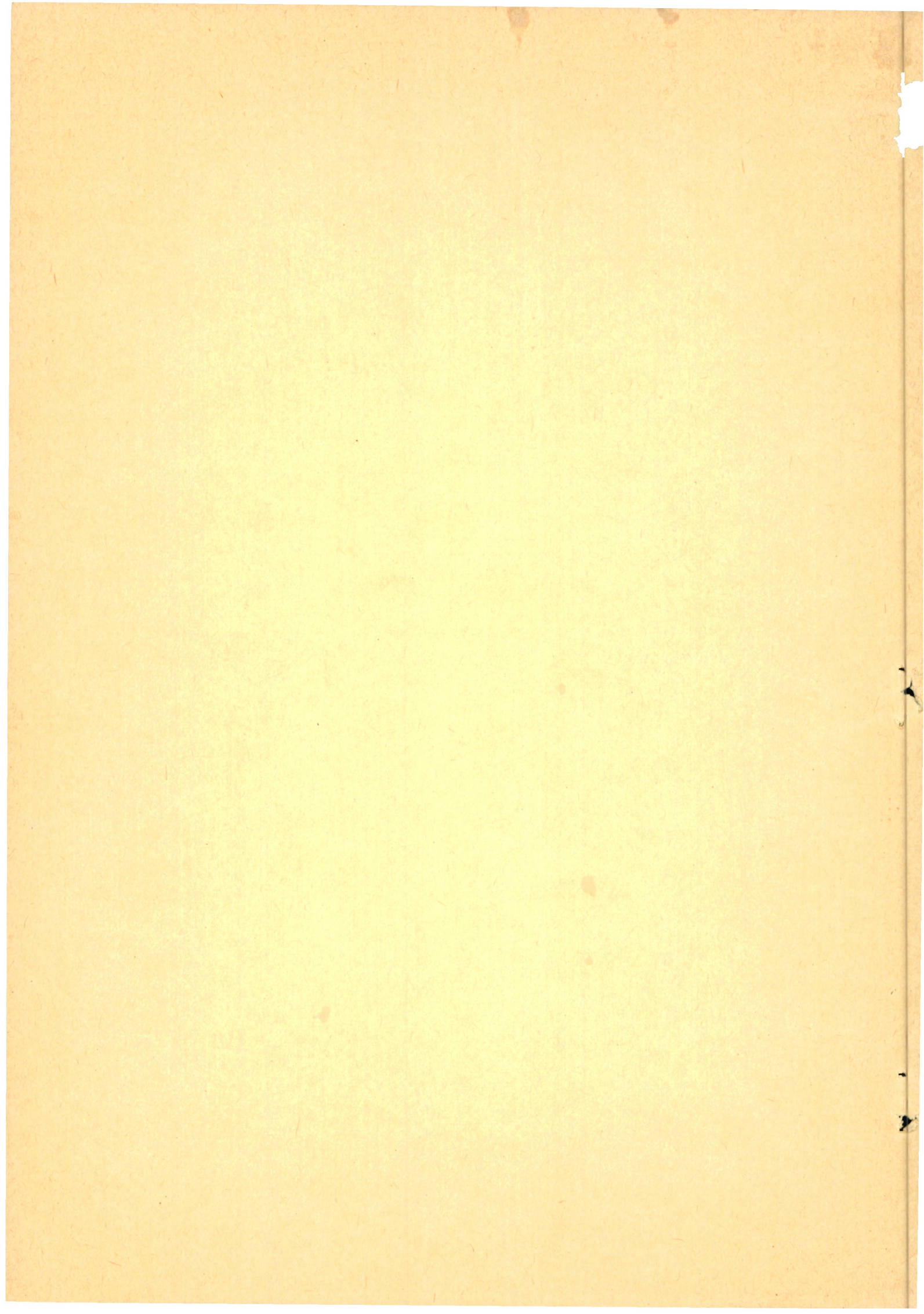
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**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED
30TH JUNE, 1996**

NOT FOR PUBLICATION



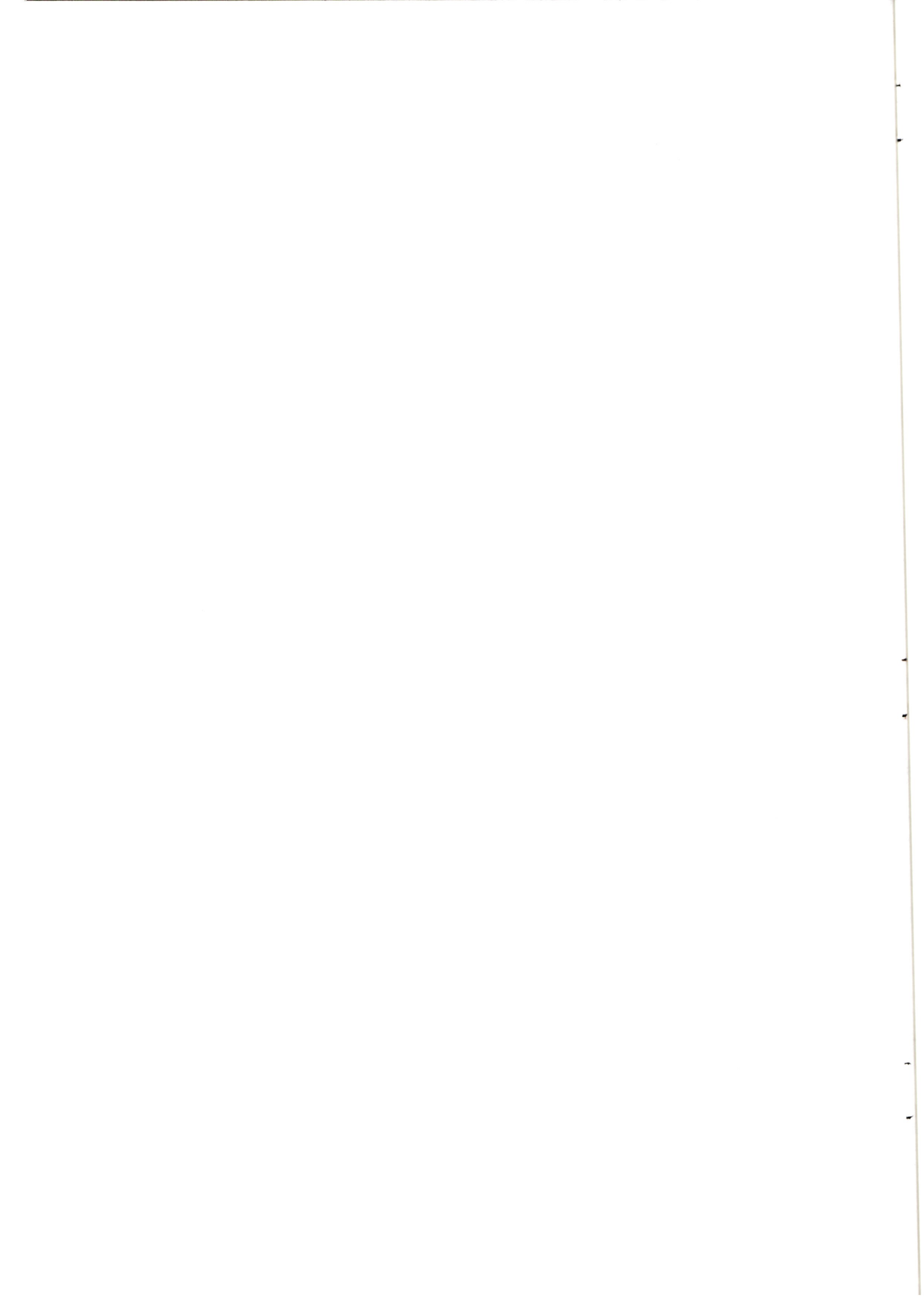


REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 1996



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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30 JUNE 1996

I have examined the accounts of Kenya Railways Corporation for the year ended 30 June 1996 in accordance with Section 29(2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of account have been kept by the Corporation and the accounts which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets are in agreement therewith and comply with the Kenya Railways Corporation Act, (Cap 397).

Except for the reservations set out herebelow, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the financial state of affairs of the Corporation as at 30 June 1996 and of its deficit and cash flows for the year then ended.

1. FINANCIAL POSITION

The Corporation's accounts for the year reflect a deficit of Kshs.1,013,047,142 compared to a surplus of Kshs.235,128,994 the previous year. The Balance Sheet accumulated negative net appropriation account figure increased from Kshs.2,071,021,818 in the previous year to Kshs.3,280,812,186 as at 30 June 1996. The Balance Sheet although showing a positive working capital of Kshs.330,016,769 would have shown a negative working capital of Kshs.451,479,834 had the amounts of Kshs.67,894,156 in respect of Investments (Stores Stock), Kshs.443,531,347 for debtors and Kshs.270,071,100 in respect of materials in transit been correctly treated in these accounts by being written off as they did not represent any asset.

In addition, the bank overdraft in the main bank account of the Corporation had increased from Kshs.129,784,482 as at 30 June 1995 to Kshs.187,405,105 as at 30 June 1996.

Further, the Corporation was unable to service its loans obligations as they fell due and the Treasury had to pay, as its guarantor, some loans obligations amounting to Kshs.263,775,389 during the year under review. The Corporation was infact technically insolvent and its continued operation was dependent upon the support of its creditors, bankers, lenders and the Kenya Government.

2. FIXED ASSETS

2.1 The Balance Sheet net Tangible Assets figure of Kshs.7,038,928,513 differs from that reflected in the updated assets register schedules of Kshs.6,984,047,961. No reconciliation has been produced for the resultant difference of Kshs.54,880,552.



2.2 Further, the tangible assets figure includes an amount of Kshs.1,378,845,000 in respect of the value of the Corporation's land including land disposed of and whose sale process had been completed and title deeds transferred to the purchasers by 30 June 1996 but, excludes an undetermined value of the Corporation's surveyed and unsurveyed lands not valued.

I could not, therefore, confirm that the tangible assets are fairly stated in these accounts.

3. DEBTORS

The Balance Sheet Debtors figure of Kshs.2,200,666,959 includes an amount of Kshs.1,479,440,521 in respect of Traffic Account - Current Trade Debtors, and Kshs.508,375,705 shown as bad and doubtful debts as indicated in Note 8 to the Accounts.

Out of the total amount of Kshs.1,987,816,226 only debts amounting to Kshs.1,199,414,619 were supportable from documents made available for audit. Debts amounting to Kshs.788,401,607 were not supported by any document and no explanation has been given for this situation. Further, a provision for bad and doubtful debts of Kshs.93,846,020 is, in my opinion, not adequate in view of the irrecoverable debts included in the accounts. In the circumstances, I could not confirm that the debtors are fairly stated in these accounts.

4. NET PUBLIC DEBT

Included in the Net Public Debt figure of Kshs.3,733,533,921 is an amount of Kshs.1,556,892,056 in respect of seven on-lent loans due to IBRD, IDA, AFDB, ODA and KFW. However, a difference of Kshs.5,408,812,564 was noted between the Corporation's accounts figure of Kshs.1,556,892,056 and the Treasury's figure of Kshs.6,965,704,620 confirmed on circularization vide Treasury's letter Ref.DGIPE/LOANS/22/C(97) dated 2 October 1996. As no reconciliation was made to establish the causes of the difference, I could not confirm that the net public debt is fairly stated in these accounts.

5. BUDGET AND BUDGETARY CONTROL

During the year under review, the Corporation's total earnings were Kshs.3,672,545,417 while total net expenditure including provisions, interest and exchange loss amounted to Kshs.4,685,592,559 thereby resulting into a deficit of Kshs.1,013,047,142. The Corporation's targets set for the year under review were not achieved as total revenue fell short of the approved estimates by Kshs.1.102,723,483 while over-expenditure amounting to Kshs.442,983,073 was incurred without the approval of the Board.



Moreover, the revenue for the year was lower than the previous year's by Kshs.826,217,983 while the total expenditure increased by Kshs.413,076,459 from the 1994/95 figure.

The Corporation would need to be committed to expenditure control and strive to be more aggressive in marketing its services and be competitive in the transport sector in order to operate profitably.

6. STAFF PENSION FUND AND GRATUITY

In paragraph one above, I expressed concern on the financial position of the Corporation and in particular its inability to meet its obligations as they fall due.

Over the years, the Corporation has been retaining provisions for staff pensions funds and gratuity within the Corporation instead of investing such funds outside the Corporation with reliable third parties. The amount involved as at 30 June 1996 was Kshs.983,733,727 as reflected in Statement No.4 to the Accounts. The management has not advised me of the measures it has put in place to meet the staff pensions and gratuities as they fall due for payment.



W.K.KEMEI
AUDITOR-GENERAL (CORPORATIONS)

30 April 1998.

KENYA RAILWAYS
BALANCE SHEET AS AT 30TH JUNE, 1996

30TH JUNE, 1995				30TH JUNE, 1996	
Shs.	Shs.	NOTES	Shs.	Shs.	
ASSETS IN USE :					

FIXED ASSETS					

7,651,595,103			7,038,928,513		
980,938,616			964,715,862		
	8,632,533,719				8,003,644,375
	10,226,620				0
INVESTMENTS					

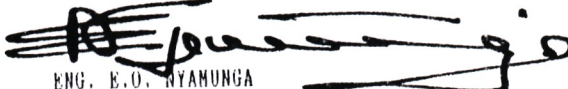
CURRENT ASSETS					


2,130,956,873			2,079,347,961		
391,850,448			314,837,959		
16,353,817			13,099,488		
1,970,662,646			2,200,666,959		
305,499,969			51,482,715		
4,815,323,753			4,659,435,082		
Current Assets - Total					

LESS : CURRENT LIABILITIES					

2,250,566,350			3,216,402,371		
415,675,174			323,843,408		
874,529,485			789,172,534		
	1,274,552,744				330,016,769
	9,917,313,083				8,333,661,144
TOTAL					
=====					
FINANCED BY :					

	1,807,757,102				1,803,319,500
	518,000,000				518,000,000
	35,555,108				35,555,108
	1,274,857,908				1,130,022,232
8,352,164,783			8,127,576,490		
(2,071,021,818)			(3,280,812,186)		
	6,281,142,965				4,846,764,304
	9,917,313,083				8,333,661,144
TOTAL					
=====					


 ENG. E.O. NYAMUNGA
 MANAGING DIRECTOR
 =====

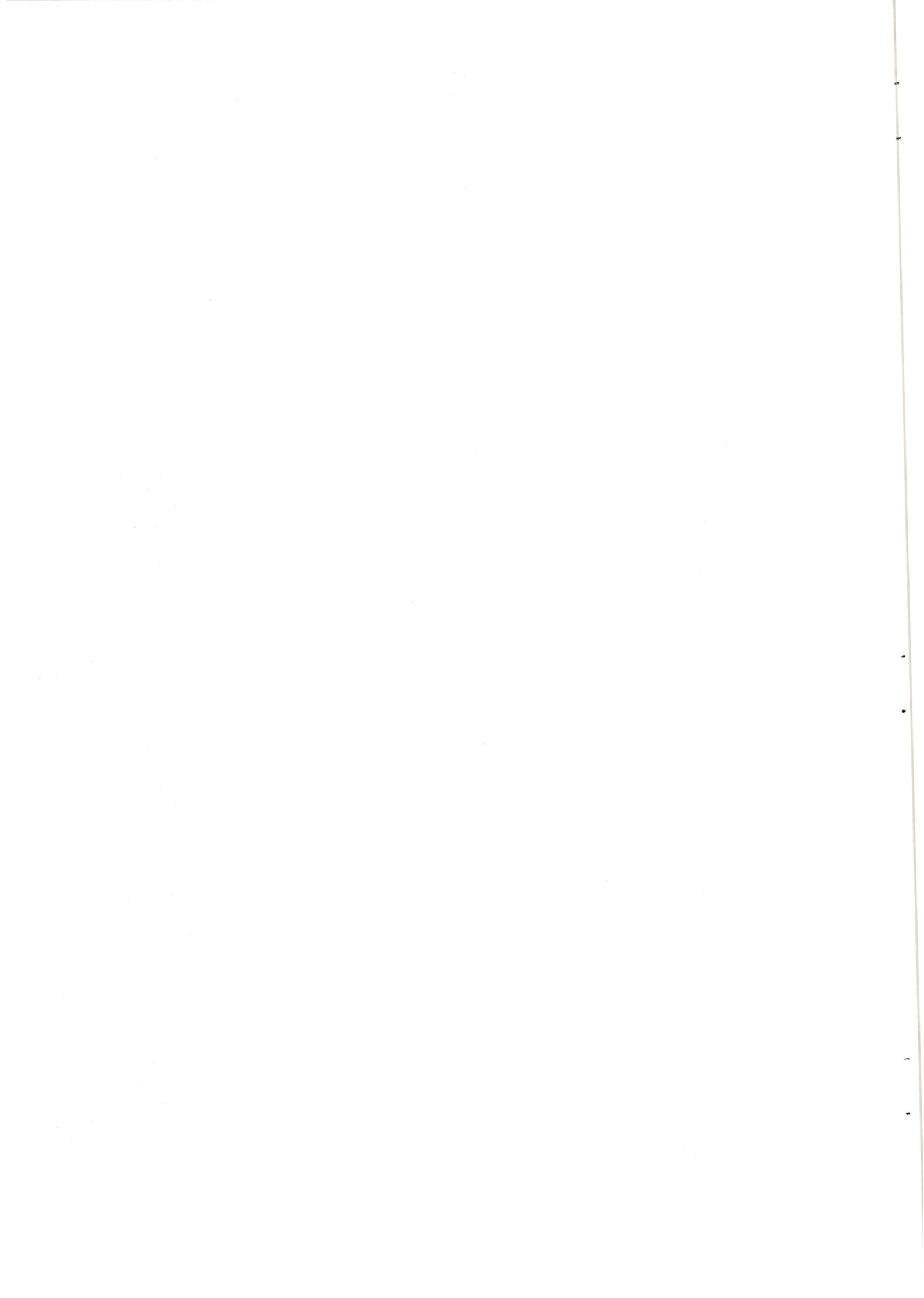

 N. K. MAMBUA
 FINANCIAL CONTROLLER
 =====



REVENUE ACCOUNT

for the period ended 30st June, 1996

	NOTES	1994/95 SHS.	1995/96 SHS.
EARNINGS :	-----	-----	-----
Passenger traffic		289,369,541	291,923,017
Other coaching traffic		33,824,354	21,858,792
Goods traffic		3,683,428,562	2,972,678,726
Livestock (Goods)		4,139,149	2,561,835
Catering services		101,281,168	106,877,467
Water Transport services		28,675,821	30,311,363
Railway Training Institute		10,014,803	20,637,294
Net miscellaneous earnings	(17)	296,683,037	150,897,635
Interest on cash balances & advances		51,346,965	74,799,288
Total		4,498,763,400	3,672,545,417
EXPENDITURE :	(18)		
A - Maintenance of ways and works		502,233,220	583,285,196
B - Maintenance of locomotives, rolling stock etc.		326,820,172	509,406,783
C - Locomotive running expenses		962,201,213	1,009,229,449
D(i) - Traffic expenses		331,295,289	408,073,970
D(ii) - Business expenses		386,702,086	355,216,885
E - Catering Services		54,465,285	53,600,250
F - Water Transport services		44,459,510	51,275,771
G - Electrical & Telecommunication services		76,132,051	77,844,037
H - General charges		232,649,702	269,067,754
J - Miscellaneous expenditure		434,699,417	433,300,178
Total Working Expenditure		3,351,657,945	3,750,300,273
PROVISIONS :			
Depreciation & Amortization		453,745,899	458,561,245
Other Provisions	(19)	23,000,000	32,618,785
Total Provisions		476,745,899	491,180,030
Total Expenditure (Including Provisions)		3,828,403,844	4,241,480,303
Net Operating Income - Surplus / (Deficit)		670,359,556	(568,934,886)
EXCHANGE LOSS	(20)	14,909,223	258,554,930
INTEREST ON CAPITAL	(20)	420,321,339	351,726,110
Net Land Sale Proceeds	(21)	0	(166,168,784)
Surplus / (Deficit) for the Year		235,128,994	(1,013,047,142)
Working Ratio:			
Actual (Percentage)		74.50	102.12
Target (Percentage)		70.00	70.00



CASHFLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE, 1996.

1994 / 1995			1995 / 1996		
Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
13,806,980			Opening Cash Balance	16,353,811	
(389,026,962)			Opening Bank Balance	(415,675,174)	
		(375,219,982)			(399,321,357)
			Add:-		
235,128,994			Net Operating Surplus/Deficit.	(1,013,047,142)	
453,745,899			Depreciation for the year.	458,561,245	
2,974,947			Depreciation Adjustments.	274,435,675	
	691,849,840				(280,050,222)
	0		Disposal of Investments	10,226,620	
	10,964,595		Increase in Reserves.	0	
	45,876		Fixed Assets Adjustment (Decrease)	0	
	1,346,074,288		Loans Drawn during the year.	996,995,575	
	19,096,869		Disposal of Fixed Assets.	11,936,258	
	14,909,223		Foreign Currency Adjustment (Loss)	258,554,330	
	1,068,789,610		Increase in Creditors.	965,836,021	
	0		Decrease in Debtors	0	
	0		Decrease in stores stock	51,608,912	
	0		Decrease in Short term Investments.	77,012,489	
	0		Decrease in Workshops Suspense.	254,017,254	
		3,151,730,301			2,346,137,237
		2,776,510,319	Deduct:-		1,946,815,880
	0		Decrease in Reserves	224,588,293	
	84,220,527		Decrease in Provisions	144,835,676	
	56,761,953		Adjustment on Appropriation A/C (Decrease)	196,743,226	
	19,096,869		Write-off on Disposals.	536,258	
	70,814,157		Purchase of Fixed Assets.	55,298,286	
	1,618,225,318		Repayments of Loans.	1,259,987,506	
	113,574,470		Increase in Store Stocks.	0	
	708,100,836		Increase in Debtors.	230,004,313	
	53,356,277		Increase in Short term Investments.	0	
	381,771,553		Decrease in Current Loan Liabilities.	85,356,951	
	0		Fixed Assets Adjustment (Increase)	60,209,291	
	69,909,716		Increase in Workshops Suspense.	0	
		3,175,831,676			2,257,559,800
		(399,321,357)			(310,743,920)
			Closing Cash on Hand.	13,099,488	
			Closing Bank Balance.	(323,843,408)	
		(399,321,357)			(310,743,920)

See Note (1) - Statement of Accounting Policies.

NOTES TO THE ACCOUNTS

=====

Note 1. ACCOUNTING POLICIES.

(a) Accounts are prepared on historical cost basis as modified by the revaluation of fixed assets from time to time (every 5 years).

(b) Accounts are prepared in compliance with Kenya Railways Corporation Act Cap. 397 and Exchequer and Audit Act, Cap 412 Laws of Kenya.

(c) DEPRECIATION:-

Depreciation is charged on straight line basis based on estimated useful life of the various classes of Assets. Assets are depreciated with effect from the year following commissioning. Details are shown in Note 2 and Statement No. 1.

(d) STORE STOCKS:-

These are stated at cost less provision for obsolescence and deterioration as shown in Note 5.

(e) SHORT TERM INVESTMENTS:-

These comprise of Fixed Deposits with various financial institutions stated at market value. They are normally used to provide security for short term borrowings, overdraft facilities, cash cover for letters of credit and for pension protection.

(f) CASH ON HAND:-

This is represented by physical cash count at close of the Financial year as shown on Note 7.

(g) BAD DEBTS:-

The Corporation provides for bad and doubtful debts at 5% of the debts that have proved uncollectable. This policy is effective from the 1995/96 financial year.

(h) WORKSHOPS SUSPENSE:-

Workshop suspense comprises of all materials and labour in the workshops at the various stages of production and is 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 loan, unposted cheques and deposits.

(j) RETENTION ACCOUNTS:-

These are accounts maintained in foreign currencies and are converted into Kenya shillings using the closing rate method.

(k) LOANS:-

These are denominated in various foreign currencies as shown in statements No. 2 and 2.A and are converted into Kshs. using the closing rate as at 30/6/96. 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 for the financial year as shown in statement No. 4 based on actual amounts set aside as provisions.

(m)

Transfer to reserves include prior period adjustments, Revaluation of Fixed Assets and write off/back as shown on statement No. 4.

(n) WORKING EXPENDITURE:-

This is shown under various abstracts as shown in statement No. 3.

(o) CASHFLOW STATEMENT:-

In compliance with KAS 7 the statement of Sources and Application of Funds has been replaced with cashflow statement.

Note 2. TANGIBLE ASSETS

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:-

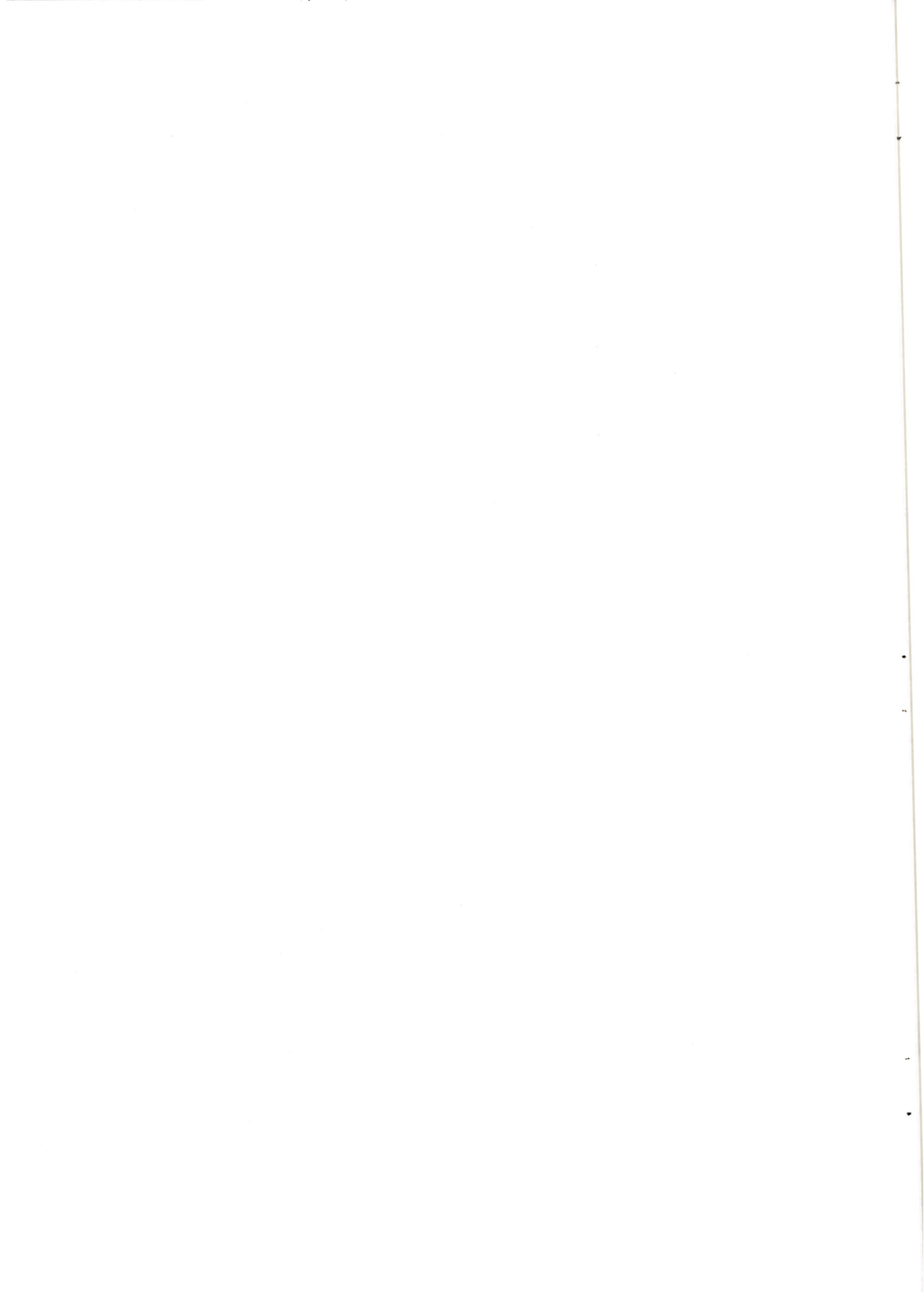
CLASS OF ASSET	AVERAGE USEFUL LIFE	RATE
(1) P/Way and Bridges	50 Years	2%
(2) Buildings	50 Years	2%
(3) Plant and Machinery	30 Years	3.75%
(4) Signalling	40 Years	2.5%
(5) Telecommunications	25 Years	4%
(6) Locomotives	30 Years	3.75%
(7) Coaches	25 Years	4%
(8) Wagons	20 Years	5%
(9) Motor Vehicles	5 Years	20%
(10) Office Equipments	5 Years	20%

Detailed movements of tangible assets are set out in Statement No. 1. The wasting assets are shown at replacement values with subsequent additions at cost. Depreciation charged on wasting assets is based on 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 and the value of those withdrawn from service during the year under review was Shs. 71.52 Million and Shs.0.54 Million respectively.

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

		1994/95	1995/96
		Shs.	Shs.
		---	---
Tangible Assets as at 30th June 95	Land	1,390,245,000	1,378,845,000
	Others	30,797,839,804	30,929,034,676
Less Accumulated Depreciation as at 30th June 96		24,536,489,701	25,268,951,163
Net Tangible Assets as at 30th June 96		7,651,595,103	7,038,928,513



Note 3. WORKS-IN-PROGRESS

This consists of the value, stated at cost, of all the on-going Capital Works which were being undertaken as at 30th June, 1996. Detailed movements of works-in-progress are as set out in Statement No. 1. (Page 15)

Note 4. STOCK INVESTMENTS

Other Investments :

These are held on behalf of pension funds and shown at market value as at 30th. June 1996. Kshs. KSHS.
They consist of the following :-

6% Kenya stock 1992	200,000	0
7% Kenya stock 1992	10,026,620	0
	10,226,620	0

However the 6% and 7% Kenya Stocks totalling Kshs 10,226,620 were redeemed in August, 1995 and the proceeds remitted to the Treasury by Central Bank of Kenya. The Treasury has offset the total amount vide Receipt Voucher F.O.17, AC37/037 against debt Kenya Railways owes the Treasury on loan No. 0674 - 1KE.

Note 5. STORES STOCKS

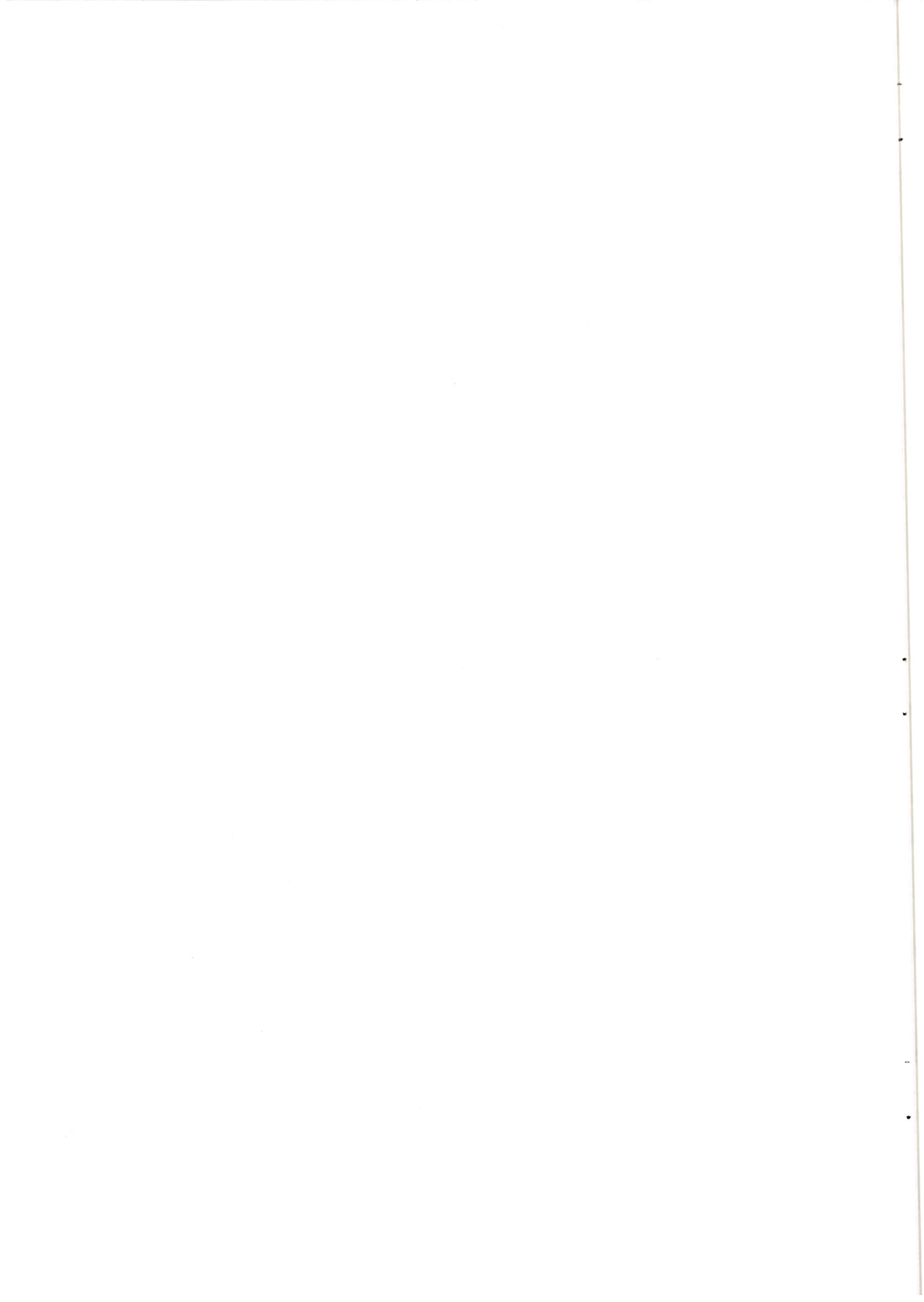
These are stated at cost less provision for obsolescence and deterioration, and comprise the following :-

	1994/95 KShs	1995/96 KShs
Stores Unissued	1,590,787,909	1,518,903,859
Capital Stores	94,985,615	61,824,387
Fuel Stocks (Coal, Oil, Wood Fuel, and Diesel Gas Oil).	22,086,979	28,154,276
Materials-in-transit	442,079,560	429,610,172
Claims - Goods	48,667,606	45,783,672
Construction Plant	767,219	767,219
Uniforms	832,169	111,800
Investment Account	250	67,894,406
Capital Goods	0	1,651,396
	-----	-----
GROSS STORES STOCKS	2,200,207,307	2,152,398,395
LESS : Provision for Deterioration & Obsolescence of Stores.	69,250,434	73,050,434
	-----	-----
NET STORES STOCKS	2,130,956,873	2,079,347,961
	-----	-----

Note 6. SHORT TERM INVESTMENTS

These comprise the following :-

	1994/95 KShs	1995/96 KShs
K.C.B. Ltd. Fixed Deposit Receipt 96/1476	57,938,584	26,501,375
K.C.F.C. Ltd. Fixed Deposit Receipt 96/4236	198,239,396	234,460,212
H.F.C.K. Ltd. 1/80046	16,941,038	19,714,184
H.F.C.K. Ltd. 1/80045	38,528,474	14,797,008
C.B.K. Treasury Bills	16,000,000	19,365,180
K.C.B. Fixed Deposit Receipts 96/1295	47,069,534	0
K.C.B. Fixed Deposit Receipts 96/1237	11,530,625	0
K.C.B. Fixed Deposit Receipts 96/1147	5,602,797	0
	-----	-----
TOTAL AS PER CASH BOOK	391,850,448	314,837,959
	-----	-----



Note 7. CASH ON HAND

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

	1994/95 KShs	1995/96 KShs
Cash on Hand	4,264,593	2,314,140
Cash with Overseas Agents	2,600,385	1,336,873
Imprest Cash	9,488,839	9,441,450
Unpaid Cheque	0	7,025
TOTAL CASH ON HAND	16,353,817	13,099,488

Note 8. DEBTORS

Details of these as at 30th June are as follows :-

	1994/95 Shs.	1995/96 Shs.
Traffic Account - Current Trade Debtors	1,296,583,689	1,479,440,521
Bad and Doubtful Debts	512,989,617	508,375,705
Advances	109,798,514	182,082,534
University Of Nairobi	9,113,646	8,149,361
Advances E/S Staff (being recovered from salaries as per regulations)	40,687,185	17,806,949
Car Purchase Scheme (being recovered from salaries as per regulations)	1,485,355	1,808,483
Kenrail Consultants	0	3,000,000
House Ownership Scheme	4,640	3,406
T O T A L	1,970,662,646	2,200,666,959

Bad and Doubtful debts as at 30th June, 1996 have been further analysed as follows :-

	MINISTRIES Shs.	PARASTATALS Shs.	PRIVATE FIRMS Shs.	T O T A L Shs.
1. Ledger Accounts	4,650,353	15,248,077	12,952,018	32,850,448
2. Outstandings at Stations				
(a) Goods	0	0	182,533,433	182,533,433
(b) Coaching	0	0	8,348,379	8,348,379
3. Deposit Accounts	0	16,799,670	197,303,371	214,103,041
4. Government Warrants	24,259,263	951,053	0	25,210,316
5. Passenger Travel Agencies	0	0	1,791,474	1,791,474
6. Catering	2,848,952	369,752	509,581	3,728,285
7. Water	1,380,127	0	3,597,569	4,977,696
8. Rents	3,250,080	1,361,571	30,220,982	34,832,633
T O T A L	36,388,775	34,730,123	437,256,807	508,375,705

The amount provided in the Accounts for Bad debts is 5 % of all debts that has proved to be uncollectable. The bad and doubtful debts figure of Kshs. 508.4 million represent debts outstanding for more than one year.



Note 9. WORKSHOPS SUSPENSE ACCOUNTS

This consists of the value, stated at cost, of all the unallocated works which were being undertaken at K.R.C. workshops as at 30th June

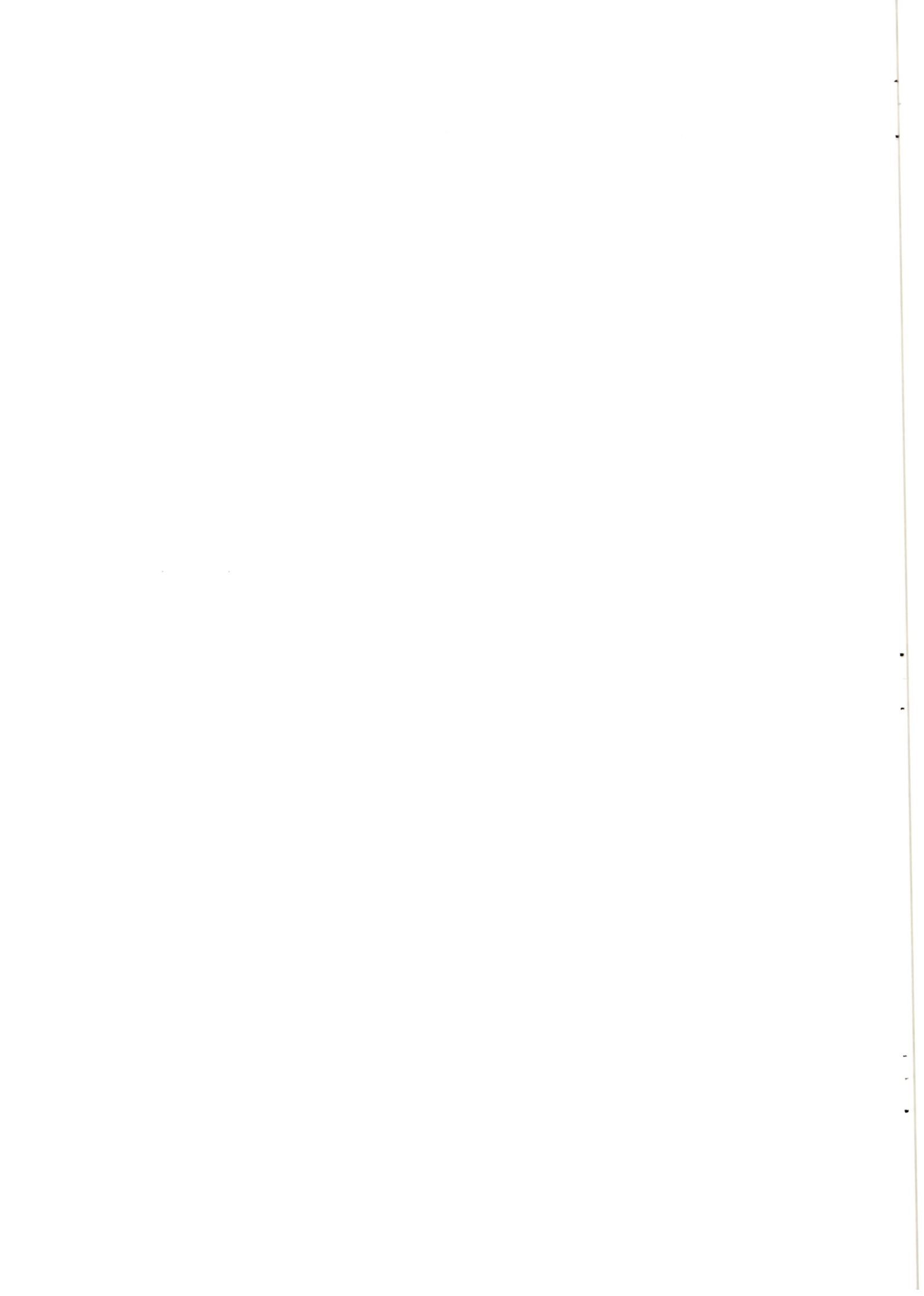
	1994/95 Shs	1995/96 Shs
Workshop Suspense (i) Works In Progress	286,389,134	35,614,662
(ii) Station Pay Orders	907,207	907,207
(iii) General Charges	7,655	7,655
(iv) Marine Suspense	18,195,973	14,953,191
	305,499,969	51,482,715

Note 10. CREDITORS & ACCRUED CHARGES

Details of Creditors and Accrued charges for the year ended 30th June, 1996 are as follows :-

	1994/95 Shs.	1995/96 Shs.
Industrial Area Accounts	82,747,833	78,072,672
Loan Interest and Redemption Charges Accrued	1,057,587,914	1,141,041,887
Deposits:-		
(i) † Sale of Land	205,571,052	257,946,924
† Less Severance allowances (W-890)	21,727,496	91,778,140
	183,843,556	166,168,784
(ii) Others	40,172,904	296,894,241
	224,016,460	463,063,025
Salaries and Wages	3,863,089	2,051,415
Fixed Recoveries	(2,144,649)	(10,631,631)
Demands Payable :-		
(i) Audit Fees	1,356,200	0
(iii) Numerical Machines Complex	5,549,402	0
(iv) Cheques on Hand	0	500,242,282
(iv) Others	877,590,101	884,495,703
	884,495,703	1,831,735,255
	2,250,566,350	4,005,574,905
Less Loan Liability (arrears+current treated separately)		789,172,534
		3,216,402,371

† See also Note 21.



Note 11. BANK BALANCES

Bank Balances for the year ended 30th June, 1996 comprise the following :-

	1994/95 Shs.	1995/96 Shs.
Main Account (Overdraft)	(129,784,482)	(187,405,105)
Collection Accounts	20,849,306	20,783,937
Pension Warrants Account	2,863,522	303,901
K.G.I.A. Account	1,529,881	1,529,881
Letters of Credit - Active Account	(62,787)	(130,721)
Retention Account	46,662,715	11,688,749
	-----	-----
TOTAL BANK BALANCES	(57,941,844)	(153,229,358)
Less : Unpresented Cheques	(506,789,137)	(198,241,386)
Add : Miscellaneous Bank Debits	163,073,642	14,605,224
Less : Miscellaneous Bank Credits	(14,017,835)	13,022,112
	-----	-----
NET BANK BALANCES	(415,675,174)	(323,843,408)
	=====	=====

Note 12. LOANS

Details of loans are as contained in Statement No. 2. The total liability amounted to Shs. 3,733.5 Million including KShs. 1,141.0 Million in respect of accumulated loan interest charges accrued as shown in note 10 above which represents the Total Public Debt.

Loan current liability and arrears payable are shown separately on Statement 2-A and amounted to ksh. 789,172,534.

Note 13. GOVERNMENT SUBVENTIONS & EQUITY

Details of these as at 30th June, 1996

	JUNE 1995 Shs	JUNE 1996 Shs
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
	=====	=====

Note 14. GRANTS

This consists of the following :-

Balance brought forward (Being materials paid through grants in the Financial years 1989/90, 1990/91 and 1991/92). 35,555,108

TOTAL

35,555,108

Note 15 MOVEMENT IN PROVISIONS AND RESERVES.

Details of movements in Provisions and Reserves are as set out in Statement No. 4. (Page 23)

A brief analysis of the movements in the General Reserve during the period to 30th June, 1996 is as follows :-

	Shs.
Note 15(a) Adjustments / Charges in the Account	---
Adjustments Due To Misallocations	5,798
JE No. 59478 of May, 1996.	5,038
Other Various JEs for the month of June, 1996	1,803,543

	1,814,379

Note 15(b) Amounts written off / back	Shs.

(i) Payment Voucher No. 245 Ref. 53254	200
(ii) Journal Entry (JE) No. 38421 of Feb. 1996	966
(iii) Journal Entry (JE) No. 05715 of April, 1996	3,465
(iv) Journal Entry (JE) No. 03147 of April, 1996	2,417
(v) Journal Entry (JE) No. 01752 of May, 1996	1,761
(vi) Other Various JEs for the month of June, 1996	171,852

	180,661

Note 16.	-----

NET APPROPRIATION ACCOUNT

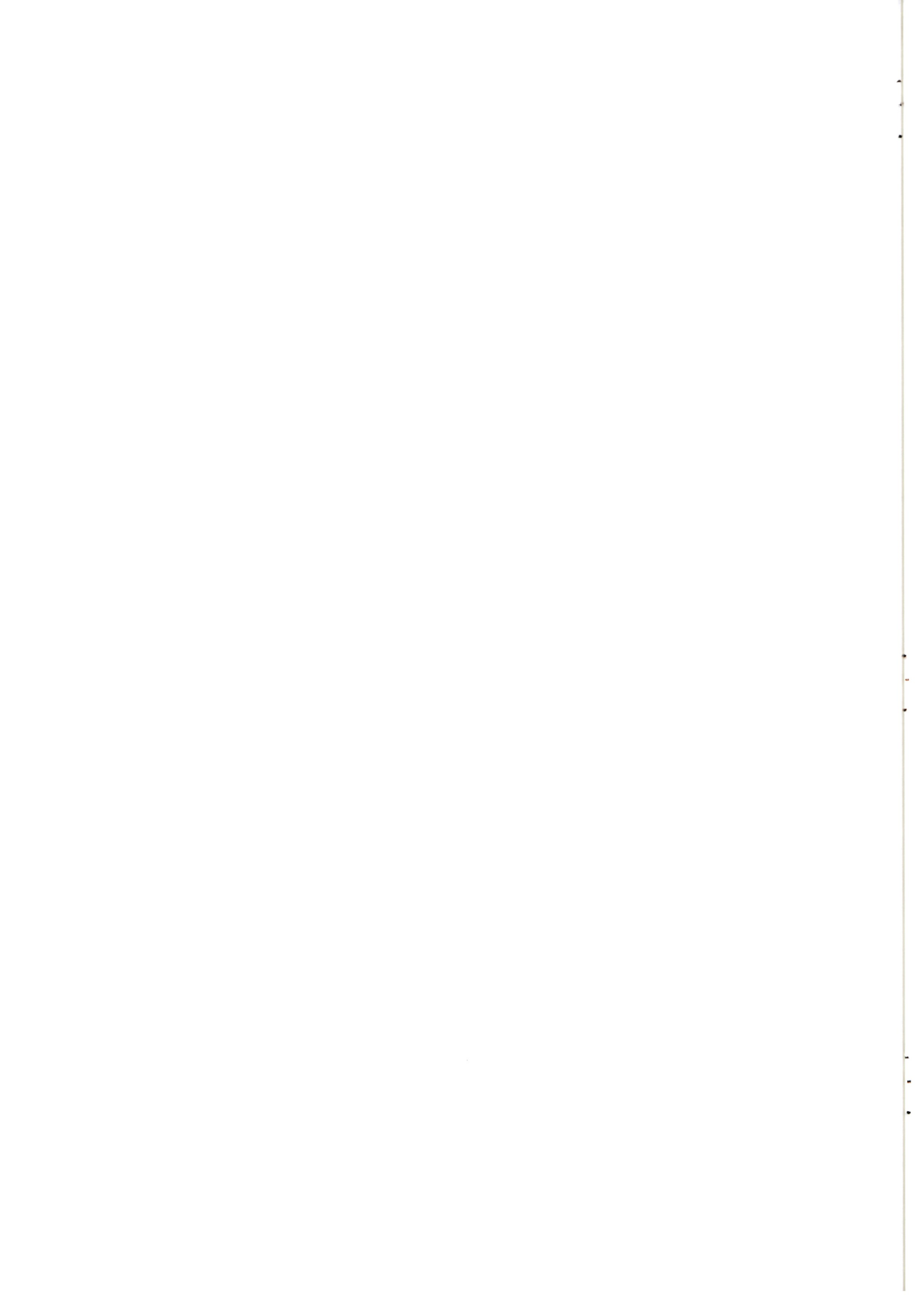
Movements in the Appropriation Account are as set out below.

	Shs.

Cumulative Deficit brought forward from 1994/95	(2,071,021,818)
Net adjustments during the year.	(196,743,226)

Net Cumulative Deficit carried forward in 1995/96	(2,267,765,044)
Add: Deficit for the period 1995/96	(1,013,047,142)

Cumulative Deficit carried forward - Grand total	(3,280,812,186)



Note 17. MISCELLANEOUS EARNINGS

These consist of the following :-

	1994/95 Shs.	1995/96 Shs.
Misc. earnings (Rents & Platform tickets)	286,345,297	99,363,893
Canteen stores	3,855,612	0
Released and retrieved material	2,706,749	1,279,007
Scrap Metal	3,772,108	7,931,316
Workdone in Central Workshops	0	405,243
Magadi-Kilindini	3,271	790
Reimbursements	0	41,917,386
	-----	-----
TOTAL	296,683,037	150,897,635
	=====	=====

Note 18. 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. 3 .

Note 19. OTHER PROVISIONS

These consist of the following :-

	1994/95 Shs.	1995/96 Shs.
1. Provision for Bad & Doubtful Debts	11,000,000	25,418,785
2. Provision for Obsolescence	10,500,000	5,100,000
3. Provision for Insurance	1,500,000	2,100,000
	-----	-----
TOTAL OTHER PROVISIONS	23,000,000	32,618,785
	=====	=====

Note 20. INTEREST ON CAPITAL/EXCHANGE LOSS

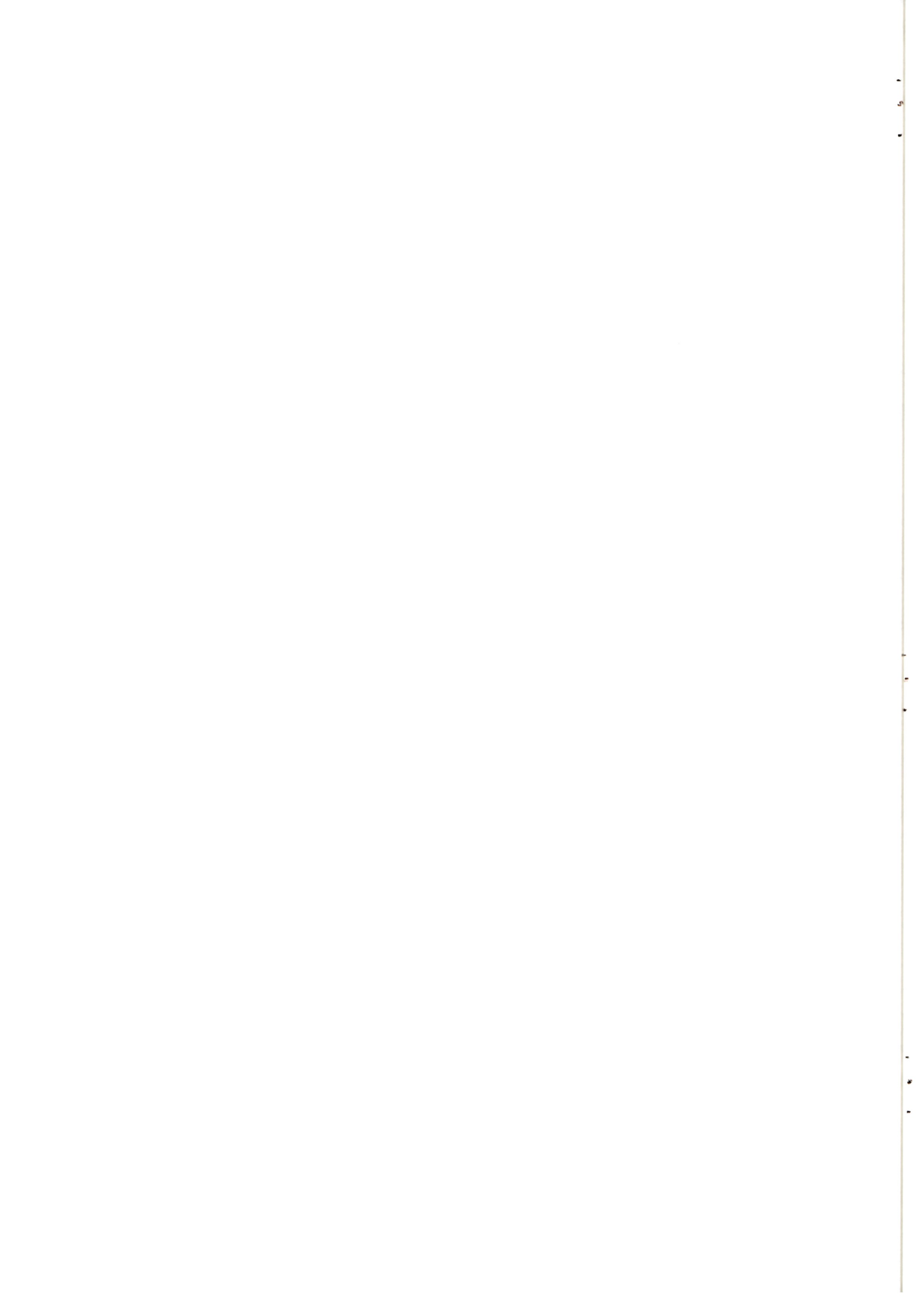
 This consists of the following :-

	1994/95	1995/96
	Shs.	Shs.
	---	---
1. Interest on External Loans	302,299,096	228,568,070
2. Interest on Internal Borrowing	75,865,903	67,894,156
3. Interest on Overdraft	42,156,340	55,263,884
	-----	-----
Sub total	420,321,339	351,726,110
4 Exchange Loss 1995/96	14,909,223	258,554,330
	-----	-----
TOTAL	435,230,562	610,280,440
	=====	=====

Note 21. LAND SALE AND SEVERANCE PAYMENTS:

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

	1994/95	1995/96
	-----	-----
Land sale proceeds	205,571,052	257,946,924
Severance payments under Working Account (W-890)	21,727,496	91,778,140
	-----	-----
Net Balance	183,843,556	166,168,784
	=====	=====



STATEMENT NO.1

FIXED ASSETS for the period ended 30TH JUNE, 1996

	Lands	Earth works Ballast and Fencing	Permanent way Buildings and other improvements	Locomotives and rolling stock	Workshop Plant and Machinery	telecommu- nications	Water transport Road services other assets	Total
ASSETS IN USE	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Tangible assets as at 1-7-95	1,390,245,000	245,931,887	13,330,973,609	15,910,991,563	924,255,057	218,390,290	167,343,294	32,188,130,680
Additions during the period	0	1,525,960	50,844,800	3,733,810	15,190,770	225,700	0	71,521,040
Adjustments During the period	0	0	0	60,164,214	0	0	0	60,164,214
Sub-total	1,390,245,000	247,457,847	13,381,818,409	15,974,889,587	939,445,807	218,615,990	167,343,294	32,319,815,934
Disposals during the period	11,400,000	0	250,980	285,278	0	0	0	11,936,258
Tangible assets as at 30-6-96	1,378,845,000	247,457,847	13,381,567,429	15,974,604,309	939,445,807	218,615,990	167,343,294	32,307,879,676
DEPRECIATION								
Accumulated Depreciation as at 1-7-95	0	231,770,052	9,620,777,893	13,677,905,483	732,786,438	114,537,478	158,712,357	24,536,489,701
Late Cap. Accumulated Depreciation arrears for:- 1994/95	0	6,105,066	83,920,290	158,680,098	11,093,197	2,026,979	0	261,825,630
- 1995/96	0	11,058	9,925,051	2,080,474	594,282	0	0	12,610,845
Depreciation during the period	0	787,648	181,847,187	243,759,154	23,103,707	5,752,422	3,311,127	458,561,245
Sub-total	0	238,673,824	9,896,470,401	14,082,425,209	767,577,624	122,316,879	162,023,484	25,269,487,421
Amount written off on disposals	0	0	250,980	285,278	0	0	0	536,258
Accumulated Depreciation as at 30-6-96	0	238,673,824	9,896,219,421	14,082,139,931	767,577,624	122,316,879	162,023,484	25,268,951,163
Net Value of tangible Assets	1,378,845,000	8,784,023	3,485,348,008	1,892,464,378	171,868,183	96,299,111	5,319,810	7,038,928,513
WORKS-IN-PROGRESS								
Expenditure as at 1-7-95		42,686,556	339,481,446	51,182,194	55,048,251	324,603,509	167,936,660	980,938,616
Add: Expenditure in 1995/96		3,677,003	20,197,436	3,167,848	9,375,300	6,884,886	11,995,813	55,298,286
Sub-total		46,363,559	359,678,882	54,350,042	64,423,551	331,488,395	179,932,473	1,036,236,902
Less: Capitalisation in 1995/96		1,525,960	50,844,800	3,733,810	15,190,770	225,700	0	71,521,040
Net Value of Works-in-Progress		44,837,599	308,834,082	50,616,232	49,232,781	331,262,695	179,932,473	964,715,862

STATEMENT NO.2

LOANS AS AT 30TH JUNE, 1996

I. FIXED TERM LOANS RAISED BY PUBLIC SUBSCRIPTION

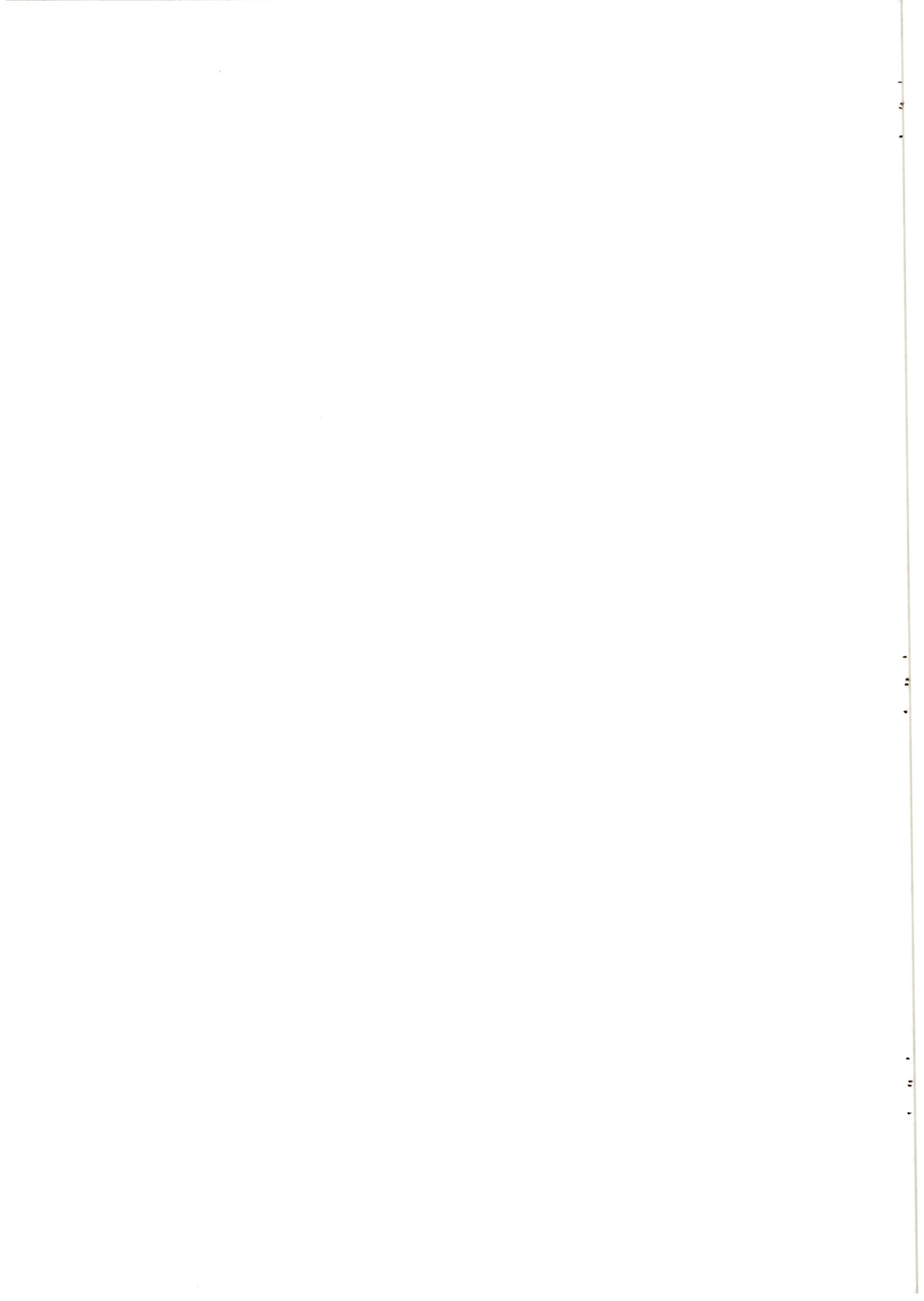
	Shs.
EAST AFRICAN LOANS STOCKS	---
1954 ESTG. 5.0 H. (1973/76) 4%	90,000
1957 ESTG. 8.5 H. (1977/83) 5.75%	20,000
1975 ESTG. 5.9 H. (1977) 9%	24,918,842
1970 KE 1.0 H. (1990) 6.75%	513,100
1971 KE 3.4 H. (1986) 6.75%	11,301,834
TERM LOANS TOTAL	36,843,776

1. These loan stocks are shown in statement 2-A as loan arrears liabilities.

II. SERIAL LOANS	LIABILITY B/F TO 1.7.95	REDEMPTION DURING THE PERIOD(2 BELOW)	DRAWINGS DURING THE PERIOD(1 BELOW)	FOREIGN CURRENCY ADJUSTMENT	LIABILITY AS AT 30/6/96
	Shs.	Shs.	Shs.	Shs.	Shs.
A. FROM INTERNATIONAL AGENCIES	---	---	---	---	---
AFDB US\$ 11.031 H. 8%	181,062,189	85,291,692	76,466,892	0	172,237,389
IBRD 1965 US\$ 38.00 H. (1995) 5.5%	0	84,765,389	25,483,752	59,281,637	0
IBRD 1970 US\$ 42.40 H. (1995) 7%	0	28,940,887	28,940,887	0	0
IBRD 1981 US\$ 58.00 H. (1976-0 KE) 9.6%	509,609,030	404,640,000	337,475,274	0	442,444,304
LLOYD'S BANK ESTG. 18.79 H. (1994) 7.75%	48,299,180	45,967,001	79,035,040	12,318,234	93,685,453
EXIM BANK 1985 US\$ 15.30 H. (1997) 7.4%	118,601,927	402,129,900	248,686,200	177,257,498	142,415,725
BANQUE INDOSUEZ 1985 US\$ 0.90 H. (1997) 7.4%	13,862,523	23,750,190	11,991,046	8,222,889	10,326,268
BANQUE INDOSUEZ 1985 US\$ 2.00 H. (1993) 7.4%	9,999,545	11,473,617	0	1,474,072	0
IOA (1820-0 KE) SDR 21.80 H. 8.8%	568,262,222	107,597,925	119,975,958	0	580,640,255
ODA ESTG. 7.04 H. 9%	188,547,984	18,796,145	17,260,788	0	187,012,627
SUB TOTAL	1,638,244,600	1,213,352,746	945,315,837	258,554,330	1,628,762,021
B. FROM GOVERNMENTS					
FEDERAL GOVERNMENT OF WEST GERMANY					
K.F.W. 1971 DM. 8.60 H. (1996) 3%	6,461,000	16,735,052	22,072,400	0	11,798,347
K.F.W. DM. 4.5H. (2010) 2%	45,915,360	16,706,800	16,414,430	0	45,622,990
K.F.W. DM. 27.00 H. (2031) 7.5%	117,136,142	13,192,908	13,192,908	0	117,136,142
SUB TOTAL	169,512,502	46,634,760	51,679,738	0	174,557,479
SERIAL LOANS TOTAL(NET PUBLIC DEBT A+B)	1,807,757,102	1,259,987,506	996,995,575	258,554,330	1,803,319,500
Arrears+Current liabilities(Stat 2-A)	874,529,485				789,172,534
Accumulated interest(Shown in Note 10)	1,057,587,914				1,141,041,887
	3,739,874,501				3,733,533,921

2. Drawings represents loans drawn during the year and internal adjustments of both prior year arrears and current reflect actual loan balance as at date of balance sheet.

3. Redemption represents arrears and current loan liability as shown in statement 2-A and actual redemption during the year.



STATEMENT 2-A

ARREARS OF LOANS

(a) LOAN NO.	AMOUNT (KSHS.)
1 ODA Estg. 7.04 M. 9%	8,937,000
2 IDA (1820-0 KE) SDR 21.80 M. 8.8%	53,000,000
3 KFW DM. 27.00 M. (2031) 7.5%	6,596,454
4 EXIM BANK 1985 US\$ 15.3 M (1997) 7.4%	43,926,300
5 BANQUE INDOSUEZ 1985 US\$ 0.90M (1997) 7.4%	2,583,900
6 IBRD 1981 US\$ 58.0M. (1976-0KE) 9.6%	186,361,131
7 A.F.D.B. US\$ 11.031M. 8%	42,226,668
8 K.F.W DM 4.5M. (2031) 7.5%	8,305,000
9 K.F.W 1971 DM 8.6M. (1996) 3%	1,123,652
10 UNCLAIMED E.A.LOAN STOCKS	36,843,776
TOTAL	389,903,881

LOANS CURRENT LIABILITIES

(b) LOAN NO.	AMOUNT (KSHS.)
1 EXIM BANK 1985 US\$ 15.3 M (1997) 7.4%	87,852,600
2 BANQUE INDOSUEZ TRANCHE A US\$ 0.9M. (1997) 7.4%	5,167,800
3 IDA (1820-0-KE) SDR 21.8M 8.8%	53,000,000
4 ODA Estg. 7.04 M. 9%	9,759,000
5 KFW DM. 27.00 M. (2031) 7.5%	6,596,454
6 K.F.W DM 4.5M. (2031) 7.5%	8,305,000
7 IBRD 1981 US\$ 58.0M. (1976-0KE) 9.6%	186,361,131
8 A.F.D.B. US\$ 11.031M. 8%	42,226,668
	399,268,653
Total (a + b)	789,172,534

STATEMENT 2-B

VARIANCES IN SERIAL LOANS AS AT 30TH JUNE, 1996

	LIABILITY AS AT 30-6-96 (IN LOAN CURRENCY)			CONVERTED	INITIAL	TOTAL CUMULATIVE
	CUMULATIVE DRAWINGS	CUMULATIVE REPAYMENTS	NET TOTAL	APPLYING THE CLOSING-RATE AS AT 30.6.96	LOAN BALANCES AS AT 30.6.95	EXCHANGE LOSS
				Shs.	Shs.	Shs.
				---	---	---
1. IBRD 1965 US\$ 38.00 H. (1995) 5.5 %	13,608,000	13,608,000	0	0	59,281,637	59,281,637
2. IBRD 1970 US\$ 42.40 H. (1995) 7 %	17,808,000	17,808,000	0	0	0	0
3. LLOYD'S BANK Estg. 18.79 H. (1994) 7.75 %	18,699,642	17,645,338	1,054,304	93,685,453	(81,367,219)	12,318,234
4. EXIM BANK 1985 US\$ 15.30 H. (1997) 7.4 %	15,300,000	12,819,754	2,480,246	142,415,725	34,841,773	177,257,498
5. BANQUE INDOSUEZ 1985 US\$ 0.90 H. (1997) 7.4 %	899,187	719,350	179,837	10,326,298	(2,103,409)	8,222,889
6. BANQUE INDOSUEZ 1985 US\$ 2.00 H. (1993) 7.4 %	1,944,681	1,944,681	0	0	1,474,072	1,474,072
				246,427,476	12,126,854	258,554,330

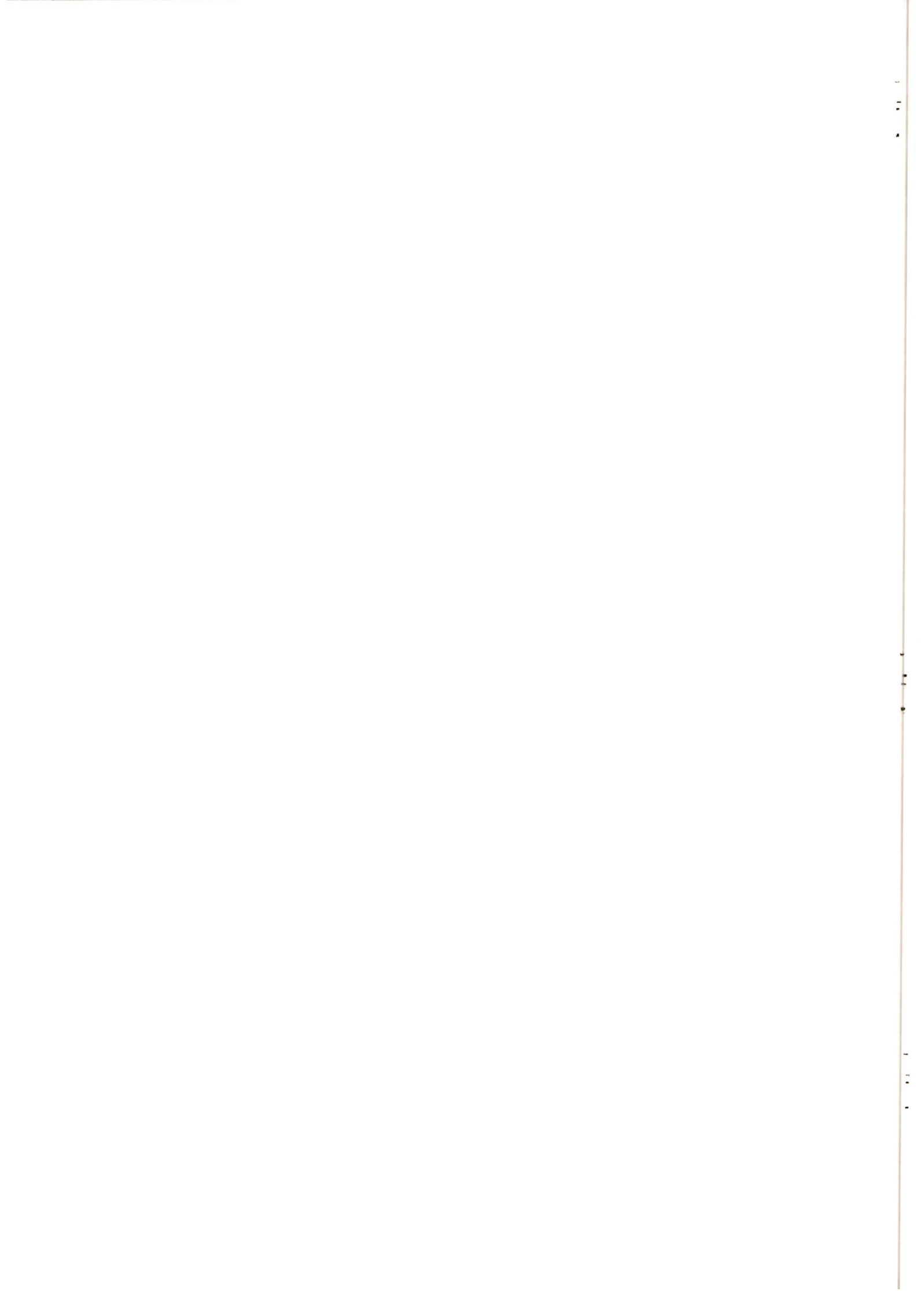
Loan balances, denominated in foreign currency, as at 30th June, 1995
were converted using the following exchange rates.

30th June, 1996				30th June, 1995			
US \$	1	=	KShs 57.42	US \$	1	=	KShs. 51.42
Estg.	1	=	KShs 88.86	Estg.	1	=	KShs. 82.07
DH.	1	=	KShs 37.75	DH.	1	=	KShs. 37.17

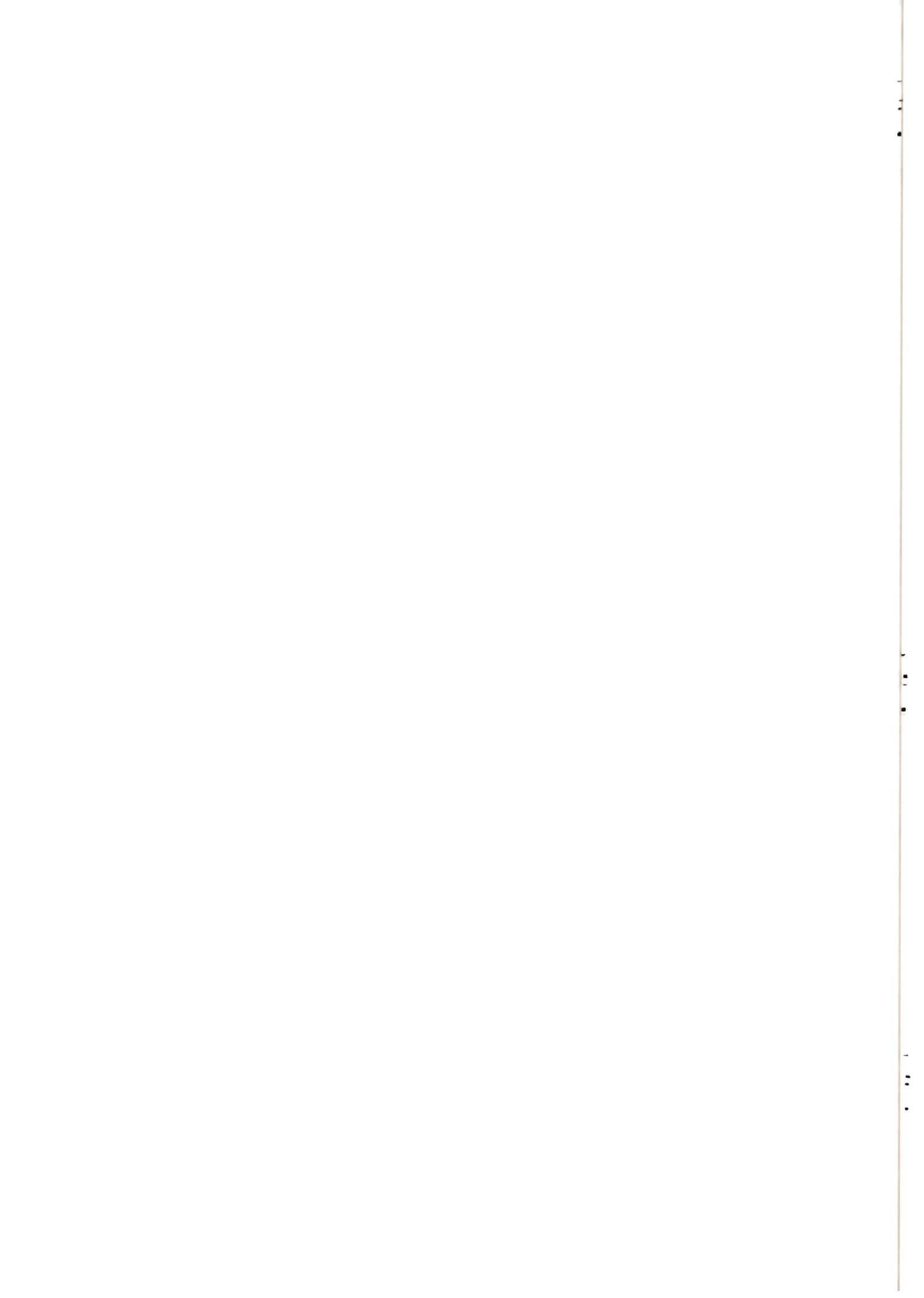
STATEMENT NO.3

WORKING EXPENDITURE FOR THE YEAR ENDED 30TH JUNE, 1996

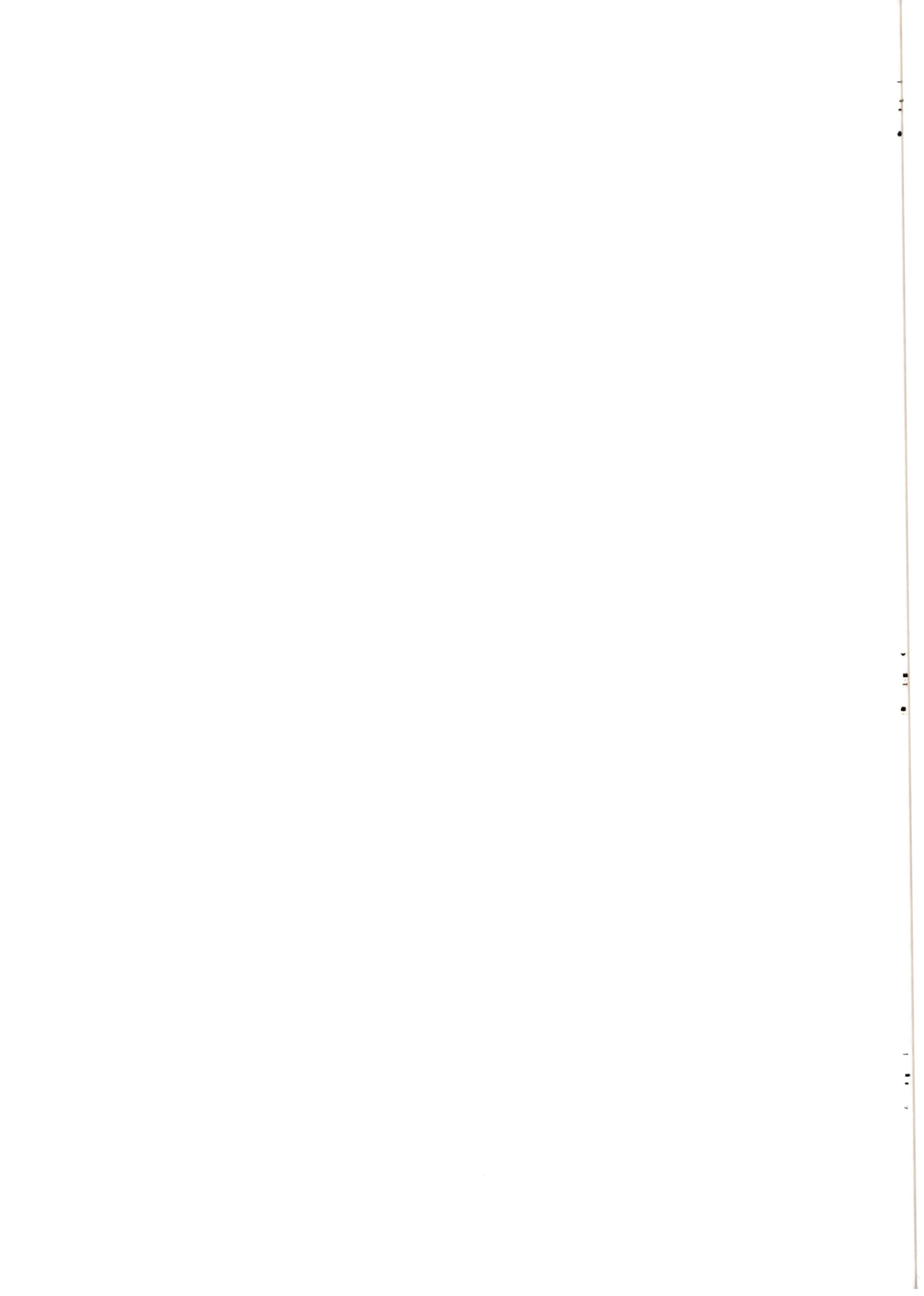
		1994/95 SHS.	1995/96 SHS.
Abstract A	Maintenance of Way and Works		
100 - 108	Chief Civil Engineer's headquarters and district staff	77,716,350	99,948,461
109 - 120	Maintenance of Permanent way	244,740,645	282,577,651
121 - 126	Maintenance of bridges & culverts	3,610,849	2,917,939
130 - 136	Maintenance of works	35,514,136	41,659,426
140 - 145	Water Supply	3,020,921	4,848,932
150 - 157	Miscellaneous services	104,497,092	110,580,551
160	Contingencies for floods and accidents	20,379,322	28,938,037
165 - 169	Printing and stationery	763,659	1,607,667
170	Maintenance and renewals of mech. power signals	5,477	0
180 - 186	Office telephones	10,226,853	8,180,028
190	Minor works	103,362	383,134
195	Non-capitalised major works	1,608,372	1,445,012
196 - 199	Work done for other departments	46,182	198,360
	Total - Abstract A	502,233,220	583,285,196
Abstract B	Maintenance of Locomotives, Rolling Stock, etc.		
200 - 208	Central Works Manager and Staff	39,622,080	47,955,022
210 - 215	Workshops - maintenance of locomotives	113,119,134	151,591,353
220 - 225	Workshops - maintenance of coaching stock	46,856,653	83,024,406
230 - 235	Workshops - maintenance of goods stock	72,114,241	119,362,903
240 - 244	Maintenance of machinery, tools and plant	40,028,732	53,481,875
245	Work done for other departments	4,684,135	12,625,243
246	Commercial & private work orders	2,067,530	(8,062,252)
248	Departmental Telephone charges	4,487,479	3,146,319
250	Electrical maintenance	406,898	14,356,560
255	Printing and stationery	852,721	1,286,473
270 - 272	Canteen stores, equipments, staff & uniforms.	549,736	1,985,951
285 - 295	Minor Works	2,030,834	28,652,929
	Total - Abstract B	326,820,172	509,406,783



		1994/95	1995/96
		SHS.	SHS.
Abstract C	Locomotive Running Expenses		
-----	-----	---	---
300 - 305	Headquarters and district staff	19,692,461	27,075,923
306 - 309	Miscellaneous	12,011,305	15,314,499
310 - 317	Running repairs	240,467,072	272,493,535
320 - 329	Running stores	65,268,723	50,070,696
330 - 336	Fuel	460,071,692	457,059,472
340 - 341	Locomotive running sheds	12,799,246	15,754,726
345 - 346	Work done for other departments	3,724,566	7,457,543
350 - 356	Cleaning and care of locomotives	7,603,317	5,665,590
360 - 362	Maintenance of machinery, tools and plant	3,252,442	6,336,354
367 - 368	Departmental Telephone charges	8,918,944	2,397,090
369	Maintenance repairs and fuel to Dept. vehicles	30,959,284	39,843,815
370 - 371	Maintenance of outside mechanical handling equipment	14,599,948	10,321,111
372 - 379	Water Supplies Installations & Maintenance	163,449	0
380 - 382	Running staff	53,212,817	60,195,121
383 - 384	Electrical maintenance	17,052,803	18,103,627
385	Printing and stationery	2,018,101	3,355,894
387	Accident Repairs	10,368,967	16,726,212
390	Minor works	0	670,041
395 - 396	Non-capitalised major works	16,076	388,200
		-----	-----
	Total - Abstract C	962,201,213	1,009,229,449
Abstract D(1)	Traffic Expenses		
-----	-----		
400 - 408	Chief Traffic Manager's		
	Headquarters and district staff	41,848,360	64,237,824
410 - 435	Station pier and shore working	247,446,971	288,158,984
440 - 444	Station stores	21,216,056	26,826,442
445	Accidents	1,338,727	2,714,754
450	Clothing	2,885,510	1,815,425
460 - 465	Printing and stationery	8,054,439	14,385,397
480 - 490	Collection, delivery & local Haulage	8,505,226	9,935,143
		-----	-----
		331,295,289	408,073,970
Abstract D(11)	Business Expenses		
-----	-----		
500 - 506	Business Manager's Headquarters Staff	7,939,391	12,575,078
507 - 511	Station Pier and Shore Working	878,575	1,047,568
512	Maintenance repairs and other transport charges	691,579	1,933,034
513 - 515	Station Stores	1,621,932	1,598,146
516	Hire of S.A. Locos & Running expenses	307,590,778	277,744,320
517	Clothing	7,904	62,426
518	Entertainment	515,772	775,300
519	Commission	3,093,153	3,501,637
520	Printing and Stationery	136,312	121,269
521	Collection, Delivery and Local Haulage	2,051,729	681,407
522	Hire of UR Locos	13,824,742	21,173,462
523	Hire of Lorries	120,496	0
528	Hire of UR Wagons	48,229,723	34,003,239
		-----	-----
	Total - Abstract D	386,702,086	355,216,885
		-----	-----



		1995/96	1995/96
		SHS.	SHS.
Abstract E	Catering Services		
550 - 559	Superintendence	3,346,152	3,190,006
570 - 577	Refreshment rooms, restaurant cars etc.	49,621,251	48,539,011
579	Agency commission & motor maintainance	815,785	1,054,582
580 - 588	Inland waterways	398,132	584,723
589	Uniforms	283,965	231,928
	Total - Abstract E	54,465,285	53,600,250
Abstract F	Water Transport Services		
600 - 608	Superintendence	1,964,339	2,392,380
610 - 620	Maintenance and minor renewals in workshops	18,088,545	21,641,464
621 - 630	Running expenses	22,234,328	24,073,218
632	Maintenance repairs and fuel and other transport charges	532,848	516,117
633	Departmental Telephone charges	244	150,386
635	Maintenance of channels	46,675	28,861
636	Printing and stationery	100,062	46,890
637	Uniforms	549,637	241,188
640	Minor works	395,875	511,848
645	Non-Capitalised Major Works	546,957	592,481
646	Insurance	0	1,080,939
	Total - Abstract F	44,459,510	51,275,771
Abstract G	Maintenance of Electrical & Telecommunication Services		
650 - 655	Superintendence	10,200,044	13,995,172
656 - 659	Miscellaneous	19,249,947	21,254,085
660 - 665	Station Operations	9,379,367	8,145,740
666 - 669	Signal and Radio Maintenance	19,556,793	27,243,819
670 - 677	Running expenses	17,131,727	3,062,786
678	Electricity charges	32,958	2,181,181
680 - 689	Telephone Directory	252,983	439,165
690	New Minor Works	110,075	1,497,952
695	Non-Capitalised Minor Works	196,989	24,136
696	Work Done for other Departments	21,167	0
	Total - Abstract G	76,132,050	77,844,037



Abstract H -----	General Charges -----	1994/95 SHS. ---	1994/95 SHS. ---
700 - 701	Board expenses	1,825,550	1,934,052
702 - 706	Administration	10,520,530	18,625,086
707 - 709	Legal Expenses	2,734,597	2,253,018
710 - 711	Secretariat	441,019	916,511
712 - 714	Internal Audit	3,231,873	4,637,321
715	Management services	2,704,947	2,662,171
718	Staff Training	0	1,600
720 - 722	Data Processing	32,635,678	36,667,076
724 - 738	Personnel	43,669,971	49,448,276
740 - 744	Railway Training Institute	22,267,624	23,565,092
745 - 749	Railway Training Institute Hostels	12,136,733	14,947,623
753 - 755	Staff training (R.T.I.)	821,870	2,422,550
760 - 761	Finance	26,357,706	30,053,089
762	Audit expenses	1,356,200	1,373,224
763	Headquarters Police services	0	123,890
764	Staff Training (Finance Department)	524,608	1,900,382
766	Kampala office - Uganda	0	398,194
769 - 774	Supplies	48,595,507	48,111,567
780 - 790	Business Development	22,825,289	29,027,033
	Total - Abstract H	232,649,702	269,067,754

Abstract J -----	Miscellaneous Expenses -----		
800 - 804	Pensions and gratuities	116,749,805	109,727,312
810 - 815	Compensation	14,524,172	6,274,776
818	Kathekani Train Disaster	91,410	22,621
820 - 823	Watch and ward	73,856,539	82,482,053
825 - 827	Fire precautions	2,253,430	2,590,133
830 - 831	Headquarters central despatch office	786,246	5,903,896
833	Cleaning of passenger coaches	8,384,989	6,560,972
835 - 836	Office cleaning	2,756,990	2,602,370
840 - 844	Staff housing	117,923,657	133,899,275
850 - 859	Staff allowances	581,759	602,242
860 - 889	Miscellaneous	194,563,507	152,943,440
	Total - Abstract J	532,472,504	503,609,090
	Sub-Total	3,449,431,032	3,820,609,185
	Add : Other Miscellaneous Expenditure: Stores variances	(97,773,087)	(70,308,912)
	Less: Severance Payments (Extraordinary Item)	0	91,778,140
	Total Miscellaneous Expenditure	434,699,417	433,300,178
	TOTAL EXPENDITURE	3,351,657,945	3,842,078,413



STATEMENT NO. 4.

MOVEMENT IN PROVISIONS AND RESERVES

PROVISIONS

	Staff Pensions	Widows Orphan Pension	Fixed Assets Obsolescence	Insurance	Gratuities & Provident Fund	Bad & Doubtful Debts	T O T A L
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
Balance as at 1st July 1995	1,003,145,165	135,786,111	47,304,070	1,738,415	18,462,198	68,421,949	1,274,857,908
Charges in the accounts	171,688,943	17,456,172	1,300,000	2,100,000	50,119,618	25,581,698	268,246,431
Total	1,174,834,108	153,242,283	48,604,070	3,838,415	68,581,816	94,003,647	1,543,104,339
LESS :							
Payments/Transfers	324,349,814	796,499	0	0	87,778,167	157,627	413,082,107
Balance as at 30th June, 1996	850,484,294	152,445,784	48,604,070	3,838,415	(19,196,351)	93,846,020	1,130,022,232

RESERVES

	General Reserve	Reserves Adjustment	Asset Revaluation Reserve	Special Depreciation Magadi-Line	Total
	SHS.	SHS.	SHS.	SHS.	SHS.
Balance as at 1st July 1995	2,770,230,622	(222,067,055)	5,790,038,584	13,962,632	8,352,164,783
Add : Adjustments / Charges in the Accounts.	1,814,379	286,156,708	0	0	287,971,087
Less : Amounts written off / back	180,661	302,978,719	209,400,000	0	512,559,380
Balance as at 30th June, 1996	2,771,864,340	(238,889,066)	5,580,638,584	13,962,632	8,127,576,490

