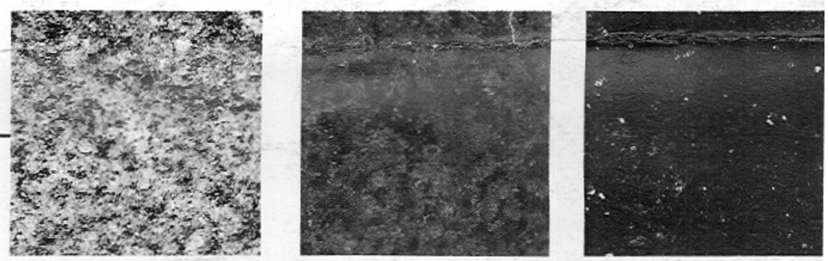
# Annual Report & Accounts

2000



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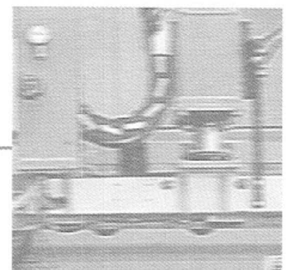
# Annual Report & Accounts

2000



Contents

# Notice of Annual General meeting

**To all shareholders**

NOTICE is hereby given of the 2001 Annual General Meeting to be held at the Safari Park Hotel, Thika Road, Nairobi on Thursday, 14th June, 2001 at 11.00 a.m.

## Agenda

### Ordinary Business

1. To read the Notice convening the meeting.
2. To approve the minutes of the previous Annual General Meeting held on 28 April 2000.
3. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31 December 2000 together with the Reports thereon of the Directors and Auditors.
4. To approve the Directors Remuneration as provided in the accounts for the year ended 31 December 2000.
5. To note that no dividend is proposed in respect of the year ended 31 December 2000.
6. To re-elect Director:
   Mr. W. Murungi retires by rotation and being eligible offers himself for re-election.
7. To note that Deloitte & Touche continue in office as auditors in accordance with the provisions of Sec.159(2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.



### Special Business

8. To consider and, if thought fit, to pass the following resolution as a Special resolution:
   "That Article 85 of the Articles of Association be amended to read as follows:
   'The number of Directors shall be not less than two and, unless and until otherwise determined by the Company in general meeting shall not exceed nine'."

By Order of the Board

R.R. Vora
Secretary
Date: 17th April 2001



Note: A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.

# Directorate & Administration

| | | | |
|---|---|---|---|
| **Directors** | Mr. B Rogers | - | Chairman |
| | Mr. H J Paunrana | - | Vice-Chairman |
| | Mr. P H Paunrana | - | Managing |
| | Mr. S L Bhatia | | |
| | Mr. W Murungi | | |
| | Mr. P J Rune | | |
| | The Acacia Fund Limited | | |

**Secretary**
Mr. R R Vora
Marakwet House
Hurlingham
P O Box 48405, Nairobi

**Registered Office**
L R 209/74/7/2, Chiromo Road
Westlands
P O Box 41908, Nairobi

**Auditors**
Deloitte & Touche
"Kirungii", Ring Road, Westlands
P O Box 40092, Nairobi

**Bankers**
Commercial Bank of Africa Limited
Standard/Wabera Streets
P O Box 30437, Nairobi



Development Bank of Kenya Limited
Loita Street
P O Box 30483, Nairobi

Stanbic Bank Kenya Limited
Kenyatta Avenue
P O Box 30550, Nairobi

It gives me pleasure to be able to report improved performance during the year, notwithstanding the fact that the economy overall remained depressed. Whilst market demand has not increased, we have been successful in increasing our sales volumes in all sectors, although in some cases at the cost of reduced profit margins. In addition, the strategies to which I referred last year were implemented with a good measure of success, resulting in the improved financial performance reflected in the following pages of this report.

Going forward, I am convinced that we must continue to contain costs and improve operating efficiency, and at the same time diversify our business wherever possible. In this latter regard we have renewed emphasis on special building products, including granite and marble, and have commenced marketing in the region to reduce dependence on the domestic market.

**2000 Results**

The year closed with a profit before tax of Ksh 45.6 million, an improvement of 128% over 1999. This reduces our tax credit, which now stands at Ksh 38 million.

The main factors which contributed to this increase in profit are as follows:

- Turnover increased by Ksh 207.0 million or 30%, although this was mitigated by increased cost of sales and pressure on margins, which resulted in an increase in gross profit by 13% to Ksh 288 million. Cost increases have been contained as far as possible, but in particular distribution and transport costs have risen by 42%; against this, administration expenses have been contained and reduced, resulting in a net increase in operating costs of only 17%. Our operating profit was therefore Ksh 96.0 million, an increase of 7% over 1999.

- Finance costs have reduced by 28%, a combination of lower interest rates and the benefit of liquidity generated from the proceeds of the Convertible Bond issued to Bamburi Cement Ltd, which you approved last year. The proceeds of the Bond were used exclusively to reduce bank finance and total borrowings at the year end stood at Ksh 138 million, down from Ksh 356 million in 1999.

- Net Current Assets stood at Ksh 69.5 million from a net current liability position of Ksh 105.5 million at the end of 1999.

- After a deferred taxation reversal of Ksh 14.92 million, net profit saw an increase of 48% over 1999, and an increase in basic earnings per share from Ksh 0.27 to Ksh 0.40.

These results have been attained despite the extremely difficult conditions experienced during the entire year, largely as the result of the effort expended by a dedicated management and staff.

**Segmental Performance**

Minerals & Chemicals

The Division contributed 34% of profit before tax, an increase of 102% over the previous year. Despite the continuing recession, sales increased by 26%, including sales into new export markets in Uganda, Rwanda and Ethiopia.

Sales of lime into the domestic market have not increased as anticipated, but this has been offset by goldfield consumption in Tanzania, which continues to grow. As a result the Company plans to commence production in Tanzania during 2001 in order to reduce transport costs, and also to gain entry into Tanzania's growing market for lime and industrial minerals.

# Chairman's Statement (continued)

## Cement

Despite another year characterised by a continued slump in the building industry, Rhino Cement sales have increased by 33%, producing a profit contribution of Ksh 30.2 million, an increase of 145%, or 60% after tax.

Special Products are included in this segment, but will be accounted for separately in 2001, have continued to grow following increased market acceptance. Total sales have increased from Ksh 4.6 million in 1999 to Ksh 16.6 million in the current year, and the net profit has shown an increase from Ksh 0.5 million to Ksh 2.8 million. The product range is being rationalised and expanded, and will be marketed more aggressively during 2001.

## Social & Environmental Policy

During the year under review your Company has continued its efforts to minimise adverse effects on the environment. Initial emphasis was placed on the Kaloleni cement and lime plant, with the introduction of additional dust collectors, which have reduced dust emissions to minimal levels. Some 5000 trees have been planted on the site, and the dam stocked with over 1000 indigenous fish. Similar undertakings are now in progress at the Athi River plant and at the limestone quarry sites in Kajiado District.

As usual, your company was an active participant in many social and charitable projects during the year. Most notably, the company was the main sponsor of the United Nations Development Programme (UNDP) led annual programme to combat desertification in Kenya, and in raising funds for the Kenya Society for the Blind. The company also provided relief food assistance to drought victims in Kajiado District, and provided cement and building materials for schools in various parts of the country.

## Year 2001 Prospects

There is little place for optimism, and it is considered very likely that operating conditions will remain unchanged from the last few years. Domestic demand for cement continues to decline, and this decline is also evident in the demand for mineral products, which are used mainly for inputs into manufactured products. Given the continued decline in the economy, and uncertainties with regard to recovery, it is again difficult to make meaningful growth and financial projections.

The company will continue its policy of cautious growth and investment, as well as containing costs wherever possible. Several opportunities are being investigated, particularly concerning special building products allied to our present product range; we continue to work closely with our strategic partner, Bamburi Cement Ltd, on the development of these products, and also with their parent company, Lafarge.

## Dividend

Careful consideration has once again been given to this issue, particularly given the improved performance we have seen in the past year. However, your Board has concluded that profit for the year 2000 be retained in the Company, particularly in view of the uncertain economic situation. However, the Directors are aware of the fact that our shareholders have not received any returns on their investment since 1997. In recognition of this, the Directors have resolved to declare a special dividend of 20 cents per share for the year 2001 payable to all shareholders as on the Register of Members as at 7 June 2001.

**Brian Rogers**
Chairman
17 April 2001

# Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

**Activities**

The principal activities of the company are the mining of industrial minerals, processing of industrial minerals and chemicals and manufacture and sale of cement for industrial and domestic use.

**Results**

| | Sh'000 |
|---|---|
| Profit before exchange losses | 49,283 |
| Exchange losses | (3,682) |
| Profit before taxation | 45,601 |
| Taxation | (15,711) |
| Net profit for the year | 29,890 |

**Dividends**

The directors do not recommend the payment of a dividend in respect of the year.

**Directors**

The directors who held office during the year are shown on page 2. Mr. S A Tanna resigned on 12 July 2000 and was replaced on the same date by Mr. S L Bhatia.

**Auditors**

Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

**By order of the Board**

**Mr. R R VORA**
Secretary

17th April 2001

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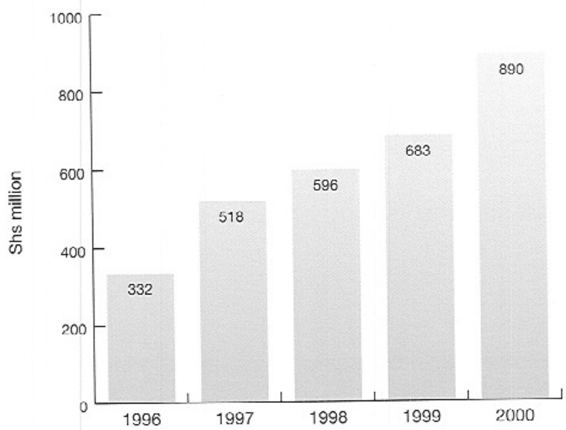
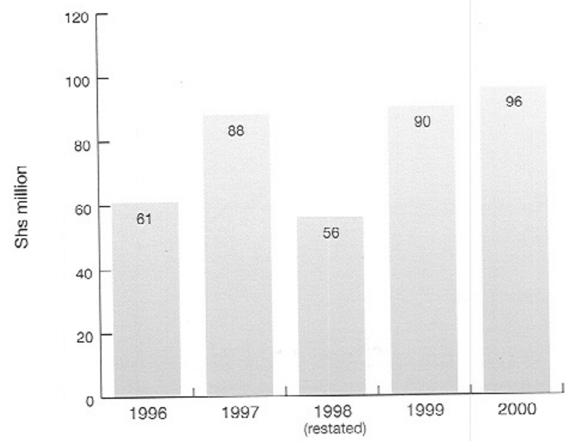
# Key figures

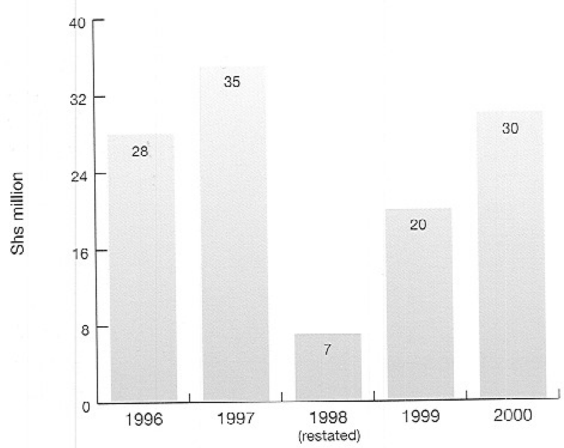
### Turnover



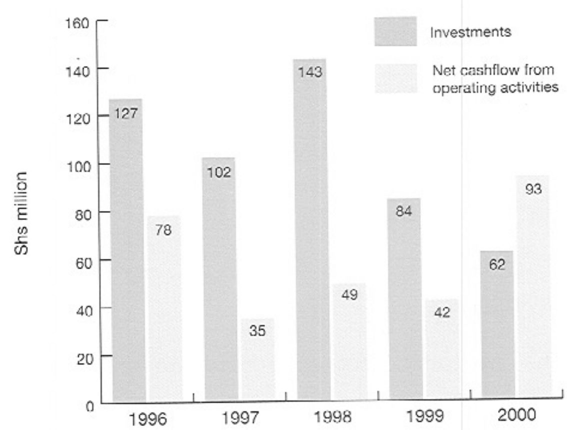

### Operating Income



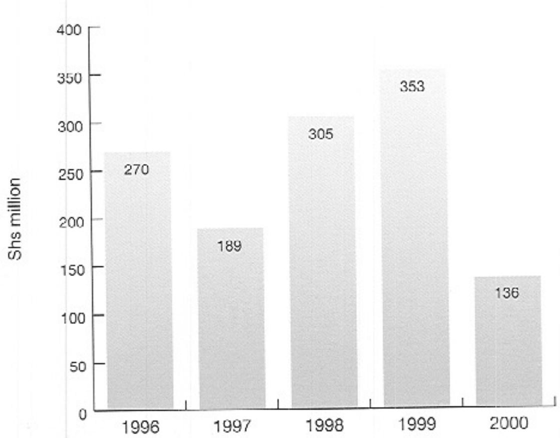

### Profit After Tax



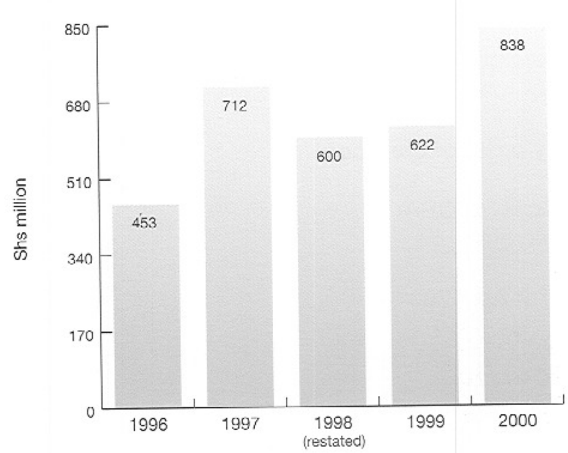

### Investments & Net cashflow from operating activities




### Net Indebtedness




### Shareholder Equity



Deloitte
& Touche

# Report of the Auditors to the members of Athi River Mining Ltd

We have audited the financial statements on pages 8 to 23 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

### Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 December 2000 and of its profit and cashflows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

DELOITTE & TOUCHE
Certified Public Accountants

Nairobi
18 April 2001

Deloitte
Touche
Tohmatsu

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# Income statement

## for the year ended 31 December 2000

| | Note | 2000<br>Sh'000 | 1999<br>Sh'000 |
|---|---|---|---|
| Turnover | | 890,415 | 682,738 |
| Cost of sales | | (602,451) | (427,978) |
| Gross profit | | 287,964 | 254,760 |
| Other operating income | | 2,304 | 883 |
| Distribution costs | | (115,425) | (81,115) |
| Administrative expenses | | (77,666) | (84,427) |
| Other operating expenses | | (1,168) | (99) |
| Operating profit | 3 | 96,009 | 90,002 |
| Finance costs | 4 | (50,408) | (70,077) |
| Profit before taxation | | 45,601 | 19,925 |
| Taxation | 6 | (15,711) | 280 |
| Net profit for the year | | 29,890 | 20,205 |
| Basic earnings per share | 7 | Sh 0.40 | Sh 0.27 |
| Diluted earnings per share | 7 | Sh 0.39 | Sh 0.27 |

# At 31 December 2000

| | Note | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 8 | 882,757 | 908,503 |
| Deferred expenditure | 9 | 23,986 | - |
| | | 906,743 | 908,503 |
| **Current assets** | | | |
| Inventories | 10 | 183,678 | 161,486 |
| Trade and other receivables | 11 | 179,198 | 160,272 |
| Cash and bank balances | | 993 | 3,346 |
| | | 363,869 | 325,104 |
| **Total assets** | | 1,270,612 | 1,233,607 |
| **Equity & Liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 12 | 375,000 | 375,000 |
| Share premium | | 154,947 | 154,947 |
| Convertible bond | 13 | 189,000 | - |
| Capital reserve | | 104,771 | 108,209 |
| Revenue reserve/ (deficit) | | 13,992 | (15,898) |
| | | 837,710 | 622,258 |
| **Non current liabilities** | | | |
| Finance leases | 14 | - | 7,910 |
| Borrowings | 15 | 3,788 | 50,348 |
| Deferred income taxes | 16 | 134,792 | 122,438 |
| | | 138,580 | 180,696 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 159,798 | 132,542 |
| Finance leases repayable within one year | 14 | 1,567 | 5,742 |
| Borrowings | 15 | 112,250 | 208,352 |
| Dividend payable | | 498 | 498 |
| Commercial paper | 18 | 20,209 | 83,519 |
| | | 294,322 | 430,653 |
| **Total equity and liabilities** | | 1,270,612 | 1,233,607 |

The financial statements on pages 8 to 23 were approved by the board of directors on 17 April 2001 and were signed on its behalf by:

B ROGERS & P H PAUNRANA
Directors

# Statement of changes in equity

## for the year ended 31 December 2000

| | Share capital Sh'000 | Share premium Sh'000 | Convertible bond Sh'000 | Capital reserve Sh'000 | Revenue reserve (deficit) Sh'000 | Total Sh'000 |
|---|---|---|---|---|---|---|
| At 1 January 1999 | 375,000 | 154,947 | - | 106,102 | (36,103) | 599,946 |
| Net profit for the year | - | - | - | - | 20,205 | 20,205 |
| Deferred tax credit resulting from reduction in tax rate | - | - | - | 2,107 | - | 2,107 |
| At 31 December 1999 | 375,000 | 154,947 | - | 108,209 | (15,898) | 622,258 |
| At 1 January 2000 | 375,000 | 154,947 | - | 108,209 | (15,898) | 622,258 |
| Issue of convertible bond | - | - | 189,000 | - | - | 189,000 |
| Revaluation reserve written off (Note 8) | - | - | - | (6,000) | - | (6,000) |
| Revaluation adjustment (i) | - | - | - | 2,562 | - | 2,562 |
| Net profit for the year | - | - | - | - | 29,890 | 29,890 |
| At 31 December 2000 | 375,000 | 154,947 | 189,000 | 104,771 | 13,992 | 837,710 |

(i) Revaluation adjustment relates to deferred taxation credit due to depreciation of the revaluation surplus during the year.

# Cash flow statement

## for the year ended 31 December 2000

| | Note | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 19(a) | 135,322 | 102,559 |
| Interest paid | | (41,476) | (60,057) |
| Tax paid | | (795) | - |
| Net cash generated from operating activities | | 93,051 | 42,502 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (41,334) | (84,809) |
| Deferred expenditure | | (20,516) | - |
| Proceeds from disposal of property, plant and equipment | | 330 | 480 |
| Net cash used in investing activities | | (61,520) | (84,329) |
| **Financing activities** | | | |
| Finance lease instalment payments | | (12,085) | (12,627) |
| New finance lease purchase contracts | | - | 9,895 |
| Convertible bond proceeds | | 189,000 | - |
| Loans received | | - | 34,953 |
| Repayment of amounts borrowed | | (88,674) | (31,587) |
| Convertible bond transaction costs | | (3,470) | - |
| Dividends paid | | - | (375) |
| Net cash generated from financing activities | | 84,771 | 259 |
| **Increase/ (decrease) in cash and cash equivalents** | | 116,302 | (41,568) |
| **At 1 January** | | (209,743) | (168,175) |
| **At 31 December** | 19(b) | (93,441) | (209,743) |

# Notes to the Financial Statements

## for the year ended 31 December 2000

### 1. Accounting policies

The principal accounting policies, which are in accordance with and comply with International Accounting Standards, are set out below:

**Revenue recognition**

Turnover represents sales to customers during the year net of value added tax.

**Taxation**

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.
Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

**Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less depreciation.

**Depreciation**

No depreciation is provided on freehold land.

Depreciation is calculated to write off the cost or valuation of other property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates in use are:

| | |
|---|---|
| Leasehold land | Over the remaining period of lease |
| Buildings | 2.5% or over the remaining period of lease of the land whichever is greater |
| Heavy commercial vehicles and quarrying equipment | 10% |
| Plant, machinery and equipment | 5% to 7.5% |
| Motor vehicles | 10% |
| Furniture and fittings | 7.5% |
| Computer hardware | 20% |

**Capital work in progress**

Capital work in progress relates to property and plant under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property and plant categories once the project is completed and commissioned.

**Inventories**

Finished goods inventories are stated at the lower of cost and net realisable value. Cost comprises direct production costs, rents, royalties, labour and relevant transport costs. Work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

Raw materials and other inventories are stated at purchase cost while spares inventories are stated at the lower of cost or directors' valuation. Directors' valuation is based on replacement cost values.

## 1. Accounting policies (continued)

### Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair values on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rental payments in respect of operating leases are charged to the income statement.

### Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

### Commercial paper

Commercial paper is short term finance issued at a discount. The discount is recognised over the period of the issue. The amount shown in the balance sheet at the year end is the face value less unearned discount.

### Pension obligations

The company contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to Sh 80 per month per employee. The company's contributions are charged to the income statement in the year to which they relate.

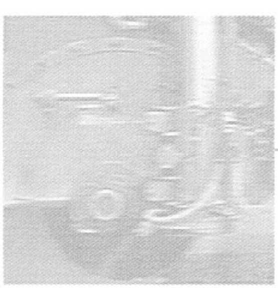
### Segment reporting

Segmental information is based on the primary format representing two business segments, cement and minerals and chemicals.

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).



## 2. Segmental reporting

(a) Primary reporting format - business segments

| | CEMENT | | MINERALS & CHEMICALS | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2000 Sh'000 | 1999 Sh'000 | 2000 Sh'000 | 1999 Sh'000 | 2000 Sh'000 | 1999 Sh'000 |
| Sales | 594,113 | 447,357 | 296,302 | 235,381 | 890,415 | 682,738 |
| Expenditure | 563,868 | 435,021 | 280,946 | 227,792 | 844,814 | 662,813 |
| Profit before taxation | 30,245 | 12,336 | 15,356 | 7,589 | 45,601 | 19,925 |
| Deferred taxation | (10,212) | 168 | (5,499) | 112 | (15,711) | 280 |
| Profit after taxation | 20,033 | 12,504 | 9,857 | 7,701 | 29,890 | 20,205 |
| Assets | 789,769 | 766,768 | 480,843 | 466,839 | 1,270,612 | 1,233,607 |
| Liabilities | 267,522 | 366,819 | 178,348 | 244,540 | 445,870 | 611,349 |
| Depreciation | 29,995 | 29,544 | 26,235 | 22,131 | 56,230 | 51,675 |
| Capital expenditure | 1,887 | 38,782 | 34,986 | 22,500 | 36,873 | 61,282 |

(b) Secondary reporting format - Geographical segments
Over 91% of the company's sales are made in the local market (Kenya).

## 3. Operating profit

The operating profit is arrived at after charging:

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Depreciation | 56,230 | 51,675 |
| Operating lease rentals - property | 1,800 | 1,800 |
| Directors' emoluments: | | |
| Fees | 1,269 | 1,140 |
| Other emoluments | 9,516 | 11,500 |
| Staff costs (Note 5) | 84,533 | 77,917 |
| Auditors' remuneration: | | |
| Current year | 990 | 900 |
| Prior year | 124 | - |
| Loss on disposal of motor vehicles | 59 | 99 |

| | 2000<br>Sh'000 | 1999<br>Sh'000 |
|---|---|---|
| **4. Finance costs** | | |
| Interest payable: | | |
| - Loans | 9,587 | 18,331 |
| - Bank overdrafts | 20,059 | 24,608 |
| - Finance leases | 1,650 | 4,072 |
| - Commercial paper | 10,180 | 12,492 |
| - Convertible bond | 5,250 | - |
| | 46,726 | 59,503 |
| Exchange adjustment: | | |
| - unrealised losses | 1,357 | 5,607 |
| - realised losses | 2,325 | 4,967 |
| | 3,682 | 10,574 |
| | 50,408 | 70,077 |
| **5. Staff costs** | | |
| Wages and salaries | 81,770 | 74,892 |
| Social security cost (NSSF) | 1,027 | 1,058 |
| Termination benefits | 1,736 | 1,967 |
| | 84,533 | 77,917 |
| Executive directors | 9,516 | 11,500 |
| | 94,049 | 89,417 |
| The average number of persons employed by the company during the year was: | | |
| Full time | 196 | 213 |
| Part time | 430 | 431 |
| | 626 | 644 |
| **6. Taxation** | | |
| **(a) Tax expense /(credit)** | | |
| Current taxation based on adjusted profit at 30% (1999 - 32.5%) | - | - |
| Prior year under provision | 795 | - |
| Deferred tax expense/ (credit) | 14,916 | (280) |
| | 15,711 | (280) |

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| **6. Taxation** (Continued) | | |
| **(b) Reconciliation of tax based on accounting profit to tax expense/ (credit)** | | |
| Accounting profit before taxation | 45,601 | 19,925 |
| Tax at the applicable rate of 30%(1999 - 32.5%) | 13,680 | 6,476 |
| Tax effect of expenses not deductible for tax purposes | 1,690 | 1,365 |
| Tax effect of income not taxable | (2) | (24) |
| Tax effect of reduction in tax rate | - | (8,097) |
| Prior year under/ (over) provisions - deferred tax | (452) | - |
| - current tax | 795 | - |
| | 15,711 | (280) |
| **(c) Deferred tax relating to items credited to capital reserve:** | | |
| Deferred tax resulting from reduction in tax rate | - | 2,107 |
| Tax effect on revaluation depreciation | 2,562 | - |
| | 2,562 | 2,107 |

**7. Basic and diluted earnings per share**

Basic earnings per share has been calculated on the profit after taxation of Sh 29,890,000 (1999-Sh 20,205,000) divided by the number of shares in issue during the year.

Diluted earnings per share has been calculated as follows:

| | 2000 | 1999 |
|---|---|---|
| Profit after taxation | 29,890,000 | 20,205,000 |
| Add convertible bond interest expense | 5,250,000 | - |
| Less deferred tax relating to that interest expense | (1,575,000) | - |
| Adjusted profit before taxation | 33,565,000 | 20,205,000 |
| Weighted average number of ordinary shares (75,000,000 x 5/12)+(93,000,000 x 7/12) | 85,500,000 | 75,000,000 |
| Adjusted profit after taxation divided by the weighted average number of ordinary shares | Sh 0.39 | Sh 0.27 |

## 8. Property, plant and equipment

| | Freehold, land & buildings | Leasehold land & buildings | Heavy commercial vehicles & quarrying equipment | Equipment, computer hardware plant machinery, motor vehicles, furniture & fittings | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 |
| **Cost or valuation** | | | | | | |
| At 1 January 2000 | 66,969 | 171,237 | 145,528 | 675,331 | 47,085 | 1,106,150 |
| Additions | 2,912 | - | 2,321 | 21,155 | 10,485 | 36,873 |
| Disposals | - | - | - | (800) | - | (800) |
| Transfers | - | - | - | 17,927 | (17,927) | - |
| Revaluation surplus written off (iii) | (6,000) | - | - | - | - | (6,000) |
| At 31 December 2000 | 63,881 | 171,237 | 147,849 | 713,613 | 39,643 | 1,136,223 |
| **Comprising** | | | | | | |
| At cost | 12,948 | 13,845 | 129,841 | 583,558 | 39,643 | 779,835 |
| At valuation in 1992 | - | - | 18,008 | 18,819 | - | 36,827 |
| At valuation in 1996 | 50,933 | 157,392 | - | - | - | 208,325 |
| Directors' valuation in 1994 | - | - | - | 111,236 | - | 111,236 |
| At 31 December 2000 | 63,881 | 171,237 | 147,849 | 713,613 | 39,643 | 1,136,223 |
| **Depreciation** | | | | | | |
| At 1 January 2000 | - | 12,519 | 45,853 | 139,275 | - | 197,647 |
| Charge for the year | - | 4,281 | 14,725 | 37,224 | - | 56,230 |
| Eliminated on disposals | - | - | - | (411) | - | (411) |
| At 31 December 2000 | - | 16,800 | 60,578 | 176,088 | - | 253,466 |
| **Net book value** | | | | | | |
| At 31 December 2000 | 63,881 | 154,437 | 87,271 | 537,525 | 39,643 | 882,757 |
| At 31 December 1999 | 66,969 | 158,718 | 99,675 | 536,056 | 47,085 | 908,503 |

(i) The net book value of equipment, computer hardware, plant, machinery, motor vehicles, furniture and fittings includes Sh 4,055,389 (1999 - Sh 18,914,581) in respect of assets that were the subject of finance leases.

(ii) The capital work in progress relates mainly to the ongoing construction of the raw mill and includes Sh 5,226,246 of capitalised revenue items (1999 - Sh 22,964,832).

(iii) The revaluation surplus write off relates to the value of leased quarry sites erroneously included in freehold land and buildings in prior years (Page 10).

## 9. Deferred expenditure

This represents development costs relating to production of new products that are to be written off over a period of four years.

Also included in this amount is Sh 3,470,000 (to be offset against share premium) being transaction costs incurred on the issue of a bond to Bamburi Cement Limited convertible to share capital on 24 May 2001.

| | 2000<br>Sh'000 | 1999<br>Sh'000 |
|---|---|---|
| **10. Inventories** | | |
| Raw materials | 63,576 | 73,374 |
| Work in progress | 22,269 | 21,510 |
| Finished goods | 38,360 | 11,961 |
| Stores and spares | 59,040 | 54,157 |
| Laboratory | 433 | 484 |
| | 183,678 | 161,486 |
| **11. Trade and other receivables** | | |
| Trade receivables | 168,115 | 151,615 |
| Other receivables and prepayments | 11,083 | 8,657 |
| | 179,198 | 160,272 |
| **12. Share capital** | | |
| Authorised: | | |
| 94,000,000 (1999 - 76,000,000) ordinary shares of Shs 5 each | 470,000 | 380,000 |
| Issued and fully paid: | | |
| 75,000,000 ordinary shares of Shs 5 each | 375,000 | 375,000 |

At the Annual General Meeting of 28 April 2000, the authorised share capital of the company was increased by the members of the company from Sh 380,000,000 divided into 76,000,000 ordinary shares of Sh 5 each, to Sh 470,000,000 by the creation of 18,000,000 ordinary shares of Sh 5 each, ranking pari passu in all respects with the existing ordinary shares in the capital of the company.

## 13. Convertible bond

On 24 May 2000, the company created and issued a 5% unsecured convertible bond at a stated value of Sh 180 million for cash at a premium of 5%. The bond is convertible one year after issue into ordinary shares of Sh 5 each in the capital of the company to be credited on the basis of one ordinary share for every Sh 10 in nominal amount of the bond.

### 14. Finance leases

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Secured finance leases expiring: | | |
| Within one year | 1,567 | 5,742 |
| Between one and two years | - | 5,666 |
| Between two and five years | - | 2,244 |
| | 1,567 | 13,652 |
| Less: repayable within one year | 1,567 | 5,742 |
| | - | 7,910 |

Proceeds from the convertible bond issue received during the year have been used to accelerate repayments of outstanding balances.

### 15. Borrowings

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Bank overdraft | 74,225 | 129,570 |
| Bank loans | 40,993 | 102,313 |
| Directors loans | 820 | 26,817 |
| | 116,038 | 258,700 |

**The borrowings are repayable as follows:**

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| On demand or within one year | 112,250 | 208,352 |
| In the second year | 2,968 | 21,842 |
| In the third to fifth years inclusive | 820 | 28,506 |
| | 116,038 | 258,700 |
| Less: amounts due for settlement within one year | 112,250 | 208,352 |
| Amount due for settlement after one year | 3,788 | 50,348 |

## 15. Borrowings (Continued)

### Analysis of borrowing by currency

| | Borrowings in US$ | Shs equivalent Sh'000 | Borrowing in local currency Sh'000 |
|---|---|---|---|
| 2000 | | | |
| Bank overdrafts | 16,632 | 1,286 | 72,939 |
| Bank loans | 280,000 | 21,658 | 19,335 |
| Directors loans | - | - | 820 |
| At 31 December 2000 | 296,632 | 22,944 | 93,094 |
| 1999 | | | |
| Bank overdrafts | - | - | 129,570 |
| Bank loans | 600,000 | 43,500 | 58,813 |
| Directors loans | - | - | 26,817 |
| At 31 December 1999 | 600,000 | 43,500 | 215,200 |

| | 2000 % | 1999 % |
|---|---|---|
| The average interest rates paid were as follows: | | |
| Bank overdraft | 19.6 | 18.7 |
| Bank loans | 13.4 | 19.6 |

### Details of securities for loans and overdrafts

The general short term banking, letters of credit and foreign currency facilities with Stanbic Bank Kenya Limited are secured by a fixed and floating debenture over all the company's assets for USD 1,730,000 and a fixed charge on motor vehicle for USD 240,000.

The overdraft and loan facilities with Development Bank of Kenya Limited are secured by an all assets debenture of Sh 60,000,000 and legal charges over the company's properties in Athi River (LR Nos 337/846,663,52,57,53 and 669) and at Kaloleni (Title Nos. Mbwaka/Maerini 112 and 581) for Sh 60,000,000. The said securities rank pari passu with the securities granted to Stanbic Bank Kenya Limited.

## 16. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| The net deferred taxation liability is attributable to the following items: | | |
| Accelerated capital allowances | 150,582 | 150,583 |
| Tax losses carried forward | (38,098) | (51,740) |
| Unrealised exchange losses | (407) | (1,682) |
| Revaluation surplus | 22,715 | 25,277 |
| | 134,792 | 122,438 |
| The movement on the deferred tax account is as follows: | | |
| At 1 January | 122,438 | 124,825 |
| Income statement expense/ (credit) | 14,916 | (280) |
| Charged/ (credited) to equity | (2,562) | (2,107) |
| At 31 December | 134,792 | 122,438 |



## 17. Trade and other payables

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Trade payables | 147,842 | 122,305 |
| Other payables and accruals | 11,956 | 10,237 |
| | 159,798 | 132,542 |

## 18. Commercial paper

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Face value | 20,327 | 85,170 |
| Unearned discount | (118) | (1,651) |
| | 20,209 | 83,519 |

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| **19. Notes to the cash flow statement** | | |
| **(a) Reconciliation of operating profit to cash generated from operations:** | | |
| Operating profit | 96,009 | 90,002 |
| Adjustments: | | |
| Depreciation | 56,230 | 51,675 |
| Loss on disposal on motor vehicles | 59 | 99 |
| Realised exchange losses | (2,325) | (4,967) |
| Operating profit before working capital changes | 149,973 | 136,809 |
| Increase in inventories | (22,192) | (2,649) |
| Increase in trade and other receivables | (18,926) | (41,674) |
| Increase in trade and other payables | 26,467 | 10,073 |
| Cash generated from operations | 135,322 | 102,559 |
| **(b) Analysis of balances of cash and cash equivalents** | | |
| Cash and bank balances | 993 | 3,346 |
| Commercial paper | (20,209) | (83,519) |
| Bank overdrafts | (74,225) | (129,570) |
| At 31 December | (93,441) | (209,743) |

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of advance.

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| **(c) Loans** | | |
| At 1 January | 129,130 | 120,157 |
| Repayment | (88,674) | (31,587) |
| Received | - | 34,953 |
| Unrealised exchange loss | 1,357 | 5,607 |
| | 41,813 | 129,130 |

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| **20. Related parties** | | |
| The following transactions were carried out with related parties: | | |
| **(a) Purchase of services:** | | |
| Athi River Group Limited | 1,800 | 1,800 |

Athi River Group Limited owns the head office building, which is rented by the company.
This company is owned by H J Paunrana and P H Paunrana, who are both directors of the company.

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| **(b) Loans from Directors** | | |
| At 1 January | 26,817 | 35,587 |
| Advances | 7,608 | 782 |
| Repayments | (33,605) | (9,552) |
| At 31 December | 820 | 26,817 |

Loans from directors are unsecured, interest free with no fixed repayment terms.

**21. Capital commitments**

| | 2000 Sh'000 | 1999 Sh'000 |
|---|---|---|
| Authorised and contracted for | 35,000 | 5,000 |
| Authorised but not contracted for | 30,000 | - |

**22. Contingent liabilities**

At 31 December 2000, the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the company has given guarantees amounting to Sh 17million (1999- Sh 17 million) to third parties.

**23. Incorporation**

The company is a limited liability company registered in Kenya under the Companies Act.

**24. Currency**

The financial statements are presented in Kenya Shillings.

# Statement of Wealth Created

## for the year ended 31 December 2000

| | 2000 Sh'000 | 2000 Sh'000 | 1999 Sh'000 | 1999 Sh'000 |
|---|---|---|---|---|
| Sales | | 890,415 | | 682,738 |
| Materials & services used | | 662,251 | | 461,856 |
| Wealth created during the year | | 228,164 | | 220,882 |
| **How distributed:** | | | | |
| **To Providers of Capital** | | | | |
| Dividends to Shareholders | | - | | - |
| **To Remunerate Employees** | | | | |
| Salaries & Wages | | 95,318 | | 89,499 |
| **To Lenders for Interest** | | | | |
| Financing Costs | | 46,726 | | 59,503 |
| **To Maintain and Expand the Company** | | | | |
| Depreciation | 56,230 | | 51,675 | |
| Retained Earnings | 29,890 | | 20,205 | |
| | | 86,120 | | 71,880 |
| | | 228,164 | | 220,882 |

### Distribution of wealth created