

2003

Annual Report &
Financial Statements

CMA-LIBRARY



HD
1506
K46
845
003
0.2

ARM

ATHI RIVER MINING LTD

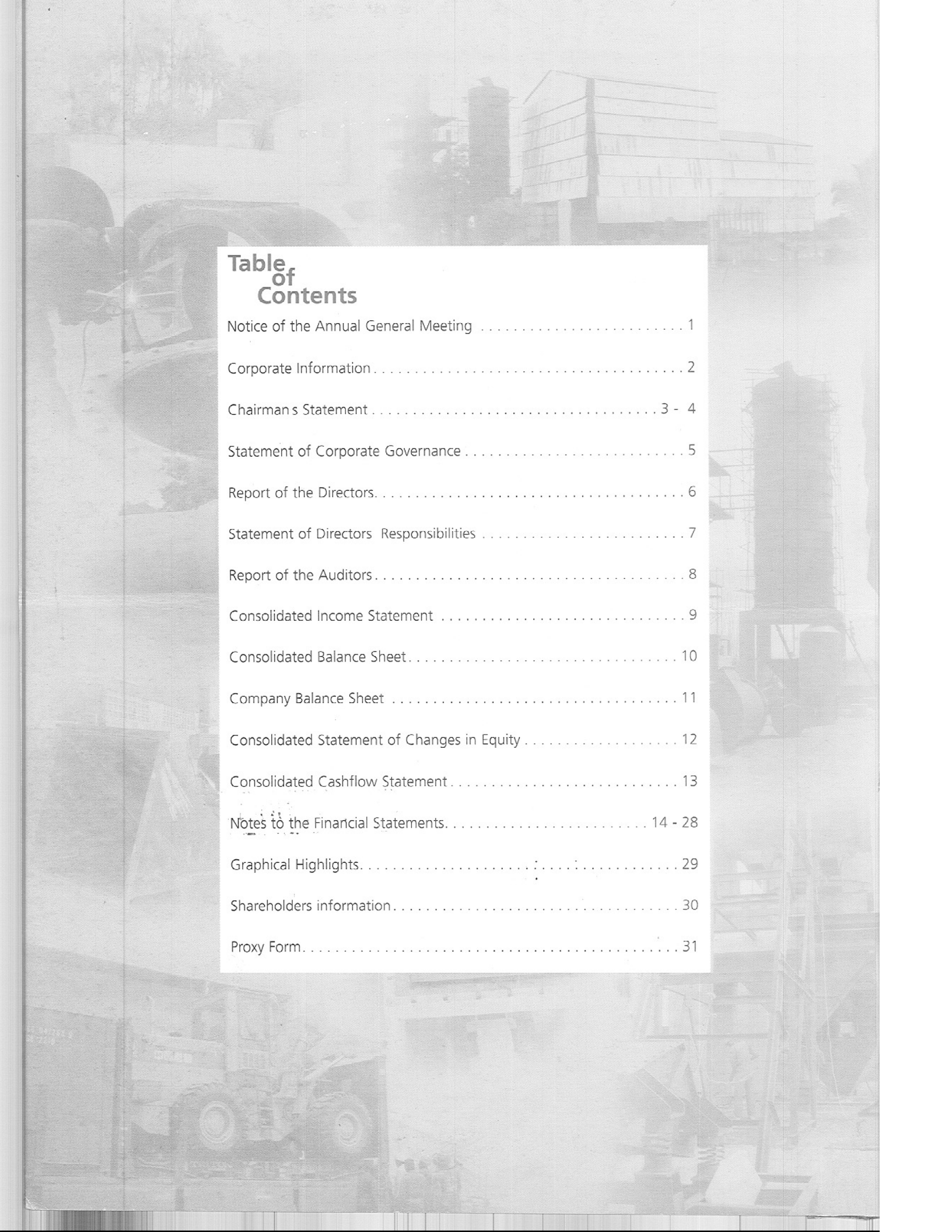


Table of Contents

Notice of the Annual General Meeting	1
Corporate Information	2
Chairman's Statement	3 - 4
Statement of Corporate Governance	5
Report of the Directors	6
Statement of Directors' Responsibilities	7
Report of the Auditors	8
Consolidated Income Statement	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Consolidated Cashflow Statement	13
Notes to the Financial Statements	14 - 28
Graphical Highlights	29
Shareholders information	30
Proxy Form	31

NOTICE OF ANNUAL GENERAL MEETING

to the members of Athi River Mining Limited

TO ALL SHAREHOLDERS

Notice is hereby given of the 2004 Annual General Meeting to be held at the Crystal Ball Room, Grand Regency Hotel, Nairobi on Thursday, 10th June, 2004 at 10:00 a.m.

AGENDA

1. To read the Notice convening the Meeting.
2. To approve the minutes of the previous Annual General Meeting held on 5th June, 2003.
3. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31st December, 2003 together with the reports thereon of the Directors and the Auditors
4. To approve the Directors Remuneration as provided in the accounts for the year ended 31st December, 2003.
5. To note that an interim dividend of 0.40 cents per share was paid during the year and to approve the payment of a final dividend of 0.10 cents per share in respect of the year ended 31st December, 2003.
6. To re-elect Directors:

Mr. W. Murungi retires by rotation under the provisions of Article 95 of the Articles of Association and, being eligible, offers himself for re-election.

Dr. M. Gondwe retires from the Board under the provisions of Article 93 of the Articles of Association 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.

By Order of the Board

R. R. Vora
Secretary

31st March, 2004

CMA – Ke Library



AR0685

CMA-LIBRARY

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.



Tanga Lime plant in operation

HO
9506
• K 46
A 845
2003

CORPORATE INFORMATION

DIRECTORS

Mr B Rogers - Chairman
Mr H J Paurana - Vice-Chairman
Mr P H Paurana - Managing Director
Mr S L Bhatia* - Deputy Managing Director
Mr W Murungi
Mr P J Rune
Mr T Mbathi
Dr M Gondwe**
Bamburi Cement Limited

* Indian

** Zambian

AUDIT COMMITTEE

Mr T Mbathi - Chairman
Mr W Murungi
Mr B Rogers

SECRETARY

Mr R R Vora
Marakwet House
P O Box 48405
00100 GPO
Nairobi

REGISTERED OFFICE

L R 209/74/7/2, Chiromo Road
Westlands
P O Box 41908
00100 GPO
Nairobi

AUDITORS

Deloitte & Touche
Kirungii, Ring Road, Westlands
P O Box 40092
00100 GPO
Nairobi

BANKERS

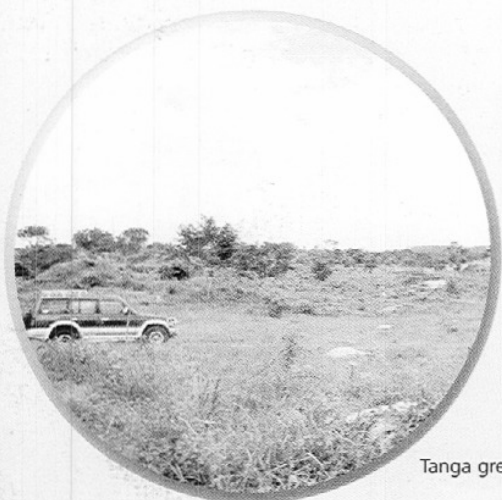
Stanbic Bank Kenya Limited
Kenyatta Avenue
P O Box 30550
00100 GPO
Nairobi

Barclays Bank of Kenya Limited
Barclays Plaza Branch
P O Box 46661
00100 GPO
Nairobi

Credit Agricole Indosuez
Re-Insurance Plaza
P O Box 69562
00400 GPO
Nairobi

ADVOCATES

Walker Kontos
Hakika House
P O Box 60680
00200 City Square
Nairobi



Tanga green field site

2007/0685

CHAIRMAN'S STATEMENT

to the members of Athi River Mining Limited

Athi River Mining Ltd. has again achieved improved performance in 2003, and on behalf of the board I have pleasure in presenting to you my report for the year ended 31 December 2003. Our financial results are largely as forecast, and in this report I will focus on our achievements during the year under review, and our view of the short and long term plans for the company.

Whilst 2003 did not see any significant improvement in Kenya's economy, although all the signs were there, growth was maintained in the cement, minerals, special building products, sodium silicate and fertilizer divisions. Lime sales were below forecast, but this is expected to recover in the current year. A more detailed review of divisional performance is included later in this report.

Significant investment in both existing and new plant continues to be necessary in order to continue our growth, maintain and improve our competitive position in the industry.

During the year the following expansion was accomplished:

- The new lime plant in Tanga, Tanzania, was commissioned, and production commenced in January 2004. The total cost of the project was Kshs 230 Million. The lime produced is of exceptionally high quality, as a result of which demand is high, not only from the gold mines, but also from other users of lime in Tanzania. After the commissioning of the lime plant, we sold 33% of the equity in ARM (Tanzania) Ltd to Cement Distributors Limited for a consideration of Kshs76 Million, which substantially reduced our indebtedness. Cement Distributors Limited, in which Tanga Cement Ltd owns 20% equity, has an extensive and established logistics and distribution network within Tanzania and our lime products will utilise this network. The photographs in this year's Annual Report relate to the construction work and production facilities at our Tanga subsidiary.
- A new sodium silicate plant was commissioned in the first quarter of 2003, at our Athi River plant, at a total cost of Kshs 52 Million. This plant is now working to full capacity, and will be augmented by a second plant in 2004 to cater for growing export demands.
- Investment was also made in improving the production efficiency of the minerals division, which led to a volume growth of 22% during the

year.

- Entering into the fertilizer business, one of our initiatives last year, has shown good prospects, with order books already filled, and to meet demand we are now increasing production capacity. The product is marketed under the brand name MAVUNO .

Plans and funding are now in place for a new cement rotary kiln at Kaloleni, and supply contracts have been signed. This is necessary to reduce cement production costs and to maintain our market share. The project is expected to take two years before production commences, and will cost a total of Kshs 860 Million.

We have also established a subsidiary in South Africa, to which we will supply special grades of sodium silicate and mineral products for further processing and sale to industrial consumers in that region.

We have continued our commitment to environmental management and protection, and have encouraged our staff and the communities around which we operate to actively participate in our various environmental initiatives. The company's Managing Director, Pradeep Paurana, was appointed to head The East African Business Summit Environment Committee, Forestry Project. He has been heading many industry level liaisons and has been engaged in tree planting campaigns, two of which were attended by The Minister for Environment and Natural Resources, Hon. Dr. Newton Kulundu, and Hon. Prof. Anyang Nyong'o, Minister for Planning, reflecting the Government's support for this initiative.

2003 RESULTS

As at 31 December 2003 we are required to present consolidated financial statements to include ARM (Tanzania) Ltd, that plant having been commissioned during the year. However, because of the timing of commissioning, this has little effect on the financial results for the year.



Ground clearing and excavation

CHAIRMAN'S STATEMENT *continued*

to the members of Athi River Mining Limited

Profit before taxation improved by 60% over last year to Kshs 131.2 million. This included profit on sale of 33% equity in ARM (Tanzania) Ltd of Kshs 25.3 million. Turnover improved by 10% from Kshs 1.12 billion in 2002 to 1.24 billion. Net profit after taxation stood at Kshs 97.1 million, 69% over the previous year, and improved earnings per share of Kshs 1.04 compared to Kshs 0.62 per share in 2002. However, without the exceptional item of the sale of shares in ARM (Tanzania) Ltd, on a like to like basis net profit increased by 23.9%. Export sales have increased by 22% over the previous year to stand at Kshs 347 Million.

The Group and Company Balance Sheet continued to strengthen during 2003. However, Company net indebtedness increased from Kshs 95.4 million to Kshs.113 million. Net indebtedness upon consolidation stood at Shs 189 million. Group and Company net current assets continued to increase to Shs.194.7 million from Shs.116.3 million in 2002. Cash generated from operations reduced from Kshs 176.5 million to Kshs 148.0 million, of which Kshs 147.1 million was reinvested in capital projects.

Our rating for 2003 by Global Credit Rating Company continued to improve. We achieved A for long term (A-, 2002: BBB, 2001), and A1- for short term (A2, 2002:A3, 2001).

SEGMENTAL PERFORMANCE

Minerals & Chemicals

Divisional turnover was Kshs 488.7 Million, achieving a notable 21.6% increase over 2002. The division contributed 39.4% to the Group and Company turnover, and 39.5% to profit before taxation. The new sodium silicate furnace commissioned during the year has contributed greatly to the turnover and profitability in this division. The state of the art technology used in this silicate furnace has the advantage of realizing higher production output at a much lower cost, compared to the older technology previously in use. Minerals also achieved higher sales volumes, though product prices remained constant during the year.

Cement & Special Products

Rhino Cement sales volumes increased only marginally, by 2%, the result of price wars initiated by the two major cement manufacturers, causing cement prices to decline by 12% during the period April — October.

Special Building Products division turnover increased

by 24% over 2002, mainly from increased sales of wallmaster and granite products, as well as tile adhesives and tile grouts introduced in the market in 2003.

Year 2004 Prospects

The company is optimistic regarding 2004 performance, based upon first quarter results. However, this remains closely tied to the performance of the Kenyan economy, transport costs and performance of the construction industry in general.

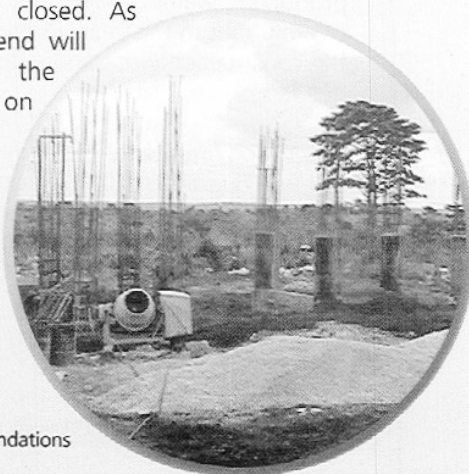
The large capital investment being made in the expansion of the cement clinker plant at Kaloleni in Kenya is necessary to reduce our production costs and to make this division more competitive in light of increased competition. This will reduce our cost of production by Kshs 800 per ton, and on our current market share of 110,000 tons per year will justify the capital cost of the project. However, the capital cost of ksh 860 Million will substantially increase the indebtedness on our balance sheet and in particular constrain the cash flow of the company over the next two years.

The Board of Directors considers this a strategic investment as is the proposed cement grinding plant to be set up in Kisumu next year. Both investments are critical to improve margins and to take advantage of future cement growth in Kenya.

Dividend

The Directors have recommended a final dividend of Kshs 0.10 bringing the total dividend to Kshs 0.50 for the year 2003 (Kshs 0.40 for year 2002). The Directors have further resolved to recommend an interim dividend of Kshs 0.40 for the year 2004 payable to all shareholders on the register of members on 31st May 2004, on which date the register will be closed. As usual the dividend will be paid after the AGM on 10 June 2004.

Brian Rogers
Chairman



Laying the foundations

STATEMENT OF CORPORATE GOVERNANCE

The Company is committed to the new standards of Corporate Governance and has made additional disclosures in the Accounts for 2003 in recognition of this commitment.

THE BOARD OF DIRECTORS

The Board is comprised of Six non-executive and three executive members. The non-executive members are independent of management and are free of any relationships which could materially interfere with the exercise of their independent judgement. Six members of the Board retire by rotation every year, and may offer themselves for re-election, if eligible in terms of the Company's Article of Association.

THE ROLE OF THE BOARD

The Board recognises, and emphasises the role of good Corporate Governance in corporate performance, maximisation of shareholder value, and the protection of shareholders rights. The Board will therefore continue its Corporate Governance policies, including the monitoring of management performance, to ensure growth and to achieve the long-term objectives of shareholders.

BOARD MEETINGS

The board meets a minimum of once every quarter, but also meets as required to consider specific issues.

BOARD COMMITTEES

The Board delegates some of its responsibilities to Board Committees. The committees meet on a regular basis and make recommendations to the Board on matters delegated to them.

AUDIT COMMITTEES

The committee was appointed in 2001 and comprises three non-executive directors, with the attendance of senior management as required. Their terms of reference include a review of the Company's half yearly and annual financial statements before submission to the Board, internal controls, the appointment of external auditors and their remuneration, and the scope and nature of the external audit.

Other committees in place are the Nomination and Remuneration Committees.

DIRECTORS BENEFITS AND LOANS

The total amount of Directors remuneration for the year is disclosed on page 17. There were no loans to the directors during the year.

30 March 2004.



Tanga project team

REPORT OF THE DIRECTORS

to the members of Athi River Mining Limited

The directors present their report together with the group audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The principal activities of the group are the manufacture and sale of cement, mining and processing of industrial minerals and chemicals, and trading in other building products.

RESULTS

	Sh 000
Profit before taxation	131,197
Taxation expense	<u>(34,091)</u>
Net profit for the year	<u>97,106</u>

DIVIDENDS

An interim dividend of Sh 0.40 per share (2002 — Sh 0.30 per share) was paid by the directors on the paid up share capital on 31 May 2003. The directors propose payment of a final dividend of Sh 0.10 per share (2002 — Sh 0.10 per share). The total dividends per share in respect of the year will, therefore, be Sh 0.50 (2002 — Sh 0.40).

DIRECTORS

The present directors are shown on page 2.

The Acacia Fund Limited resigned on 22 July 2003. Mr Titus Mbathi and Dr Michael Gondwe were appointed on 26 June 2003 and 17 February 2004 respectively.

AUDITORS

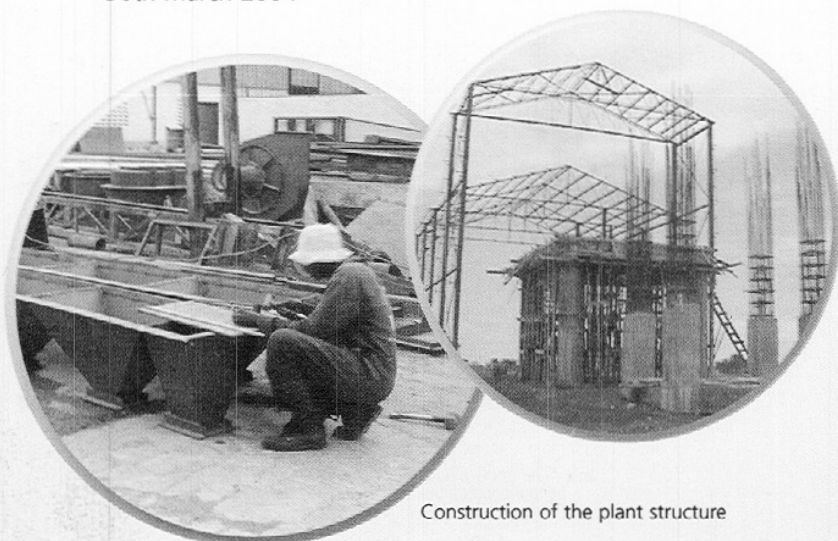
Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

By order of the Board

Mr R R Vora

Secretary
Nairobi

30th March 2004



Construction of the plant structure

STATEMENT OF DIRECTORS RESPONSIBILITIES

for the year ended 31 December 2003

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

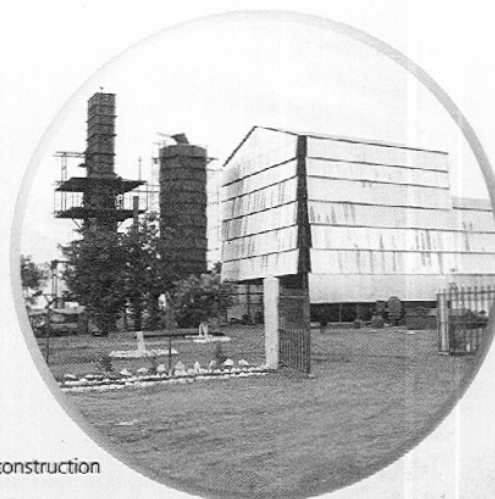
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

Brian Rogers
Director

Pradeep H. Paunrana
Director

30th March 2004



Kiln under construction

REPORT OF THE AUDITORS

to the members of Athi River Mining Limited

We have audited the financial statements on pages 9 to 28 for the year ended 31 December 2003 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

As described on page 7, 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.

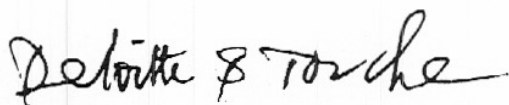
BASIS OF OPINION

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:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith.
- (b) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2003 and of the profit and cash flows of the group for the year ended on that date, in accordance with International Financial Reporting Standards and comply with the Kenya Companies Act.



Nairobi

30th March 2004

**Deloitte
Touche
Tohmatsu**

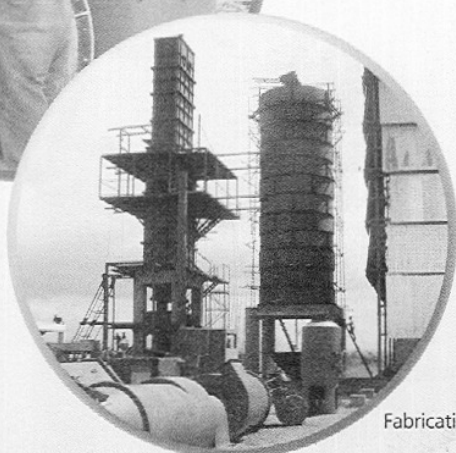
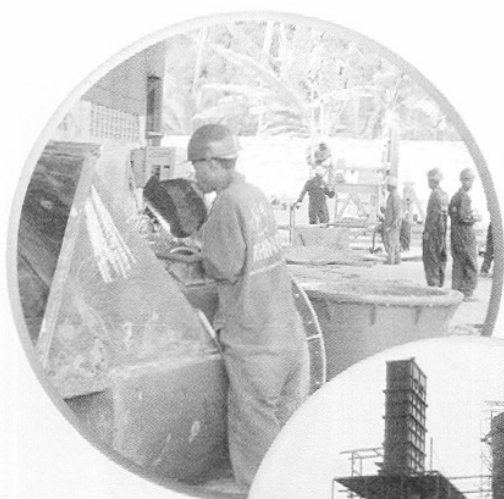
Partners: D.M. Ndonye, H. Gadhoke*, D.C. Hodges*, J.M. Kiarie, S.O. Onyango, J.W. Wangai

* British

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2003

	Note	2003 Sh 000	2002 Sh 000
Turnover		1,240,388	1,126,385
Cost of sales		<u>(867,659)</u>	<u>(776,279)</u>
Gross Profit		372,729	350,106
Other Operating Income		288	465
Distribution Costs		(115,164)	(132,239)
Administrative Expenses		(140,252)	(116,769)
Other Operating Expenses		<u>(84)</u>	<u>(605)</u>
Operating Profit	3	117,517	100,958
Profit on disposal of Equity in Subsidiary	16	25,298	-
Finance Costs (Net)	4	<u>(11,618)</u>	<u>(18,822)</u>
Profit Before Taxation		131,197	82,136
Taxation	6	<u>(34,091)</u>	<u>(24,746)</u>
Net Profit for the Year	7	<u>97,106</u>	<u>57,390</u>
Earnings per Share - Basic & Diluted	8	<u>Sh 1.04</u>	<u>Sh 0.62</u>



Fabrication at site

CONSOLIDATED BALANCE SHEET

as at 31 December 2003

	Note	2003 Sh 000	2002 Sh 000
ASSETS			
Non current assets			
Property, plant and equipment	9	1,073,489	910,926
Operating lease prepayments	10	2,416	2,484
Deferred expenditure	11	3,163	9,856
		<u>1,079,068</u>	<u>923,266</u>
Current assets			
Inventories	13	150,931	236,607
Trade and other receivables	14	296,447	253,113
Cash and bank balances		48,957	2,168
		<u>496,335</u>	<u>491,888</u>
Total assets		<u><u>1,575,403</u></u>	<u><u>1,415,154</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	465,000	465,000
Share premium		241,477	241,477
Revaluation surplus		43,983	100,599
Revenue reserve		153,648	46,426
Proposed dividends		9,300	9,300
		<u>913,408</u>	<u>862,802</u>
Minority interest		<u>50,702</u>	<u>-</u>
Non current liabilities			
Borrowings	17	145,843	20,833
Deferred income taxes	18	158,039	155,932
Finance leases	19	5,833	-
		<u>309,715</u>	<u>176,765</u>
Current liabilities			
Trade and other payables	20	201,022	280,458
Borrowings	17	84,006	76,763
Current tax payable		12,941	17,343
Finance leases	19	2,317	-
Unclaimed dividends		1,071	802
Compensating tax payable		221	221
		<u>301,578</u>	<u>375,587</u>
Total equity and liabilities		<u><u>1,575,403</u></u>	<u><u>1,415,154</u></u>

The financial statements on pages 9 to 28 were approved by the board of directors on 30th March 2004 and were signed on its behalf by:

Brian Rogers
Director

Pradeep H. Paunrana
Director

COMPANY BALANCE SHEET

as at 31 December 2003

	Note	2003 Sh 000	2002 Sh 000
ASSETS			
Non current assets			
Property, plant and equipment	9	843,848	910,926
Operating lease prepayments	10	2,416	2,484
Deferred expenditure	11	3,163	9,856
Investment in subsidiary	12	102,939	-
		<u>952,366</u>	<u>923,266</u>
Current assets			
Inventories	13	150,931	236,607
Trade and other receivables	14	296,447	253,113
Cash and bank balances		48,957	2,168
		<u>496,335</u>	<u>491,888</u>
Total assets		<u><u>1,448,701</u></u>	<u><u>1,415,154</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	465,000	465,000
Share premium		241,477	241,477
Revaluation surplus		43,983	100,599
Revenue reserve		153,648	46,426
Proposed dividends		9,300	9,300
		<u>913,408</u>	<u>862,802</u>
Non current liabilities			
Borrowings	17	69,843	20,833
Deferred income taxes	18	158,039	155,932
Finance leases	19	5,833	-
		<u>233,715</u>	<u>176,765</u>
Current liabilities			
Trade and other payables	20	201,022	280,458
Borrowings	17	84,006	76,763
Current tax payable		12,941	17,343
Finance leases	19	2,317	-
Unclaimed dividends		1,071	802
Compensating tax payable		221	221
		<u>301,578</u>	<u>375,587</u>
Total equity and liabilities		<u><u>1,448,701</u></u>	<u><u>1,415,154</u></u>

The financial statements on pages 9 to 28 were approved by the board of directors on 30th March 2004 and were signed on its behalf by:

Brian Rogers
Director

Pradeep H. Paunrana
Director

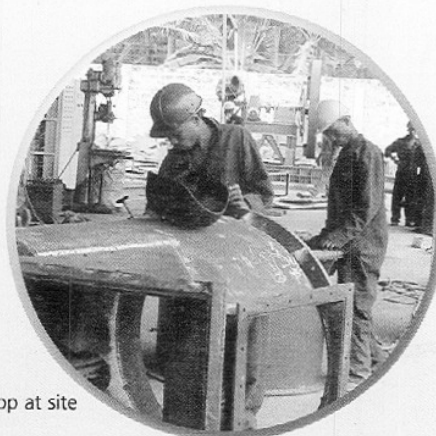
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Share Capital Sh 000	Share Premium Sh 000	Revaluation Surplus Sh 000	Revenue reserve Sh 000	Proposed dividends Sh 000	Total Sh 000
At 1 January 2002	465,000	241,477	99,968	26,867	-	833,312
Deferred tax on excess depreciation	-	-	631	(631)	-	-
Net profit for the year	-	-	-	57,390	-	57,390
Dividends:						
- paid 2002	-	-	-	(27,900)	-	(27,900)
- proposed 2002	-	-	-	(9,300)	9,300	-
At 31 December 2002	465,000	241,477	100,599	46,426	9,300	862,802
At 1 January 2003	465,000	241,477	100,599	46,426	9,300	862,802
Transfer of excess depreciation	-	-	(57,358)	57,358	-	-
Deferred tax on excess depreciation	-	-	742	(742)	-	-
Net profit for the year	-	-	-	97,106	-	97,106
Dividends:						
- paid 2003	-	-	-	(37,200)	-	(37,200)
- declared 2002	-	-	-	-	(9,300)	(9,300)
- proposed 2003	-	-	-	(9,300)	9,300	-
At 31 December 2003	465,000	241,477	43,983	153,648	9,300	913,408

The revaluation surplus relates to surpluses arising from the revaluation of property, plant and equipment.

The subsidiary company commenced trading after year end in January 2004. The parent company's results are, therefore, the same as for the group.



Machine shop at site

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	Note	2003 Sh 000	2002 Sh 000
Operating activities			
Cash generated from operations	21(a)	148,012	176,518
Interest paid		(11,635)	(18,527)
Compensating tax paid		-	(7,777)
Corporation tax paid		(36,386)	-
Net cash generated from operating activities		<u>99,991</u>	<u>150,214</u>
Investing activities			
Purchase of property, plant and equipment		(227,904)	(112,539)
Proceeds from disposal of property, plant and equipment		4,799	350
Proceeds from disposal of equity in subsidiary	16	<u>76,000</u>	<u>-</u>
Net cash used in investing activities		<u>(147,105)</u>	<u>(112,189)</u>
Financing activities			
Finance lease received		12,270	-
Finance lease instalment payments		(4,120)	-
Loans received	21(c)	211,411	90,000
Repayment of amounts borrowed	21(c)	(103,267)	(68,721)
Dividends paid		<u>(46,500)</u>	<u>(28,050)</u>
Net cash used in financing activities		<u>69,794</u>	<u>(6,771)</u>
Increase in cash and cash equivalents		22,680	31,254
Cash and cash equivalents 1 January		<u>(17,928)</u>	<u>(49,182)</u>
Cash and cash equivalents 31 December	21(b)	<u>4,752</u>	<u>(17,928)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below.

Basis of accounting

The company prepares its financial statements under the historical cost convention, modified to include the revaluation of certain property and financial instruments.

Basis of consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter company balances and unrealised surpluses and deficits on transactions with the subsidiary company have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its subsidiary, ARM (Tanzania) Limited, whose financial year ends on 31 December. The subsidiary did not trade during the year. The Tanzania factory was commissioned in November 2003 and commenced production in January 2004.

Revenue recognition

Turnover is recognised upon despatch of goods to customers and represents sales net of sales returns and value added tax.

Taxation

Income tax expense represents the sum of the current tax payable and the deferred 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 taxation 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 taxation.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised.

Property, plant and equipment

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

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:

Buildings	2.5%
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%

Excess depreciation, representing the additional depreciation based on revalued amounts over depreciation based on historical costs, is transferred annually from revaluation reserve to revenue reserves.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

CMA-LIBRARY

1 ACCOUNTING POLICIES *continued*

Operating lease prepayments

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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.

Deferred expenditure

Expenditure incurred in developing new products are deferred and written off over a period of 4 years.

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 the lower of purchase cost and net realisable value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value on the inception of the lease 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.

Pension obligations

The group contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The group's obligations under the scheme are limited to specific contributions legislated from time to time and were fixed at Sh 200 per employee. The group's contributions are charged to the income statement in the year to which they relate.

Provision for liabilities and charges

Employees' entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the balance sheet date.

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).

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

1 ACCOUNTING POLICIES *continued*

Financial instruments

Financial assets

Financial assets are recognised initially at cost using settlement date accounting. Receivables originated by the group and held to maturity investments are subsequently measured at amortised cost while financial assets held for trading and available for sale are measured at fair value. Gains or losses attributable to changes in fair value of each category of asset are recognised in the income statement in the year in which they arise. All financial assets are subject to review for impairment at the year end.

Financial liabilities

Financial liabilities are recognised initially at cost, and subsequently measured at amortised cost.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

2 SEGMENTAL REPORTING

a. Primary segment information — Business segments

For management purposes, the group is currently organised into two products. These products are the basis on which the group reports its primary segment information. The two products are Cement and special products and Minerals and chemicals. The table below shows the Group's revenue, expenses, segment assets, segment liabilities, capital expenditure and depreciation by the products.

	CEMENT AND SPECIAL PRODUCTS		MINERALS AND CHEMICALS		TOTAL	
	2003	2002	2003	2002	2003	2002
	Sh 000	Sh 000	Sh 000	Sh 000	Sh 000	Sh 000
Sales & other income	751,964	724,979	514,010	401,871	1,265,974	1,126,850
Expenditure	687,613	672,386	447,164	372,328	1,134,777	1,044,714
Profit before taxation	64,078	52,593	66,846	29,543	131,197	82,136
Taxation	(20,153)	(15,332)	(13,938)	(9,414)	(34,091)	(24,746)
Profit after taxation	43,925	37,261	52,908	20,129	97,106	57,390
Assets	910,988	905,910	664,415	509,244	1,575,403	1,415,154
Liabilities	377,186	368,095	188,808	184,257	565,994	552,352
Depreciation and amortisation	34,648	32,448	27,635	27,415	62,283	59,863
Capital expenditure	-	1,791	59,728	69,954	59,728	71,745

b. Secondary segment information — Geographical segments

The group's revenues are derived from sales in the following markets:

	2003	2002
	Sh 000	Sh 000
Domestic sales	893,616	843,335
Export sales	347,060	283,515
	<u>1,240,676</u>	<u>1,126,850</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

3 OPERATING PROFIT

The operating profit is arrived at after charging:

	2003 Sh 000	2002 Sh 000
Depreciation	62,223	59,796
Amortisation	68	67
Operating lease rentals — property	1,800	1,800
Directors' emoluments:		
Fees	1,858	1,776
Other emoluments	13,363*	16,443
Staff costs (Note 5)	122,779	101,098
Auditors' remuneration	1,300	1,145
Loss on disposal of motor vehicles	84	133

* This is net of capitalised directors' emoluments of Sh 4,675,200 (2002 - Nil) see note 9(a)

4 FINANCE COST (NET)

	2003 Sh 000	2002 Sh 000
Interest payable:		
- Loans	5,037	13,066
- Bank overdrafts	4,778	5,223
- Commercial paper	1,820	238
	11,635	18,527
Exchange adjustment:		
- unrealised losses	-	655
- realised gains	(17)	(360)
	(17)	295
	11,618	18,822

5 STAFF COSTS

	2003 Sh 000	2002 Sh 000
Wages and salaries	120,158	98,859
Social security cost (NSSF)	1,231	1,036
Termination benefits	-	371
Leave pay	1,390	832
	122,779	101,098
Executive directors - emoluments	13,363	16,443
	136,142	117,541

The average number of staff employed by the group during the year was:

	2003 No.	2002 No.
Full time	371	328
Part time	300	280
	671	608

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

6 TAXATION

(a) Tax expense

	2003 Sh 000	2002 Sh 000
Current taxation based on adjusted profit at 30%	31,984	17,343
Deferred tax expense (note 18)	2,107	7,403
	<u>34,091</u>	<u>24,746</u>

(b) Reconciliation of tax based on accounting profit to tax expense

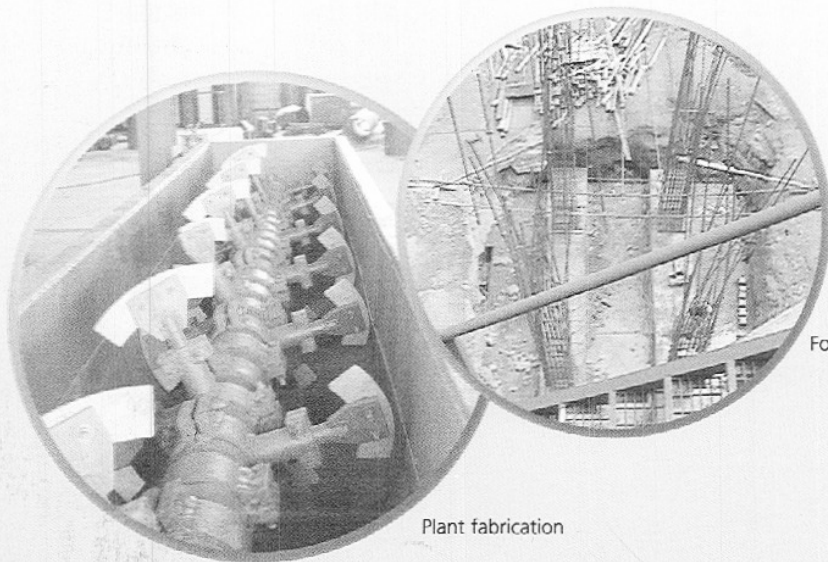
	2003 Sh 000	2002 Sh 000
Accounting profit before taxation	131,197	82,136
Tax at the applicable rate of 30%	39,359	24,640
Tax effect of expenses not deductible for tax purposes	2,321	1,584
Tax effect of income not taxable	(7,589)	(1,478)
	<u>34,091</u>	<u>24,746</u>

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Athi River Mining Limited is Sh 97,106,000 (2002 — Sh 57,390,000).

8 BASIC EARNINGS PER SHARE

Basic earnings per share has been calculated on the profit after taxation of Sh 97,106,000 (2002 — Sh 57,390,000) divided by the number of shares in issue during the year of 93,000,000 (2002 — 93,000,000). Diluted earnings per share is the same as the basic earnings per share.



Plant fabrication

Foundation for kiln II expansion

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

9 (a) PROPERTY PLANT AND EQUIPMENT - GROUP

	Freehold land and Buildings Sh 000	Buildings on leasehold land Sh 000	Heavy Commercial vehicles and quarrying equipment Sh 000	Computer hardware, plant, machinery motor vehicles, furniture & fittings Sh 000	Capital work in progress Sh 000	Total Sh 000
Cost or valuation						
At 1 January 2003	69,208	161,590	149,579	748,944	150,823	1,280,144
Additions	770	-	20,741	16,498	189,895	227,904
Disposals	-	-	(10,421)	(1,975)	-	(12,396)
Transfers	-	-	-	42,328	(42,328)	-
Transfer from deferred expenditure	-	-	-	-	1,765	1,765
At 31 December 2003	69,978	161,590	159,899	805,795	300,155	1,497,417
Comprising						
At cost	19,045	4,198	141,891	675,740	300,155	1,141,029
At valuation 1992	-	-	18,008	18,819	-	36,827
At valuation 1994	-	-	-	111,236	-	111,236
At valuation 1996	50,933	157,392	-	-	-	208,325
	69,978	161,590	159,899	805,795	300,155	1,497,417
Depreciation						
At 1 January 2003	7,332	23,871	86,852	251,163	-	369,218
Charge for the year	1,047	4,040	14,412	42,724	-	62,223
Eliminated on disposals	-	-	(7,001)	(512)	-	(7,513)
At 31 December 2003	8,379	27,911	94,263	293,375	300,155	423,928
Net book value						
At 31 December 2003	61,599	133,679	65,636	512,420	300,155	1,073,489
At 31 December 2002	61,876	137,719	62,727	497,781	150,823	910,926
Historical cost net book value						
At 31 December 2003	13,849	3,115	58,943	442,272	300,155	818,334
At 31 December 2002	13,505	3,467	61,650	419,919	150,823	649,364

Capital work in progress includes capitalised directors emoluments amounting to Sh 4,675,200 (2002-nil).

The group assets are pledged to secure credit facilities with various banks as disclosed in note 17.



Quarry site development

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

9 (b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Freehold land and Buildings Sh 000	Buildings on leasehold land Sh 000	Heavy Commercial vehicles and quarrying equipment Sh 000	Computer hardware, plant, machinery motor vehicles, furniture & fittings Sh 000	Capital work in progress Sh 000	Total Sh 000
Cost or valuation						
At 1 January 2003	69,208	161,590	149,579	748,944	150,823	1,280,144
Additions	770	-	20,741	16,498	21,719	59,728
Disposals	-	-	(10,421)	(1,975)	-	(12,396)
Transfers	-	-	-	42,328	(42,328)	-
Transfers to subsidiary	-	-	-	-	(59,700)	(59,700)
At 31 December 2003	69,978	161,590	159,899	805,795	70,514	1,267,776
Comprising						
At cost	19,045	4,198	141,891	675,740	70,514	911,388
At valuation 1992	-	-	18,008	18,819	-	36,827
At valuation 1994	-	-	-	111,236	-	111,236
At valuation 1996	50,933	157,392	-	-	-	208,325
	69,978	161,590	159,899	805,795	70,514	1,267,776
Depreciation						
At 1 January 2003	7,332	23,871	86,852	251,163	-	369,218
Charge for the year	1,047	4,040	14,412	42,724	-	62,223
Eliminated on disposals	-	-	(7,001)	(512)	-	(7,513)
At 31 December 2003	8,379	27,911	94,263	293,375	-	423,928
Net book value						
At 31 December 2003	61,599	133,679	65,636	512,420	70,514	843,848
At 31 December 2002	61,876	137,719	62,727	497,781	150,823	910,926
Historical cost net book value						
At 31 December 2003	13,849	3,115	58,943	442,272	70,514	588,693
At 31 December 2002	13,505	3,467	61,650	419,919	150,823	649,364

The group assets are pledged to secure credit facilities with various banks as disclosed in note 17.



Clearing at the quarry site

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

10 OPERATING LEASE PREPAYMENTS - GROUP & COMPANY

	Sh 000
COST	
As at 1 January 2003 and at 31 December 2003	<u>2,707</u>
AMORTISATION	
At 1 January 2003	223
Amortisation for the year	<u>68</u>
At 31 December 2003	<u>291</u>
NET BOOK VALUE	
At 31 December 2003	<u>2,416</u>
At 31 December 2002	<u>2,484</u>

11 DEFERRED EXPENDITURE - GROUP & COMPANY

	Sh 000
At 1 January 2003	14,784
Additions	-
Transfer to subsidiary for company and to WIP for group	<u>(1,765)</u>
At 31 December 2003	<u>13,019</u>
Amortisation:	
At 1 January 2003	4,928
Charge for the year	<u>4,928</u>
At 31 December 2003	<u>9,856</u>
Net book value	
At 31 December 2003	<u>3,163</u>
At 31 December 2002	<u>9,856</u>

Expenditure incurred in developing new products are deferred and written off over a period of 4 years.

12 INVESTMENT IN SUBSIDIARY

	2003 Sh 000	2002 Sh 000
ARM (Tanzania) Limited — 67% owned	<u>102,939</u>	<u>-</u>

The investment in the subsidiary is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

13 INVENTORIES - GROUP & COMPANY

	2003	2002
	Sh 000	Sh 000
Raw materials	46,808	126,043
Work in progress	34,433	27,271
Finished goods	45,352	37,555
Stores, spares and laboratory	24,338	45,738
	<u>150,931</u>	<u>236,607</u>

14 TRADE AND OTHER RECEIVABLES - GROUP & COMPANY

	2003	2002
	Sh 000	Sh 000
Trade receivables	271,243	237,580
Other receivables and prepayments	25,204	15,533
	<u>296,447</u>	<u>253,113</u>

15 SHARE CAPITAL

	2003	2002
	Sh 000	Sh 000
Authorised:		
94,000,000 ordinary shares of Sh 5 each	<u>470,000</u>	<u>470,000</u>
Issued and fully paid:		
93,000,000 (2002 — 93,000,000) ordinary shares of Sh 5 each	<u>465,000</u>	<u>465,000</u>

16 MINORITY INTEREST

The company sold 33% of its shareholding in the subsidiary company. Details of this transaction are as below:

	Sh 000
Sale proceeds	76,000
33% of subsidiary net assets at date of disposal	<u>50,702</u>
Profit on disposal	<u>25,298</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

17 (a) BORROWINGS - GROUP

	2003	2002
	Sh 000	Sh 000
Bank overdrafts	14,205	16,231
Bank loans	185,644	77,500
Commercial paper	30,000	3,865
	<u>229,849</u>	<u>97,596</u>

The borrowings are repayable as follows:

	2003	2002
	Sh 000	Sh 000
On demand or within one year	84,006	76,763
In the second year	30,536	10,417
After 2 years	115,307	10,416
	<u>229,849</u>	<u>97,596</u>
Less: amounts due for settlement within one year	<u>84,006</u>	<u>76,763</u>
Amount due for settlement after one year	<u>145,843</u>	<u>20,833</u>

Analysis of borrowing by currency

	Borrowings in US\$	Sh equivalent Sh 000	Borrowing in local currency Sh 000	Total Borrowings Sh 000
2003				
Bank overdrafts	-	-	14,205	14,205
Bank loans	1,510,000	114,811	70,833	185,644
Commercial paper	-	-	30,000	30,000
At 31 December 2003	<u>1,510,000</u>	<u>114,811</u>	<u>115,038</u>	<u>229,849</u>
2002				
Bank overdrafts	-	-	16,231	16,231
Bank loans	-	-	77,500	77,500
Commercial paper	50,000	3,865	-	3,865
At 31 December 2002	<u>50,000</u>	<u>3,865</u>	<u>93,731</u>	<u>97,596</u>



Tree nursery

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

17 (a) BORROWINGS - GROUP *continued*

The average interest rates paid were as follows:

	2003	2002
	%	%
Bank overdrafts	8.03	13.71
Bank loans (Sh)	7.59	11.63
Bank loans (USD)	3.7	Nil
Commercial paper	3.5	3

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 first ranking debenture over all the company's assets for Sh 225,000,000.

The overdraft facility, commercial paper and Letter of credit with Credit Agricole Indosuez Limited are secured by a pari passu debenture for Sh 60,000,000 over all the assets of the Company to be increased to Sh 80,000,000 and a supplementary charge to the debenture over 23 properties of the company for Sh 80,000,000.

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by a legal charge over properties (LR Nos 119, 120, 151, 539, 552, 554, 555, 556, 576, 577, 578, 582, 666, 670 and 672) in Mbwaka/Maereni, Athi River township LR 337/52,337/53,337/57,337/663 and 337/846 and debenture of Sh 120,000,000 over all the assets of the Group.

The long term loan of USD 1,000,000 is secured by a first ranking legal mortgage on the company's (ARM (Tanzania) Ltd) assets located on plot No. 1 Industrial Area —Maweni Tanga Municipality and a first ranking floating debenture on the company's assets present and future.

17 (b) BORROWINGS - COMPANY

	2003	2002
	Sh 000	Sh 000
Bank overdrafts	14,205	16,231
Bank loans	109,644	77,500
Commercial paper	30,000	3,865
	<u>153,849</u>	<u>97,596</u>

The borrowings are repayable as follows:

	2003	2002
	Sh 000	Sh 000
On demand or within one year	84,006	76,763
In the second year	30,536	10,417
After 2 years	39,307	10,416
	<u>153,849</u>	<u>97,596</u>
Less: amounts due for settlement within one year	<u>84,006</u>	<u>76,763</u>
Amount due for settlement after one year	<u>69,843</u>	<u>20,833</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

17 (b) BORROWINGS - COMPANY *continued*

Analysis of borrowing by currency

	Borrowings in US\$	Sh equivalent Sh 000	Borrowing in local currency Sh 000	Total Borrowings Sh 000
2003				
Bank overdrafts	-	-	14,205	14,205
Bank loans	510,000	38,811	70,833	109,644
Commercial paper	-	-	30,000	30,000
At 31 December 2003	<u>510,000</u>	<u>38,811</u>	<u>115,038</u>	<u>153,849</u>
2002				
Bank overdrafts	-	-	16,231	16,231
Bank loans	-	-	77,500	77,500
Commercial paper	<u>50,000</u>	<u>3,865</u>	-	<u>3,865</u>
At 31 December 2002	<u>50,000</u>	<u>3,865</u>	<u>93,731</u>	<u>97,596</u>

The average interest rates paid were as follows:

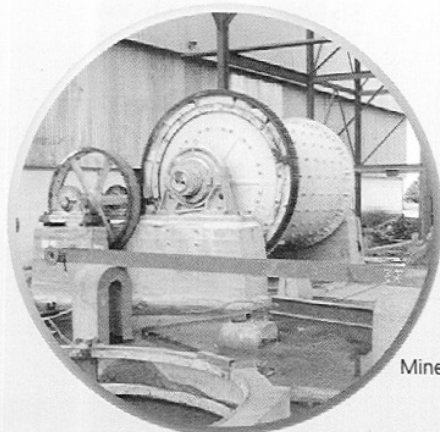
	2003	2002
	%	%
Bank overdrafts	8.03	3.71
Bank loans (Sh)	7.59	11.63
Bank loans (USD)	3.7	Nil
Commercial paper	3.5	3

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 first ranking debenture over all the company's assets for Sh 225,000,000.

The overdraft facility, commercial paper and Letter of credit with Credit Agricole Indosuez Limited are secured by a pari passu debenture for Sh 60,000,000 over all the assets of the Company to be increased to Sh 80,000,000 and a supplementary charge to the debenture over 23 properties of the company for Sh 80,000,000.

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by a legal charge over properties (LR Nos 119, 120, 151, 539, 552, 554, 555, 556, 576, 577, 578, 582, 666, 670 and 672) in Mbwaka/Maereni, Athi River township LR 337/52, 337/53, 337/57, 337/663 and 337/846 and debenture of Sh 120,000,000 over all the assets of the Group.



Mineral grinding plant construction

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

18 DEFERRED INCOME TAXES - GROUP & COMPANY

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

The net deferred taxation liability is attributable to the following items:

	2003 Sh 000	2002 Sh 000
Accelerated capital allowances	139,606	136,615
Unrealised exchange losses	-	88
Revaluation surplus	18,850	19,592
Leave pay provision	(417)	(363)
	<u>158,039</u>	<u>155,932</u>

The movement on the deferred tax account is as follows:

At 1 January	155,932	148,529
Income tax expense — note 6(a)	<u>2,107</u>	<u>7,403</u>
At 31 December	<u>158,039</u>	<u>155,932</u>

19 FINANCE LEASES - GROUP & COMPANY

Secured finance leases expiring:

	2003 Sh 000	2002 Sh 000
Within one year	2,317	-
Within two years	2,522	-
Within three years	2,758	-
Within four years	<u>553</u>	<u>-</u>
	8,150	-
Less: Amount repayable within one year	<u>2,317</u>	<u>-</u>
	<u>5,833</u>	<u>-</u>

20 TRADE AND OTHER PAYABLES - GROUP & COMPANY

	2003 Sh 000	2002 Sh 000
Trade payables	175,128	271,933
Other payables and accruals	23,518	7,215
Leave pay provision	1,390	832
Directors' accounts	<u>986</u>	<u>478</u>
	<u>201,022</u>	<u>280,458</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

21 NOTES TO THE CASH FLOW STATEMENT

	2003 Sh 000	2002 Sh 000
(a) Reconciliation of operating profit to cash generated from operations:		
Operating profit	117,517	100,958
Adjustments:		
Depreciation	62,223	59,796
Amortisation	68	67
Loss on disposal of motor vehicles	-	133
Write off of motor vehicle	84	-
Realised exchange gains	17	360
Amortisation of deferred expenditure	4,928	4,928
Operating profit before working capital changes	184,837	166,242
Decrease/(increase) in inventories	85,676	(50,928)
Increase in trade and other receivables	(43,334)	(59,222)
(Decrease)/increase in trade and other payables	(79,436)	120,576
Increase/(decrease) in unclaimed dividends	269	(150)
Cash generated from operations	<u>148,012</u>	<u>176,518</u>
(b) Analysis of balances of cash and cash equivalents		
Cash and bank balances	48,957	2,168
Commercial paper	(30,000)	(3,865)
Bank overdrafts	(14,205)	(16,231)
At 31 December	<u>4,752</u>	<u>(17,928)</u>

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.

(c) Loans

At 1 January	77,500	55,566
Repayment	(103,267)	(68,721)
Received	211,411	90,000
Unrealised exchange loss	-	655
	<u>185,644</u>	<u>77,500</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2003

22 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties:

(a) Purchase of services:

	2003	2002
	Sh 000	Sh 000
Athi River Group Limited	<u>1,800</u>	<u>1,800</u>

There were no outstanding balances in respect of Athi River Group Limited at year end.

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

(b) Cement raw material (clinker) purchases during the year from Bamburi Cement Limited amounted to Sh 126,256,054 (2002 — Sh 194,316,228). The outstanding balance at year end due to Bamburi Cement Limited was Sh 40,262,297 (2002 — Sh 40,837,691). This balance is included under Trade and other payables (note 20). Bamburi Cement Limited is both a shareholder and a director of the company.

(c) All transactions with related parties are at arm's length and in the normal course of business.

23 CAPITAL COMMITMENTS

	2003	2002
	Sh 000	Sh 000
Authorised and contracted for	<u>35,500</u>	<u>56,629</u>
Authorised but not contracted for	<u>37,100</u>	<u>39,200</u>

24 CONTINGENT LIABILITIES

	2003	2002
	Sh 000	Sh 000
Guarantees	<u>30,527</u>	<u>25,950</u>

25 INCORPORATION

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

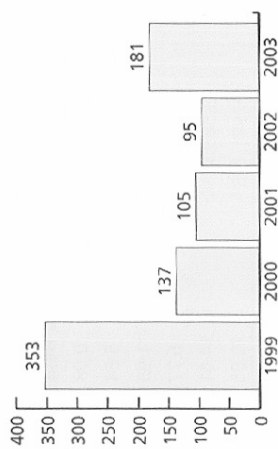
26 CURRENCY

The financial statements are presented in Kenya Shillings thousands (Sh 000).

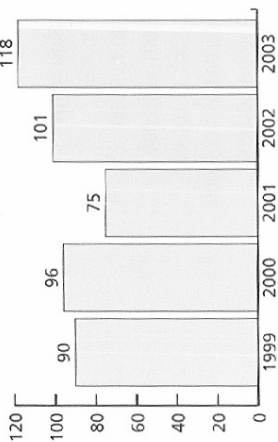
GRAPHICAL HIGHLIGHTS

for the year ended 31 December 2003
all figures in \$m. Millions

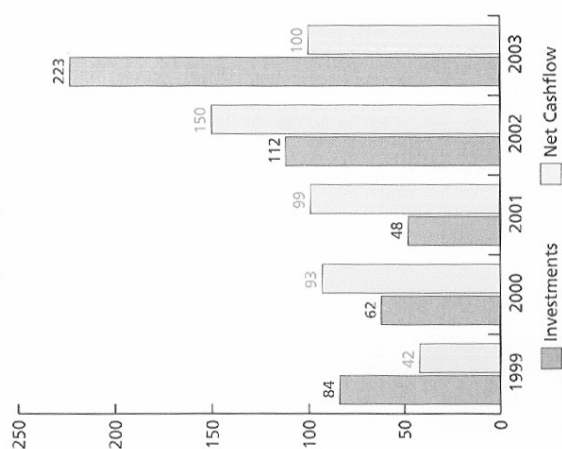
Net Indebtedness



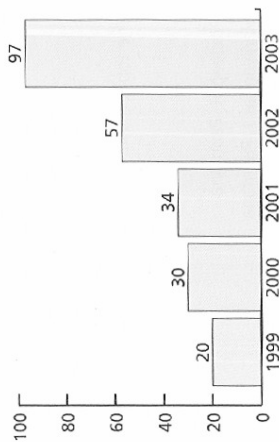
Operating Income



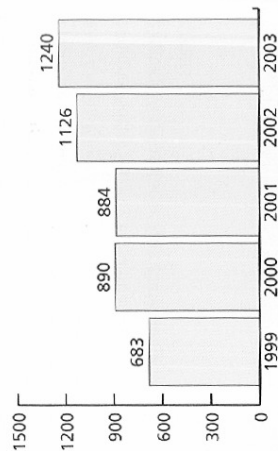
Investments and Net cashflow from operating activities



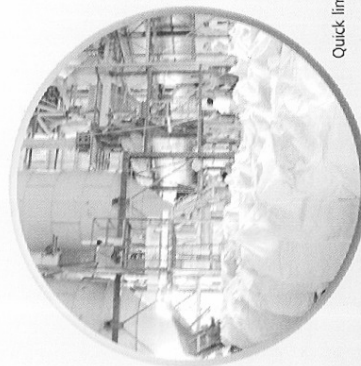
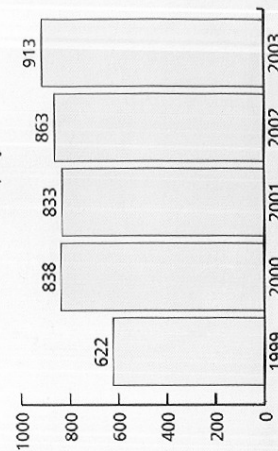
Profits attributable to shareholders



Turnover



Shareholder equity



Quick lime jumbo bags in stock

SHAREHOLDERS INFORMATION

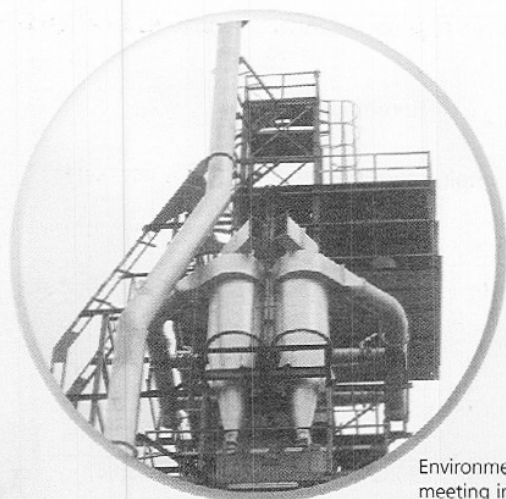
for the year ended 31 December 2003

The distribution of shareholders as at 31 December 2003 was as follows:

Share range	Number of shareholders	Shares held	% Held
1 to 499	333	76,561	0.08
500 to 5,000	3374	5,249,510	5.64
5,001 to 10,000	240	1,810,743	1.95
10,001 to 100,000	214	6,296,907	6.77
100,001 to 1,000,000	47	13,585,171	14.61
Above 1,000,000	9	65,981,108	70.95
	4217	93,000,000	100.00

The top ten shareholders as at 31 December 2003 were:

	Shares held	% Held
Pradeep H. Paunrana	23,286,709	25.04
Harjivandas J. Paunrana	21,192,140	22.79
Bamburi Cement Limited	16,880,979	18.15
Orthodox Archbishopric Kenya & Irinoupolis	2,044,000	2.20
Alan Pickering	1,200,000	1.29
Wilfred Murungi	1,058,400	1.14
Insurance Company Of East Africa Pooled Fund	1,001,780	1.08
Mrs Anjana Paunrana	997,649	1.07
National Social Security Fund Board of Trustees	870,000	0.94
Heritage A I I Insurance Company Limited	809,150	0.87
Others	23,659,193	25.43
	93,000,000	100.00



Environmental friendly technology
meeting international benchmark norms

FORM OF PROXY

CMA-LIBRARY

I / We _____
of _____
being a member(s) of the above named company, hereby appoint: _____
of _____
or failing him / her _____
of _____
as my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the company to
be held on the 10th of June 2004 and at any adjournment thereof.

Number of shares held _____

Account number of member _____

As witness my / our hand this _____ day of _____ 2004

Signed _____

Note:

1. A member enlisted to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead.
A proxy need not be a member of the company.
2. In case of a member being a corporation, this form must be completed either under its common seal, or under the hand of an officer or duly authorised attorney.
3. To be valid, the proxy form must be deposited at the registered office of the company not less than 48 hours before the time fixed for the meeting.
4. If you wish you may appoint the chairman of the meeting as your proxy.

FOLD

The Secretary,
Athi River Mining Limited
P O Box 41908, 00100 GPO
Nairobi, Kenya

FOLD



