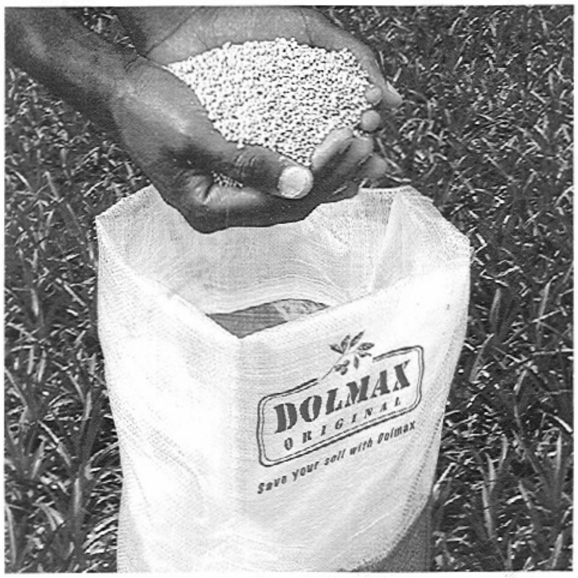


Annual Report
and Accounts 2001

MINERALS · CHEMICALS · CEMENT

ATHI RIVER MINING LTD

CONTENTS

Cover picture: *Granulated Natural Calcium Magnesium Fertilizer introduced in year 2001. Dolmax conditions the soil, increases NPK uptake and improves crop yields.*

Notice of Annual General Meeting

To All Shareholders

Notice is hereby given of the 2002 Annual General Meeting to be held at the Palm Room, Holiday Inn, Parklands Road, Nairobi on Thursday, 6th June, 2002 at 11.30 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 14th June 2001.

3. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31 December 2001 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 2001.

5. To note that a special dividend of 0.20 cents per share was paid during the year and that no final divided is proposed in respect of the year ended 31 December 2001.

6. To re-elect Directors:
   Bamburi Cement Limited was appointed on 14th June 2001 and in accordance with Article 93 of the Articles of Association retires from the Board and being eligible offers itself for re-election.

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

7. To note that Deloitte and 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 17 of the Articles of Association be and is hereby amended by the insertion of the following two paragraphs in compliance with the Central Depositories Act:

   The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are in part of in whole immobilized or dematerialized or are required by the regulations or rules issued under the Central Depositories Act to be immobilized or dematerialized in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these articles of association, immobilization and dematerialization shall be construed in the same way as they are construed in the Central Depositories Act.

   Where any securities of the Company are forfeited pursuant to these articles of association after being immobilized or dematerialized, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose."

By Order of the Board

R.R. Vora
Secretary
28th March 2002

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.

Corporate Information

Directors	Mr B Rogers	Chairman
	Mr H J Paunrana	Vice-Chairman
	Mr P H Paunrana	Managing
	Mr S L Bhatia	Commercial
	Mr W Murungi	
	Mr P J Rune	
	The Acacia Fund Limited	
	Bamburi Cement Limited	
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 Nairobi	
Auditors	Deloitte & Touche 'Kirungii', Ring Road, Westlands P O Box 40092 Nairobi	
Bankers	Development Bank of Kenya Limited Loita Street P O Box 30483 Nairobi	
	Stanbic Bank Kenya Limited Kenyatta Avenue P O Box 30550 Nairobi	

Chairman's Statement

I am pleased to be able to report a third consecutive year of growth and increase in profitability in 2001. This improved performance has been achieved despite continuing difficult conditions, with increased competitive pressures and no improvement in the economic environment.

The strategy that we adopted at the end of 2000 anticipated this situation, and in my report to you last year I referred to two key strategies for the year 2001. The first was the consolidation of operations by further containing costs and improving internal efficiencies. The second was to diversify into new business areas as well as to develop new export markets. These strategies have been successfully implemented, resulting in improved financial performance and a strengthened balance sheet, as is reflected in this report.

We are optimistic and positive in our outlook for the future, and consider the company well positioned to minimize the effects of those negative factors which will continue to dampen performance. The upturn in the Country's economy is still to come, and this will inevitably be slowed by recessionary tendencies on a global basis. Domestic demand and the industrial base continue to shrink, whilst globalization and free trade will bring additional competitive challenges.

Operating conditions will therefore remain difficult, and the way forward must employ further consolidation of operations and improvements in cost efficiencies, which will enable the company to meet the demands of a difficult economic situation. We will also continue to exploit new markets in new geographical areas, which will help to further reduce dependence on the domestic market. New strategic initiatives will help the company to compete in the era of globalization.

During 2001 the board reviewed our business strategy and agreed a number of initiatives, of which the following have already been implemented:

- After careful cost benefit analysis further investment was made in developing new products and branding existing products in the market. A new range of cement based tile adhesives was introduced, and a comprehensive advertising and marketing campaign was launched to firmly establish the Wallmaster range of products. The benefits if this initiative were partially realized in 2001, and continue to accrue in 2002. During the year 2001 granulated fertilizer products were also test marketed and these will be introduced into the market in 2002. This year's Annual Report theme reflects our new initiative in the agricultural sector.

- Human resources assets have been strengthened with recruitment in both the marketing and manufacturing areas. We consider the development of quality human resources to be an important factor in maintaining our competitive position, and we are therefore making investment in human resources development and training at both plants and the head office, and have also introduced a graduate trainee scheme.

2001 RESULTS

The year closed with a pre-tax profit of Kshs 51.89m, an increase of 13.8% over the previous year. The main factors are:

- Turnover, at Kshs 883.7m, (2000, Kshs 890.4m) saw a minimal decline, which is reflected in a gross profit of Kshs 282.5m (2000, Kshs 287.9m) After adjustments for taxation, the net profit for the year was Kshs 35.3m, an increase of 18% over the previous year, and a slightly improved earnings per share of Kshs 0.41.

- Cement volumes declined mainly due to tightening of credit terms, and rationalizing distribution network. The benefits of these policies, return to higher volumes with improved overall profitability are expected to be seen in 2002.

- Exchange losses have been minimized at Kshs 0.22m (2000, Kshs 3.68m) as the result of foreign exchange cash flow generated from new export markets. Foreign currency loans were fully repaid in the year.

- Administrative Expenses increased by 27% to Kshs 98.67m. This increase is largely due to the cost of the development, marketing and advertising of new products, which was expensed and not capitalized.

- Direct finance costs have declined for the second year to Kshs 24.2m from Kshs 50.4m, reflecting general interest rate trends and particularly reduced levels of borrowing during the year.

- Net current assets stood at Kshs 105.8m compared to Kshs 69.5m at the end of the previous year.

- During the last quarter of the year, the company received a very commendable investment grade credit rating from Capital Market Authority approved credit rating agency, Global Ratings South Africa. The company was rated "BBB" for long term and "A3" for short term outlook.

SEGMENTAL PERFORMANCE

Minerals & Chemicals

Division turnover remained steady at Kshs 277.5 million. The continued recession and falling industrial production resulted in a further reduction in domestic demand, which was balanced by strengthening our export markets. The company continued to export its products into Tanzania, Uganda, Rwanda, Burundi, and Ethiopia as well as commencing exports into Sudan.

The division contributed 31.4% to the company's turnover and 22.4% to profit before tax. We anticipate that lime sales to Tanzania will grow significantly and that demand for lime in the domestic market will remain steady in 2002

Cement & Special Products

Cement and special product sales this year remained steady at Kshs 606 million. Cement sales declined by 5% in comparison to last year, but special products sales increased by 235% from Kshs 17 million to Kshs 40 million. The drop in the cement business was therefore compensated by the increase in special product sales. The division's contribution to profit increased from Kshs 33 million to Kshs 40 million mainly due to the contribution of the special products.

New products being added to this division are likely to be a major contributor to growth in turnover and profitability in the year 2002.

SOCIAL & ENVIRONMENTAL POLICY

The company continued its commitment to invest in new pro-environmental equipment in all areas of its operations, and is satisfied that, in particular with regard to emissions, we are operating within acceptable norms. We have also embarked on a tree planting campaign at various quarry sites and will continue this policy with vigour.

YEAR 2002 PROSPECTS

We continue to take a cautious view regarding operating conditions going forward, and do not consider that there will be any major improvements in the year 2002. Nevertheless, having implemented internal controls and policies to ensure that the company continues to operate prudently and efficiently, I am satisfied that we are well-placed to continue to grow our business in the short and longer terms, and to take advantage of improvements in the economy.

CHAIRMAN'S STATEMENT (cont'd)

We will continue to make further investment in plant and equipment, primarily intended to reduce the cost of production, and this will be financed by cash generated from operations in order to maintain our gearing at the current acceptable levels. In addition we are close to completing a number of new project feasibility studies which will further diversify our business and product range.

DIVIDEND

A special dividend of 20 cents per share was paid during the year. No final dividend is proposed in respect of the year, instead profit was reinvested in business expansion.

However, the directors have resolved to declare a special dividend of 30 cents per share for the year 2002, payable to all shareholders on the Register of Members as at 29th May 2002.

In closing I referred earlier to greater emphasis being placed on the development of human resources. Our staff at all levels have responded positively to this initiative, and on behalf of the directors I wish to extend our thanks for their support and effort during the year.

Brian Rogers
Chairman
28 March 2002

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

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

RESULTS	Sh'000
Profit before taxation	51,891
Taxation	(16,625)
Net profit for the year	35,266

DIVIDENDS

An interim dividend of Sh 0.20 per share was paid by the directors on the paid up share capital on 14 June 2001. The directors do not recommend a final dividend in respect of the year.

DIRECTORS

The directors who held office during the year are shown on page 2.

Bamburi Cement Limited was appointed on 14 June 2001. In accordance with Article 93 of the Articles of Association, Bamburi Cement Limited retires from the board and, being eligible, offers itself for re-election.

In accordance with the Article 95 of the Company's Article of Association, Mr B Rogers retires by rotation and, being eligible, offers himself for re-election.

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

R.R. Vora
Secretary
28th March 2002

Report Of The Auditors

To The Members Of Athi River Mining Limited

Certified Public Accountants (Kenya)
"Kirungii"
Ring Road, Westlands
P.O. Box 40092
Nairobi
Kenya

Telephone: + (254-2) 441344/05-12
Facsimile: + (254-2) 448966
Dropping Zone No. 92
E-mail: admin@deloitte.co.ke

Deloitte & Touche

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 2001 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
Nairobi
3 April 2002

Deloitte Touche Tohmatsu

Partners: D.M. Ndonye V.M. Allen* G.K. Fonderson** H. Gadhoke* S.O. Onyango J.W. Wangai
British* Liberian**

INCOME STATEMENT
for the year ended 31 December 2001

	Note	2001 Sh'000	2000 Sh'000
Turnover		883,740	890,415
Cost of sales		(601,229)	(602,451)
Gross profit		282,511	287,964
Other operating income		2,643	2,304
Distribution costs		(108,620)	(115,425)
Administrative expenses		(98,669)	(77,666)
Other operating expenses		(1,746)	(1,168)
Operating profit	3	76,119	96,009
Finance costs (net)	4	(24,228)	(50,408)
Profit before taxation		51,891	45,601
Taxation	6	(16,625)	(15,711)
Net profit for the year		35,266	29,890
Basic earnings per share	7	Sh 0.41	Sh 0.40
Diluted earnings per share	7	Sh 0.41	Sh 0.39

BALANCE SHEET
as at 31 December 2001

	Note	2001 Sh'000	2000 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	8	873,701	882,757
Deferred expenditure	9	14,784	23,986
		888,485	906,743
Current assets			
Inventories	10	185,679	183,678
Trade and other receivables	11	193,891	179,198
Cash and bank balances		5,222	993
		384,792	363,869
TOTAL ASSETS		1,273,277	1,270,612
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	465,000	375,000
Share premium		241,477	154,947
Convertible bond		-	189,000
Capital reserve		105,402	104,771
Revenue reserve		31,660	13,992
		843,539	837,710
Non current liabilities			
Borrowings	13	-	3,788
Deferred income taxes	14	150,786	134,792
		150,786	138,580
Current liabilities			
Trade and other payables	15	160,032	159,798
Finance leases repayable within one year	16	-	1,567
Borrowings	13	109,970	112,250
Compensating tax payable		7,998	-
Commercial paper	17	-	20,209
Unclaimed dividends		952	498
		278,952	294,322
TOTAL EQUITY AND LIABILITIES		1,273,277	1,270,612

The financial statements on pages 8 to 23 were approved by the board of directors on 28 March 2002 and were signed on its behalf by:

B Rogers
P H Paunrana - Directors

Statement Of Changes In Equity

for the year ended 31 December 2001

	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 2000	375,000	154,947	-	108,209	(15,898)	622,258
Revaluation adjustment	-	-	-	(6,000)	-	(6,000)
Issue of convertible bond	-	-	189,000	-	-	189,000
Deferred tax on revaluation	-	-	-	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
At 1 January 2001	375,000	154,947	189,000	104,771	13,992	837,710
Bond converted into shares (note 12)	90,000	90,000	(180,000)	-	-	-
Convertible bond 5% interest cost refund	-	-	(9,000)	-	9,000	-
Convertible bond transaction costs (note 9)	-	(3,470)	-	-	-	(3,470)
Deferred tax on revaluation	-	-	-	631	-	631
Net profit for the year	-	-	-	-	35,266	35,266
Interim dividends paid	-	-	-	-	(18,146)	(18,146)
Transfer to compensating tax payable	-	-	-	-	(7,998)	(7,998)
Transfer to unclaimed dividends	-	-	-	-	(454)	(454)
At 31 December 2001	465,000	241,477	-	105,402	31,660	843,539

CASHFLOW STATEMENT
for the year ended 31 December 2001

	Note	2001 Sh'000	2000 Sh'000
Operating activities			
Cash generated from operations	18(a)	122,620	135,322
Interest paid		(24,010)	(41,476)
Tax paid		-	(795)
Net cash generated from operating activities		98,610	93,051
Investing activities			
Purchase of property, plant and equipment		(51,402)	(41,334)
Deferred expenditure		(390)	(20,516)
Proceeds from disposal of property, plant and equipment		3,686	330
Net cash used in investing activities		(48,106)	(61,520)
Financing activities			
Finance lease instalment payments		(1,567)	(12,085)
Convertible bond proceeds		-	189,000
Loans received	18(c)	51,498	-
Repayment of amounts borrowed	18(c)	(38,030)	(88,674)
Convertible bond transaction costs		-	(3,470)
Dividends paid		(18,146)	-
Net cash (used in)/generated from financing activities		(6,245)	84,771
Increase in cash and cash equivalents		44,259	116,302
At 1 January		(93,441)	(209,743)
At 31 December	18(b)	(49,182)	(93,441)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting 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 assets.

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 shorter
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.

1 ACCOUNTING POLICIES (CONTINUED)

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 and directors' valuation. Directors' valuation is based on replacement cost values.

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 in the period to which they relate.

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 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 were fixed at Sh 80 per month per employee up to November 2001 but were adjusted to Sh 200 per month per employee with effect from December 2001. 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 and Special Products		Minerals and Chemicals		Total	
	2001 Sh'000	2000 Sh'000	2001 Sh'000	2000 Sh'000	2001 Sh'000	2000 Sh'000
Sales	606,274	610,943	277,466	279,472	883,740	890,415
Expenditure	566,022	578,006	265,827	266,808	831,849	844,814
Profit before taxation	40,252	32,937	11,639	12,664	51,891	45,601
Deferred taxation	(12,970)	(11,347)	(3,655)	(4,364)	(16,625)	(15,711)
Profit after taxation	27,282	21,590	7,984	8,300	35,266	29,890
Assets	791,425	789,769	481,852	480,843	1,273,277	1,270,612
Liabilities	257,843	267,522	171,895	178,348	429,738	445,870
Depreciation	30,646	29,995	26,804	26,235	57,450	56,230
Capital expenditure	17,762	1,887	14,547	34,986	32,309	36,873

(b) Secondary reporting format - Geographical segments

Over 85% (2000- 91%) of the company's sales are made in the local market (Kenya).

3 OPERATING PROFIT

	2001 Sh'000	2000 Sh'000
The operating profit is arrived at after charging:		
Depreciation	57,450	56,230
Operating lease rentals - property	1,800	1,800
Directors' emoluments:		
Fees	1,776	1,269
Other emoluments	12,947	9,516
Staff costs (Note 5)	82,412	84,533
Auditors' remuneration:		
Current year	1,089	990
Prior year	62	124
Loss on disposal of motor vehicles	516	59

4 FINANCE COSTS (NET)

	2001 Sh'000	2000 Sh'000
Interest payable:		
• Loans	7,544	9,587
• Bank overdrafts	12,263	20,059
• Finance leases	157	1,650
• Commercial paper	296	10,180
• Convertible bond	3,750	5,250
	24,010	46,726
Exchange adjustment:		
• unrealised losses	285	1,357
• realised (gains)/losses	(67)	2,325
	218	3,682
	24,228	50,408

5 STAFF COSTS

	2001 Sh'000	2000 Sh'000
Wages and salaries	80,372	81,770
Social security cost (NSSF)	1,019	1,027
Termination benefits	1,021	1,736
	82,412	84,533
Executive directors	12,947	9,516
	95,359	94,049
	No	No
The average number of staff employed by the company during the year was:		
Full time	201	196
Part time	402	430
	603	626

6 TAXATION

	2001 Sh'000	2000 Sh'000
(a) Tax expense		
Current taxation based on adjusted profit at 30%	-	-
Prior year under provision	-	795
Deferred tax expense (note 14)	16,625	14,916
	16,625	15,711

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

	2001 Sh'000	2000 Sh'000
Accounting profit before taxation	51,891	45,601
Tax at the applicable rate of 30%	15,567	13,680
Tax effect of expenses not deductible for tax purposes	1,461	1,690
Tax effect of income not taxable	(403)	(2)
Prior year under/(over) provisions		
- deferred tax	-	(452)
- current tax	-	795
	16,625	15,711

(c) Deferred tax relating to items credited to capital reserve:

	2001 Sh'000	2000 Sh'000
Deferred tax on revaluation	631	2,562

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share has been calculated on the profit after taxation of Sh 35,266,000 (2000-Sh 29,890,000) divided by the average number of shares in issue during the year of 85,500,000 {75,000,000 +7/12(18,000,000)} and 75,000,000 in 2000.

Diluted earnings per share has been calculated as follows:

	2001 Sh'000	2000 Sh'000
Profit after taxation	35,266	29,890
Add:Convertible bond interest expense	3,750	5,250
Less:Tax relating to that interest expense	(1,125)	(1,575)
Adjusted profit before taxation	37,891	33,565
Weighted average number of ordinary shares (75,000,000 x 5/12)+(93,000,000 x 7/12)	93,000,000	85,500,000
Adjusted profit after taxation divided by the weighted average number of ordinary shares	Sh 0.41	Sh 0.39

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Heavy commercial vehicles and quarrying equipment	Computer hardware plant machinery, motor vehicles furniture & fittings	Capital work in progress	Total
COST OR VALUATION	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	**Sh'000**
At 1 January 2001	63,881	171,237	147,849	713,613	39,643	**1,136,223**
Additions	1,967	260	-	16,137	33,038	**51,402**
Disposals	-	-	(4,699)	(6,015)	-	**(10,714)**
Transfers to deferred Expenditure (note 9)	-	-	-	-	(3,959)	**(3,959)**
Reclassification from deferred Expenditure (note 9)	-	-	-	-	5,153	**5,153**
At 31 December 2001	65,848	171,497	143,150	723,735	73,875	**1,178,105**
COMPRISING						
At cost	14,915	14,105	125,142	593,680	73,875	**821,717**
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**
	65,848	171,497	143,150	723,735	73,875	**1,178,105**
DEPRECIATION						
At 1 January 2001	-	16,800	60,578	176,088	-	**253,466**
Charge for the year	-	4,281	14,315	38,854	-	**57,450**
Eliminated on disposals	-	-	(2,666)	(3,846)	-	**(6,512)**
At 31 December 2001	-	21,081	72,227	211,096	-	**304,404**
NET BOOK VALUE						
At 31 December 2001	65,848	150,416	70,923	512,639	73,875	**873,701**
At 31 December 2000	63,881	154,437	87,271	537,525	39,643	**882,757**
HISTORICAL COST NET BOOK VALUE						
At 31 December 2001	27,192	58,321	63,884	453,899	73,875	**677,171**
At 31 December 2000	25,225	59,795	79,963	475,708	39,643	**680,334**

The capital work in progress relates mainly to the ongoing construction of Tanga Lime Project (in Tanzania), Sodium Silicate Project, Sand Washing Plant and Sodium Silicate Filtration Plant, Mineral Crushing Plant, Quartz Plant (at Athi River) and the Kiln 3 modification (at Kaloleni).

Capital work in progress includes capitalised revenue items amounting to Sh 9,698,468 (2000-Sh 5,226,246).

9 DEFERRED EXPENDITURE

	Sh'000
At 1 January 2001	23,986
Additions	390
Transfers from capital work in progress (note 8)	3,959
Reclassification to capital work in progress (note 8)	(5,153)
Offset against share premium*	(3,470)
At 31 December 2001	19,712
Amortisation:	
At 1 January 2001	-
Charge for the year	4,928
At 31 December 2001	4,928
Net book value at 31 December 2001	14,784
Net book value at 31 December 2000	23,986

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

*Sh 3,470,000 transaction costs incurred on the issue of a bond to Bamburi Cement Limited has been offset against share premium upon conversion of the bond to share capital on 24 May 2001.

10 INVENTORIES

	2001 Sh'000	2000 Sh'000
Raw materials	47,696	63,576
Work in progress	29,434	22,269
Finished goods	50,943	38,360
Stores and spares	57,195	59,040
Laboratory	411	433
	185,679	183,678

11 TRADE AND OTHER RECEIVABLES

	2001 Sh'000	2000 Sh'000
Trade receivables	177,803	168,115
Other receivables and prepayments	16,088	11,083
	193,891	179,198

12 SHARE CAPITAL

	2001 Sh'000	2000 Sh'000
Authorised: 94,000,000 ordinary shares of Sh 5 each	470,000	470,000
Issued and fully paid: 93,000,000 (2000 - 75,000,000) ordinary shares of Sh 5 each	465,000	375,000

On 24 May 2001, the Sh 180 million bond was converted into 18,000,000 ordinary shares of Sh 5 each in the capital of the company on the basis of one ordinary share for every Sh 10 in nominal amount of the bond. Sh 90,000,000 premium realised from this conversion has been credited to the share premium account.

13 BORROWINGS

	2001 Sh'000	2000 Sh'000
Bank overdrafts	54,404	74,225
Bank loans	52,962	40,993
Directors' loans	2,604	820
	109,970	116,038
The borrowings are repayable as follows:		
On demand or within one year	109,970	113,070
In the second year	-	2,968
	109,970	116,038
Less: amounts due for settlement within one year	109,970	112,250
Amount due for settlement after one year	-	3,788

13 BORROWINGS (CONTINUED)

Analysis of borrowing by currency

	Borrowings in US$	Kshs Equivalent Sh'000	Borrowing in local currency Sh'000	Total Borrowing Sh'000
2001				
Bank overdrafts	-	-	54,404	54,404
Bank loans	-	-	52,962	52,962
Directors' loans	-	-	2,604	2,604
At 31 December 2001	-	-	109,970	109,970
2000				
Bank overdrafts	16,632	1,286	72,939	74,225
Bank loans	280,000	21,658	19,335	40,993
Directors' loans	-	-	820	820
At 31 December 2000	296,632	22,944	93,094	116,038

The average interest rates paid were as follows:	2001 %	2000 %
Bank overdrafts	20.15	19.6
Bank loans	13.74	13.4

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 Sh 135,978,000 and a fixed charge on a 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/Maereni 112 and 581) for Sh 60,000,000. The said securities rank pari passu with the securities granted to Stanbic Bank Kenya Limited.

The directors' loans are unsecured and interest free.

14 DEFERRED INCOME TAXES

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

	2001 Sh'000	2000 Sh'000
The net deferred taxation liability is attributable to the following items:		
Accelerated capital allowances	142,896	150,582
Tax losses carried forward	(14,015)	(38,098)
Unrealised exchange losses	(65)	(407)
Revaluation surplus	22,084	22,715
Leave pay provision	(114)	-
	150,786	134,792
The movement on the deferred tax account is as follows:		
At 1 January	134,792	122,438
Income statement expense	16,625	14,916
Credited to equity	(631)	(2,562)
At 31 December	150,786	134,792

15 TRADE AND OTHER PAYABLES

	2001 Sh'000	2000 Sh'000
Trade payables	152,793	147,842
Other payables and accruals	7,239	11,956
	160,032	159,798

16 FINANCE LEASES

	2001 Sh'000	2000 Sh'000
Secured finance leases expiring:		
Within one year	-	1,567

17 COMMERCIAL PAPER

	2001 Sh'000	2000 Sh'000
Face value	-	20,327
Unearned discount	-	(118)
	-	20,209

The effective interest rate on commercial paper in 2000 was 11%.

18 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations:

	2001 Sh'000	2000 Sh'000
Operating profit	76,119	96,009
Adjustments:		
Depreciation	57,450	56,230
Loss on disposal on motor vehicles	516	59
Realised exchange gains/(losses)	67	(2,325)
Amortisation of deferred expenditure	4,928	-
Operating profit before working capital changes	139,080	149,973
Increase in inventories	(2,001)	(22,192)
Increase in trade and other receivables	(14,693)	(18,926)
Increase in trade and other payables	234	26,467
Cash generated from operations	122,620	135,322

(b) Analysis of balances of cash and cash equivalents

	2001 Sh'000	2000 Sh'000
Cash and bank balances	5,222	993
Commercial paper	-	(20,209)
Bank overdrafts	(54,404)	(74,225)
At 31 December	(49,182)	(93,441)

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

	2001 Sh'000	2000 Sh'000
At 1 January	41,813	129,130
Repayment	(38,030)	(88,674)
Received	51,498	-
Unrealised exchange loss	285	1,357
	55,566	41,813

19 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:

	2001 Sh'000	2000 Sh'000
(a) Purchase of services:		
Athi River Group Limited	1,800	1,800

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 company. This company is owned by H J Paunrana and P H Paunrana, who are both directors of the company.

(b) Cement raw material (clinker) purchases from Bamburi Cement Limited amounted during the year to Sh 162,139,739 (2000 - Sh 143,594,151). The outstanding balance at year end due to Bamburi Cement Limited was Sh 51,583,088 (2000 - Sh 27,673,178).This balance is included under Trade and other payables (note 15). Bamburi Cement Limited is both a shareholder and a director of the company.

(c) Loans from Directors	2001 Sh'000	2000 Sh'000
At 1 January	820	26,817
Advances	15,490	7,608
Repayments	(13,706)	(33,605)
At 31 December	2,604	820

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

(d) All transactions with related parties are at arms length and in the normal course of business.

20 CAPITAL COMMITMENTS

	2001 Sh'000	2000 Sh'000
Authorised and contracted for	29,100	35,000
Authorised but not contracted for	62,400	30,000

21 INCORPORATION

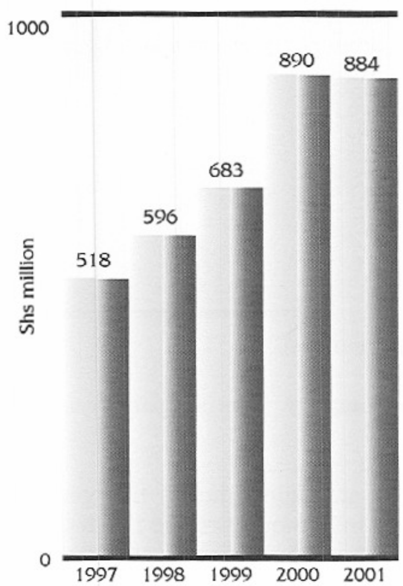
The company is a limited liability company registered in Kenya under the Companies Act.

22 CURRENCY

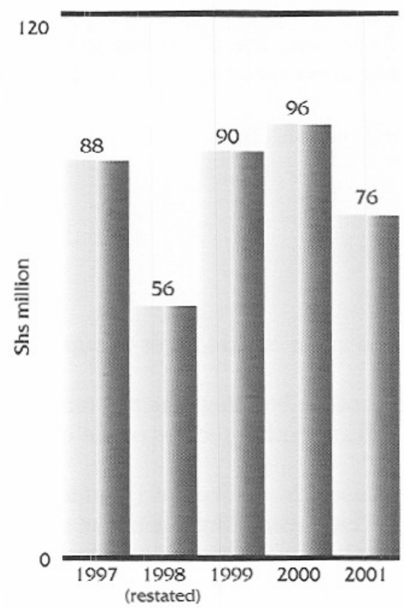
The financial statements are presented in Kenya Shillings.

GRAPHICAL HIGHLIGHTS

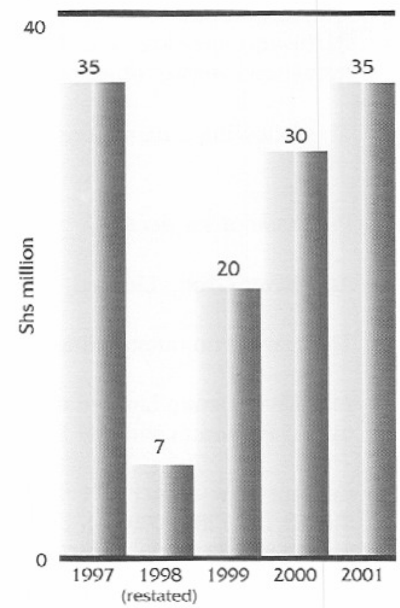
Turnover



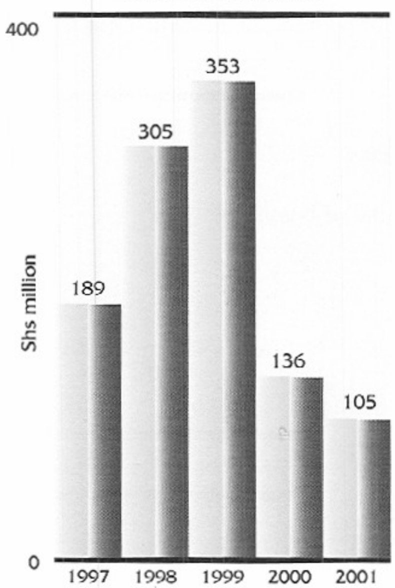
Operating Income



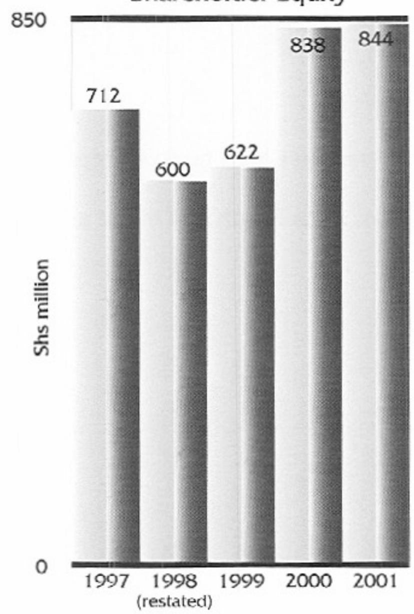
Profit After Tax



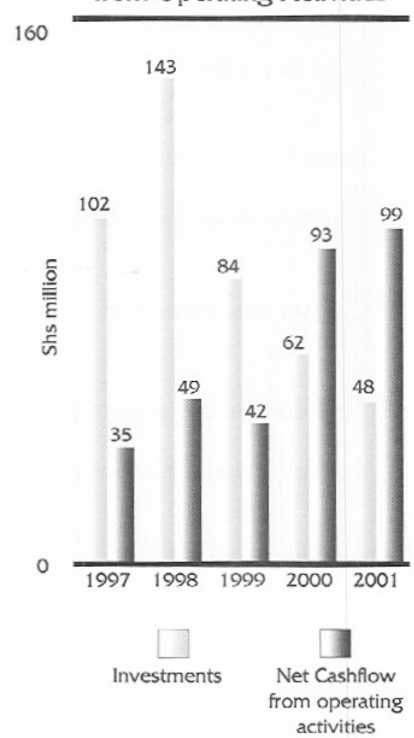
Net Indebtedness



Shareholder Equity



Investments & Net Cashflow from Operating Activities



PROXY FORM

To: The Secretary, Athi River Mining Limited
P O Box, 41908, Nairobi, Kenya

I/ We ______________________________

of ______________________________

being a member(s) of the above named company, hereby appoint: ______________________________

of ______________________________

or failing him ______________________________

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 6th of June 2002 and at any adjournment thereof.

Number of shares held ______________________________

Account number of member ______________________________

As witness my/ our hand this ______________ day of ______________ 2002

Signed ______________________________

Note:

1. *A member entitled 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.*