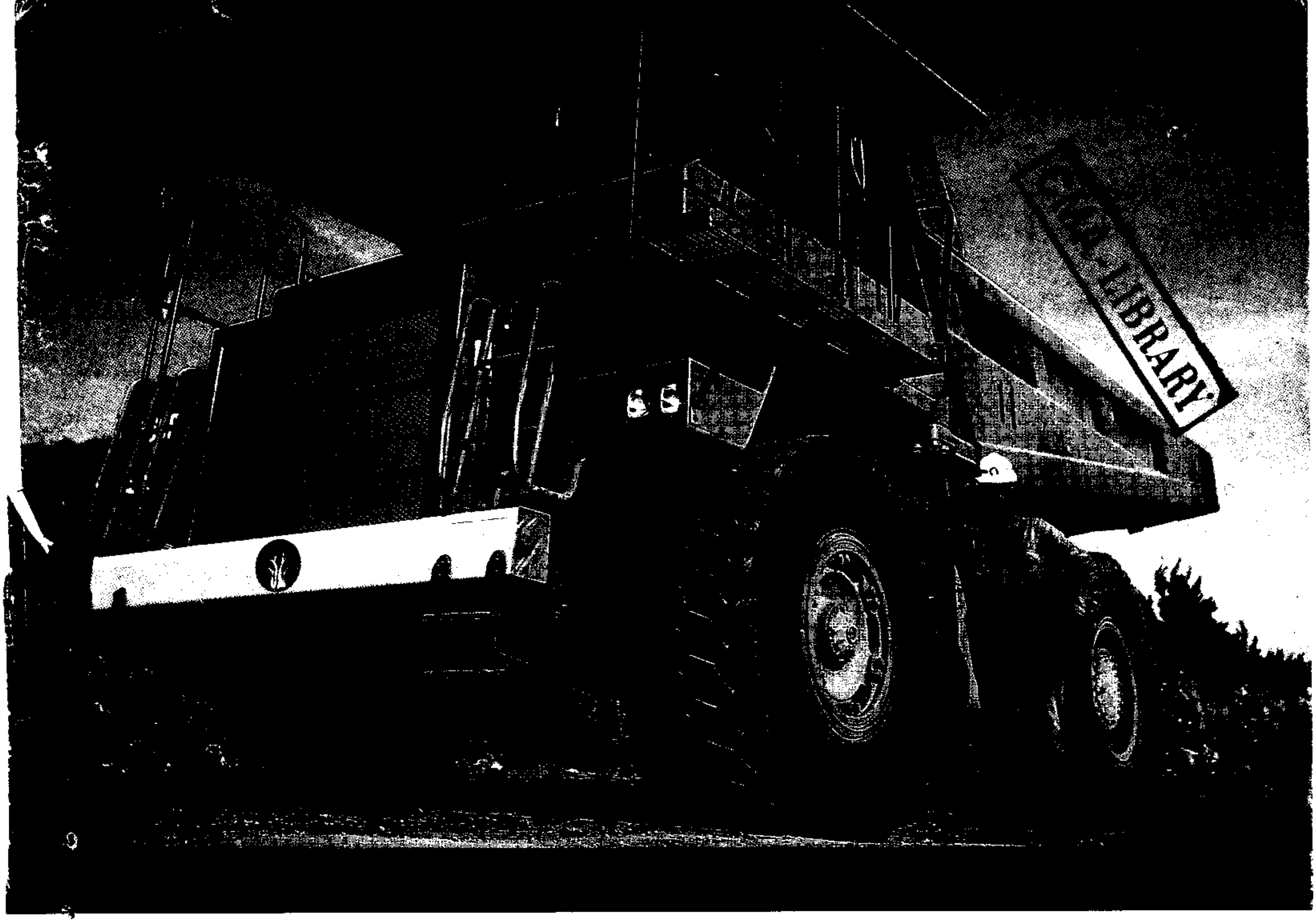


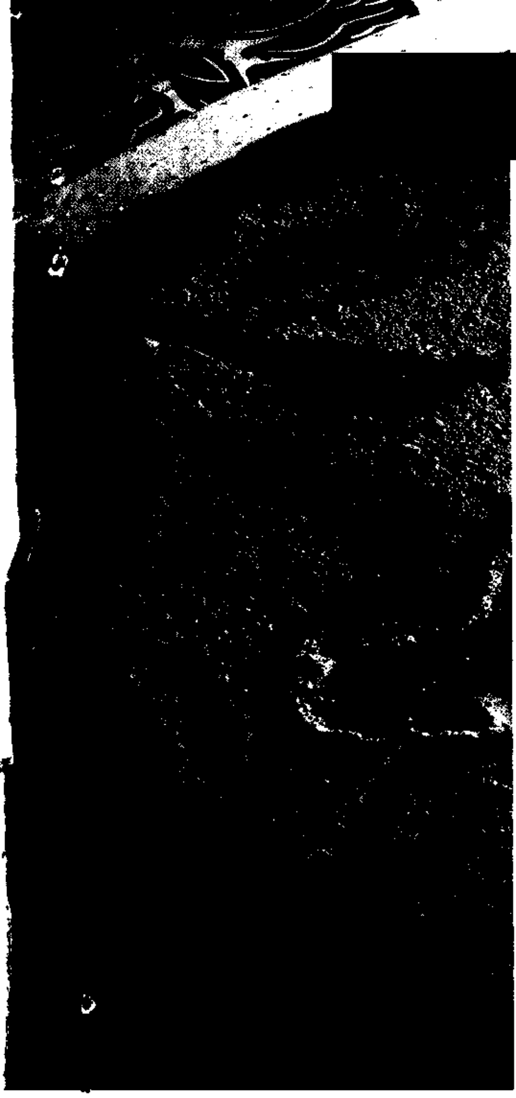
Annual Report & Accounts 1998

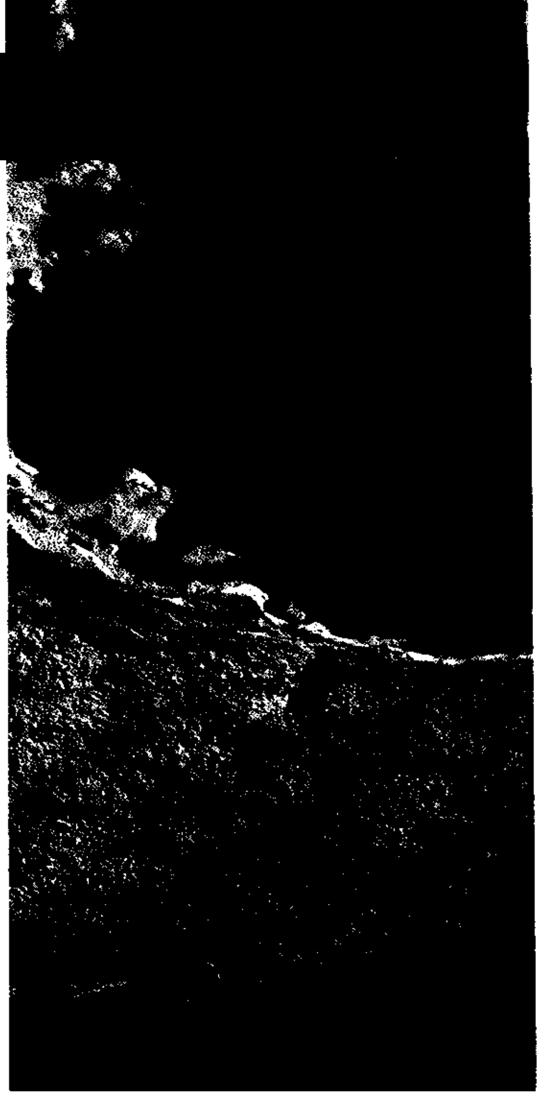
Bamburi

ltd

Bamburi Builds Best.

Contents



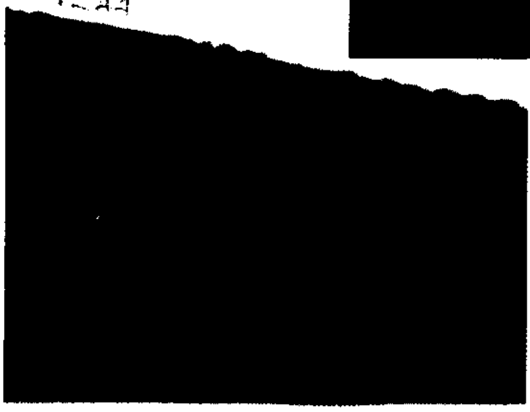


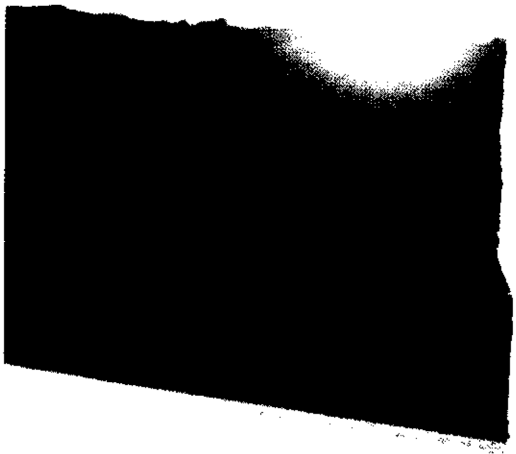
Our new cement grinding plant in Athi River boosts our capacity to 2.4 million tons.

So, we now have East Africa covered.

Printed on chlorine free paper made from man-managed tree forests.

Group Profile





Bamburi Cement Limited manufactures cement at its plant situated 12 kilometres north of Mombasa. The facility has a capacity of 1.3 million tonnes per annum and is the second largest cement factory in sub-Saharan Africa. The company now also has a one million tonne grinding plant situated at Athi River. The company is one of the largest manufacturing export earners in Kenya and exported 34% of its production in 1998 (1997:35%).

The company is mainly foreign owned and is indirectly controlled by Lafarge of France and Blue Circle PLC of the UK. The former, which is the second largest cement group in the world, provides technical and management assistance to the company in association with its subsidiary, Cementia Holding AG of Zurich.

Bamburi has invested in various locally incorporated companies whose activities are indirectly related to its own.

Looking for a watertight guarantee of cement quality?

Baobab Farm Limited, whose main activity is the rehabilitation of Bamburi's used quarries, is a wholly owned subsidiary of the company. Baobab Farm Limited also manages a nature park and conducts various farming activities including forestry and aqua-culture, in the rehabilitated quarries. In 1996, the company acquired 100% of the equity in Whistling Pine Limited, which operates a restaurant in the nature park.

Bamburi Special Products Limited which is wholly owned, manufactures paver blocks.

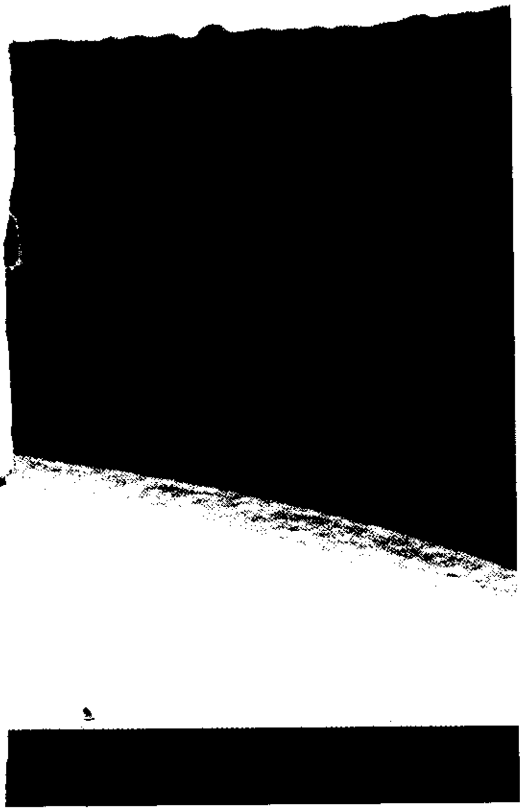
Bamburi Cement Limited - Uganda, which is a wholly owned trading subsidiary in Kampala.

Simbarite Limited, which is also a wholly owned subsidiary, manufactures various fibre cement products, particularly roofing sheets.

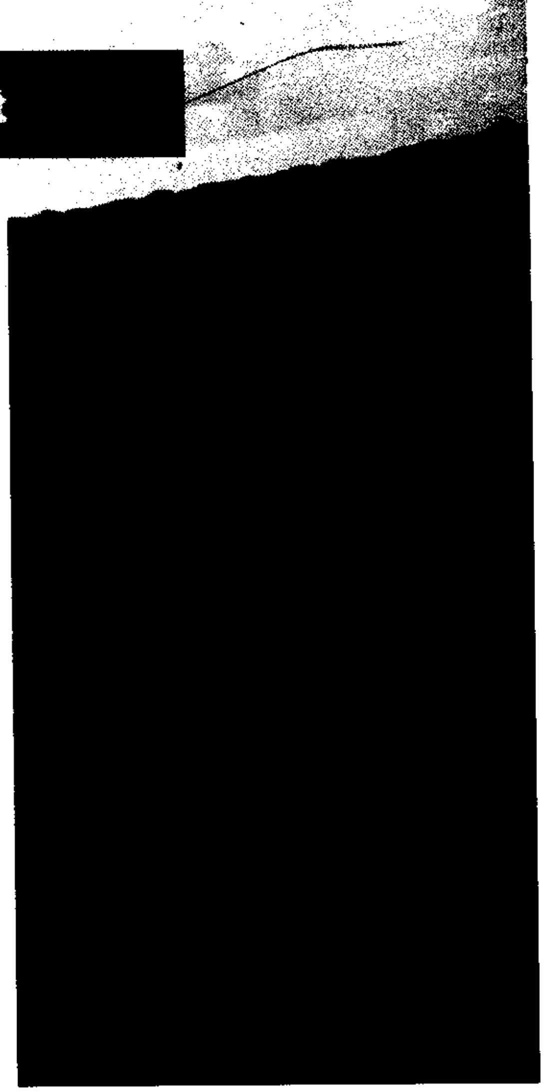
Diani Estate Limited is a non-trading wholly owned subsidiary of the company, which owns valuable coral land approximately 10 kilometres south of Mombasa.

Kenya Cement Marketing Limited, in which the company owns 50% of the equity, was engaged in the marketing of cement but has not traded since the last quarter of 1994.

Chairman's Report

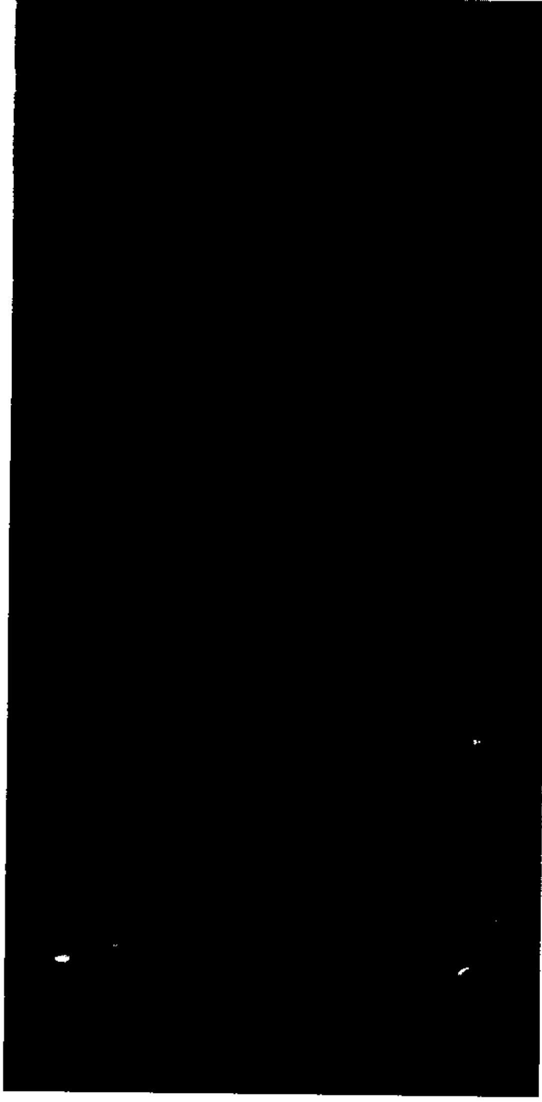


Visit any dam in Kenya.

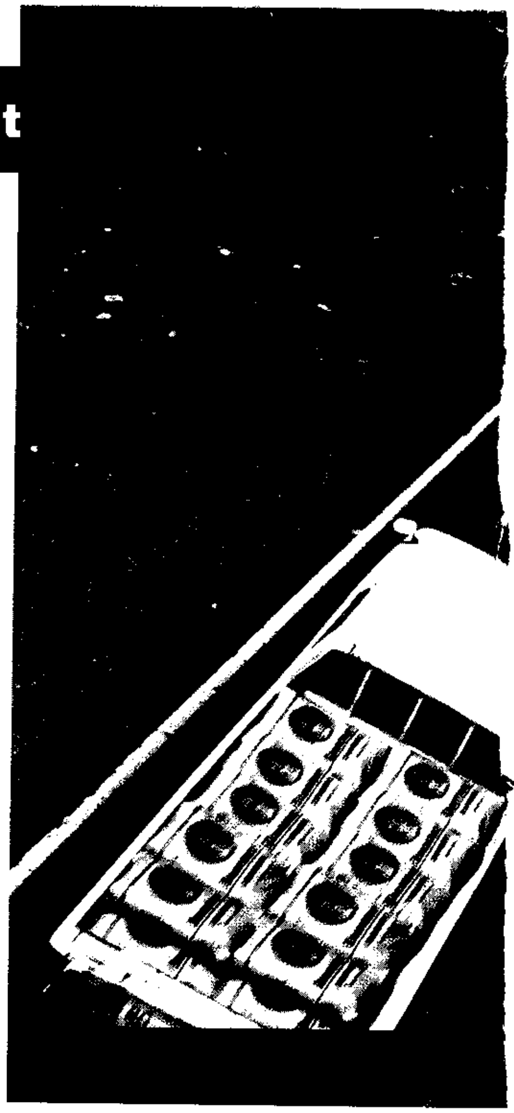


1998 turned out to be a difficult year for Bamburi, and this was also a reflection of the state of Kenya's economy. At the time, we had just experienced the worst effects of the el-nino rains, which destroyed transport infrastructure, that remain largely unrepaired. In addition, we had just come out of a General election. Prior to the elections, the building industry had taken a nose-dive and has only marginally recovered. The economic crisis in Asia also had a marked effect on us as we lost a substantial part of our Indian Ocean markets, and were compelled to reduce our selling prices. We had to make some difficult decisions in order to survive in these adverse conditions. We shut down the shaft kilns permanently, resulting in a significant reduction of staff. We also rationalised staff numbers in other areas of business operations.

It is against this backdrop that we present our results for the year. Bamburi's 1998 profits are well down on last year. The drop in profits is primarily due to the continued decline in the Kenyan construction market, coupled with the negative impact of the economic crisis in Asia on cement prices in general, and on our export markets to the Indian Ocean region. The building industry in Kenya has been in decline for the third consecutive year. Overall demand is at 1989 levels despite a significant growth in population since. Domestic demand for cement further weakened as the market declined by 6% to 1,072,000 tonnes following a 2% drop the previous year. Exports to Uganda were affected by both road and rail



Chairman's Report



transport constraints. Our results were further impacted upon by the continuing re-organisation, which is now substantially complete. The combination of these factors resulted in lower profits. However there were significant tax reliefs on the new grinding plant investment, which lessened the profit deterioration in after tax terms.

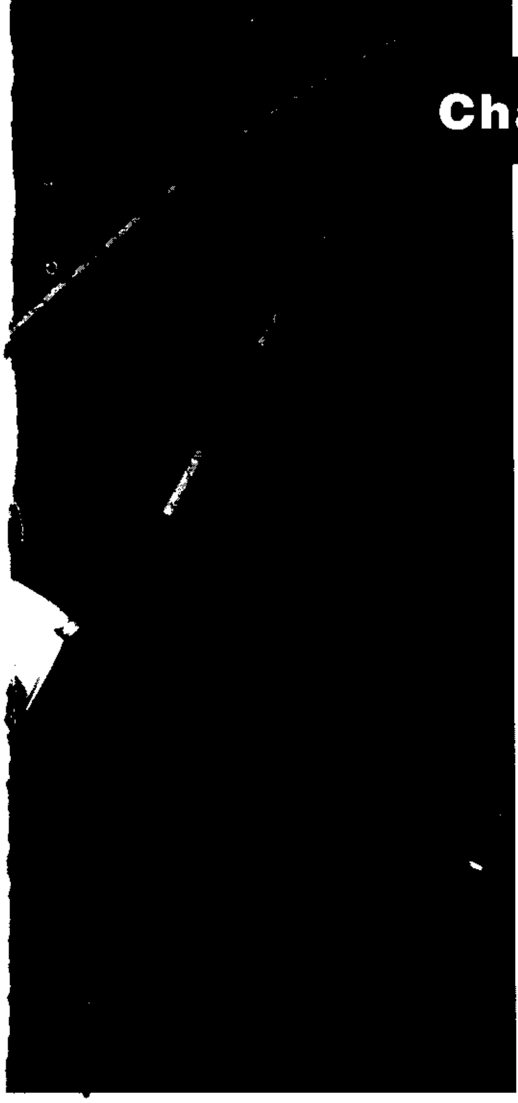
On the wider economic front, tourism has not as yet picked up at the Coast following the rapid decline in 1997 after the ethnic clashes. Investor confidence has not been regained, as there are still concerns on the perennial issues of corruption in the public sector, and the slow pace of privatisation of key strategic parastatals. There is increasing pressure for sound macro-economic policies, as well as better governance. The banking sector faced tough times, as a number of banks had to close, with others having to merge in order to survive.

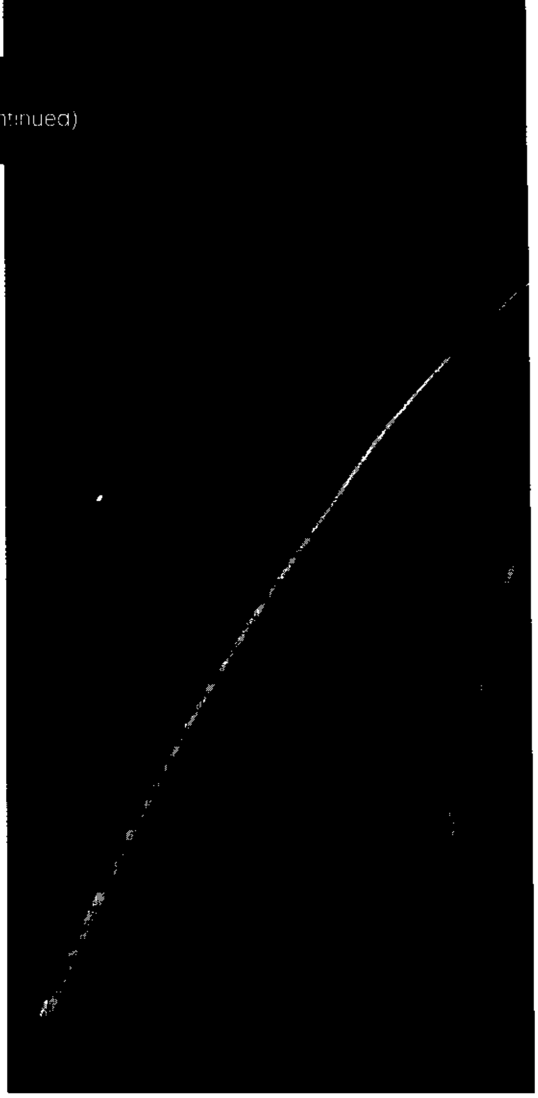
You can now drive to Bamburi from the heart of Nairobi in 30 minutes flat.

BUSINESS OBJECTIVES

We remain committed to maintaining and strengthening our leadership position as the number one Cement Company in this region. To this end, in the past three years, we embarked on various projects to enhance our position:

Athi River clinker grinding plant: In August, we commissioned the one million tonne modern clinker grinding plant, which was built at a cost of US$ 40 million. The plant's proximity to major raw materials and our main markets will provide substantial cost savings, while enhancing our capability





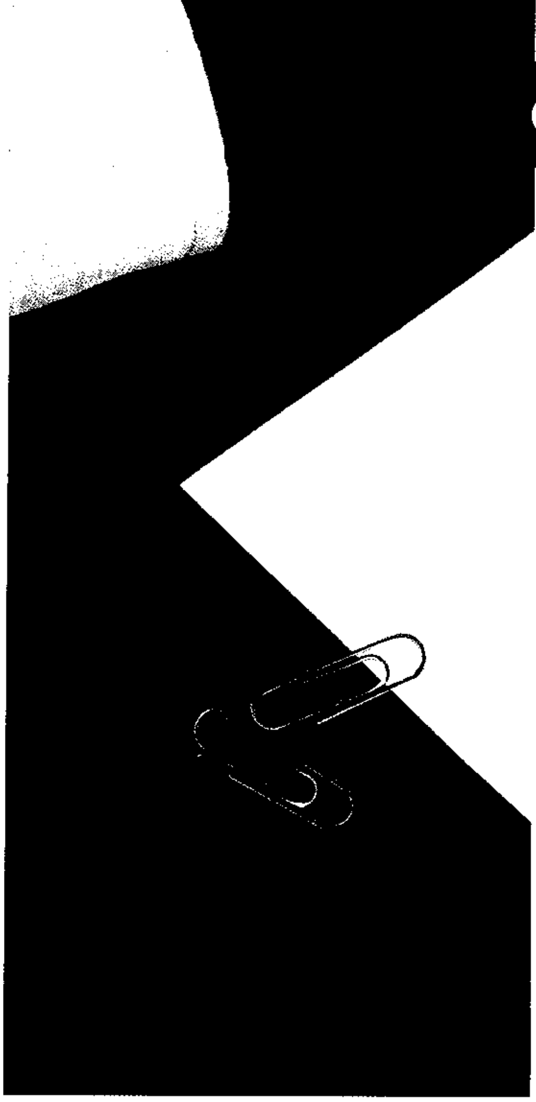
The journey back may take a little longer.

to provide improved levels of service. The plant was officially opened by His Excellency President Daniel Arap Moi at a colourful ceremony on 13th January 1999.

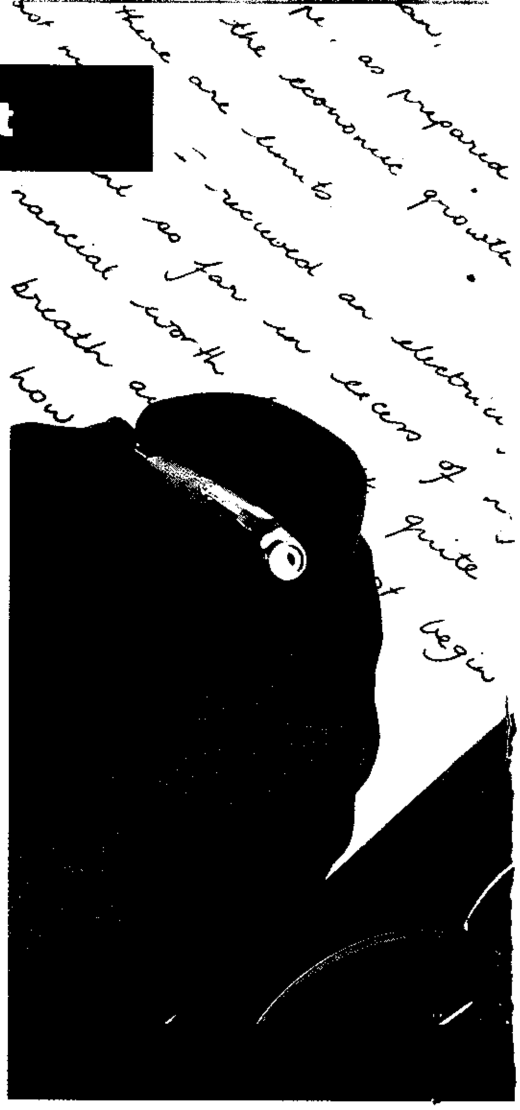
Re-organisation: In 1996, 20% of our employees took advantage of our early retirement scheme and in 1998, we embarked on another round of organisational improvements to be more efficient and productive. Whereas this has resulted in retrenchment, the company has teamed up with K-Map to train departing staff and help them start their own businesses.

Modern technology: we continue to invest significant sums in modern technology to keep us competitive. In 1998, we commissioned the SAP R/3 information system. We are currently in the process of modernising our maintenance and control systems as well as implementing computer based predictive maintenance tools and quality monitoring systems. The closure of all our shaft kilns has had a positive impact on our production costs. We will continue to streamline our plant in 1999.

Geographical expansion: we established a trading subsidiary in Uganda in the second half of 1998 which has significantly increased our presence in that market. It has reduced the long delays in supply that were experienced previously. We are close to completing negotiations to acquire a stake in a cement plant in Uganda. The plant produces about 140,000 tonnes annually, but has the potential to produce more. This



Chairman's Report



investment will give Bamburi Cement Limited a very strong strategic presence in Uganda and its hinterland.

Safety and Environment: we continue to attach significant importance to safety and environmental issues. During the year a new initiative to improve our safety performance was launched which showed an immediate impact.

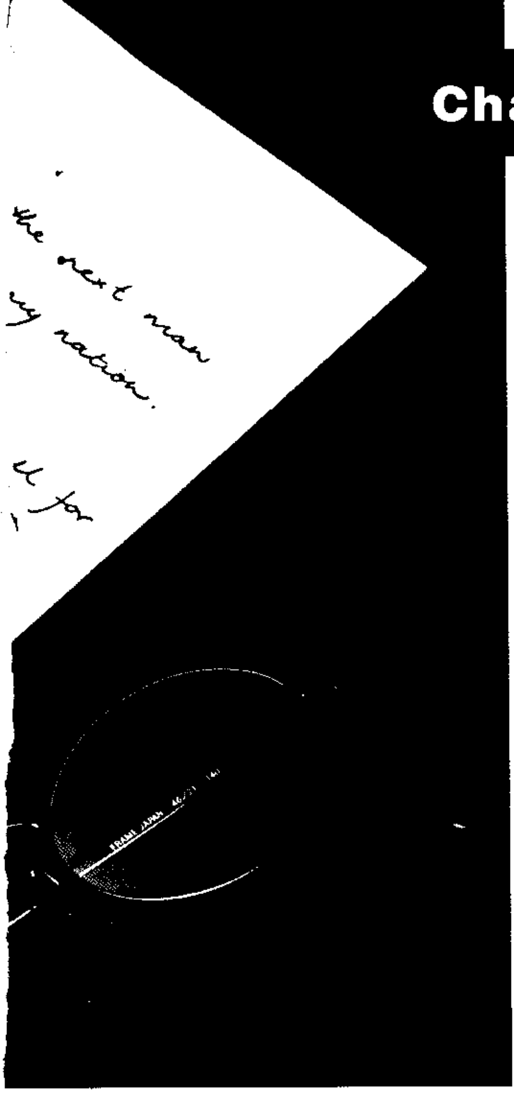
OUTLOOK FOR THE FUTURE

Kenya's economic performance and growth depends to a large extent on the Government's commitment to put in place political and economic measures that would attract bilateral donor support. The prospects are better for this today than they were twelve months ago and it is hoped that the IMF will resume aid and that this will result in wider investor and donor confidence.

Every month we get an electricity bill for Kshs. 55m.

The reduction in interest rates should provide an impetus for economic growth. But much depends on the success or otherwise of the Government's efforts to reduce its debt burden.

The importation of cheap cement into the region, resulting from the Asian crisis puts at risk our growth targets as well as putting pressure on prices. In the longer term, I remain optimistic and certain that the future augers well for our industry. Much still needs to be done to repair damage to transport infrastructure, and to alleviate the major housing shortage in the country. The fact that, our annual cement consumption



So why don't we write to "The Watchman"?

remains at 1989 levels, shows the underlying potential for strong cement demand if the economic fundamentals are put right.

Our company's finances remain healthy. We have invested wisely and will continue to look for new opportunities to streamline our existing operations, and integrate new investments. While 1999 will be a difficult year, I am confident that we have created the basis for further improvement of earnings in the future.

AUDIT COMMITTEE

During the year, the Board established an Audit Committee in compliance with Capital Markets Authority regulations.

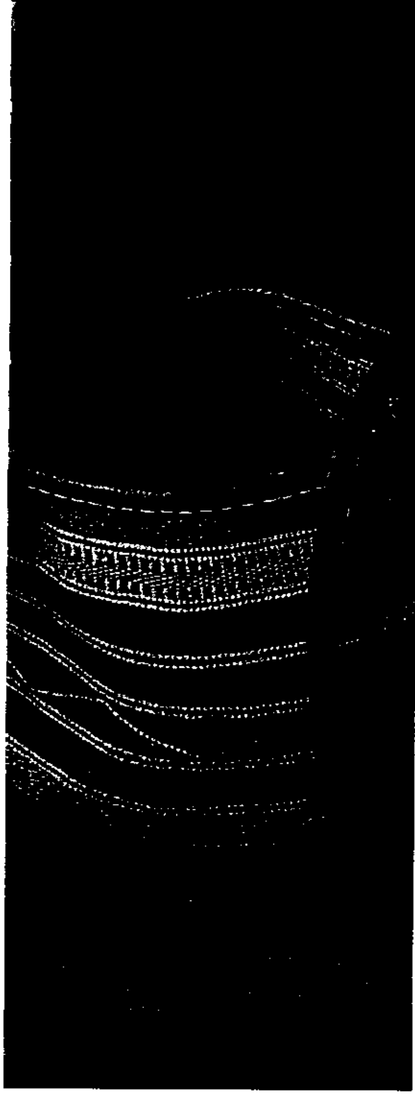
The Committee is made up of non-executive directors, and has the responsibility of ensuring that the company's accounting, reporting and business practices conform to best practices and good governance.

APPRECIATION TO STAFF AND THE BOARD

Finally it is only fitting for me to express my sincere appreciation to the board for their support in the last year since I took over as Chairman. I also take this opportunity to commend management and staff for their outstanding effort that enabled us to achieve worthwhile results in 1998 despite difficult operating conditions.

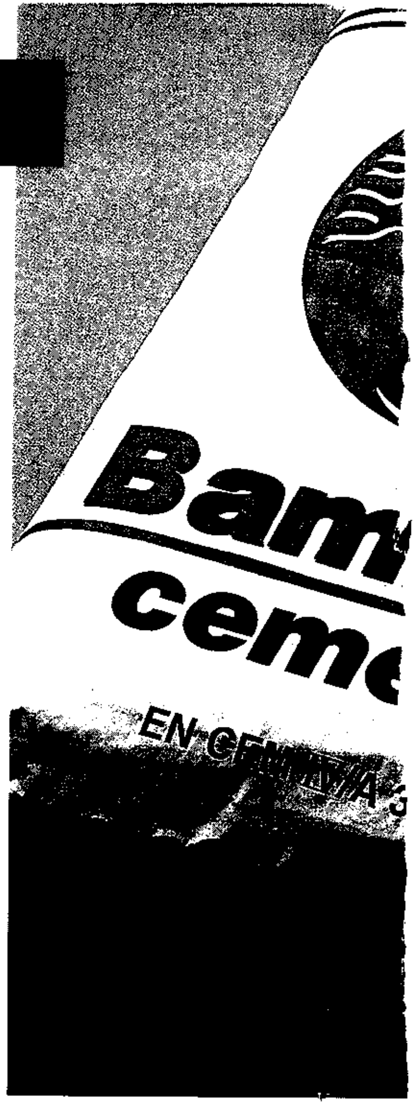
R. Kemoli
CHAIRMAN

Financial Highlights



American tourists buy these bags from Kenya.

	1998 Shs million	1997 Shs million	% Change
OPERATING RESULTS			
Turnover	4951	5537	- 11
Operating profit	724	1278	- 43
Retrenchment Costs	(147)	-	-
Exchange earnings and interest	(8)	159	-
Profit before tax	569	1,437	- 60
Cash from trading operations	1674	556	201
FINANCIAL POSITION			
Operating working capital	1,119	1,710	-35
Shareholders' equity	10,533	10,608	-1
ORDINARY SHARE PERFORMANCE - SHS/SHARE			
Earnings	1.56	2.15	-27
Dividends	0.75	1.12	-33
Net asset value	29.0	29.2	-1
FINANCIAL STATISTICS			
Operating margin	14.6%	23.1%	
Return on shareholders' funds	5.4%	7.4%	
Dividend cover	2.1 times	1.9 times	



Review of Operations

The American Navy prefers these.

1998 was a difficult year for Bamburi. Market conditions deteriorated particularly in the first half of the year such that our volumes and revenues fell with the resultant impact on margins.

SALES

Cement consumption in Kenya declined by 6% to 1,072,000 tonnes. Our two main competitors, East African Portland Cement Company Ltd and Athi River Mining Ltd increased their capacities, though less than expected. In total these companies sold 47,000 tonnes more in the domestic market than they did in the previous year. Bamburi sales in Kenya dropped from 771,000 tonnes to 657,000 tonnes, and we lost 6% of our market share, which fell to 62%. Our ex-works prices reduced, and we had to pass on higher transport costs to the consumer. Sales into Uganda improved, but were constrained by a lack of railway wagons. Exports to our traditional Indian Ocean markets declined significantly in the face of competition from the Far East. In total, exports dropped from 372,000 tonnes in 1997 to 346,000 tonnes in 1998.

PRODUCTION

The shutting down of our shaft kilns in the first quarter of 1998 enabled us to rationalise

The african crocodile in its natural habitat ...

the factory around the two modern rotary kilns. The revolving three-year technical plan aimed at improving certain efficiencies was broadly on course. Cement production at 841,000 tonnes was well below 1997 at 1,143,000 tonnes - a reflection of lower demand and increasing competition. Production costs were well contained.

CASH FLOW

The company has no borrowings. However, our cash reserves declined as our capital expenditure increased to Shs 1.5 billion, mainly to pay for the grinding plant. We continue to hedge our cash surplus in foreign currency deposits to match the currency of our import requirement, which form the bulk of our expenditure.

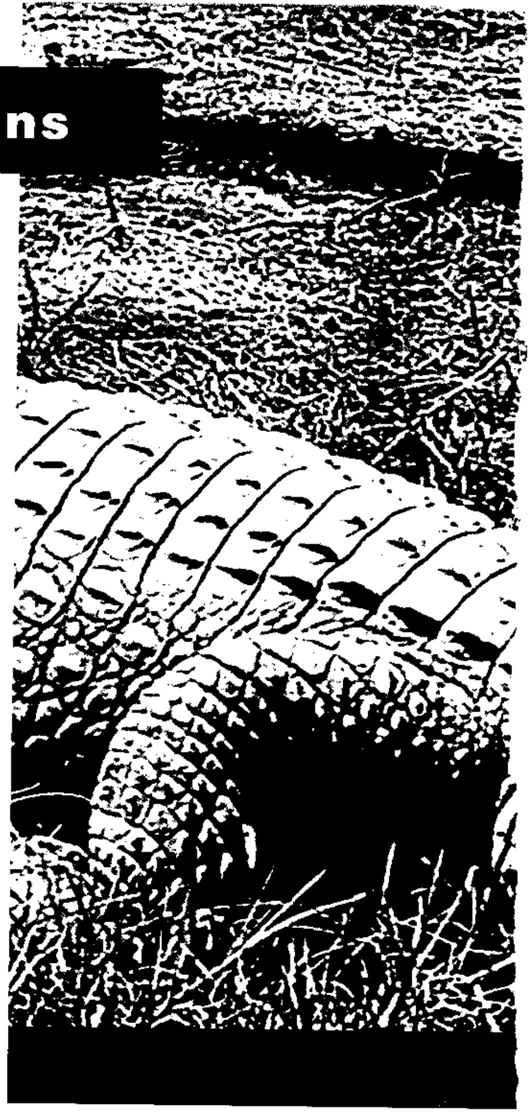
CAPITAL EXPENDITURE

This year's capital expenditure relates primarily to the grinding plant.

SUBSIDIARY COMPANIES

Simbarite Limited

Simbarite, which manufactured roofing sheets, also suffered from the building industry downturn and intense competition. Production was stopped in the last quarter of 1998 and only a residual workforce has been retained to sell off stocks.



Review of Operations (continued)

The Bamburi cement factory.

Baobab Farm Limited

The subsidiary's flagship is the famous Nature Park, which is dependent on tourism. Park entries dropped by 8% to 80,000. This is in addition to a drop of 20% the previous year. However, agriculture and livestock activity improved.

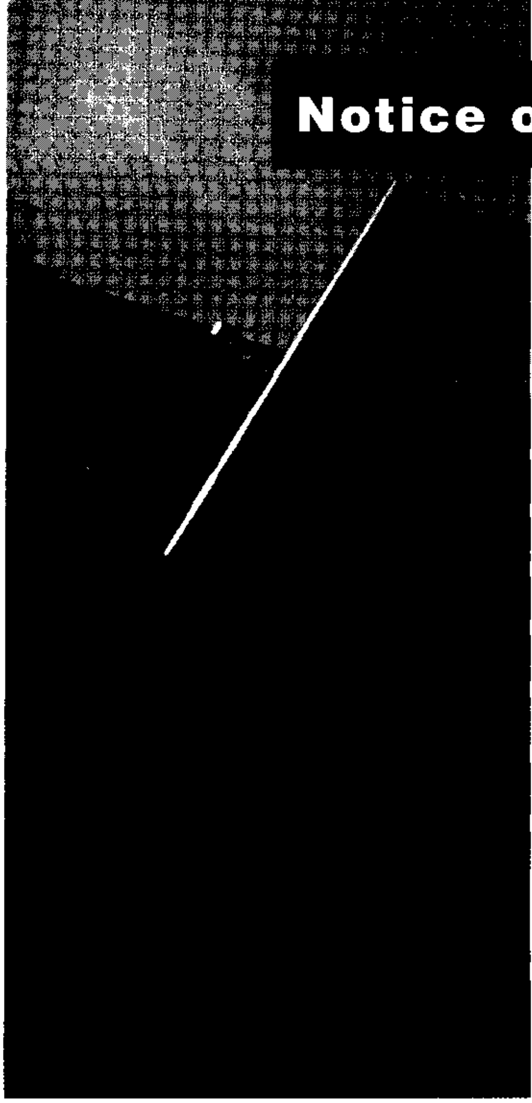
Bamburi Special Products Limited

The company was incorporated during the year and manufactures paver blocks. The results so far are encouraging and, subsequent to the year-end we have managed to capture a good percentage of the Kenyan market. The order book remains healthy.

Bamburi Cement Limited Uganda

The operations of this trading subsidiary started in November. This has significantly increased our local presence in Uganda, and reduced supply lead times. We continue to benefit from Bamburi's reputation as a quality manufacturer.

Notice of Annual General Meeting



203,426 bags of cement required.

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting of the Ordinary Shareholders of Bamburi Cement Limited will be held at Nyali Beach Hotel, Malaika Room on Wednesday 5 May 1999 at 3 p.m. for the following purposes:

1. To confirm the minutes of the 47th Annual General Meeting.
2. To receive the Chairman's Statement.
3. To receive the Report of the Directors and the Audited Accounts for the year ended 31 December 1998.
4. To declare dividends.
5. To approve Directors' fees for 1999.
6. To authorise the Directors to fix the remuneration of the auditors for 1999.
7. a)To consider the re-election of Directors retiring by rotation, who being eligible, offer themselves for re-election : Messrs K.W. George, J.C. Hillenmeyer, J.M. Shiganga and R.M. Thyaka.

   b)To elect Messrs. R.D. Roy, A. LeMeur and M. Ngunze , who were appointed Directors after the last Annual General Meeting.
8. To transact any other competent business.

By Order of the Board

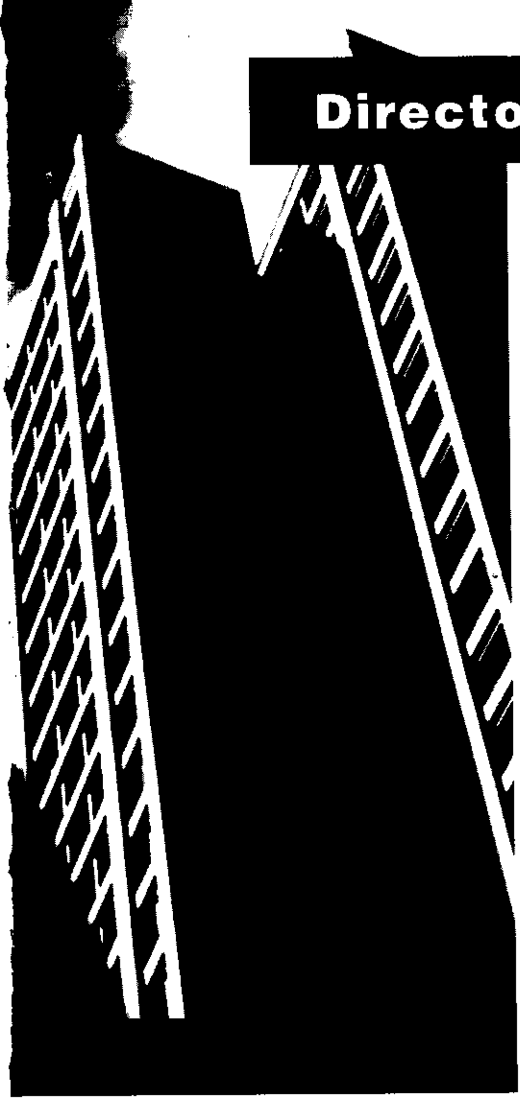
B.A. Oluoch

Secretary

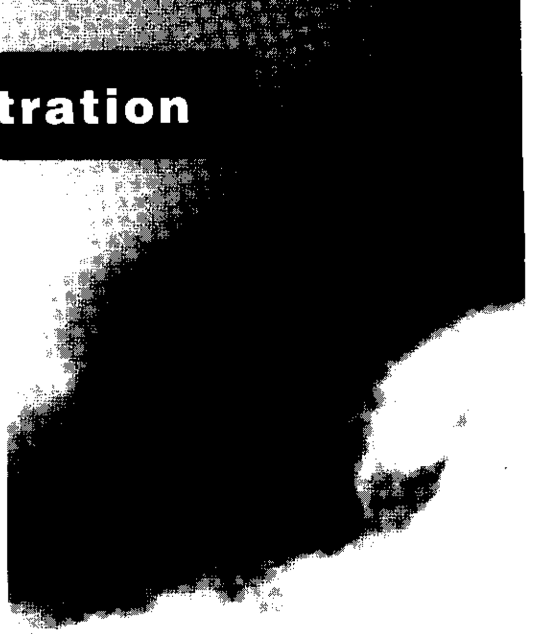
6 April 1999.

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote in his or her stead. Proxy forms must be lodged at the registered office of the Company, P.O. Box 90202, Mombasa not less than 48 hours before the time of the meeting. A form of Proxy is provided at the end of this report.

Directorate and Administration



Not a tall order for us.



EXECUTIVE DIRECTORS

G.C.D. Groom	Managing Director
J.M. Shiganga	Business Development Director
R.M. Thyaka	Commercial Director
R. Roy	Works Director Appointed on 22 July 1998
M. Ngunze	Finance Director Appointed on 18 February 1999
F. Barrow	Resigned on 22 July 1998

NON EXECUTIVE DIRECTORS

R. Kemoli	Chairman
A.R. Dunn	
J.C. Hillenmeyer	
S.W. Karanja	
D.W. Masika	
K.W. George	alternate P. Overment
J.C. Kulei	alternate W.K. Sambu
A.LeMeur	Appointed on 18 February 1999
B.K. Kipkulei (E.B.S.)	Resigned on 6 May 1998
T.C.J. Ramtu (E.B.S.)	Resigned on 6 May 1998

SECRETARY

B.A. Oluoch

REGISTERED OFFICE

Malindi - Mombasa Road
P.O. Box 90202, Mombasa

REGISTRARS

Chunga Associates, P.O. Box 41968, Nairobi

AUDITORS

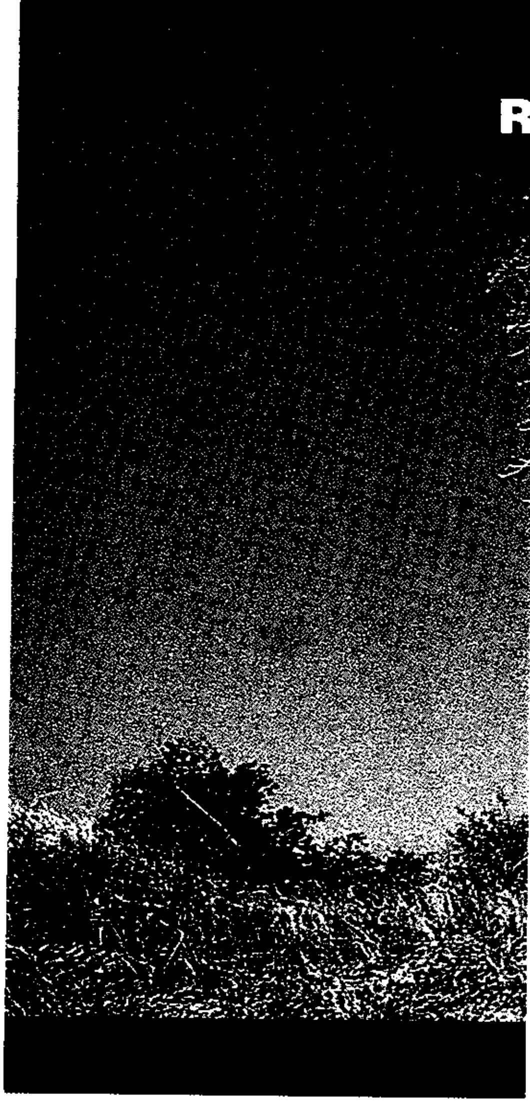
PricewaterhouseCoopers,
P.O. Box 43963, Nairobi

BANKERS

Barclays Bank of Kenya Limited,
Nkrumah Road Branch,
P.O. Box 90182,
Mombasa

ABN-Amro Bank,
Nkrumah Road,
P.O. Box 90230,
Mombasa

Citibank N.A.,
Nyerere Avenue,
P.O. Box 83615,
Mombasa



Report of the Directors

We wanted a logo to symbolise our state-of-the-art operation.

The directors submit their report together with the audited financial statements for the year ended 31 December 1998 which disclose the state of affairs of the group and the company.

PRINCIPAL ACTIVITY

The group is primarily engaged in the manufacture and sale of cement.

RESULTS AND DIVIDENDS

Net profit attributable to shareholders for the year to 31 December 1998 was Shs 568 million.

No interim dividend was paid during the year. The directors have resolved to recommend the declaration of a final dividend of 15% per ordinary share of Shs 5.00.

If approved at the Annual General meeting the final dividend will be paid on or about 14 May 1999 to ordinary shareholders registered at the close of business on 19 April 1999. Profit retained for the year amounts to Shs 296 million.

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 13.

AUDITORS

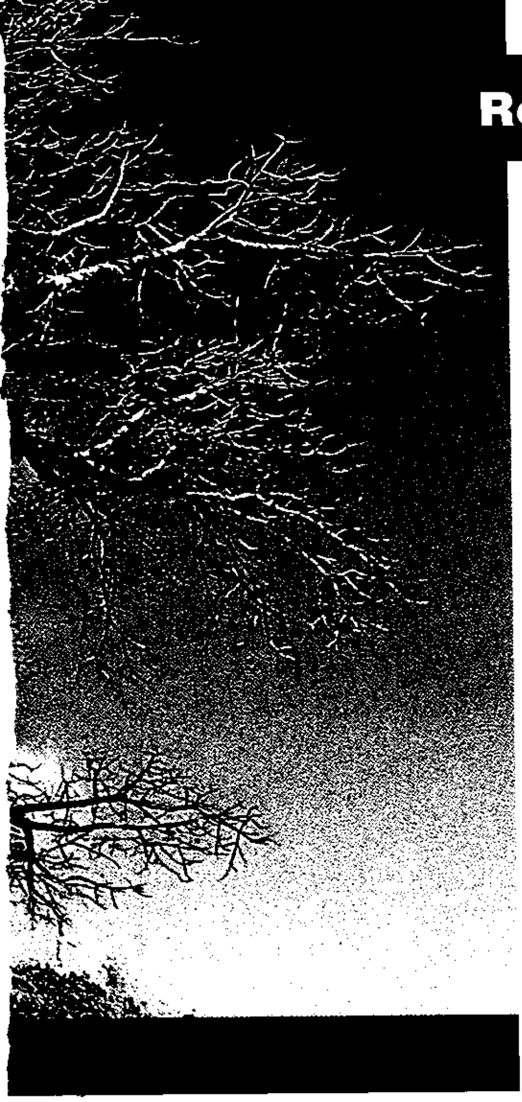
PricewaterhouseCoopers were appointed as auditors during the year following the merger of the former auditors, Price Waterhouse, with Coopers & Lybrand and continue in office in accordance with Section 159(2) of the Companies Act.

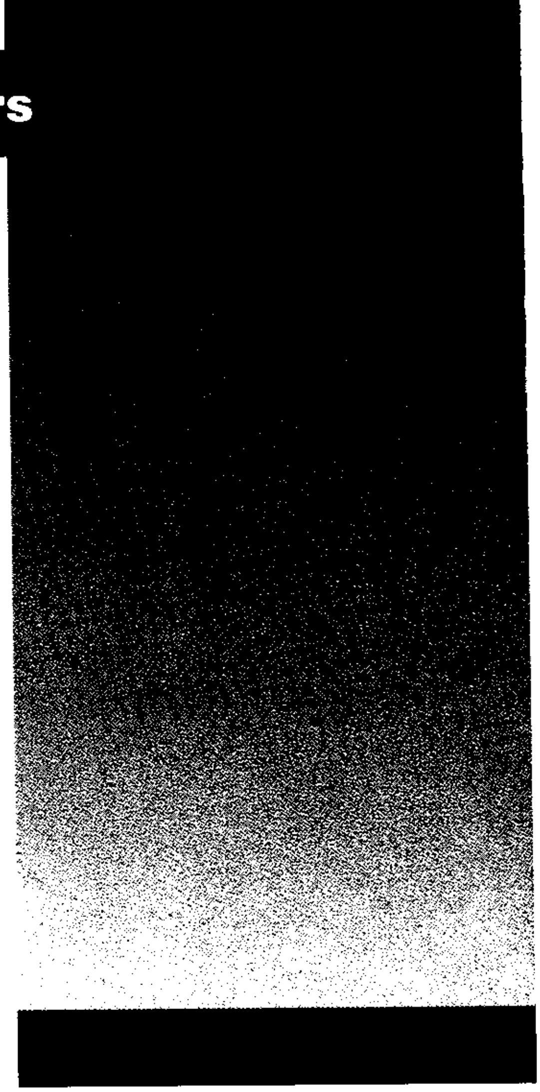
By order of the Board

BA Oluoch

Company Secretary

18 February 1999





Report of the Auditors

We ended up with something 3000 years old.

Auditor's report to the members of Bamburi Cement Limited

We have audited the financial statements set out on pages 16 to 28 which have been prepared on the basis of the accounting policies set out on pages 20 to 21. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The financial statements of the company are in agreement with the books of account.

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

We conducted our audit in accordance with the Kenyan Auditing Standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 1998 and of the profit and cash flows of the group for the year then ended and comply with Kenyan Accounting Standards and the Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants

18 February 1999

Nairobi

Consolidated Profit and Loss Account

for the year ended 31 December 1998

	NOTES	**1998** **Shs million**	1997 Shs million
TURNOVER		**4,951**	5,537
PROFIT FOR THE YEAR BEFORE TAX	2	**569**	1,437
Tax	3	**1**	657
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**568**	780
Of which Shs 586 million (1997: Shs 755 million) has been dealt with in the accounts of the holding company			
Dividends	4	**272**	408
PROFIT RETAINED FOR THE YEAR	7	**296**	372
		Shs	Shs
Earnings per share	5	**1.56**	2.15

Consolidated Balance Sheet

at 31 December 1998

	NOTES	**1998 Shs million**	1997 Shs million
CAPITAL EMPLOYED			
Ordinary share capital	6	**1,815**	1,815
Capital redemption reserve fund	7	**2**	2
Revaluation reserve	7	**5,241**	6,060
Revenue reserve	7	**3,475**	2,731
SHAREHOLDERS' INTEREST		**10,533**	10,608
REPRESENTED BY:			
FIXED ASSETS	8	**8,577**	7,115
CAPITAL WORK IN PROGRESS	9	**195**	1,208
QUOTED INVESTMENTS	10	**171**	171
UNQUOTED INVESTMENTS	11	**6**	6
		8,949	8,500
CURRENT ASSETS			
Inventories	12	**950**	1,275
Debtors	13	**807**	718
Due from related parties	14	**99**	141
Tax recoverable		**83**	10
Deposits, bank and cash balances	15	**660**	624
		2,599	2,768
CURRENT LIABILITIES			
Bank overdraft		**7**	-
Creditors	16	**680**	424
Due to related parties	14	**50**	-
Tax payable		**1**	-
Dividends	17	**277**	236
		1,015	660
NET CURRENT ASSETS		**1,584**	2,108
		10,533	10,608

The financial statements were approved by the Board of Directors on 18 February 1999 and were signed on its behalf by:

G.C.D GROOM
J.M SHIGANGA } Directors

Company Balance Sheet

at 31 December 1998

	NOTES	1998 Shs million	1997 Shs million
CAPITAL EMPLOYED			
Ordinary share capital	6	**1,815**	1,815
Capital redemption reserve fund	7	**2**	2
Revaluation reserve	7	**5,241**	6,060
Revenue reserve	7	**3,478**	2,716
SHAREHOLDERS' INTEREST		**10,536**	10,593
REPRESENTED BY:			
FIXED ASSETS	8	**8,514**	7,082
CAPITAL WORK IN PROGRESS	9	**195**	1,208
QUOTED INVESTMENTS	10	**171**	171
UNQUOTED INVESTMENTS	11	**59**	59
		8,939	8,520
CURRENT ASSETS			
Inventories	12	**902**	1,234
Debtors	13	**785**	708
Due from subsidiaries		**99**	24
Due from related parties	14	**99**	141
Tax recoverable		**79**	8
Deposits, bank and cash balances	15	**648**	610
		2,612	2,725
CURRENT LIABILITIES			
Creditors	16	**668**	411
Due to related parties	14	**20**	9
Tax payable		**50**	-
Dividends	17	**277**	232
		1,015	652
NET CURRENT ASSETS		**1,597**	2,073
		10,536	10,593

The financial statements were approved by the Board of Directors on 18 February 1999 and were signed on its behalf by:

G.C.D GROOM
J.M SHIGANGA } Directors

Consolidated Cash Flow Statement

for the year ended 31 December 1998

	NOTES	1998 Shs million	1997 Shs million
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**569**	1,437
Adjustments for:			
Depreciation		**596**	629
Loss on sale of fixed assets		**20**	-
Foreign exchange loss/(gain) on cash and cash equivalents		**4**	(85)
Interest income		**(23)**	(66)
Dividend received		**(6)**	(3)
Realised foreign exchange gain		**(1)**	(8)
Interest expense		**4**	-
Operating profit before working capital changes		**1,163**	**1,904**
Decrease/(increase) in inventories		**325**	(181)
Increase in debtors		**(89)**	(403)
Increase in creditors		**256**	85
Decrease/(increase) in net amounts due from related parties		**92**	(147)
Cash generated from operations		**1,747**	1,258
Income taxes and duty paid		**(73)**	(702)
Net cash flow from operating activities		**1,674**	556
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**23**	66
Dividend received		**6**	3
Dividends paid		**(231)**	(450)
Realised foreign exchange gain		**1**	8
Interest paid		**(4)**	-
Net cash flow from investments and servicing of finance		**(205)**	(373)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets and capital work in progress		**(1,455)**	(1,240)
Proceeds from sale of equipment		**19**	7
Net cash flow from investing activities		**(1,436)**	(1,233)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33**	(1,050)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**624**	1,589
EFFECT OF EXCHANGE RATE CHANGES		**(4)**	85
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**653**	624

Accounting Policies

for the year ended 31 December 1998

1. ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified to include the revaluation of certain fixed assets and the computation of related depreciation.

2. TURNOVER

Turnover represents the net ex-factory value of goods supplied to customers and is accounted for when those goods are dispatched.

3. TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences are dealt with in the profit and loss account.

4. FIXED ASSETS

Fixed assets other than office equipment and tools are stated at 1995 professional valuation with subsequent additions at cost, less depreciation. Office equipment and tools are stated at cost, less depreciation. Fixed assets that are no longer in use are written down to their net selling amount.

5. DEPRECIATION

Depreciation is charged from the year of purchase or subsequent valuation in equal annual installments over the estimated remaining useful lives of the assets at the following rates:

Freehold land	Nil
Leasehold land	Period of lease
Buildings, plant and machinery	2.5% - 5%
Equipment and mobile plant	10% - 33.3%

The depreciation charged to the profit and loss account is based on the carrying amounts of the fixed assets. The excess of this charge over that based on the historical cost of the fixed assets is released each year from the revaluation reserve to the revenue reserve.

6. LONG-TERM INVESTMENTS

Long-term investments are stated at cost less provision for any permanent diminution in their value. This represents a change in accounting policy from prior years when the accounting policy for quoted investments was that they be carried at the lower of cost or market value. The effect of the change in accounting policy is not material.

7. INVENTORIES

Inventories of consumables and spare parts are stated at cost less provision for obsolete and slow-moving items. All other inventories are stated at the lower of cost and net realisable value. Cost includes direct cost and appropriate overheads.

8. DEFERRED TAX

Provision is made for deferred tax when the directors consider that tax reductions, resulting principally from the excess of wear and tear allowances over the corresponding charge for depreciation, will reverse in the foreseeable future.

Deferred tax arising on the revaluation of fixed assets is only provided for if, in the opinion of the directors, the assets are likely to be disposed of in the foreseeable future.

9. RETIREMENT BENEFIT COSTS

The company's contributions to the non-unionisable employees' retirement benefit scheme are charged to the profit and loss account in the period in which they fall due.

Pension and service gratuity benefits due to unionisable employees are charged to the profit and loss account in the period in which they are paid.

Notes to the Accounts

for the year ended 31 December 1998

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Bamburi Cement Limited and those of its subsidiaries, Simbarite Limited, Baobab Farm Limited and Bamburi Special Products Limited. The amounts for the subsidiary companies are based on unaudited management accounts.

2. PROFIT FOR THE YEAR BEFORE TAX

	GROUP	
	1998 Shs million	1997 Shs million
Profit before tax is arrived at after charging:		
Directors emoluments:		
Fees	**2**	2
Remuneration for management services	**39**	37
Auditors remuneration	**2**	2
Depreciation	**596**	629
Exchange losses	**11**	-
Restructuring costs	**147**	-
Interest expense	**4**	-
And after crediting:		
Interest receivable	**23**	68
Exchange gains	**-**	91

3. TAX

The effective tax rate for the year of 0% (1997 : 46%) is lower than the statutory rate of 32.5% (1997 : 35%) mainly because of capital allowances on the grinding plant commissioned during the year.

A deferred tax liability as at 31 December 1998 of Shs 408 million (1997 : Shs 69 million) has not been recognized in the accounts because the directors consider that the liability will not crystallize in the foreseeable future. Were the fixed assets to be sold at their revalued amounts, an additional tax liability of Shs 1,463 million (1997 : Shs 1,728 million) would arise. This has not been provided for in the accounts.

All income tax returns due by 31 December 1998 have been filed and all payments due by that date have been made. The directors are not aware of any material dispute with the Kenya Revenue Authority affecting the group's liability to tax.

4. DIVIDENDS

	1998 Shs million	1997 Shs million
Interim declared	**-**	181
Final proposed	**272**	227
	272	408

Payment of the dividends is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders.

5. EARNINGS PER SHARE

Earnings per share have been calculated based on the profit after tax attributable to shareholders of Shs 568 million (1997 - Shs 780 million) divided by 362,931,725 being the number of ordinary shares in issue at 31 December 1998.

6. SHARE CAPITAL

	1998 Shs million	1997 Shs million
Authorised:		
366,600,000 ordinary shares of Shs 5 each	**1,833**	1,833
100,000 7% Cumulative Redeemable Preference shares of Shs 20 each	**2**	2
	1,835	1,835
Issued and fully paid:		
362,931,725 (1997: 362,918,111) ordinary shares of Shs 5 each	**1,815**	1,815

7. RESERVES

	Capital redemption reserve fund Shs million	**Revaluation reserve Shs million**	**Revenue reserve Shs million**
Group			
At 1 January 1998	**2**	**6,060**	**2,731**
Revaluation adjustment (see note 8)	-	**(371)**	-
Profit retained for the year	-	-	**296**
Excess depreciation on fixed assets revaluation	-	**(411)**	**411**
Realised on disposal of fixed assets	-	**(37)**	**37**
At 31 December 1998	**2**	**5,241**	**3,475**
Company			
At 1 January 1998	**2**	**6,060**	**2,716**
Revaluation adjustment (see note 8)	-	**(371)**	-
Profit retained for the year	-	-	**314**
Excess depreciation on fixed assets revaluation	-	**(411)**	**411**
Realised on disposal of fixed assets	-	**(37)**	**37**
At 31 December 1998	**2**	**5,241**	**3,478**

8. FIXED ASSETS

	Land and residential buildings Shs million	Plant and machinery Shs million	Office equipment and tools Shs million	Mobile plant Shs million	Total Shs million
GROUP					
Cost or valuation					
At 1 January 1998	1,130	13,901	259	1,253	16,543
Additions	59	2,146	133	130	2,468
Disposals	-	-	(10)	(368)	(378)
Revaluation adjustment	-	(930)	-	-	(930)
At 31 December 1998	1,189	15,117	382	1,015	17,703
Comprising					
Cost	126	2,414	382	340	3,262
1995 valuation	1,063	12,703	-	675	14,441
Total	1,189	15,117	382	1,015	17,703
Depreciation					
At 1 January 1998	41	8,219	157	1,011	9,428
Charge for the year	10	437	40	109	596
On disposals	-	-	(10)	(329)	(339)
Revaluation adjustment	-	(559)	-	-	(559)
At 31 December 1998	51	8,097	187	791	9,126
Net book amount					
At 31 December 1998	**1,138**	**7,020**	**195**	**224**	**8,577**

8. FIXED ASSETS (continued)

	Land and residential buildings Shs million	Plant and machinery Shs million	Office equipment and tools Shs million	Mobile plant Shs million	Total Shs million
COMPANY					
Cost or valuation					
At 1 January 1998	1,111	13,885	207	1,253	16,456
Additions	59	2,110	133	127	2,429
Disposals	-	-	(10)	(364)	(374)
Revaluation adjustment	-	(930)	-	-	(930)
At 31 December 1998	1,170	15,065	330	1,016	17,581
Comprising					
Cost	107	2,362	330	340	3,139
1995 valuation	1,063	12,703	-	676	14,442
Total	1,170	15,065	330	1,016	17,581
Depreciation					
At 1 January 1998	33	8,210	119	1,012	9,374
Charge for the year	10	431	40	107	588
On disposals	-	-	(10)	(326)	(336)
Revaluation adjustment	-	(559)	-	-	(559)
At 31 December 1998	43	8,082	149	793	9,067
Net book amount					
At 31 December 1998	**1,127**	**6,983**	**181**	**223**	**8,514**

1995 valuation

With the exception of office equipment and tools, the fixed assets were revalued in 1995. Land and residential buildings and civil works (included under plant and machinery) were valued by independent professional valuers, the electrical and mechanical installations were valued by engineers and consultants of a related company, while mobile plant was valued internally by management.

Land and residential buildings were valued on a depreciated reinstatement cost basis. The other valuations were on a replacement cost basis and the accumulated depreciation was adjusted to reflect the depreciated replacement cost, based on the director's estimate of the age and residual useful lives of the assets at the date of valuation.

Revaluation adjustment

During the year, shaft kilns carried at a revalued net book amount of Shs 406 million were shut down. The carrying amount has been written down to Shs 35 million which the directors estimate is the net selling amount of the kilns. The adjustment of Shs 371 million to the net book amount reverses a previous revaluation surplus and has therefore been charged directly to the revaluation reserve.

9. CAPITAL WORK IN PROGRESS

Capital work in progress relates primarily to office renovations and road construction in progress at the year end. No depreciation has been charged on these assets.

10. QUOTED INVESTMENTS

	GROUP AND COMPANY	
	1998	1997
	Shs million	Shs million
At cost	**171**	171

The market value of the quoted investments was Shs 169 million at 31 December 1998 (1997: Shs 195 million).

11. UNQUOTED INVESTMENTS

	Holding	GROUP		COMPANY	
		1998	1997	**1998**	1997
	%	**Shs million**	Shs million	**Shs million**	Shs million
Simbarite Limited	100	-	-	**53**	53
Baobab Farm Limited	100	-	-	**5**	5
Diani Estate Limited	100	**1**	1	**1**	1
Whistling Pines Limited	100	**5**	5	-	-
Kenya Cement Marketing Limited	50	-	-	-	-
Portland Mines Limited	50	-	-	-	-
Bamburi Special Products Limited	100	-	-	-	-
Bamburi Cement Limited, Uganda	100	-	-	-	-
		6	6	**59**	59

The accounts of Diani Estate Limited, Kenya Cement Marketing Limited, Portland Mines Limited, Whistling Pines Limited and Bamburi Cement Limited, Uganda have not been consolidated because in the opinion of the directors, consolidation of these subsidiaries would be of no real value to the members in view of the insignificant amounts involved.

12. INVENTORIES

	GROUP		COMPANY	
	1998	1997	**1998**	1997
	Shs million	Shs million	**Shs million**	Shs million
Finished goods	**108**	118	**80**	97
Fuel and packaging	**173**	351	**173**	351
Consumables and spare parts	**554**	505	**554**	505
Raw materials and work in progress	**115**	289	**95**	269
Goods in transit	-	12	-	12
	950	1,275	**902**	1,234

13.DEBTORS

	GROUP		COMPANY	
	1998	1997	**1998**	1997
	Shs million	Shs million	**Shs million**	Shs million
Trade debtors	**402**	313	**388**	309
Other debtors and prepaid expenses	**382**	280	**374**	274
VAT recoverable	**23**	125	**23**	125
	807	718	**785**	708

14.RELATED PARTY TRANSACTIONS

In the normal course of business the group sells cement to an associate of one of its ultimate shareholders. These sales represented approximately 12% of the group's sales volume during the year (1997: 13%).

The company receives technical assistance from another associate of one of the ultimate shareholders, which is paid for under a 5 year agreement.

15.DEPOSITS, BANK AND CASH BALANCES

Deposits, bank and cash balances consist mainly of funds held in foreign currency. Included in these balances is an amount of Shs 166 million (1997: Shs 204 million) being funds pledged against certain commitments.

16.CREDITORS

	GROUP		COMPANY	
	1998	1997	**1998**	1997
	Shs million	Shs million	**Shs million**	Shs million
Trade creditors	**394**	205	**372**	192
Other creditors and accrued expenses	**280**	217	**290**	217
Provision for restructuring costs	**6**	2	**6**	2
	680	424	**668**	411

17.DIVIDENDS

	GROUP		COMPANY	
	1998	1997	**1998**	1997
	Shs million	Shs million	**Shs million**	Shs million
Proposed final dividend	**272**	227	**272**	227
Unpaid dividends from prior years	**5**	9	**5**	5
	277	236	**277**	232

18.CAPITAL COMMITMENTS

	GROUP AND COMPANY	
	1998	1997
	Shs million	Shs million
Authorised and committed at 31 December	**105**	1,273
Authorised but not committed at 31 December	**695**	1,072

Notes to the Accounts

for the year ended 31 December 1998

19.RETIREMENT BENEFIT SCHEMES

The company and its non-unionisable employees contribute to a defined contribution retirement benefit scheme. All permanent non-union staff are eligible to join the scheme. Unionisable employees who retire on attaining the age of 55 years are eligible for a service gratuity and pension benefits based on each employee's length of service with the company, as provided for in the trade union agreement with the company.

20.CONTINGENT LIABILITIES

There are contingent liabilities in respect of guarantees given on behalf of third parties totalling Shs 31 million (1997: Shs 7 million).

21.INCORPORATION

The company is incorporated in Kenya under the Companies Act.

22.HOLDING COMPANY

The company's holding company is Bamcem Holdings Limited which is incorporated in the Channel Islands.

23.CURRENCY

The financial statements are presented in Kenya Shillings (Shs).

Proxy

The Secretary,
(Proxy Form),
P. O. Box 90202,
MOMBASA,
Kenya

I/We..

of...

a member of Bamburi Cement Limited hereby appoint

....

of...

or in his place THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative, to vote at his discretion for me/us and on my/our behalf at the Annual General Meeting, to be held on Wednesday 30 April 1997 and at every adjournment thereof.

AS WITNESS my/our hands this .... day of .... 1997.

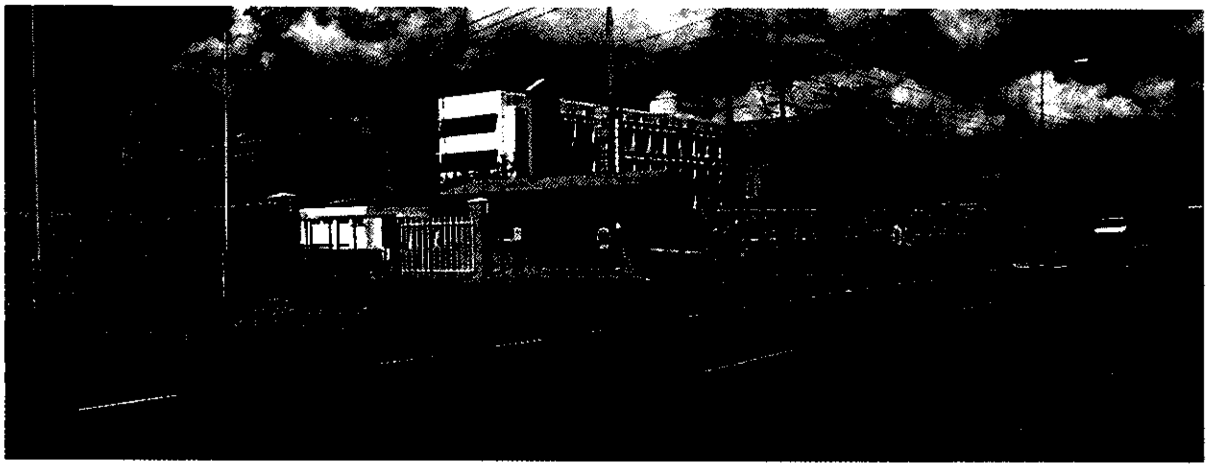
(Usual Signature)

Proxy forms must reach the Registered Office of the Company by 10am Monday 28 April 1997.

Shareholders Information

Major shareholders with shareholdings greater than 0.5 %

Name Of Shareholder	No. of shares at 31.12.98	% of issued share capital	
		31.12.98	31.12.97
Bamcem Holdings Limited	265,901,994	73.3	73.3
National Social Security Fund	57,314,178	15.8	15.8
Baloobhai Chotabhai Patel	9,064,741	2.5	2.5
Barclaytrust Investment Services Limited	3,920,861	1.1	1.1
Insurance Company of E.A. Limited	2,970,000	0.8	0.8
Kenya Reinsurance Corporation	2,735,748	0.8	0.8
Old Mutual Insurance Company	2,347,740	0.6	0.6
Others	18,676,463	5.1	5.1
TOTAL	362,931,725	100	100

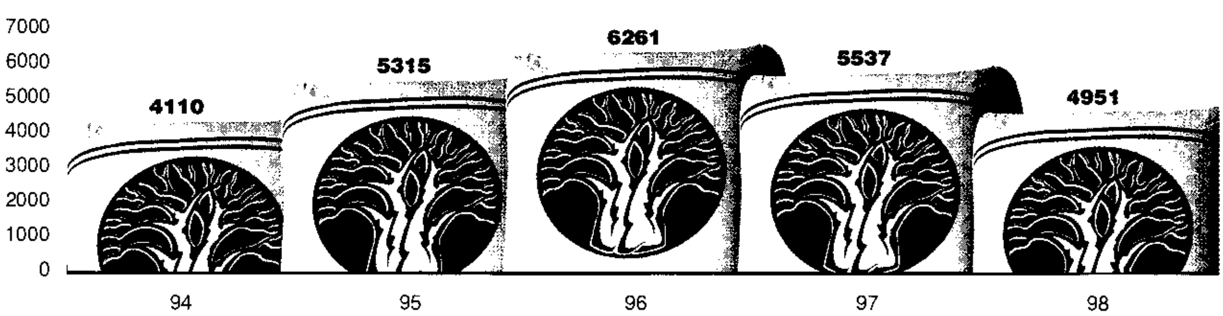


The new Bamburi Cement entrance.

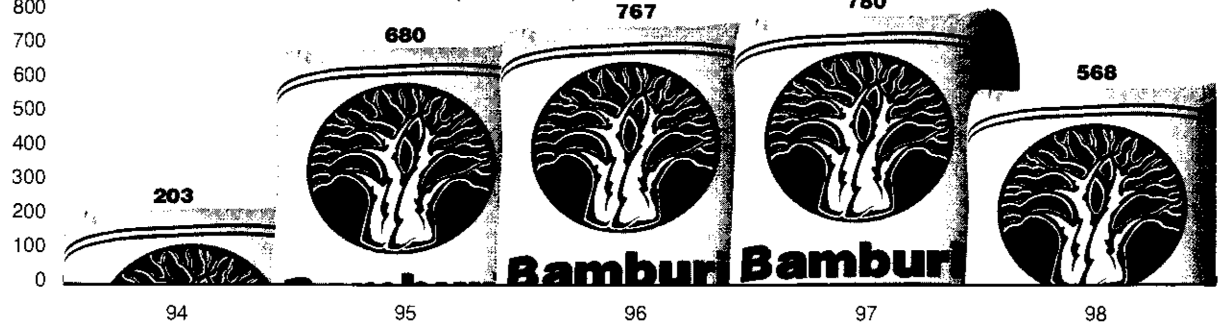
Felix Mandi Avenue.

Five year Performance Graphs

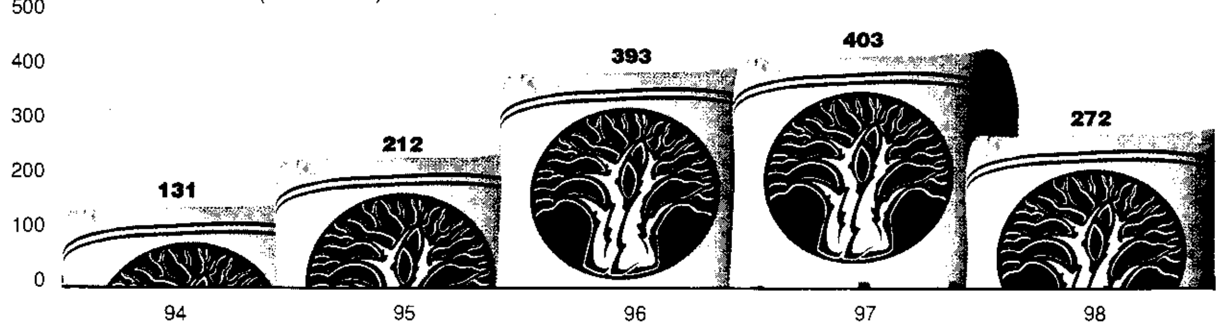
TURNOVER (Shs million)



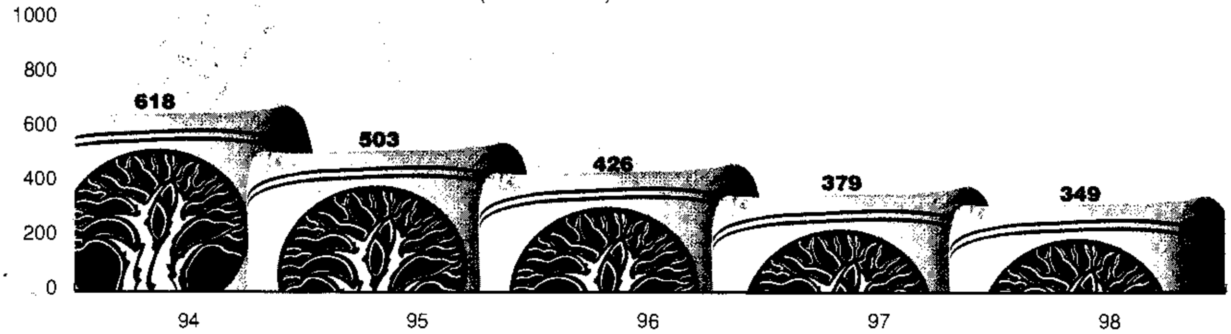
ATTRIBUTABLE EARNINGS (Shs million)



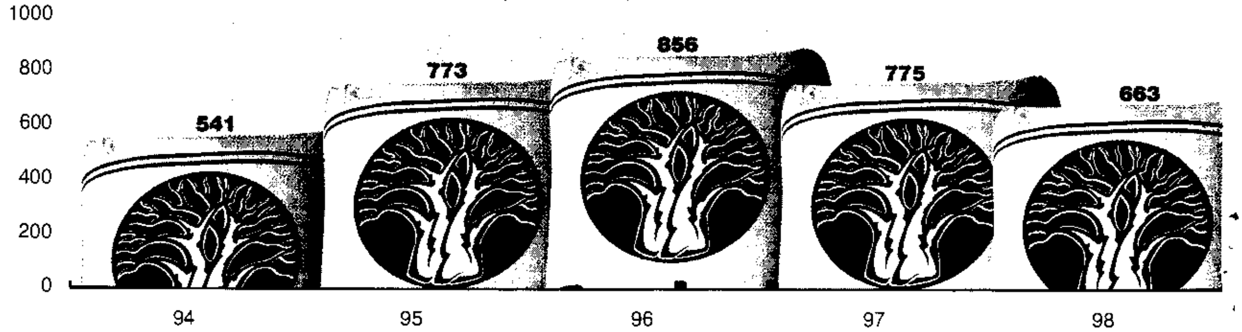
DIVIDENDS (Shs million)



SALES VOLUMES - EXPORT (tonnes '000)



SALES VOLUMES - DOMESTIC (tonnes '000)



Proxy Form

The Secretary,
Bamburi Cement Ltd.,
P.O. Box 90202,
MOMBASA,
Kenya.

I/We ____

of ____

a member of Bamburi Cement Limited hereby appoint ______________________

of ____

or in his/her place THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative, to vote at his/her discretion for me/us and on my/our behalf at the Annual General Meeting, to be held on Wednesday 5 May 1999 and at every adjournment thereof.

AS WITNESS my/our hands this   day of   1999.

____
(Usual Signature)

Proxy forms must reach the Registered Office of the Company by 3 pm Monday 4 May 1999.