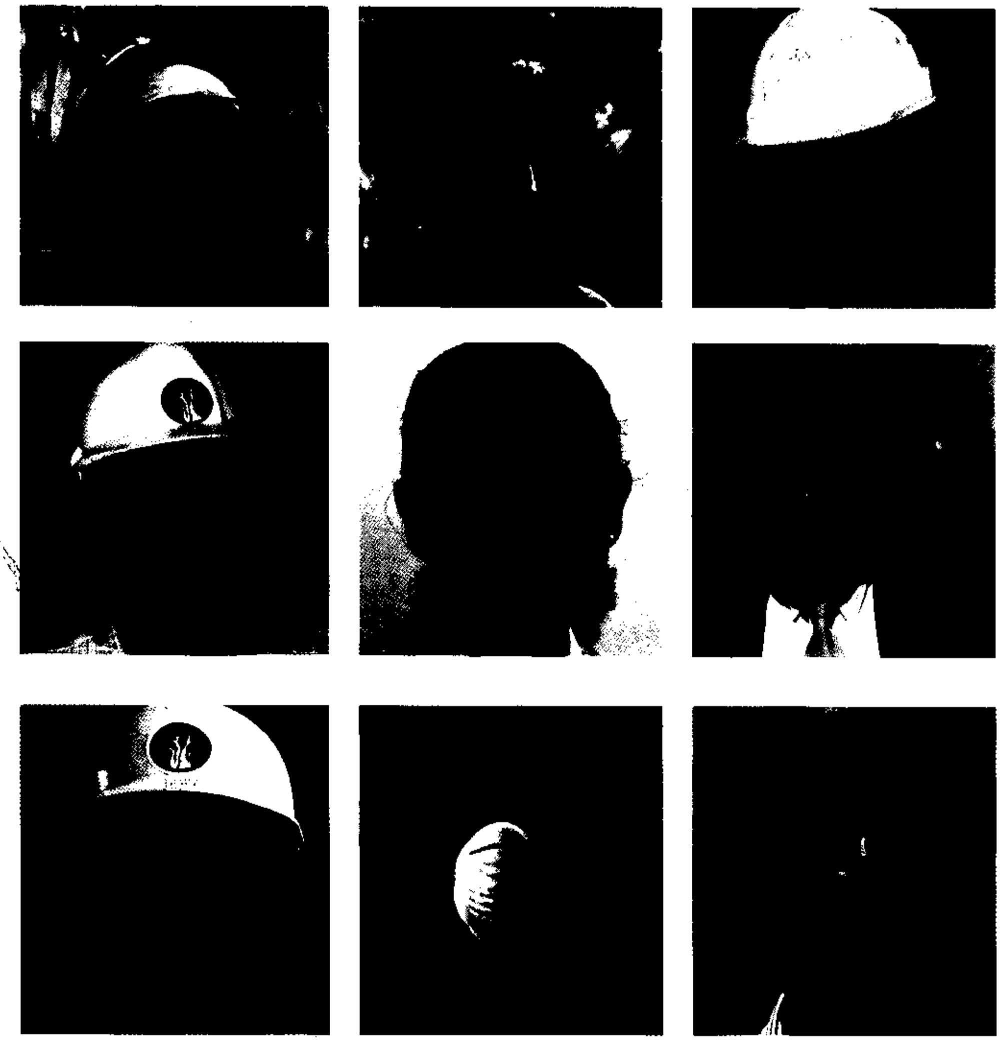
1999
Annual Report & Accounts



Bamburi cement ltd

Bamburi Builds Best.

Table of contents

Group profile

Bamburi Cement Limited manufactures cement at its plant situated 12 kilometres north of Mombasa and at its 1 million tonne grinding plant at Athi River. The Mombasa facility has a capacity of 1.2 million tonnes per annum and is the second largest cement factory in sub-Saharan Africa. The company is one of the largest manufacturing export earners in Kenya and exported 29% of its production in 1999 (1998:34%).

The company is mainly foreign owned and is directly 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 local and regional companies whose activities are indirectly related to its own.

Hima Cement Limited which is majority owned by Bamburi Cement Limited manufactures cement at its plant situated at Kasese, Western Uganda. The plant currently has a capacity of 170,000 tonnes, which will increase to 240,000 tonnes by the end of 2000.

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, called Haller Park and conducts various farming activities including forestry and aquaculture, in the rehabilitated quarries. In 1996, the company acquired 100% of the equity in Whistling Pine Limited, which operates a restaurant within Haller Park.

Bamburi Special Products Limited which is wholly owned, manufactures paver blocks under the brand name 'BamburiBlox'. The company has been in operation for just over a year, and now commands a good reputation in the market for quality and price.

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

Simbarite Limited, which is also a wholly owned subsidiary, manufactured various fibre cement products, particularly roofing sheets. The company ceased production in October 1998.

Diani Estate Limited is a non-trading wholly owned subsidiary of the company, which owns 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.

Justus K. Ndihano
Snake Attendant

Pal Singh Mhajan
Engineer

Salim M. Mwanyota
Back-End Attendant

Chairman's Report

It gives me great pleasure to present to you our 1999 Group Results.

GENERAL

Construction activity in the country continues to be constrained, as was the case in 1998, as Kenya faces tough economic times, as reflected by the prevailing low economic growth rate. Some of the issues impacting on the country's current economic woes are high and varying interest rates, a volatile currency, insecurity in some areas, drought and the government's on-going expenditure outstripping revenue collected, leaving little or no room for developmental work. The country is also experiencing tough times at the negotiating table with the major donors as it tries to reconcile itself with these groups, and prove that commitment to better economic management exists, and that issues such as corruption are tackled effectively.

We finally acquired a significant stake in Hima Cement Limited "Hima" in Uganda in April 1999. The negotiations for this had been going on for 3 years, and the Company's 9 month operations have contributed to our profits this year. Demand in Uganda has been strong, though growing from a low base. It has, in the latter part of the year been affected by a volatile currency, the country's involvement in the Great Lakes region war, and insurgency in the North and western Uganda. Our traditional offshore markets are affected by excess supply in the Far East dampening demand significantly.

This is the perspective against which we present our 1999 results. Our profits have improved due to a good contribution from Hima, as well as cost control measures, which have helped us maintain our margins in the face of lower prices. Competitive pressures on the local market, coupled with the threat of imports meant that we had to adjust our prices in real terms, in order to maintain market share.

Local market conditions have been very poor, with only a marginal increase in demand over 1998 from 1.07 million, to 1.1 million tonnes. Last year in my report, I pointed out the fact that this level of demand equates to 1989-90 levels, which is a worrying trend in a country where population has grown. Exports to Uganda improved slightly as the market grew, though they continue to be affected by poor road conditions and inadequate rail services. Hima's sales in Uganda have improved, as investments to extend existing capacity have been made. With Uganda's economy growing at the rate of 6% p.a., we are strategically positioned to take advantage of this.

Jane Akinyi Ogondi
Telephone Operator

Esther K. Chirondo
Vegetable Attendant

Charles N. Gisore
Bulker Driver

BUSINESS OBJECTIVES

We remain committed to maintaining and strengthening our leadership position as the 'number one' Cement Group in the region. It is against this background that we have made the following investments:

The Athi River clinker grinding Plant: We have operated for a full year at the grinding plant, and our investment has begun to pay off, albeit at a lower level than planned because of low demand, resulting in lower capacity utilisation. We have been able to reduce production costs by adding significantly higher quantities of pozzolana to clinker, and by utilising lower electricity tariff rates to run the mills at off peak times. The use of our quarry on the land adjacent to the plant to supply pozzolana to both Mombasa and Nairobi has also helped. The rail siding at the plant has assisted in facilitating sales to Western Kenya and Uganda. The speed and efficiencies achieved at the plant have also won us many new clients as the packing operation turnaround is very fast.

Re-organisation: We continued to streamline our operations in 1999 and in the coming year, we will do more, particularly with the commissioning of the first phase of the automation of the production process.

Technology: The relentless pursuit of staying ahead in business has meant that technological investment has remained at the forefront of our business. Last year, we went live on SAP R3 information system, which has changed the way we work, and significantly improved management information availability. We have continued the SAP optimisation process during the year to create more value to our users. On the plant side, automation has also kept pace, with the implementation of the first phase of MAXIMO - a plant maintenance system, PRODIS and ADAP, both production systems, QUIS - a quality management system, and the first phase of the automation project, which seeks to centralise control rooms for the mills and kilns, over the next year. In the coming year, we hope to be able to connect our new Uganda subsidiary, Hima on the same business platform, thus taking advantage of the investments made in this technology.

Geographical expansion: Our trading subsidiary in Uganda has performed above expectation and has significantly improved our market presence in Uganda, thereby facilitating business. On the other hand, the Hima investment is strategic in that it will give us leverage into the Great Lakes region, at the same time allowing our Bamburi premier brand from Kenya to perform in the Uganda market. To this end, we have invested significantly in improving the output of the Kasese plant from the current 170,000 tonnes to the potential output of 240,000 tonnes which should be achieved by the end of this year.

Customer Service: As the market place has changed, so too have our operations. We have recruited sales and marketing representatives to boost our marketing effort and improve our customer

Joseph Mkala Nathan
Depot Superitendent

Isaya Onyango Mumah
Quarry Driver

Mary Wambeti Nthiga
Nurse-Dispensary

service. The establishment of the Athi River clinker grinding plant has meant that we have been able to improve significantly our turnaround times thereby enhancing service delivery to our upcountry customers. We have entered into a consignment arrangement with the Kenya National Trading Corporation (KNTC) to make cement more available across the country and have taken advantage of their geographical spread. We are currently selling cement through 16 KNTC depots, and will continue to look at opportunities to further grow the market.

Safety and environment: During the year, both safety and environmental policies were reissued to reinforce the company's commitment in these matters. On the safety side, our record at the Mombasa plant has substantially improved, with a reduction in lost- time due to accidents and at the Athi River plant, we are pleased to report that we have not recorded any lost time due to accidents to date. Our environmental efforts are actively continuing at our three plants and we will commission our clinker cooler dust collectors in Mombasa by mid year. This is an investment of US$3.5 million which will reduce dust emissions from the plant significantly.

Diversification: The Bamburi Special Products trademark name 'BamburiBlox' has become synonymous with quality and a good price in only its first year of operation in the paver-block business. The company is operating ahead of our expectation in terms of market, and we expect to launch new and exciting products this year to compliment the existing range. The paver-block business is opening up significantly as users realise the affordability and longevity of the product. It is on the back of this that we have been able to sell significant volumes even to road rehabilitation projects. We will continue to use this company as a basis for research and potential expansion into cement related added value businesses.

OUTLOOK

As I have said before, Kenya's economic performance and growth depends to a large extent on the government's commitment to implement political and economic measures that attract bilateral donor support and private investment. As a good system of governance is implemented, and much needed reforms are put in place, we should see some return in the support given by donor agencies that will create the necessary impetus to turn the economy around. The prospects for these appear better now than 12 months ago, and it is hoped that the Bretton Woods institutions will resume aid soon. The reduction in interest rates should also help stimulate economic activity, but the sustainability of the low rates depends on the government's efforts to reduce its recurrent expenditure and debt burden. All this translates to a conservative estimate of growth in 2000 with better prospects for 2001 and beyond. In Uganda, the good economic growth rate should continue to spur cement demand. Both countries are coming from very low consumption periods and there

Harrison Mwahunga
KK Guard

Khamisi Mugambi
Driver

David Makori
Guard

is a backlog of infrastructure projects that need to be fulfilled.

We are well placed to take advantage of improved market conditions in the region over the next few years, based on investments made recently.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Board is committed to ensuring that our business is run according to the highest standards of corporate governance. Our Board Audit Committee, that was set up last year, is playing a key role in reinforcing these principles and has now expanded its sphere to include the recently acquired Hima Cement.

We have also fully adopted International Accounting Standards (IAS) in line with the requirements of the Institute of Certified Public Accountants of Kenya. This should enhance the understanding of published accounts for shareholders and other users. In the communities we operate in, we have continued to be actively involved in developmental activities including contributions to schools, health centres, water wells, bursary schemes, amongst other community development projects.

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. I also take this opportunity to commend management and staff for their outstanding efforts that enabled us to achieve worthwhile results despite difficult trading conditions. At this point, I would also like to express my deepest appreciation to Chris Groom, our outgoing Managing Director, who has served the company in various capacities over the last 20 years, the last five of which he was the Managing Director. Mr Groom retires in June this year, leaving behind a strong organisation that is market oriented and that has embraced the philosophy of continuous change. It is during his tenure as Managing Director that we invested in the Grinding Plant and Hima Cement, which have both positioned us very well for the future. On behalf of the Board, I wish Mr Groom every success in his future endeavours. I also take this opportunity to warmly welcome Mr Groom's successor, Didier Tresarrieu who will be joining us from our technical partners Lafarge. Mr. Tresarrieu brings a wealth of experience, which he has acquired over a number of years in his capacity as a senior employee of Lafarge.

R Kemoli, Chairman

Suleiman Baya
D 9 N Operator

Titus Mutie
Mason

Fredrick Oganda
Garage Mechanic

Financial highlights

All amounts in KShs million	Kenya	Uganda	1999	1998	% Change
OPERATING RESULTS					
Revenues	5,356	1,411	6,767	4,951	37
Operating profit	644	454	1,098	726	51
Restructuring expenses	71	32	103	164	(37)
Finance costs and effects of exchange rate changes	(47)	152	105	(1)	-
Profit before tax			890	563	58
Cash from trading operations			1,515	1,744	(13)
FINANCIAL POSITION					
Operating working capital			833	1,126	(26)
Shareholders' equity			8,923	8,551	4
ORDINARY SHARE PERFORMANCE -SHS/SHARE					
Earnings			1.74	1.03	69
Dividends			1.0	0.75	33
Net asset value			24.6	23.6	4
FINANCIAL STATISTICS					
Operating margin			16.2%	14.7%	
Return on shareholders' funds			7.1%	4.4%	
Dividend cover			1.7 times	1.4 times	

Hamisi Mtende
Coal Mill Attendant

Ali Saidi
CAT Driver

Jared Owino
Weighbridge Clerk

Review of Operations

BAMBURI CEMENT LIMITED

Sales:

Cement consumption in Kenya improved only marginally from 1,071,000 tonnes to 1,111,000 tonnes. Bamburi lost market share mainly to our competitor East African Portland Cement Company Ltd (EAPC) as they improved production and marketed aggressively. Bamburi sold 619,000 tonnes, a drop of 6% on 1998, and we lost 5% of our market share which fell to 56%. Our effective ex-works price reduced during the year in the face of increased competition, both local and off-shore, depressed demand, and a depreciating currency. Sales into Uganda improved but were constrained by lack of railway wagons. We have experienced a downturn in our traditional Indian Ocean markets as the effects of the Asian economic crisis continue to be felt. In total, exports dropped from 346,000 tonnes in 1998 to 250,000 tonnes in 1999.

Production:

Significant improvement of all key performance indicators was achieved in 1999, many reaching the target value in the latter part of the year. This being in line with the revolving 3 year technical plan aimed at improving efficiencies. The restructuring of the plant has continued throughout the year, resulting in manpower reduction. Also the program of process simplification and removal of obsolete equipment and structures is almost complete.

Cashflow:

For the first time in a while the company has borrowings, principally to finance capital expenditure and investments. The borrowing is a mix of Kenya shilling and foreign currency as we hedge our borrowing against our revenue stream. We expect to remain in debt for another year or so and anticipate an improvement in our cash generation driven by market conditions.

Capital expenditure:

This year's capital expenditure primarily relates to plant automation, and environment - (dust collectors).

SUBSIDIARY COMPANIES

Hima Cement Limited

The company was acquired in April 1999 and is based at Kasese in Western Uganda, at the foot of the Ruwenzori Mountains. The company is well

Kenny K. Sang
Miller

Daniel Kenga
Mason

Gerald Nyagah
Loader

positioned to take advantage of market opportunities in Western Uganda and Eastern Congo. The main activity over the last 9 months has been integration of its operations into the Bamburi Group. This has entailed a significant participation of our own staff in integration activities. The objective for the year 2000 is to increase rated output to 240,000 tonnes p.a. Sales of cement in the 9-month period, post acquisition, was 130,000 tonnes.

Baobab Farm Limited

The subsidiary's flagship is the famous Nature Park, now renamed Haller Park, which is dependent on tourism. The company has gone through considerable reorganisation in the second half of the year to streamline its activities and revenue lines. Park entries improved during the year as tourist numbers increased.

Bamburi Special Products Limited

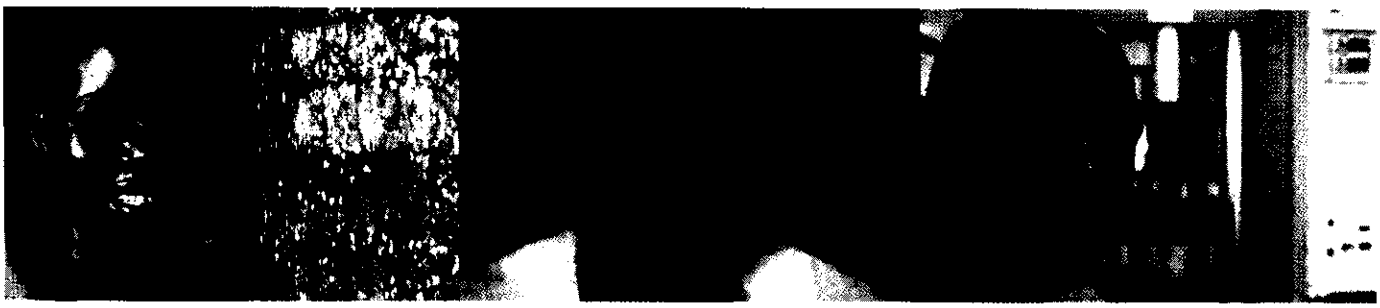
The company manufactures paver-blocks under the brand name 'BamburiBlox'. In its first year of operation, it has recorded very encouraging results and has attained a respectable market share. The prospects for the future look bright and the order book continues to be healthy as market awareness of quality and affordability picks up.

Bamburi Cement Limited Uganda

The operations of this trading subsidiary started in November 1998. 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.

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 minimal stock is left. We are in the process of selling the machinery.



Rhyzanael Olieko
Nature Park Guide

Juma Ali Tsanga
Chef

Robert Gachoki Migwi
Physical Lab Analyst

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of the Ordinary Shareholders of Bamburi Cement Limited will be held at Nyali Beach Hotel, Malaika Room on Thursday 4 May 2000 at 3.00 p.m. for the following purposes:

1. To receive the Chairman's Statement, the Report of the Directors, and the Audited Accounts for the year ended 31 December 1999.

2. To declare dividends.

3. To approve Directors' fees for 2000.

4. To authorise the Directors to fix the remuneration of the auditors for 2000.

5. a) To consider the re-election of Directors retiring by rotation, who being eligible, offer themselves for re-election: Messrs J C Kulei, S W Karanja, D W Masika, and R D Roy.

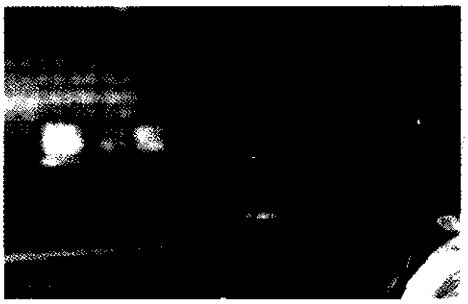
   b) To elect Mr. T Hadley who was appointed a Director after the last Annual General Meeting.

6. To transact any other competent business.

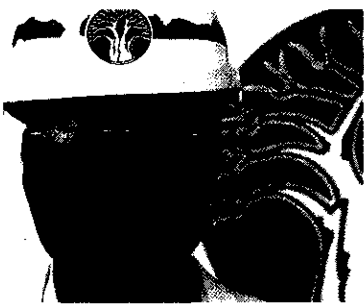
By order of the Board

B A Oluoch
Secretary
10 April 2000

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.



Rebecca Omballo
Telephonist



Kokach Jared
Process Engineer

Margaret Mutua
Systems Administrator

Directorate and Administration

EXECUTIVE DIRECTORS

G C D Groom	**Managing Director**
M Ngunze	**Finance Director**
R Roy	**Works Director**
R M Thyaka	**Commercial Director**
J M Shiganga	**Managing Director, Hima Cement Limited**

NON EXECUTIVE DIRECTORS

R Kemoli	**Chairman**
J C Hillenmeyer	
S W Karanja	
J C Kulei	Alternate W K Sambu
A LeMeur	Alternate M Voegeli
D W Masika	
T Hadley	Appointed on 20 July 1999
A R Dunn	Resigned on 20 July 1999
K W George	Alternate P Overment Resigned on 25 February 2000

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

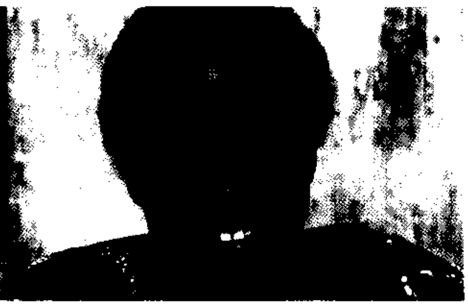
Barclays Bank of Kenya Limited
Nkrumah Road Branch
P. O. Box 90182
Mombasa

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

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

Agnes Wakio
Telephonist

Gerald Kimeu
Senior Financial Accountant



Teriki Kipsang
Purchasing Officer

Directors' Report

For the year ended 31 December 1999

The directors submit their report together with the audited financial statements for the year ended 31 December 1999 which disclose the state of affairs of the group and the company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The profit after tax for the year was Shs 716 million. An interim dividend of Shs181 million was paid during the year. The directors have resolved to recommend to shareholders the payment of a final dividend of Shs 181 million. The final and interim dividend will make a total gross dividend of Shs 362 million or 20% per share. If approved at the Annual General meeting, the final dividend will be paid on or about 12 May 2000 to shareholders registered at the close of business on 14 April 2000.

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 11.

AUDITORS

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

B. A. Oluoch
Company Secretary

25 February 2000

Mwandenge Mbaji
Fish Attendant

Richard Sigilai
Game Farming

Esther Ambeva
Human Resources

Report of the Auditors

For the year ended 31 December 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF BAMBURI CEMENT LIMITED

We have audited the financial statements set out on pages 14 to 38. 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. The financial statements of the company are in agreement with the books of account.

Respective responsibilities of directors and auditors

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 profit or loss 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. 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 a 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.

Opinion

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 1999 and of the profit and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS
Certified Public Accountants
25 February 2000
Nairobi

Richard Cheres
Livestock Section

Kavandi Kilonzo
Trailer Driver

Francis M. Ngugi
Financial Accountant

Consolidated profit and loss account

For the year ended 31 December 1999

	Notes	1999 Shs'million	1998 As restated Shs'million
Sales	1	6,767	4,951
Other operating income		38	57
		6,805	5,008
Change in inventory of finished goods		(84)	46
Raw materials and consumables		3,596	2,450
Staff costs	3	794	671
Depreciation		700	596
Other operating expenses		701	519
Operating profit	2	1,098	726
Restructuring expenses		103	164
Finance costs/(income)	4	105	(1)
Profit before tax		890	563
Tax	5	174	190
Profit after tax		716	373
Minority interest	9	86	-
Profit attributable to shareholders		630	373
Earnings per share	10	Shs 1.74	Shs 1.03

Consolidated balance sheet

At 31 December 1999

	Notes	1999 Sha'million	1998 As restated Sha'million
CAPITAL EMPLOYED			
Share capital	7	1,815	1,815
Capital redemption reserve		2	2
Revaluation reserve	8	3,616	3,777
Retained earnings		3,490	[illegible]
Shareholders' funds		8,923	[illegible]
Non-current liabilities			
Minority interest	[illegible]	465	[illegible]
Borrowings	11	494	[illegible]
[illegible]	12	1,616	[illegible]
[illegible] benefit obligations	13	144	[illegible]
		2,719	1,950
		11,642	10,501
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	9,866	8,577
Capital work in progress	16	325	195
Quoted investments	17	202	171
Unquoted investments	18	6	6
Goodwill arising on consolidation	19	467	-
		10,866	8,949
Current assets			
Inventories	20	[illegible]	[illegible]
Trade and other receivables	21	[illegible]	[illegible]
Due from related parties	28	[illegible]	99
Tax recoverable		2	83
Cash and cash equivalents	22	371	660
		2,899	2,590
Current liabilities			
Trade and other payables	23	[illegible]	[illegible]
Current tax		[illegible]	[illegible]
Dividend payable		[illegible]	[illegible]
Due to related parties	28	[illegible]	[illegible]
Borrowings	11	[illegible]	[illegible]
[illegible] liabilities and charges	14	[illegible]	[illegible]
		2,123	[illegible]
Net current assets		776	[illegible]
		11,642	[illegible]

The financial statements were approved by the Board of Directors on 25 [illegible] and signed on its behalf by:

[illegible]GROOM - Director   M [illegible] - Director

Company balance sheet

At 31 December 1999

	Notes	1999 Shs'million	1998 As restated Shs'million
CAPITAL EMPLOYED			
Share capital	7	1,815	1,815
Capital redemption reserve		2	2
Revaluation reserve	8	3,616	3,777
Retained earnings		3,294	2,960
Shareholders' funds		8,727	8,554
Non-current liabilities			
Borrowings	11	454	-
Deferred tax	12	1,634	1,809
Retirement benefit obligations	13	144	141
		2,232	1,950
		10,959	10,504
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	8,438	8,514
Capital work in progress	16	232	195
Quoted investments	17	202	171
Unquoted investments	18	968	59
Due from subsidiaries		460	-
		10,300	8,939
Current assets			
Inventories	20	1,027	902
Trade and other receivables	21	791	785
Due from subsidiaries		215	99
Due from related parties		51	99
Tax recoverable		-	79
Cash and cash equivalents	22	215	648
		2,299	2,612
Current liabilities			
Trade and other payables	23	799	668
Current tax		170	-
Dividend payable		188	277
Due to related parties		29	70
Borrowings	11	417	-
Provision for liabilities and charges	14	37	32
		1,640	1,047
Net current assets		659	1,565
		10,959	10,504

The financial statements were approved by the Board of Directors on 25 February 2000 and signed on its behalf by:

GCD GROOM - Director M NGUNZE - Director

Consolidated statement of changes in equity

For the year ended 31 December 1999

	Notes	Share capital Shs'million	Capital redemption reserve Shs'million	Revaluation reserves Shs'million	Retained earnings Shs'million	Total Shs'million
Balance at 1 January 1998						
As previously stated		1,815	2	6,060	2,731	10,608
Prior year adjustments:						
- deferred tax	12	-	-	(1,728)	(12)	(1,740)
- retirement benefit obligations	13	-	-	-	(136)	[illegible]
- annual leave and long service awards	14	-	-	-	(31)	[illegible]
As restated		1,815	2	4,332	[illegible]	[illegible]
Revaluation adjustment	8	-	-	(251)	[illegible]	[illegible]
Depreciation transfer	8	-	-	(390)	[illegible]	[illegible]
Deferred tax on depreciation transfer		-	[illegible]	123	[illegible]	[illegible]
Release on sale of property, plant and equipment		-	-	(37)	37	-
Profit attributable to shareholders		-	-	-	373	373
Dividend		-	-	-	(272)	(272)
Balance at 31 December 1998		1,815	2	3,777	2,957	8,551
Balance at 1 January 1999						
As previously stated		1,815	2	5,241	3,475	10,533
Prior period adjustments:						
- deferred tax	12	-	[illegible]	(1,464)	(345)	(1,809)
- retirement benefit obligations	13	[illegible]	[illegible]	-	(141)	(141)
- annual leave and long service awards	14	[illegible]	-	-	(32)	[illegible]
As restated		1,815	2	[illegible]	2,957	[illegible]
Depreciation transfer		-	-	[illegible]	365	-
Deferred tax on depreciation transfer		-	-	123	(123)	-
Release on sale of property, plant and equipment		[illegible]	-	(23)	23	[illegible]
Profit attributable to shareholders		[illegible]	-	-	630	630
Dividend	9	[illegible]	-	-	(362)	[illegible]
Deferred tax release on reduction of tax rate	[illegible]	[illegible]	-	104	[illegible]	[illegible]
Balance at 31 December 1999		1,815	2	[illegible]	[illegible]	[illegible]

Company statement of changes in equity

For the year ended 31 December 1999

	Notes	Share capital Shs'million	Capital redemption reserve Shs'million	Revaluation reserves Shs'million	Retained earnings Shs'million	Total Shs'million
Balance at 1 January 1998						
As previously stated		1,815	2	6,060	2,716	10,593
Prior year adjustments:						
- deferred tax	12	-	-	(1,728)	(12)	(1,740)
- retirement benefit obligations	13	-	-	-	(136)	(136)
- annual leave and long service awards	14	-	-	-	(31)	(31)
As restated		1,815	2	4,332	2,537	8,686
Revaluation adjustment	8	-	-	(251)	-	(251)
Depreciation transfer	8	-	-	(390)	390	-
Deferred tax on depreciation transfer		-	-	123	(123)	-
Release on sale of property, plant and equipment		-	-	(37)	37	-
Net profit after tax		-	-	-	391	391
Dividend	6	-	-	-	(272)	(272)
Balance at 31 December 1998		1,815	2	3,777	2,960	8,554
Balance at 1 January 1999						
As previously stated		1,815	2	5,241	3,478	10,536
Prior period adjustments:						
- deferred tax	12	-	-	(1,464)	(345)	(1,809)
- retirement benefit obligations	13	-	-	-	(141)	(141)
- annual leave and long service awards	14	-	-	-	(32)	(32)
As restated		1,815	2	3,777	2,960	8,554
Depreciation transfer	8	-	-	(365)	365	-
Deferred tax on depreciation transfer	12	-	-	123	(123)	-
Release on sale of property, plant and equipment	6	-	-	(23)	23	-
Net profit after tax		-	-	-	431	431
Dividend	6	-	-	-	(362)	(362)
Deferred tax release on reduction of tax rate	12	-	-	104	-	104
Balance at 31 December 1999		1,815	2	3,616	3,294	8,727

Consolidated cash flow statement

For the year ended 31 December 1999

	Notes	1999 Shs'million	1998 Shs'million
Operating activities			
Cash generated from operations	26	1,515	1,744
Interest received		13	23
Interest paid		(129)	(4)
Tax paid		(10)	(73)
Net cash from operating activities		1,389	[illegible]
Investing activities			
Acquisition of Hima Cement Ltd, net of cash acquired	27	(909)	
Takeover of a loan to Hima Cement Ltd	27	(407)	
Purchase of property, plant and equipment and capital work in progress		(816)	(1,455)
Purchase of non-current investments	17	(31)	-
Proceeds from disposals of property, plant and equipment		10	19
Dividends received		-	6
Net cash used in investing activities		(2,155)	(1,430)
Financing activities			
Proceeds from long-term borrowings		494	-
Dividends paid		(451)	(231)
Net cash used in financing activities		43	[illegible]
(Decrease)/increase in cash and cash equivalents		(723)	29
Movement in cash and cash equivalents			
At 1 January	22	653	624
(Decrease)/increase		(723)	[illegible]
At 31 December	22	(70)	[illegible]

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted with effect from 1 January 1999. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

With the exception of IAS 12, income taxes, and IAS 19, employee benefits, there are no changes in accounting policy that affect net profit resulting from the adoption of International Accounting Standards.

2 Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half 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 consolidation ceases from the date of disposal.

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets at the year end rates. The resulting differences from translation are dealt with in reserves. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

A listing of the Group's subsidiaries is set out in Note 18.

3 Revenue recognition

Sales are recognised upon despatch of products and are stated net of VAT and discounts.

4 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 from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

5 Long-term investments

Long-term investments are stated at cost less provision for any permanent diminution in their value.

6 **Property, plant and equipment**

Property, plant and equipment other than office equipment and tools are stated at 1995 professional valuation with subsequent additions (including the property, plant and equipment of Hima Cement Limited) at cost less depreciation. Valuations are carried out every 5 years. Office equipment and tools are stated at cost, less depreciation. Property, plant and equipment that are no longer in use are written down to their net selling values. Property, plant and equipment belonging to the subsidiary companies are stated at cost less depreciation.

Depreciation is charged from the year of purchase or subsequent valuation in equal annual instalments 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 property, plant and equipment is released each year from the revaluation reserve to retained earnings.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

7 **Goodwill**

Goodwill arising on consolidation is amortised over a 10 year period.

8 **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.

9 **Trade receivables**

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Doubtful debts are provided for in the year in which they are identified.

10 **Provisions for liabilities and charges**

Employee entitlements to annual leave and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service awards as a result of services rendered by employees up to the balance sheet date.

11 Deferred tax

Deferred 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.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

12 Retirement benefit obligations

The group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is administered by an investment management company and is funded from contributions from both the company and employees.

The group's contributions to the defined contribution pension plan are charged to the profit and loss account in the year to which they relate.

The group's unionisable staff who retire on attaining the age of 55 years or are declared redundant are eligible for a service gratuity and pension benefits based on each employees length of service with the group, as provided for in the trade union agreement. The service gratuity expense is provided for in the accounts as it accrues to each employee.

13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

14 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards, which the company has implemented in the year ended 31 December 1999.

1 **Segment information**

Year ended 31 December 1999 All figures in Kenya shillings	Kenya	Uganda	Group
Revenues	5,356	1,411	6,767
Operating profit	644	454	1,098
Segment assets	11,012	2,025	13,037
Segment liabilities	2,242	305	2,547

The Group is organised on a regional basis into two main geographical segments:

- Kenya
- Uganda

Both segments are involved in cement manufacturing and selling only. Hence the primary reporting format is the only one disclosed.

There are no sales or other transactions between the business segments. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude items such as taxation, dividends payable and certain corporate borrowings.

Sales revenue is based on the country in which the production facility is located. It would not be materially different if based on the country in which the order is received. Total assets are shown by the geographical area in which the assets are located.

2 **Operating profit**

The following items have been charged in arriving at operating profit:

	GROUP	
	1999 Shs'million	1998 Shs'million
Amortisation of goodwill (Note 10)	36	-
Staff costs (Note 3)	865	835
Auditors' remuneration	4	2
Directors' remuneration		
- fees	3	[illegible]
- other	36	[illegible]

3 Staff costs

	GROUP 1999 Shs'million	1998 Shs'million
Wages and salaries	752	646
Social security costs	11	1
Pension costs defined contribution plans	21	19
Service gratuity	10	5
	794	671
Termination benefits (included in restructuring expenses)	71	164
	865	835
The number of persons employed by the group at the year end was:		
Full time	1,296	983
Casuals	435	302
	1,731	1,285

4 Finance costs/income

	1999	1998
Interest income	13	23
Marketable securities: -dividend income	-	9
	13	32
Net foreign exchange gains/(losses)	27	(11)
Interest expense -bank borrowings	(129)	(4)
Bank charges	(16)	(16)
	(118)	(31)
	(105)	1

5 Tax

	GROUP	
	1999 Shs'million	1998 Shs'million
Current tax	253	1
Deferred tax (Note 12)	(79)	189
	174	190

The tax on the group profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP	
	1999 Shs'million	1998 Shs'million
Profit before tax	890	[illegible]
Tax calculated at the domestic rates applicable to profits in the country concerned	294	183
Tax effect of:		
Income not subject to tax	(101)	(3)
Expenses not deductible for tax purposes	13	10
Change in tax rate	(32)	-
Tax charge	174	190

The income not subject to tax relates primarily to the profits of a subsidiary, Hima Cement Limited, which holds an Investment Incentive Certificate which exempts it from income tax on profits until 1 January 2001.

Further information about deferred tax is presented in Note 12.

6 Dividends per share

At the annual general meeting to be held on 4 May 2000, a dividend in respect of 1999 of Shs 0.5 per share amounting to a total of Shs 181 million is to be proposed. The proposed amount has been provided for in accordance with the Companies Act. During the year an interim dividend of Shs 0.5 per share, amounting to a total of Shs [illegible] million was paid. The total dividend for the year is therefore Shs 1 per share (1998: Shs 0.[illegible]) amounting to a total of Shs 362 million (1998: Shs 272 million).

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

7 Share capital

	1999 Shs'million	1998 Shs'million
Authorised		
366,600,000 ordinary shares of Shs 5 each	1,833	1,833
100,000 7% cumulative redeemable preference of Shs 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,931,725 ordinary shares of Shs 5 each	1,815	1,815

8 Revaluation reserves

The movements in the reserves relate solely to property, plant and equipment. The revaluation reserves are non-distributable.

9 Minority interest

	1999 Shs'million	1998 Shs'million
At 1 January	-	-
Share of equity on acquisition	175	-
Share of profits	86	-
	261	-
Loan to Hima Cement Ltd.	204	-
At 31 December	465	-

10 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	1999	1998
Net profit attributable to shareholders (Shs million)	630	373
Weighted average number of ordinary shares (million)	363	363
Earnings per share (Shs)	1.74	1.03

	GROUP		COMPANY	
11 Borrowings	**1999 Shs'million**	**1998 Shs'million**	**1999 Shs'million**	**1998 Shs'million**
The borrowings are made up as follows:				
Non-current				
Bank loan	494	-	454	-
Current				
Bank overdraft	417	7	417	-
Bank loan	24	-	-	-
	441	7	417	-
Total borrowings	935	7	871	-

Part of the borrowings are secured by charges over certain assets of the company.

The borrowing facilities consist of cash, letters of credit and guarantees. At year end Shs 363 million relate to guarantees given on behalf of the company by its bankers to third parties in the normal course of business.
Weighted average interest rates at year end were:
- bank overdrafts (mainly US Dollars) 7%
- bank loan 24%

In the opinion of directors the carrying amounts approximate fair value.

	GROUP		COMPANY	
	1999 Shs'million	**1998 Shs'million**	**1999 Shs'million**	**1998 Shs'million**
Maturity of non current borrowings between 1 and 2 years	494	-	454	-
	494	-	454	-

Borrowing facilities
The group has the following undrawn committed borrowing facilities:

	GROUP		COMPANY	
	1999 Shs'million	**1998 Shs'million**	**1999 Shs'million**	**1998 Shs'million**
Floating rate				
- expiring within one year	493	579	371	579
- expiring beyond one year	219	615	219	615
	712	1,194	590	1,194

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2000.

12 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (1998: 32.5%). The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	1999 Shs'million	1998 Shs'million	1999 Shs'million	1998 Shs'million
At beginning of the year				
- as previously stated	-	-	-	-
- prior year adjustment	1,809	1,740	1,809	1,740
- as restated	1,809	1,740	1,809	1,740
Income statement (credit)/ charge (Note 5)	(89)	189	(71)	189
Tax effect on revaluation adjustments	-	(120)	-	(120)
Effect of reduction in tax rate on revaluation reserve	(104)	-	(104)	-
At end of year	1,616	1,809	1,634	1,809

The prior year adjustment results from the adoption by the company during the year of IAS 12, income taxes.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, and deferred tax charge/(credit) in equity are attributable to the following items:

GROUP	1.1.99 Shs'million	Charged/ (credited) to P/L Shs'million	Charged/ (credited) to equity Shs'million	31.12.99 Shs'million
Deferred tax liabilities				
Accelerated tax depreciation	434	89	-	523
Asset revaluations	1,464	(123)	(104)	1,237
	1,898	(34)	(104)	1,760
Deferred tax assets				
Tax loss carried forward	(29)	29	-	-
Other deductible temporary differences	(60)	(84)	-	(144)
	(89)	(55)	-	(144)
Net deferred income tax liability	1,809	(89)	(104)	1,616

12 Tax deferred (continued)

[illegible]	1.1.99 Shs'million	Charged/ (credited) [illegible] Shs'million	Charged/ (credited) to equity Shs'million	31.12.99 Shs'million
Deferred tax liabilities				
Accelerated tax depreciation	434	1	-	[illegible]
Asset revaluation	1,464	(123)	(104)	[illegible]
	1,898	(122)	(104)	[illegible]
Deferred tax assets				
Tax loss carried forward	(29)	29	-	-
Other deductible temporary differences	(60)	22	-	(38)
	(89)	51	-	(38)
Net deferred tax liability	1,809	(71)	(104)	1,634

The deferred tax charge/(credit) in equity relating to asset revaluations may be analysed as follows:

	1999 Shs'million	1998 Shs'million
Deferred taxes relating to revaluations		
Property, plant and equipment	1,237	1,464

In addition, deferred tax of Shs 123 million (1998: Shs 123 million) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on the property, plant and equipment and the equivalent depreciation based on the historical cost of the property, plant and equipment.

13 Retirement benefit obligations

The amounts at 31 December 1997 and 1998 have been restated to take account of the implementation of IAS 19. The balances resulting are:

	GROUP 1999 Shs'million	1998 Shs'million
Service gratuity	144	141

14 Provisions for liabilities and charges

GROUP	Restructuring provision Shs'million	Annual leave and long service awards Shs'million	Total Shs'million
At 1 January 1999 as previously stated	-	-	-
Prior year adjustment	-	32	32
As restated	-	32	32
Hima Cement Ltd, on acquisition	15	-	15
Additional provisions	17	5	22
At 31 December 1999	32	37	69
COMPANY			
At 1 January 1999 as previously stated	-	-	-
Prior year adjustment	-	32	32
As restated	-	32	32
Additional provisions	-	5	5
At 31 December 1999	-	37	37

The amounts relating to annual leave and long service awards at 31 December 1997 and 1998 have been restated to take account of the implementation of IAS 19.

15 Property, plant and equipment

	Land & residential buildings Shs'million	Plant& machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
GROUP					
Cost or valuation					
At 1 January 1999	1,200	15,137	345	1,021	17,703
On acquisition of Hima Cement Ltd.	830	521	45	35	1,431
Transfers from capital work in progress	8	100	1	-	109
Group additions	69	318	132	105	624
Disposals	-	(68)	(1)	(91)	(160)
At 31 December 1999	2,107	16,008	522	1,070	19,707
Comprising					
Cost	1,044	3,370	522	468	5,404
Valuation	1,063	12,638	-	602	14,303
Total	2,107	16,008	522	1,070	19,707
Depreciation					
At 1 January 1999	51	8,121	157	797	9,126
On acquisition of Hima Cement Ltd.	68	55	10	10	143
Translation differences	-	1	-	-	1
Charge for the year	34	532	75	58	699
On disposals	-	(43)	(1)	(84)	(128)
At 31 December 1999	153	8,666	241	781	9,841
Net book amount					
At 31 December 1999	1,954	7,342	281	289	9,866

15 Property, plant and equipment (continued)

	Land & residential buildings Shs'million	Plant& machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
COMPANY					
Cost or valuation					
At 1 January 1999	1,170	15,065	330	1,016	17,581
Additions	58	307	118	96	579
Disposals	-	(66)	(1)	(87)	(154)
At 31 December 1999	1,228	15,306	447	1,025	18,006
Comprising					
Cost	165	2,668	447	423	3,703
1995 valuation	1,063	12,638	-	602	14,303
Total	1,228	15,306	447	1,025	18,006
Depreciation					
At 1 January 1999	43	8,082	149	793	9,067
Charge for the year	12	496	69	50	627
On disposals	-	(42)	(1)	(83)	(126)
At 31 December 1999	55	8,536	217	760	9,568
Net book amount					
At 31 December 1999	1,173	6,770	230	265	8,438

With the exception of office equipment and tools, the company's property, plant and equipment was revalued in 1995. Land and residential buildings and civil works (included under plant and machinery) were valued by independent 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 directors' estimate of the age and residual useful lives of the assets at the date of valuation.

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	GROUP		COMPANY	
	1999 Shs'million	1998 Shs'million	1999 Shs'million	1998 Shs'million
Cost	6,581	4,344	4,880	4,344
Accumulated depreciation	1,568	1,071	1,295	1,071
Net book amount	5,013	3,273	3,585	3,273

16 Capital work in progress

Capital work in progress relates primarily to [illegible] renovations in progress at year end. No depreciation has been charged on these assets.

17 Quoted investments

	GROUP AND COMPANY	
	1999 Shs'million	**1998 Shs'million**
At cost	202	171

The market value of the quoted investments was Shs 127 million at 31 December 1999 (1998: Shs 169 million).

18 Unquoted investments

		GROUP		COMPANY	
	Holding %	**1999 Shs'million**	**1998 Shs'million**	**1999 Shs'million**	**1998 Shs'million**
Simbarite Limited	100	-	-	53	53
Less provision for diminution in value		-	-	(22)	-
		-	-	31	53
Baobab Farm Ltd	100	-	-	5	5
Diani Estate Ltd	100	1	1	1	1
Whistling Pines Ltd	100	5	5	-	-
Kenya Cement Marketing Ltd	50	-	-	-	-
Portland Mines Ltd	50	-	-	-	-
Bamburi Special Products Ltd	100	-	-	20	-
Bamburi Cement Ltd, Uganda	100	-	-	-	-
Himcem Holdings Ltd	100	-	-	911	-
Seruji Management Ltd	100	-	-	-	-
		6	6	968	[illegible]

The accounts of Diani Estate Limited, Kenya Cement Marketing Limited, Portland Mines Limited, Whistling Pines Limited and Seruji Management Limited 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. Himcem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited.

19 Goodwill

	GROUP	
	1999 Shs'million	1998 Shs'million
At 1 January	-	-
On acquisition of Hima Cement Ltd	503	-
At 31 December	503	-
Amortisation		
At 1 January	-	-
Charge for the year	36	-
At 31 December	36	-
Net carrying value	467	-

20 Inventories

	GROUP		COMPANY	
	1999 Shs'million	1998 Shs'million	1999 Shs'million	1998 Shs'million
Raw materials	317	115	187	95
Consumables and spare parts	751	554	548	554
Finished goods	207	108	129	80
Fuel and packaging	163	173	163	173
	1,438	950	1,027	902

21 Trade and other receivables

	GROUP 1999	GROUP 1998	COMPANY 1999	COMPANY 1998
Trade receivables	621	402	449	388
Other receivables and prepayments	416	382	342	374
VAT receivable	-	23	-	23
	1,037	807	791	785

22 Cash and cash equivalents

	GROUP		COMPANY	
	1999	1998	1999	1998
	Shs'million	Shs'million	Shs'million	Shs'million
Cash at bank and in hand	371	175	215	163
Short term bank deposits	-	485	-	485
	371	660	215	648

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	GROUP	
	1999	1998
	Shs'million	Shs'million
Cash and bank balances above	371	660
Bank overdrafts (Note11)	(441)	(7)
	(70)	653

23 Trade and other payables

	GROUP		COMPANY	
	1999	1998	1999	1998
	Shs'million	Shs'million	Shs'million	Shs'million
Trade payables	565	394	405	372
VAT payable	20	-	20	-
Other creditors and accrued expenses	445	286	374	296
Due to Uganda Government	196	-	-	-
	1,226	680	799	668

24 Contingent liabilities

At 31 December 1999 the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the company has given guarantees amounting to Shs. 31 million (1998 Shs 31 million) to third parties.

25 Commitments

Capital commitments

Capital expenditure authorised at the balance sheet date but not recognised in the financial statements is as follows:

	1999	1998
	Shs'million	Shs'million
Property, plant and equipment:		
- Authorised and committed	254	105
- Authorised but not committed	855	695
	1,109	800

26 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	1999 Shs'million	1998 Shs'million
Profit before tax	890	563
Adjustments for:		
Depreciation (Note 15)	700	596
Loss on sale of property, plant and equipment	22	20
Interest income (Note 4)	(13)	(23)
Investment income (Note 4)	-	(6)
Interest expense (Note 4)	129	4
Service gratuity provision	3	5
Amortisation of goodwill (Note 19)	36	-
Exchange loss on loans	7	-
Changes in working capital		
- trade and other receivables	(81)	(89)
- inventories	(181)	325
- trade and other payables	(58)	256
- provisions for liabilities and charges	37	1
- net amounts due from related parties	24	92
Cash generated from operations	1,515	1,744

27 Acquisition of a subsidiary

On 1 April 1999 the Group acquired 70% of the share capital of Hima Cement Limited, a cement manufacturing company based in Kasese, Western Uganda. The acquired business contributed revenues of Shs 1,411 million and operating profit of Shs 457 million to the Group for the period from 1 April 1999 to 31 December 1999.

Details of net assets acquired and goodwill are as follows:

	1999 Shs'million
Purchase consideration for shares	911
Fair value of net assets acquired	408
Goodwill (Note 19)	503

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	2
Property, plant and equipment (Note 15)	1,288
Capital work in progress	45
Inventories	307
Receivables	149
Payables	(604)
Long term debt	(604)
Minority interest (Note 9)	(175)
Fair value of net assets	408
Goodwill (Note 19)	503
Total purchase consideration	911
Cash and cash equivalents in subsidiary acquired	(2)
Cashflow outflow on acquisition	909

There were no acquisitions in 1998.

In addition to acquiring 70% of the shares of Hima Cement Limited the Group also acquired a loan receivable by the former shareholders from Hima Cement Limited amounting to Shs 407 million.

28 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 10% of the group's sales volume during the year (1998: 12%).

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

The following transactions were carried out with related parties:

	1999 Shs'million	1998 Shs'million
Aggregate sale of goods and services	404	613
Aggregate purchase of goods and services	153	157

Sales and purchases to/from related parties were done on an arms length basis.

Outstanding balances arising from sale and purchase of goods/services

	1999 Shs'million	1998 Shs'million
Aggregate receivables from related parties	51	99
Aggregate payables to related parties	26	50

Loans to directors

	1999 Shs'million	1998 Shs'million
Balance at the beginning of the year	-	-
Loans advanced during the year	8	-
Loan repayments received	(2)	-
Aggregate receivables from directors	6	-

Loans to directors are on terms similar to those applicable to other employees.
The above amounts are included in other receivables.

29 Country of incorporation and registered office

The Company is incorporated in Kenya under the Companies Act and domiciled in Kenya. Its registered office is:

New Mombasa – Malindi Road
PO Box 90202 Mombasa

30 Holding company

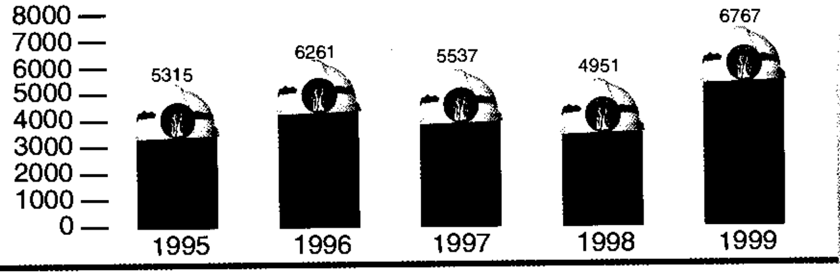
The holding company is Bamcem Holdings Limited, incorporated in the Channel Islands.

31 Currency

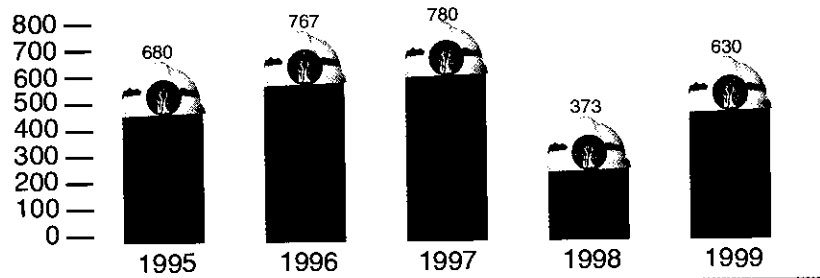
These financial statements are presented in Kenya Shillings (Shs).

Five year Performance Graphs

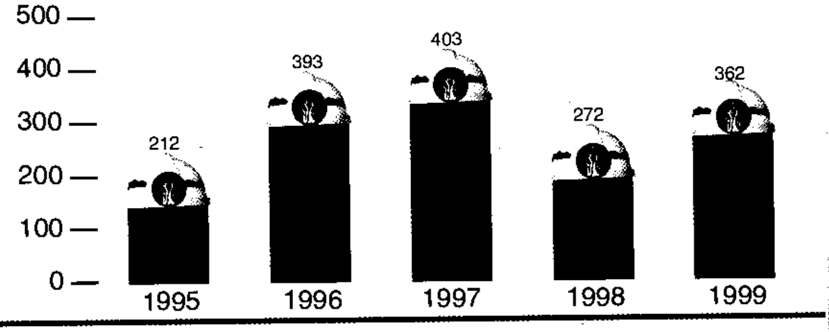
TURNOVER
(Shs million)



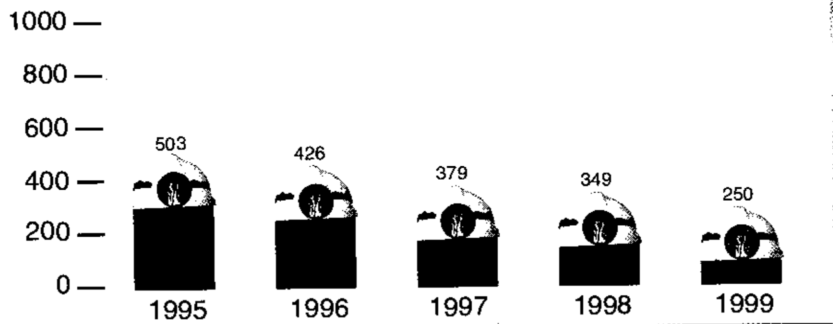
ATTRIBUTABLE EARNINGS
(Shs million)



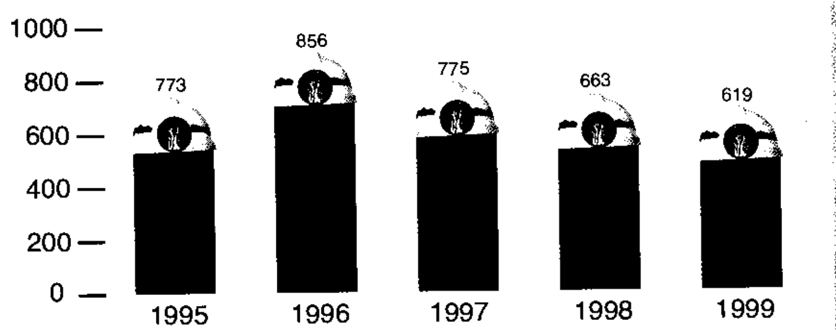
DIVIDENDS
(Shs million)



SALES VOLUME
(EXPORT)
Tonnes '000



SALES VOLUME
(DOMESTIC)
Tonnes '000



Shareholders Information

Major shareholders with shareholdings greater than 0.5%

Name of Shareholder	No. of shares at 31.12.99	% of issued share capital 31.12.99	% of issued share capital 31.12.98
Bamcem Holdings Limited	265,901,994	73.3	73.3
National Social Security Fund	57,314,178	15.8	15.8
Baloobhai Chotabhai Patel	8,249,741	2.3	2.5
Barclaytrust Investment Services Limited	5,583,981	1.5	1.5
Insurance Company of E.A. Limited	2,272,088	0.6	0.8
Kenya Reinsurance Corporation	2,735,748	0.8	0.8
Old Mutual Insurance company	2,347,740	0.6	0.6
Others	18,537,255	5.1	5.1
TOTAL	362,942,725	100	100

Cover Pictures from top left to right;

First Row, *Dama Kombe - Layers Rearing, Yussuf M. Isaac - Loader, Elius M. Mwanyai - Plant Operator*

Second Row, *Carlo Pavan - Plant Manager, Sonal Singh - Baobab General Manager's Secretary, Antony Mudi - Director's Driver*

Third Row, *Moses Okendo - Cleaner, Daniel Musembi - Packing Station, Daniel Chebos Naibei - Driver*

Back Cover Pictures from top left to right;

First Row, *Frederick Oganda - Garage Mechanic, Stephen A. Tuei - Game Farming, Jane Akinyi Ogondi- Telephone Operator*

Second Row, *Charles Muriithi - Crane Operator, Agnes Wakio - Telephonist, Peter M. Turunga - Loader*

Third Row, *Rhyzanael Olieko - Nature Park Guide, George K. Mativo - Field Operator, Henry Mwangobe- Plumber*

Fourth Row, *J.O. Odiambo - Fitter/ Welder, Esther K. Chirondo - Vegetable Attendant, Omari Ali Mangale - Reclaimer Operator*

Fifth Row, *Justus K. Ndihano - Snake Attendant, Stephen Karani Owino - Quality Control*

Photography by Hans Weber