# Contents

# Chairman's letter to the shareholders

The year 2000 continued in the same vein as 1999 with economic conditions remaining difficult in Kenya. Drought and power rationing accentuated the adverse conditions so that near zero economic growth was recorded. Relations with the Bretton Woods institutions improved, although they still faced some hurdles. In the political arena the constitutional review and succession issues dominated debate. Parliamentarians discussed a number of crucial amendments to existing laws, which if implemented may adversely affect operations of banks and the oil industry. And in Uganda, impending elections, instability in the North, and the government's involvement in civil strife in the war-torn Democratic Republic of Congo affected economic conditions.

Regionally, we witnessed the implementation of two important groupings that will have an impact on our business in the future. Firstly, the ratification of the East African Community treaty was a landmark in that it paves the way for further economic integration in this region. In addition, the COMESA treaty and subsequent implementation of a free trade area is an important milestone that will influence the future of our company.

On the export front, offshore markets are still dampened by the niggling effects of the post Asian flu, while in the Ugandan market, competitive pressures have intensified. On the domestic front, demand at 1,068kt declined by 4% compared to 1999, and was at 1989 levels. We suffered a bruising price war, but have managed to maintain our market share at target levels. Over capacity in our industry has meant that pricing pressures have intensified, and will not reverse until new markets, or improved domestic conditions are realised. Inspite of all this, I firmly believe that our investments over the last few years will stand us well in the future. We have fully revamped the Mombasa plant, including automating certain processes. We own a state-of-the-art grinding plant near Nairobi, and we invested in a potentially strong market position in Uganda through our acquisition of Hima Cement Limited. This investment has shown good returns in its first 2 years and is well positioned to take advantage of market conditions in Eastern Congo when escalated troubles in the area abate.

In May 2000, we entered into a strategic partnership with Athi River Mining Ltd. The main aim of this investment was to utilise our existing excess capacity of clinker. We believe that such initiatives are necessary in the current business environment in order to realise the benefits of our recent plant investments.

2007/0698

It is too early to forecast when the construction sector in the country will emerge from it's current depressed state, but we remain hopeful that the on-going negotiations with donor countries will unlock significant financing, which we expect will be targeted at infrastructure development. Our focus over the next few years will be to develop products aimed at providing viable alternatives in the area of urban transportation and housing, and also rural roads, which are critical to the economic growth of the region, and in tune with the poverty eradication objective. We are well positioned to take advantage of an upsurge in demand as we have the capacity in place, as well as the network to meet the requirement.

Our results for the year, though not encouraging, reflect the full picture and state of our economy. Operating profit levels declined over last year from Shs 995 million to Shs 888 million, and financing costs were significant, as we have made several investments towards strengthening our position. In Uganda, we faced a volatile currency resulting in significant exchange losses, which are fully reflected in our results. We have committed ourselves to an aggressive and challenging budget in 2001, and expect to improve our financial results, despite a still dull economic environment.

At the Kenyan level, we noted initiatives by the Nairobi Stock Exchange and the Capital Market Authority aimed at simplifying trading activities on the stock exchange, as well as deepening and broadening the regions capital markets. These are laudable efforts and need the support of the private sector to ensure that they are achieved.

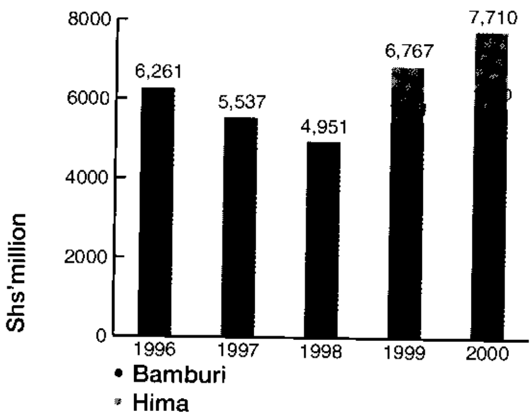
Finally, I would like to recognise the immense contribution made by Mr Chris Groom, our former Managing Director who retired in June 2000. We welcomed Mr Didier Tresarrieu as our new Managing Director, who has settled in well. I also would like to thank the entire staff in the group for their hard work and dedication during a difficult year. Last but not least, my warm appreciation goes to the Board, whose support continues to be an inspiration to me.

**RICHARD KEMOLI**
**CHAIRMAN**

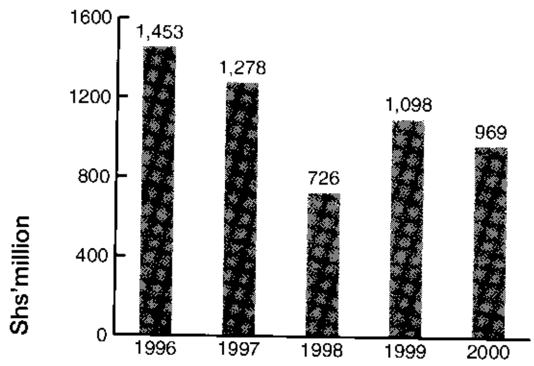
# Key figures

For the year ended 31 December 2000

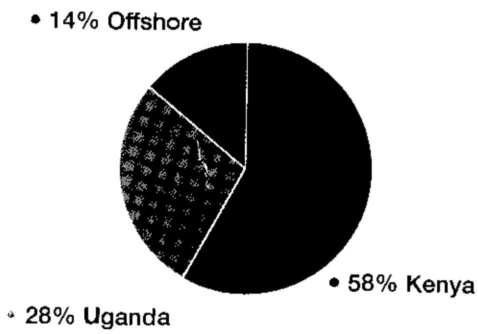
## Group Turnover



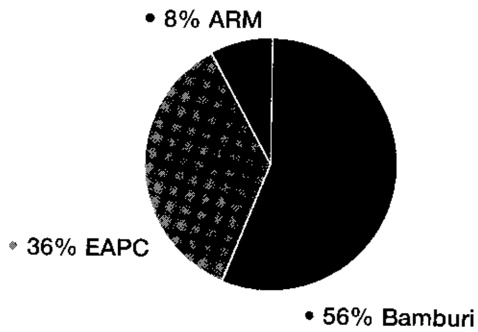

## Operating Income (excl. restructuring)



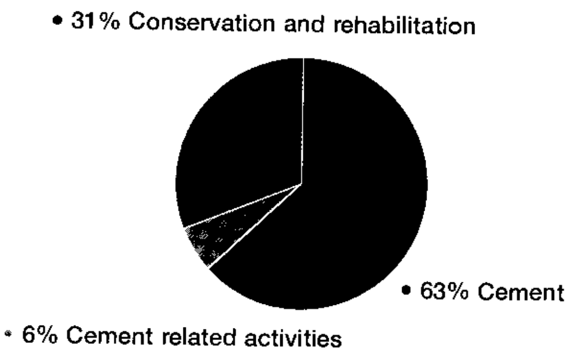

## Sales by region



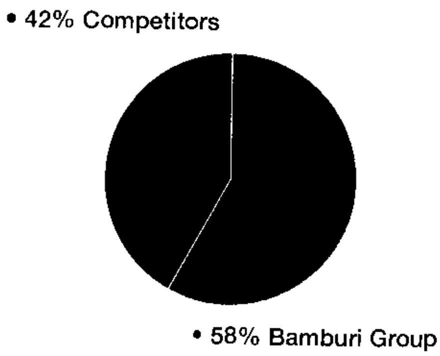

## Market Share - Kenya




## Employees by business area



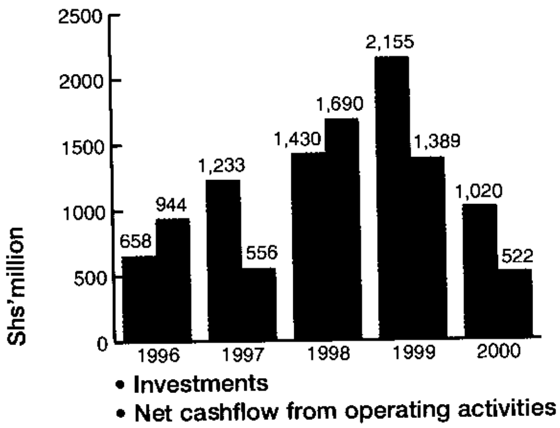

## Market Share - Uganda (estimated)



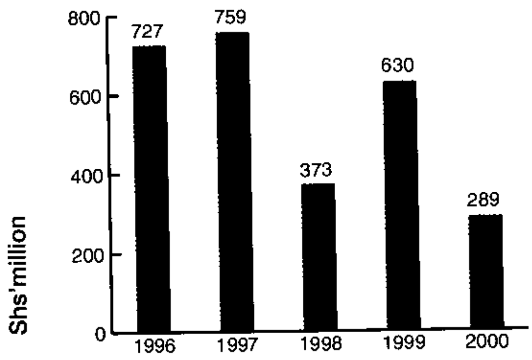
# Key figures (continued)

For the year ended 31 December 2000

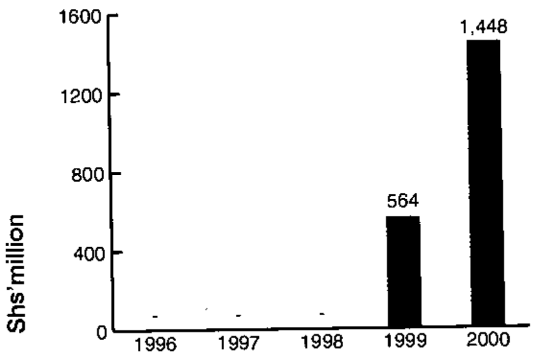
## Investments and net cashflow from operating activities



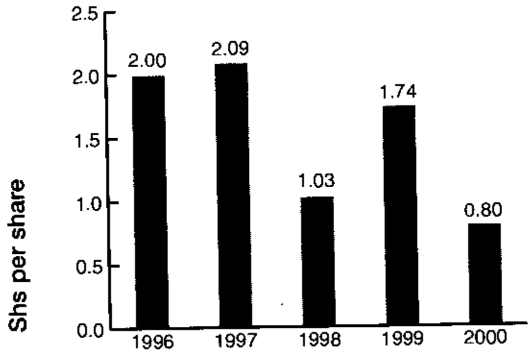

## Profit attributable to shareholders



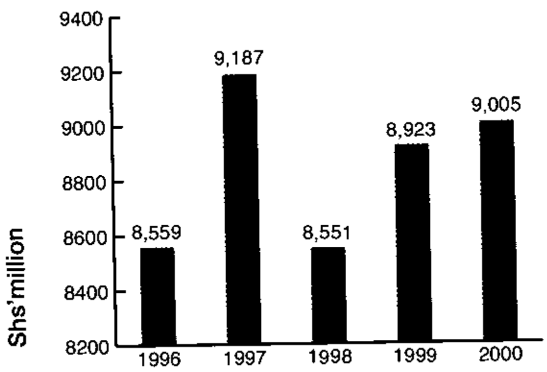

## Net Indebtedness



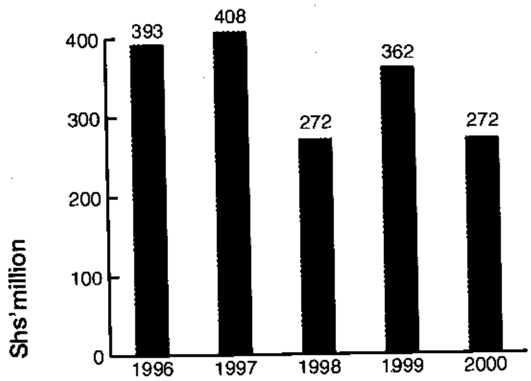

## Earnings per share




## Shareholder Equity




## Dividends



## Bamburi Cement Limited

**Sales:**

As highlighted in the Chairman's letter to shareholders, this was a very difficult year for Bamburi. We were significantly affected by the power rationing programme introduced in the middle part of 2000, and which had the effect of restricting production in Nairobi, and transferring production to Mombasa at additional cost. Coupled with this, the number of power interruptions increased significantly. Secondly in the domestic market place, we faced intense pressure from our competitors on pricing, but are glad to report that we successfully defended our market share. Price realisation was below our targets as a result of these pressures, and was further affected by the fact that at the time of the power rationing programme, we had to transport cement from Mombasa into upcountry markets at a significant disadvantage on haulage rates. The depreciation of the Kenya shilling also had an impact on our price realisation as it depreciated by an average 8% in the year. The economic environment did not favour us at all, as it further dampened demand in Kenya, which contracted by 4% to 1,068Kt compared to 1,111Kt in 1999. At these levels, demand is similar to 1989, despite significant population growth in the period. However, it also highlights the potential for the future, as there is certainly latent demand in the market. On the export front, sales into the Indian Ocean region remained at similar levels to last year, with the impact of excess supply in the region still evident, and competition from the Far East dampening prices. The Inland Africa market mainly Uganda improved slightly, with positive demand in Uganda, though the depreciation of the Uganda shilling by 20% in the year hurt prices resulting in lower turnover.

We also sold clinker this year, as part of our push to utilise clinker production capacity in Mombasa. Part of the sales were to Athi River Mining Ltd as a consequence of our strategic partnership, and the balance was exported to Uganda.

The circumstances we faced forced us to launch a number of initiatives to improve our commercial performance. Firstly, we embarked on recruitments to strengthen our commercial operations and marketing. Secondly, we started a commercial projects department with the principal role of investigating and defining the opportunities that exist for concrete roads in Kenya. And thirdly, we revisited our logistics organisation to ensure that we optimise on the synergies available. In addition, we continued to consolidate on the depot network we built last year through partnering with the Kenya National Trading Corporation and agents in major towns. We are pleased to report that on all fronts we have progressed well. The initiative on concrete roads we believe holds the key to the future growth of our industry in the region. The challenge that exists is to assist the policy makers in redefining standards for road construction, together with sufficient analysis of the cost/benefits on a long-term basis of such investments.

**Operations:**

**Mombasa Plant**

Overall plant performance in 2000 showed some improvement over the previous year particularly in increased output for the raw mill and kilns, and in product quality (uniformity). Production costs increased despite lower fixed cost principally due to higher power price and higher price and usage of fuel oil. Kilns reliability continued to be affected by the quality of power. The number of disruptions increased from 89 in 1999 to 122. Except for a few minor items, all projects and major maintenance planned for year 2000 have either been or will be completed in early 2001. The main investments in the last year were: on environmental - cooler dust collectors (now commissioned), coal dosing system, and control system revamping and automation, the first phase of which is complete.

**Nairobi Grinding Plant**

There were significant performance improvements over 1999 principally in mill output, power consumption, and percentage of additive. Also key design criteria were exceeded in the area of milling output, grinding kWh/t and in the cement to clinker ratio. This means that from a technical standpoint, the investment was a sound one in that the specifications have been exceeded. We faced severe power restrictions in the second half of the year, which meant that we had to shift part of our demand to Mombasa at additional cost to the company.

**Safety:**
We improved on our safety efforts in 2000 with the Mombasa plant recording 4 Lost Time Accidents (LTA) versus 8 recorded in 1999. The Nairobi Grinding plant recorded one LTA after an accident free stretch of 871 days. All injuries were of minor nature also resulting in a further decrease in severity rate.

**Personnel:**
With the investments made in automation, and declining market conditions, we have had to continue the staff rationalisation exercise to ensure that the business remains lean. This has meant that we have reduced staff numbers in the year.

## Hima Cement Limited

**Economy:**
Despite its involvement in the conflict in Congo, Uganda continues to enjoy a reputation among foreign creditors as one of the better governed states in Africa. In 2000 Uganda became the first country to benefit from the second Highly Indebted Countries Debt Relief Initiative, which is testament to investor confidence in the economy.

**Market:**
Overall economic growth of around 5% has helped to spur the building sector. Consumption of cement grew by 10% during the year mainly on the strength of the housing sector around Kampala. As production from the two domestic manufacturers remained more or less static, most of the increase in demand was met by imports from Bamburi.



**Prices:**
There were very few large commercial building and donor funded projects relative to previous years. Accordingly cement prices in real terms declined by 10% because of the relative sensitivity of the individual owner housing segment to pressure from a weak currency.

**Exports:**
Hima's exports grew by 20% but remain disappointingly low because of instability in Congo and aggressive price competition in Rwanda.

**Operations:**
The plant's performance improved considerably as the company continued to implement various best practices with the help of its technical partner. This has contributed to costs being well contained in a highly inflationary environment. International oil and furnace oil prices reached record levels but the company's energy costs remained static because of an equally significant reduction in energy consumption. The plant achieved world-class equipment reliability parameters of over 96% resulting in better utilisation and lower maintenance costs. In addition the second phase of the manpower optimisation programme was completed resulting in over 100 redundancies during the year.

During the year, Hima substantially completed its major project to increase production by up to 40%. The project timetable was, however, affected by the outbreak of Ebola as international contractors were compelled to reschedule various commissioning jobs.

On the IT front, Hima is now fully connected to the group e-mail software Lotus Notes. Additionally, during the year, we successfully implemented the roll-out of SAP/R3 with full connectivity via V-SAT with Bamburi in Mombasa.

**Outlook:**
Demand is expected to grow further in the high single digit figures with the economy continuing to perform well. This should ensure good utilisation of Hima. However, there are new entrants in the Uganda and export markets, and Tororo is expected to complete its expansion project. Hima's commercial approach will therefore be a priority in 2001 if it is to maintain its leadership status in the Great Lakes region.

### 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. Its revenue grew 15% as park entries improved during the year as tourist numbers increased.

### Bamburi Special Products Limited

The company manufactures paver blocks under the brand name 'Bamburi Blox'. In its second year of operation, it has recorded mixed results, though it has attained a respectable market share and reputation. Competitive pressures have increased as interest in the products was aroused, and more producers started up in this sector. The company was severely affected by the power rationing in the middle part of the year, with the year ending on a slight low. With two lines in perfect shape, 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 significantly increased our local presence in Uganda, and reduced supply lead times. We continue to benefit from Bamburi's reputation as a quality manufacturer. In February 2001, we have changed the operations of the company and have given Hima the responsibility for marketing the two brands in Uganda, for better co-ordination, and marketing.

### Group financial results

**Group results:**

The group results reflect for Hima a full year of operations as opposed to 1999, which were 9 months results post acquisition. Sales for the group reflects this increase. At an operating level though, the group result is lower than last year. Despite the positive impact of the Hima investment, group-operating profit is lower with the impact of the price pressure on the domestic market, and the power rationing in Kenya, which led to significantly higher costs. This now means that both Kenya and Uganda are generating a similar level of operating profit, despite Hima's lower level of tonnage. At the financing level, both companies have had to borrow significantly in the year, resulting in an increasing cost of financing (Shs 268 million compared to Shs 116 million in 1999). In addition to this, the weakening currencies in both countries are reflected in the exchange differences in the results (Shs 118 million loss compared to a gain in 1999 of Shs 27 million).

At profit before tax level, Hima's contribution is 43%, which increases after tax, as Hima is still taking advantage of the tax holiday granted at privatisation, which ended in December 2000. Pre-tax profit is well below 1999 level with the increased cost of financing. This reflects the fact that Bamburi's borrowing in 2000 is higher (in 1999, the significant part of borrowing arose in the second half of the year). Hima has borrowed additional amounts in Uganda to finance its capital expenditure to meet the 240Kt-production target, and to finance working capital requirements, which were higher with the increase in level of trading.

Consequently, our earnings per share are lower at Shs 0.80 compared to Shs 1.74 in 1999.

**Cash flow - consolidated:**

| | 2000<br>Shs'million | 1999<br>Shs'million |
|---|---|---|
| Cash at the beginning of the year | (70) | 693 |
| Cash from operations before tax | 1,153 | 1,515 |
| Net interest paid | (268) | (116) |
| Taxes paid | (363) | (10) |
| Investing activities: | | |
| Hima assets and loans | - | (1,316) |
| ARM bond | (192) | |
| Purchase of fixed assets net of sales | (828) | (839) |
| | (1020) | (2155) |
| Financing: | | |
| Loans | 579 | 494 |
| Dividends to Bamburi shareholders | (272) | (451) |
| Dividend to minority interests in Hima | (151) | |
| Loan repayments | (35) | - |
| | 121 | 43 |
| Cash at the end of the year | (447) | (70) |

With a lower operating result, in 2000, the group has had to borrow to cover the lower cash generation from operations, which has resulted in a higher level of interest payments as indicated above. The key amounts borrowed relate to investments as detailed below:
- ARM bond - Bamburi Cement Limited
- Final payments in relation to Hima acquisition - Bamburi Cement Limited
- Dividends, capital expenditure and working capital - Hima.

At the year-end the overall level of external debt for the group was Shs 1.45 billion (1999: Shs 584 million). Bamburi's own debt level is Shs 693 million (1999: Shs 196 million) (this figure is net of the amount loaned to Hima as part of the acquisition). This debt is a mixture of shilling and dollar borrowing and has a maturity of between one and three years. All borrowing covenants have been complied with, and none represent a constraint on funding requirements in the foreseeable future. Tax paid in the year reflects a timing difference for Bamburi, as the company took advantage of accelerated tax allowances on the grinding plant in 1999 to pay a lower level of tax and this had a positive effect on cash flow. In 2000, we paid for the full compliment of 1999 taxes, and the instalments for 2000. Capital expenditure levels were similar to 1999, but this year, Shs 213 million relates to Hima (1999: 215 million), and Shs 603 million to Bamburi and the other Kenyan subsidiaries (1999: Shs 624 million).

**Operating working capital:**
This increased in the year from Shs 1,203 million in 1999 to Shs 1,714 million in 2000. The principal reasons for this was that in 1999 we accrued for the full payment in relation to the purchase of Hima Cement, which was paid in 2000.

# Corporate governance and social responsibility

As a Board, we are committed to ensuring that our business is run according to the highest standards of corporate governance. The role of the Board is to determine the company's direction and strategy, monitor the achievement of business objectives, ensure that the company meets its responsibilities to its shareholders and that the control environment adequately protects the company's assets against major risks it faces. The Directors are responsible for maintaining the Group's systems of internal financial control. These controls are designed both to safeguard the Group's assets and ensure the reliability of financial information used within the business and for publication. As with any such systems, controls can only provide reasonable and not absolute assurance against material misstatement or loss. The key features of the internal financial control systems, which operated throughout the period covered by the financial statements, are described below.

Our audit committee, which was set up in 1999, is playing a key role in reinforcing these principles and has now expanded its sphere to include the recently acquired Hima Cement. The committee meets no less than four times per annum and additionally as required. The committee's main duties are: to ensure that the systems of internal control are soundly conceived and effectively administered and to seek assurance that control systems are in place and regularly monitored; to define the responsibilities of the internal audit function; to review the financial statements and interim results and to review the findings of external auditors.

There is a comprehensive budgeting system in place with a business plan approved by the Board in December of each year. Each month, management accounts containing actual and budget results and revised forecasts for the year are prepared and reported to the Board. These monthly management accounts analyse and explain variances against plan and report on key financial indicators.

There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complemented by policies and management operate the business in compliance with these policies. The policies include guidelines for authorisation and approval of both revenue and capital expenditure.

The Group has defined procedures and financial controls, including information system controls, to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

The Managing Director chairs an East African Executive management committee, which comprises the executive directors and certain other senior executives. The committee meets regularly and its purpose is to deal with operational issues, and to improve communication and co-ordination through the various companies in the group.

The Directors believe the Company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. A statement on directors' responsibilities in relation to the accounts appears on page 13.

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 readership and 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 and bursary schemes, amongst other community development projects.

In the area of Safety and Environment policies, we remain committed to meeting world class standards in our operations, and have continued to reinforce compliance with these policies.

# Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of the Ordinary Sharehold[illegible] Bamburi Cement Limited will be held at Nyali Beach Hotel, Malaika Room on Thursday [illegible] 2001 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 2000.

2. To declare dividends.

3. To approve Directors' fees for 2001.

4. To authorise the Directors to fix the remuneration of the auditors for 2001.

5. a) To consider the re-election of Directors retiring by rotation, who being eligible, offer themselves for re-election: Messrs M Ngunze, A LeMeur, GCD Groom, JC Hillenmeyer, and RM Thyaka.

   b) To elect Messrs. D Tresarrieu, J Konzolo and I Coulter who were appointed Directors after the last Annual General Meeting.

6. To transact any other competent business.

By Order to the Board

Ms. BA Oluoch
Secretary
9 April 2001

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 Proxy Form is provided with this report.

# Directorate and administration

| | |
|---|---|
| **EXECUTIVE DIRECTORS** | |
| D Tresarrieu | Managing Director |
| JM Shiganga | Managing Director, Hima Cement Limited |
| RM Thyaka | Commercial Director |
| R Roy | Operations Director |
| M Ngunze | Finance Director |
| **NON EXECUTIVE DIRECTORS** | |
| R Kemoli | Chairman |
| JC Hillenmeyer | |
| SW Karanja | |
| GCD Groom | |
| T Hadley | |
| JC Kulei | Alternate WK Sambu |
| A LeMeur | Alternate M Voegeli |
| JM Konzolo | Appointed 29 September 2000 |
| I Coulter | Appointed 29 September 2000 |
| DW Masika | Resigned on 8 August 2000 |

**SECRETARY**
Ms. BA Oluoch

**REGISTERED OFFICE**
New Mombasa - Malindi 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

# Directors' report

For the year ended 31 December 2000

The directors submit their report together with the audited financial statements for the year ended 31 December 2000 which disclose the state of affairs of the group and the company.

**INCORPORATION**

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

**PRINCIPAL ACTIVITIES**

The group is primarily engaged in the manufacture and sale of cement and cement related products. The group also owns and manages a world class nature and environmental park developed from rehabilitated quarries.

**RESULTS AND DIVIDEND**

The net profit for the year was Shs 289 million. During the year an interim dividend of Shs 91 million (1999: Shs181 million) was paid. The directors recommend the approval of a final dividend of Shs 181 million (1999: Shs 181 million).

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the limited options available in Kenya to hedge against such risks.

The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

**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

Ms. BA Oluoch
Company Secretary
23 February 2001

# 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 company's balance sheet is 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 of 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 2000 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**

23 February 2001

Nairobi

# Consolidated profit and loss account

For the year ended 31 December 2000

| | Notes | 2000 Shs'million | 1999 As restated Shs'million |
|---|---|---|---|
| Sales | 1 | **7,710** | 6,767 |
| Other operating income | | **103** | 38 |
| | | **7,813** | 6,805 |
| Change in inventory of finished goods | | **54** | (84) |
| Raw materials and consumables | | **3,950** | 3,428 |
| Staff costs | 3 | **925** | 794 |
| Depreciation and amortisation | | **794** | 736 |
| Restructuring expenses | | **81** | 103 |
| Other operating expenses | | **1,121** | 833 |
| **Operating profit** | 2 | **888** | 995 |
| Finance costs | 4 | **401** | 105 |
| **Profit before tax** | | **487** | 890 |
| Tax | 5 | **117** | 174 |
| **Profit after tax** | | **370** | 716 |
| Minority interest | 9 | **81** | 86 |
| **Profit attributable to shareholders** | | **289** | 630 |
| **Earnings per share - basic** | 10 | **Shs 0.80** | Shs 1.74 |
| **- diluted** | 10 | **Shs 0.80** | Shs 1.74 |
| **Dividends:** | | | |
| Interim dividends - paid in the year | 6 | **91** | 181 |
| Proposed final dividend for the year | 6 | **181** | 181 |
| | | **272** | 362 |

# Consolidated balance sheet

At 31 December 2000

| | Notes | 2000 Shs'million | 1999 Shs'million |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| Share capital | 7 | **1,815** | 1,815 |
| Capital redemption reserve | | **2** | 2 |
| Revaluation reserve | 8 | **3,222** | 3,616 |
| Retained earnings | | **3,764** | 3,490 |
| Translation reserve | | **(3)** | - |
| Proposed dividends | 6 | **181** | 181 |
| **Shareholders' funds** | | **8,981** | 9,104 |
| **Non-current liabilities** | | | |
| Minority interest | 9 | **458** | 465 |
| Borrowings | 11 | **923** | 494 |
| Deferred tax | 12 | **1,736** | 1,616 |
| Retirement benefit obligations | 13 | **151** | 144 |
| | | **3,268** | 2,719 |
| | | **12,249** | 11,823 |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **9,820** | 9,866 |
| Capital work in progress | 15 | **375** | 325 |
| Quoted investments | 16 | **202** | 202 |
| Unquoted investments | 17 | **197** | 6 |
| Goodwill arising on consolidation | 18 | **417** | 467 |
| | | **11,011** | 10,866 |
| **Current assets** | | | |
| Inventories | 19 | **1,526** | 1,438 |
| Trade and other receivables | 20 | **1,127** | 1,088 |
| Tax recoverable | | **60** | 2 |
| Cash and cash equivalents | 21 | **413** | 371 |
| | | **3,126** | 2,899 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **939** | 1,323 |
| Current tax | | **2** | 173 |
| Borrowings | 11 | **938** | 441 |
| Provision for liabilities and charges | 13 | **9** | 5 |
| | | **1,888** | 1,942 |
| **Net current assets** | | **1,238** | 957 |
| | | **12,249** | 11,823 |

The financial statements were approved by the Board of Directors on 23 February 2001 for issue and signed on its behalf by:

D. TRESARRIEU - Director M. NGUNZE - Director

# Company balance sheet

At 31 December 2000

| | Notes | 2000 Shs'million | 1999 Shs'million |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| Share capital | 7 | **1,815** | 1,815 |
| Capital redemption reserve | | **2** | 2 |
| Revaluation reserve | 8 | **3,222** | 3,616 |
| Retained earnings | | **3,863** | 3,294 |
| Proposed dividends | | **181** | 181 |
| **Shareholders' funds** | | **9,083** | 8,908 |
| **Non-current liabilities** | | | |
| Borrowings | 11 | **688** | 454 |
| Deferred tax | 12 | **1,762** | 1,634 |
| Retirement benefit obligations | 13 | **141** | 144 |
| | | **2,591** | 2,232 |
| | | **11,674** | 11,140 |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **8,301** | 8,438 |
| Capital work in progress | 15 | **231** | 232 |
| Quoted investments | 16 | **202** | 202 |
| Unquoted investments | 17 | **1,160** | 968 |
| Due from subsidiaries | | **636** | 460 |
| | | **10,530** | 10,300 |
| **Current assets** | | | |
| Inventories | 19 | **1,067** | 1,027 |
| Trade and other receivables | 20 | **1,366** | 1,057 |
| Tax recoverable | | **44** | - |
| Cash and cash equivalents | 21 | **100** | 215 |
| | | **2,577** | 2,299 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **683** | 867 |
| Current tax | | **-** | 170 |
| Borrowings | 11 | **741** | 417 |
| Provision for liabilities and charges | 13 | **9** | 5 |
| | | **1,433** | 1,459 |
| **Net current assets** | | **1,144** | 840 |
| | | **11,674** | 11,140 |

The financial statements were approved by the Board of Directors on 23 February 2001 for issue and signed on its behalf by:

D. TRESARRIEU - Director M. NGUNZE - Director

# Consolidated statement of changes in equity

For the year ended 31 December 2000

| | Notes | Share capital Shs'million | Capital redemption reserve Shs'million | Revaluation reserves Shs'million | Retained earnings Shs'million | Proposed dividends Shs'million | Translation reserve Shs'million | Total Shs'million |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 1999 | | | | | | | | |
| As previously stated | | 1,815 | 2 | 3,777 | 2,957 | - | - | 8,551 |
| Prior year adjustments: | | | | | | | | |
| - proposed dividends | 6 | - | - | - | - | 272 | - | 272 |
| As restated | | 1,815 | 2 | 3,777 | 2,957 | 272 | - | 8,823 |
| Depreciation transfer | | - | - | (365) | 365 | - | - | - |
| Deferred tax on depreciation transfer | | - | - | 123 | (123) | - | - | - |
| Release on sale of property, plant and equipment | | - | - | (23) | 23 | - | - | - |
| Deferred tax on reduction of tax rate | 12 | - | - | 104 | - | - | | 104 |
| Net gains/(losses) not recognised in income statement | | - | - | (161) | 265 | - | - | 104 |
| Profit attributable to shareholders | | - | - | - | 630 | - | - | 630 |
| Dividends: | | | | | | | | |
| - final for 1998 | 6 | - | - | - | - | (272) | - | (272) |
| - interim for 1999 | 6 | - | - | - | (181) | - | - | (181) |
| - final for 1999 | 6 | - | - | - | (181) | 181 | - | - |
| **Balance at 31 December 1999** | | 1,815 | 2 | 3,616 | 3,490 | 181 | - | 9,104 |
| Balance at 1 January 2000 | | | | | | | | |
| As previously stated | | 1,815 | 2 | 3,616 | 3,490 | - | - | 8,923 |
| Prior period adjustments: | | | | | | | | |
| - proposed dividend | 6 | - | - | - | - | 181 | - | 181 |
| As restated | | 1,815 | 2 | 3,616 | 3,490 | 181 | - | 9,104 |
| Underprovision for deferred tax in prior years | 12 | - | - | (137) | - | - | - | (137) |
| Depreciation transfer | | - | - | (367) | 367 | - | - | - |
| Deferred tax on depreciation transfer | 12 | - | - | 110 | (110) | - | - | - |
| Translation loss | | - | - | - | - | - | (3) | (3) |
| Net gains/(losses) not recognised in income statement | | - | - | (394) | 257 | - | (3) | (140) |
| Profit attributable to shareholders | | - | - | - | 289 | - | - | 289 |
| Dividends: | | | | | | | | |
| - final for 1999 | 6 | - | - | - | - | (181) | - | (181) |
| - interim for 2000 | 6 | - | - | - | (91) | - | - | (91) |
| - proposed final for 2000 | 6 | - | - | - | (181) | 181 | - | - |
| **Balance at 31 December 2000** | | 1,815 | 2 | 3,222 | 3,764 | 181 | (3) | 8,981 |

# Company statement of changes in equity

For the year ended 31 December 2000

| | Notes | Share capital Shs'million | Capital redemption reserve Shs'million | Revaluation reserves Shs'million | Retained earnings Shs'million | Proposed dividends Shs'million | Total Shs'million |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 1999 | | | | | | | |
| As previously stated | | 1,815 | 2 | 3,777 | 2,960 | - | 8,554 |
| Prior year adjustments: | | | | | | | |
| - proposed dividends | 6 | - | - | - | - | 272 | 272 |
| As restated | | 1,815 | 2 | 3,777 | 2,960 | 272 | 8,826 |
| Depreciation transfer | | - | - | (365) | 365 | - | - |
| Deferred tax on depreciation transfer | | - | - | 123 | (123) | - | - |
| Release on sale of property, plant and equipment | | - | - | (23) | 23 | - | - |
| Net gains/(losses) not recognised in income statement | | - | - | (265) | 265 | - | - |
| Net profit after tax | | - | - | - | 431 | - | 431 |
| Dividends: | | | | | | | |
| - final for 1998 | 6 | - | - | - | - | (272) | (272) |
| - interim for 1999 | 6 | - | - | - | (181) | - | (181) |
| - proposed final for 1999 | 6 | - | - | - | (181) | 181 | - |
| Deferred tax on reduction of tax rate | 12 | - | - | 104 | - | - | 104 |
| **Balance at 31 December 1999** | | 1,815 | 2 | 3,616 | 3,294 | 181 | 8,908 |
| Balance at 1 January 2000 | | | | | | | |
| As previously stated | | 1,815 | 2 | 3,616 | 3,294 | - | 8,727 |
| Prior period adjustments: | | | | | | | |
| - proposed dividends | 6 | - | - | - | - | 181 | 181 |
| As restated | | 1,815 | 2 | 3,616 | 3,294 | 181 | 8,908 |
| Underprovision for deferred tax in prior years | 12 | - | - | (137) | - | - | (137) |
| Depreciation transfer | | - | - | (367) | 367 | - | - |
| Deferred tax on depreciation transfer | 12 | - | - | 110 | (110) | - | - |
| Net gains/(losses) not recognised in income statement | | - | - | (394) | 257 | - | (137) |
| Net profit after tax | | - | - | - | 584 | | 584 |
| Dividends: | | | | | | | |
| - final for 1999 | 6 | - | - | - | - | (181) | (181) |
| - interim for 2000 | 6 | - | - | - | (91) | - | (91) |
| - final for 2000 | 6 | - | - | - | (181) | 181 | - |
| **Balance at 31 December 2000** | | 1,815 | 2 | 3,222 | 3,863 | 181 | 9,083 |

# Consolidated cash flow statement

For the year ended 31 December 2000

| | Notes | 2000 Shs'million | 1999 Shs'million |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 25 | **1,153** | 1,515 |
| Interest received | | **20** | 13 |
| Interest paid | | **(288)** | (129) |
| Tax paid | | **(363)** | (10) |
| Net cash from operating activities | | **522** | 1,389 |
| **Investing activities** | | | |
| Acquisition of Hima Cement Ltd, net of cash acquired | 26 | **-** | (909) |
| Take over of a loan to Hima Cement Ltd | 26 | **-** | (407) |
| Purchase of property, plant and equipment and capital work in progress | | **(836)** | (818) |
| Purchase of non-current investments | 17 | **(192)** | (31) |
| Proceeds from disposals of property, plant and equipment | | **8** | 10 |
| Net cash used in investing activities | | **(1,020)** | (2,155) |
| **Financing activities** | | | |
| Proceeds from long-term borrowings | | **501** | 494 |
| Proceeds from short-term borrowings | | **78** | - |
| Dividends paid to group shareholders | | **(272)** | (451) |
| Dividends paid to minority interests | | **(151)** | - |
| Repayments of borrowings | | **(35)** | - |
| Net cash used in financing activities | | **121** | 43 |
| **Decrease in cash and cash equivalents** | | **(377)** | (723) |
| **Movement in cash and cash equivalents** | | | |
| At 1 January | 21 | **(70)** | 653 |
| Decrease | | **(377)** | (723) |
| At 31 December | 21 | **(447)** | (70) |

# Proxy Form

For the year ended 31 December 2000

**The Secretary**
**Bamburi Cement Ltd.**
**PO Box 90202**
**Mombasa**

I/We ______________________________

of ______________________________

a member of Bamburi Cement Limited 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 Thursday 3 May 2001 and at every adjournment thereof.

AS WITNESS my/our hands this ______________ day of ______________ 2001

______________________________

(Usual Signature)



**Proxy forms must reach the Registered Office of the Company by 3pm, Tuesday 1 May 2001**

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

a) **Basis of preparation**

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings (Shs). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

b) **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 17.

c) **Revenue recognition**

Sales are recognised upon delivery of products to customers and are stated net of VAT and discounts, and after eliminating sales within the group.

Interest income is recognised as it accrues, unless its collectibility is in doubt. Dividend income is recognised when the shareholder's right to receive payment is established.

d) **Translation of foreign currencies**

Transactions in foreign currencies during the year are accounted for at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated 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.

e) **Long-term investments**

Long-term investments are stated at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

### f) 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 approximately every 5 years. Office equipment and tools are stated at cost, less depreciation. 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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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.

### g) Goodwill

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

### h) 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.

### i) 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.

### j) Employee entitlements

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

The estimated monetary liability for employees' accrued leave entitlement at the balance sheet date is recognised as an expense accrual.

**k) 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. Tax rates substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

**l) 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 employee's 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.

**m) 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.

**n) Dividends**

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

**o) 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 IAS 10 (revised), "Events after the Balance Sheet Date", which the company has implemented in the year. However, there are no changes in accounting policy that affect net profit.

## 1 Segment information

**Year ended 31 December 2000**
**All figures in Kshs million**

| | Kenya | Uganda | Group |
|---|---|---|---|
| Revenues | 5,790 | 1,920 | 7,710 |
| Operating profit | 384 | 504 | 888 |
| Segment assets | 11,303 | 2,416 | 13,719 |
| Non-segment assets | | | 417 |
| | | | 14,136 |
| Segment liabilities | 2,335 | 626 | 2,961 |
| Non-segment liabilities | | | 2,194 |
| | | | 5,155 |

**Year ended 31 December 1999**

| | Kenya | Uganda | Group |
|---|---|---|---|
| Revenues | 5,356 | 1,411 | 6,767 |
| Operating Profit | 573 | 422 | 995 |
| Segment assets | 11,266 | 2,032 | 13,298 |
| Non-segment assets | | | 467 |
| | | | 13,765 |
| Segment liabilities | 2,275 | 305 | 2,580 |
| Non-segment liabilities | | | 2,081 |
| | | | 4,661 |

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

- Kenya
- Uganda

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, dividend payable and certain corporate borrowings.

Sales revenue is based on the country in which the production facility is located. Total assets are shown by the geographical area in which the assets are located.

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

## 2 Operating profit

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

| | GROUP 2000 Shs'million | GROUP 1999 Shs'million |
|---|---|---|
| Depreciation on property, plant and equipment (Note 14) | **744** | 700 |
| Amortisation of goodwill (Note 18) | **50** | 36 |
| Auditors' remuneration | **6** | 4 |
| Directors' remuneration | | |
| - fees | **2** | 3 |
| - other | **49** | 36 |

## 3 Staff costs

The following items are included within staff costs:

| | | |
|---|---|---|
| Social security costs | **14** | 11 |
| Pension costs - defined contribution plans | **23** | 21 |
| Service gratuity | **8** | 10 |

The number of persons employed by the group at the year end was:

| | GROUP 2000 | GROUP 1999 |
|---|---|---|
| Full time | **1,247** | 1,296 |
| Casuals | **395** | 435 |
| | **1,642** | 1,731 |

## 4 Finance costs/income

| | GROUP 2000 Shs'million | GROUP 1999 Shs'million |
|---|---|---|
| Interest income | **20** | 13 |
| Net foreign exchange (losses)/gains | **(118)** | 27 |
| Interest expense on borrowings | **(288)** | (129) |
| Bank charges | **(15)** | (16) |
| | **(421)** | (118) |
| | **(401)** | (105) |

## 5 Tax

| | GROUP | |
|---|---|---|
| | 2000 Shs'million | 1999 Shs'million |
| Current tax | **151** | 263 |
| Deferred tax (Note 12) | **(17)** | (89) |
| Over provision in prior years | **(17)** | - |
| Tax charge | **117** | 174 |

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

| | GROUP | |
|---|---|---|
| | 2000 Shs'million | 1999 Shs'million |
| Profit before tax | **487** | 890 |
| Tax calculated at the domestic rates applicable to profits in the country concerned | **146** | 294 |
| Tax effect of: | | |
| Income not subject to tax | **(45)** | (101) |
| Expenses not deductible for tax purposes | **33** | 13 |
| Change in tax rate | **-** | (32) |
| Over provision in prior years | **(17)** | - |
| Tax charge | **117** | 174 |

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

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. At the annual general meeting on 3 May 2001, a final dividend in respect of the year ended 31 December 2000 of Shs 0.50 per share amounting to a total of Shs 181 million is to be proposed. During the year an interim dividend of Shs 0.25 per share, amounting to a total of Shs 91 million was paid. The total dividend for the year is therefore Shs 0.75 per share (1999: Shs 1 per share), amounting to a total of Shs 272 million (1999: Shs 362 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

| | 2000 Shs'million | 1999 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** | | |
| 362,950,925 (1999: 362,931,725) ordinary shares of Shs 5 each | **1,815** | 1,815 |

| Reconciliation of number of shares issued and fully paid. | 2000 | 1999 |
|---|---|---|
| At 1 January | **362,931,725** | 362,931,725 |
| Shares issued to employees as part of long service awards | **19,200** | - |
| At 31 December | **362,950,925** | 362,931,725 |

## 8 Revaluation reserves

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

## 9 Minority interest

| | 2000 Shs'million | 1999 Shs'million |
|---|---|---|
| At start of year | **465** | - |
| Share of equity on acquisition | **-** | 175 |
| Share of profits | **81** | 86 |
| Dividend paid | **(151)** | - |
| | **395** | 261 |
| Loan to Hima Cement Ltd | **58** | 204 |
| Translation gain | **5** | - |
| At end of year | **458** | 465 |

## 10 Earnings per share

Basic 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.

| | 2000 | 1999 |
|---|---|---|
| Net profit attributable to shareholders (Shs'million) | **289** | 630 |
| Weighted average number of ordinary shares (million) | **363** | 363 |
| Earnings per share (Shs) | **0.80** | 1.74 |

There were no potentially dilutive shares outstanding at 31 December 2000 or 31 December 1999.

## 11 Borrowings

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| The borrowings are made up as follows: | | | | |
| **Non-current** | | | | |
| Bank loan | **923** | 494 | **688** | 454 |
| **Current** | | | | |
| Bank overdraft | **860** | 417 | **663** | 417 |
| Bank loan | **78** | 24 | **78** | - |
| | **938** | 441 | **741** | 417 |
| **Total borrowings** | **1,861** | 935 | **1,429** | 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 307 million (1999: Shs 363 million) related 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:

| | GROUP | COMPANY |
|---|---|---|
| - bank overdrafts-mainly US Dollars | **7%** | 7% |
| - bank overdrafts-local currencies | **16%** | 13% |
| - bank loans-US Dollar | **9%** | 9% |
| - bank loans-local currencies | **20%** | 17% |

In the opinion of the directors the carrying amounts approximate fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the group at the balance sheet date.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Maturity of non current borrowings: between 1 and 2 years | **923** | 494 | **688** | 454 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Floating rate | | | | |
| - expiring within one year | **348** | 493 | **301** | 371 |
| - expiring beyond one year | **-** | 219 | **-** | 219 |
| | **348** | 712 | **301** | 590 |

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2001.

## 12 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (1999: 30%). The movement on the deferred tax account is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2000** Shs'million | 1999 Shs'million | **2000** Shs'million | 1999 Shs'million |
| At start of year | **1,616** | 1,809 | **1,634** | 1,809 |
| Underprovision in prior years | **137** | - | **137** | - |
| Income statement (credit)/charge (Note 5) | **(17)** | (89) | **(9)** | (71) |
| Effect of reduction in tax rate on revaluation reserve | - | (104) | - | (104) |
| At end of year | **1,736** | 1,616 | **1,762** | 1,634 |

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** | 1.1.00 Shs'million | Charged/ (credited) to P/L Shs'million | Charged/ (credited) to equity Shs'million | 31.12.00 Shs'million |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Accelerated tax depreciation | 523 | 108 | - | 631 |
| Asset revaluations | 1,237 | (110) | 137 | 1,264 |
| Unrealised exchange gains | 17 | 12 | - | 29 |
| | 1,777 | 10 | 137 | 1,924 |
| **Deferred tax assets** | | | | |
| Provisions | (54) | 1 | - | (53) |
| Other deductible temporary differences | (107) | (28) | - | (135) |
| | (161) | (27) | - | (188) |
| Net deferred tax liability | 1,616 | (17) | 137 | 1,736 |

**12 Deferred tax (continued)**

**COMPANY**

| | 1.1.00 Shs'million | Charged/ (credited) to P/L Shs'million | Charged/ (credited) to equity Shs'million | 31.12.00 Shs'million |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Accelerated tax depreciation | 435 | 94 | - | 529 |
| Asset revaluation | 1,237 | (110) | 137 | 1,264 |
| Unrealised exchange gains | 17 | 12 | - | 29 |
| | 1,689 | (4) | 137 | 1,822 |
| **Deferred tax assets** | | | | |
| Provisions | (54) | 1 | - | (53) |
| Other deductible temporary differences | (1) | (6) | - | (7) |
| | (55) | (5) | - | (60) |
| Net deferred tax liability | 1,634 | (9) | 137 | 1,762 |

In addition, deferred tax of Shs 110 million (1999: 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 Provisions for liabilities and charges**

**GROUP**

| | Service gratuity Shs'million | Restructuring provision Shs'million | Long service awards Shs'million | Total Shs'million |
|---|---|---|---|---|
| At start of year | 144 | 32 | 5 | 181 |
| Additional provisions | 10 | - | 4 | 14 |
| Utilised during the year | (3) | (32) | - | (35) |
| At end of year | 151 | - | 9 | 160 |
| Less: current portion | - | - | 9 | 9 |
| Non current portion | 151 | - | - | 151 |

## 13 Provisions for liabilities and charges (continued)

**COMPANY**

| | Service gratuity Shs'million | Restructuring provision Shs'million | Long service awards Shs'million | Total Shs'million |
|---|---|---|---|---|
| At start of year | 144 | - | 5 | 149 |
| Additional provisions | - | - | 4 | 4 |
| Utilised during the year | (3) | - | - | (3) |
| At end of year | 141 | - | 9 | 150 |
| Less: current portion | - | - | 9 | 9 |
| Non-current portion | 141 | - | - | 141 |

**Restructuring expenses:**

Restructuring expenses primarily relate to terminal benefits for employees made redundant due to automation of cement production and the continuing reorganisation of the group.

## 14 Property, plant and equipment

**GROUP**

| | Land & residential buildings Shs'million | Plant & machinery Shs'million | Office equipment and tools Shs'million | Mobile plant Shs'million | Total Shs'million |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At start of year | 2,107 | 16,008 | 522 | 1,070 | 19,707 |
| Exchange differences | (52) | (39) | (3) | (2) | (96) |
| Group additions | 14 | 642 | 92 | 23 | 771 |
| Reallocations | (412) | 356 | - | 74 | 18 |
| Disposals | - | (26) | (11) | (131) | (168) |
| At end of year | 1,657 | 16,941 | 600 | 1,034 | 20,232 |
| **Depreciation** | | | | | |
| At start of year | 153 | 8,666 | 241 | 781 | 9,841 |
| Exchange differences | (6) | (6) | - | (2) | (14) |
| Charge for the year | 26 | 557 | 87 | 74 | 744 |
| Reallocations | (41) | 44 | - | - | 3 |
| On disposals | - | (24) | (10) | (128) | (162) |
| At end of year | 132 | 9,237 | 318 | 725 | 10,412 |
| **Net book amount** | | | | | |
| At 31 December 2000 | 1,525 | 7,704 | 282 | 309 | 9,820 |
| At 31 December 1999 | 1,954 | 7,342 | 281 | 289 | 9,866 |

**14 Property, plant and equipment (continued)**

| COMPANY | Land & residential buildings Shs'million | Plant & machinery Shs'million | Office equipment and tools Shs'million | Mobile plant Shs'million | Total Shs'million |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At start of year | 1,228 | 15,306 | 447 | 1,025 | 18,006 |
| Additions | 5 | 439 | 53 | 21 | 518 |
| Disposals | - | - | (2) | (126) | (128) |
| At end of year | 1,233 | 15,745 | 498 | 920 | 18,396 |
| **Depreciation** | | | | | |
| At start of year | 55 | 8,536 | 217 | 760 | 9,568 |
| Charge for the year | 12 | 511 | 73 | 57 | 653 |
| On disposals | - | - | (2) | (124) | (126) |
| At end of year | 67 | 9,047 | 288 | 693 | 10,095 |
| **Net book amount** | | | | | |
| At 31 December 2000 | 1,166 | 6,698 | 210 | 227 | 8,301 |
| At 31 December 1999 | 1,173 | 6,770 | 230 | 265 | 8,438 |

## 18 Goodwill

| | GROUP | |
|---|---|---|
| | 2000 Shs'million | 1999 Shs'million |
| At start of year | **503** | - |
| On acquisition of Hima Cement Ltd | **-** | 503 |
| At end of year | **503** | 503 |
| **Amortisation** | | |
| At start of year | **36** | - |
| Charge for the year | **50** | 36 |
| At end of year | **86** | 36 |
| Net carrying value | **417** | 467 |

## 19 Inventories

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Raw materials | **337** | 317 | **165** | 187 |
| Consumables and spare parts | **876** | 751 | **652** | 548 |
| Finished goods | **137** | 207 | **76** | 129 |
| Fuel and packaging | **174** | 163 | **174** | 163 |
| Other | **2** | - | **-** | - |
| | **1,526** | 1,438 | **1,067** | 1,027 |

## 20 Trade and other receivables

| | GROUP 2000 | GROUP 1999 | COMPANY 2000 | COMPANY 1999 |
|---|---|---|---|---|
| Trade receivables | **688** | 621 | **395** | 449 |
| Other receivables and prepayments | **322** | 416 | **280** | 342 |
| Receivables from related companies (Note 27) | **117** | 51 | **691** | 266 |
| | **1,127** | 1,088 | **1,366** | 1,057 |

## 21 Cash and cash equivalents

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Cash at bank and in hand | **341** | 371 | **32** | 215 |
| Short term bank deposits | **72** | - | **68** | - |
| | **413** | 371 | **100** | 215 |

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

| | GROUP | |
|---|---|---|
| | 2000 Shs'million | 1999 Shs'million |
| Cash and bank balances above | **413** | 371 |
| Bank overdrafts (Note 11) | **(860)** | (441) |
| | **(447)** | (70) |

## 22 Trade and other payable

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Trade payables | **577** | 565 | **455** | 405 |
| Other creditors and accrued expenses | **321** | 516 | **197** | 413 |
| Amounts due to related companies (Note 27) | **23** | 26 | **26** | 29 |
| VAT payable | **18** | 20 | **5** | 20 |
| Due to Uganda Government | **-** | 196 | **-** | - |
| | **939** | 1,323 | **683** | 867 |

## 23 Contingent liabilities

The group has given guarantees amounting to Shs 31 million (1999: Shs 31 million) on behalf of third parties.

## 24 Commitments

**Capital commitments**

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

| | 2000 Shs'million | 1999 Shs'million |
|---|---|---|
| Property, plant and equipment: | **89** | 254 |

## 25 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

| | 2000 Shs'million | 1999 Shs'million |
|---|---|---|
| Profit before tax | **487** | 890 |
| Adjustments for: | | |
| Depreciation (Note 14) | **744** | 700 |
| Loss on sale of property, plant and equipment | **2** | 22 |
| Interest income (Note 4) | **(20)** | (13) |
| Interest expense (Note 4) | **288** | 129 |
| Service gratuity provision | **7** | 3 |
| Provision for permanent diminution of an investment | **1** | - |
| Amortisation of goodwill (Note 18) | **50** | 36 |
| Unrealised exchange losses | **101** | 7 |
| Changes in working capital | | |
| - trade and other receivables | **27** | (81) |
| - inventories | **(88)** | (181) |
| - trade and other payables | **(381)** | (58) |
| - provisions for liabilities and charges | **4** | 37 |
| - net amounts due from related parties | **(69)** | 24 |
| Cash generated from operations | **1,153** | 1,515 |

**26 Acquisition of a subsidiary**

On 1 April 1999 the Group acquired 70% of the share capital of Hima Cement Limited. Cash flow on purchase of the subsidiary was Shs 909 million net of cash acquired of Shs 2 million. In addition to acquiring 70% of the shares the group acquired a loan receivable by the former shareholders of Hima Cement Limited amounting to Shs 407 million.

**27 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 7% of the group's sales volume during the year (1999: 10%).

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:

| | 2000 Shs'million | 1999 Shs'million |
|---|---|---|
| Aggregate sale of goods and services | **533** | 404 |
| Aggregate purchase of goods and services | **83** | 153 |

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to major customers.

**Outstanding balances arising from sale and purchase of goods/services**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2000 Shs'million | 1999 Shs'million | 2000 Shs'million | 1999 Shs'million |
| Aggregate receivables from related parties | **117** | 51 | **101** | 51 |
| Aggregate receivables from subsidiaries | **-** | - | **590** | 215 |
| | **117** | 51 | **691** | 266 |
| Aggregate payables to related parties | **23** | 26 | **26** | 29 |

**Loans to directors**

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | **6** | - | **6** | - |
| Loans advanced during the year | **-** | 8 | **-** | 8 |
| Loan repayments received | **(2)** | (2) | **(2)** | (2) |
| Aggregate receivables from directors | **4** | 6 | **4** | 6 |

**27 Related party transactions (continued)**

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

**28 Holding company**

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

# Shareholders Information

For the year ended 31 December 2000

**Major shareholders with shareholdings greater than 0.5%**

| Name of shareholder | No. of shares at 31.12.00 | % of issued share capital 31.12.00 | % of issued share capital 31.12.99 |
|---|---|---|---|
| Bamcem Holdings Limited | 265,901,994 | 73.3 | 73.3 |
| National Social Security Fund | 57,314,178 | 15.8 | 15.8 |
| Barclaytrust Investment Services Limited | 9,233,805 | 2.5 | 1.5 |
| Baloobhai Chotabhai Patel | 8,249,741 | 2.3 | 2.3 |
| Insurance Company of E.A. Limited | 2,270,088 | 0.6 | 0.6 |
| Old Mutual Insurance company | 1,672,740 | 0.5 | 0.6 |
| Others | 18,308,379 | 5.0 | 5.9 |
| **TOTAL** | **362,950,925** | **100** | **100** |