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GROUP PROFILE

Bamburi Cement Limited is East Africa's leading cement producer with an annual production capacity of 2.4 million tons, and a member of Lafarge - the world's largest building materials group. Bamburi Cement is one of the most technologically advanced and environmentally responsible cement producers in Africa.

The company is now headquartered in Nairobi at Kenya-Re Towers, Upper Hill, with two plants, one in Mombasa and the other in Athi River.

SUBSIDIARIES

Hima Cement Limited has its headquarters in Kampala, with its plant in Kasese, in Western Uganda. The company manufactures Ordinary Portland Cement and Pozzolanic Portland Cement in conformity with both Uganda National Bureau of Standards specifications and EN (European Norm) standard specifications, providing a quality reliable product to its customers in Uganda and in neighbouring Rwanda, Democratic Republic of Congo and Burundi.

Bamburi Special Products produces concrete block paving under the brand name Bamburiblox a range of landscaping products, and other cement product innovations. Bamburiblox are the only concrete paving blocks in Kenya with the Kenya Bureau of Standards Diamond Mark of Quality.

The company is a member of the Concrete Manufacturers Association of South Africa, and has its production facility located at Athi River. Sales & Administration offices are located at Allbid House on Mombasa Road, Nairobi.

Baobab Farm Limited in keeping with Bamburi Cement's environmental policy, Baobab Farm's mandate is to rehabilitate the scarred lands that comprised the quarry sites.

In 1987, the Bamburi Quarry Nature Park (since renamed 'Haller Park') and Dr. Haller both received the inaugural UNEP award-The Global 500 Roll of Honour for Environmental Achievement.

The park hosts such an extensive diversity of flora and fauna that Baobab Farm Limited is now able to sell the wonder of the rehabilitated quarries as an enthralling tourism package known as 'The Baobab Adventure'.

This conservation initiative is mirrored in Lafarge's partnership with WWF, the World's largest and best known Conservation Organisation, under it's "Conservation Partner" programme. The aim is to reinforce and improve Lafarge's Environmental practices, with a commitment by Lafarge to move forward in three areas:

- To set up indicators of environmental performance
- To establish new and demanding standards for quarry rehabilitation, especially on biodiversity
- To work on a program to reduce Lafarge's emissions of greenhouse gases.

Hima cement

Bamburi special products

WWF LAFARGE Conservation Partner

CONTENTS

Plant, Athi River
Nairobi Grinding Plant have a
grinding, the cement is routed
automatically to these silos before transportation to the market in bags or bulk form.

The photographs in this report show the important role cement plays in our everyday lives.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

The economic outlook for Kenya remained depressed. Although the country recovered from a devastating drou in 2000, and the power rationing that lasted for part of 2001, there was no significant improvement in demand our products. Kenya's position with the donor community has not changed and the "wait and see" attitude adopt continues to prevail. Politically, significant shifts have occurred as parties ready themselves for the elections d in 2002. The constitution review process continues, and the change in the law affecting banks on interest rat was declared void, as the commencement date was retrospective in its application. In Uganda, the country we through presidential elections successfully, but continued involvement in the conflict torn Great Lakes region a internal insecurity in the north has affected the rate of economic recovery and growth.

Further integration of the three East African countries into the East African Community continued steadily, while the COMESA front, many companies continue to grapple with the challenges arising from the implementation the treaty. Kenya's economy is saddled with significant infrastructural weaknesses, which stifle internation competitiveness. Key concerns are the high cost of power and it's variable quality, heavy taxes on fuel and t poor state of roads and rail, which affect logistics costs.

The Kenyan domestic market grew marginally by 2%. The growth was partly driven by better rainfall patterns 2001. Export sales into Inland Africa continue at similar levels to last year, while offshore sales were depressed continuing oversupply in the Indian Ocean. In Uganda, the market is growing in tandem with GDP growth, b competition has intensified.

We have undertaken a number of important initiatives in the past year. Firstly, we were involved in the setting u of the East African Cement Producers Association. The Associations membership is open to all the ceme producers in East Africa and is focused on working on matters of mutual business interest. Through th Association, we have been instrumental in working with various government agencies towards developin standards for use of cement in road construction. We believe that this initiative could significantly improve th quality of our key road network as well as the cost of maintenance. We are also pursuing through the Associatio development of low cost housing options. Secondly, we have been, at the forefront of sensitising the governme on the need to create a level playing field in the framework of regional competition. The key issues alluded t earlier relate to infrastructural weaknesses of our economy. Thirdly, as the foundations are laid for th implementation of the Environmental Co-ordination and Management Act, we have been invited to participate a key stakeholders in the development of standards affecting our industry. Lastly, in conjunction with the Keny Bureau of Standards, we were instrumental in assisting in the development and implementation of the ne standards, which are in line with European Norms.

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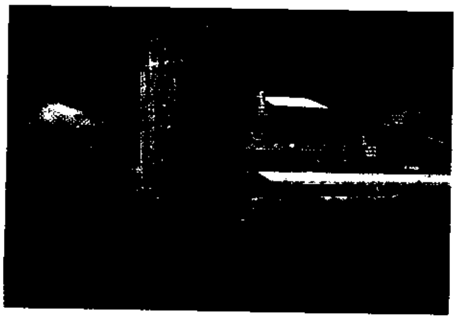


Nairobi Grinding Plant, Athi River

This plant was opened in September 1998, to make cement more readily available to th up-country market. Located south west of Nairobi in Athi River, the Nairobi Grindin Plant has a production capacity of 1 million tonnes per annum, bringing Bamburi's tota annual production capacity to 2.4 million tonnes. With the country's fastest and cleanes loading and packing system, the Athi River plant ensures constant availability of cement whether in bulk or bagged form

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

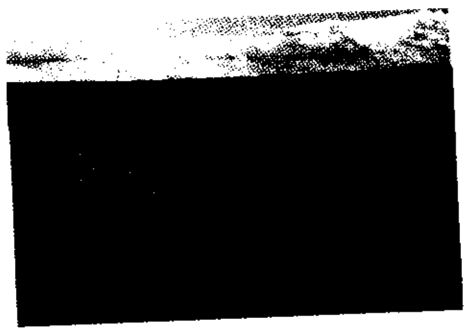
 have achieved remarkably improved results in 2001. Operating profit for the year of Shs 1,557 million npares very favourably to Shs 888 million in the previous year. These satisfactory results are attributed to proving market conditions particularly in Uganda, stable market conditions in Kenya, as well as a more stable rrency environment in the region.

e remain committed to the concept of good corporate governance and to this end we continue to monitor and prove the quality of reporting and management of our affairs and we welcome the Capital Market Authority's gal notice, which we shall implement as appropriate.

nally, I would like to thank the entire staff in the group for their hard work and dedication, which has produced ery good results. I would also like to recognise the continued strong support and contribution I receive from the oard, which is much appreciated.

ICHARD KEMOLI
HAIRMAN

The University of Nairobi
Formerly the Royal Technical College, this citadel of higher learning in Kenya and East Africa was inaugurated in 1956 and has continued to produce some of the regions' top minds - key players in the economic and social development of East Africa.

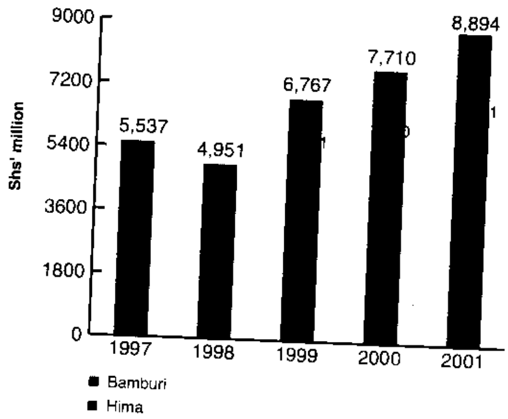


Ndakaine Dam
The Ndakaine Dam situated in Thika District, Kenya. This reservoir supplies water from the Aberdare Range to the whole of Nairobi. This vital piece of infrastructure was constructed in 1997.

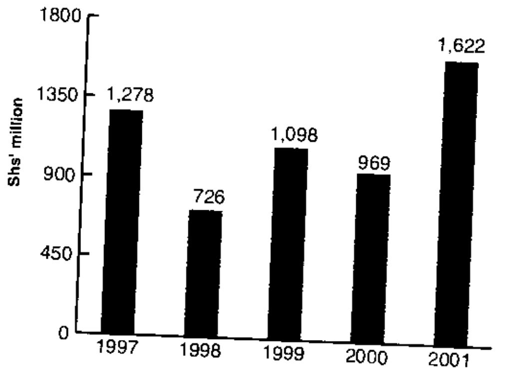
KEY FIGURES

For the year ended 31 December 2001

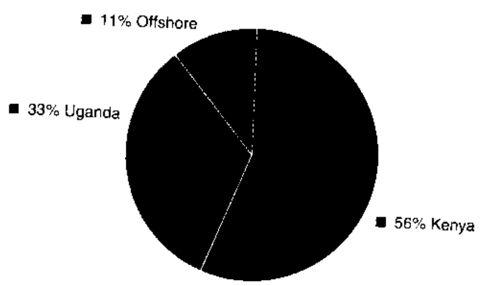
Group turnover



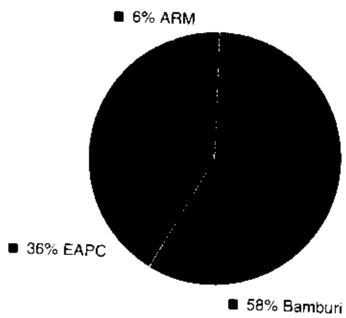
Operating income (excl. restructuring)



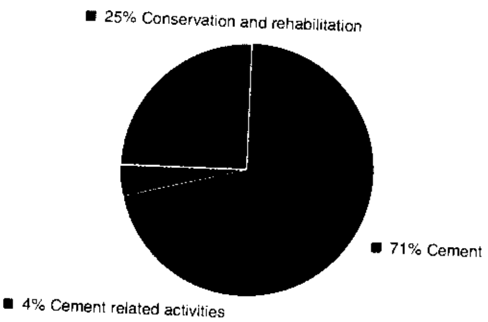
Sales by region



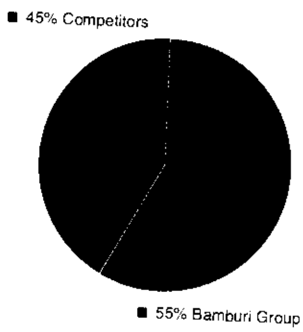
Market share - Kenya



Employees by business area



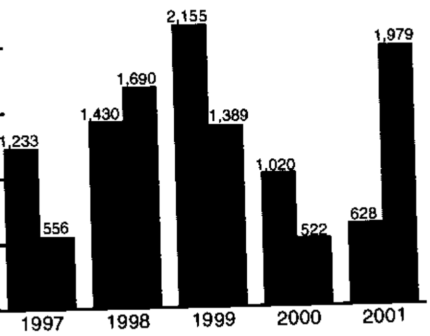
Market share - Uganda



KEY FIGURES

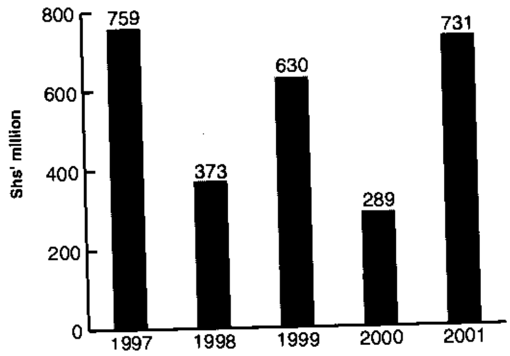
For the year ended 31 December 2001

stments and net cashflow om operating activities

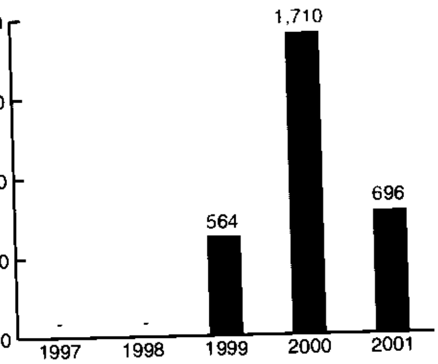


■ Net cash used in investing activities
■ Net cashflow from operating activities

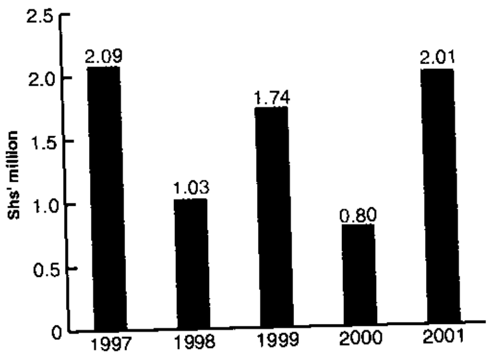
Profit attributable to shareholders



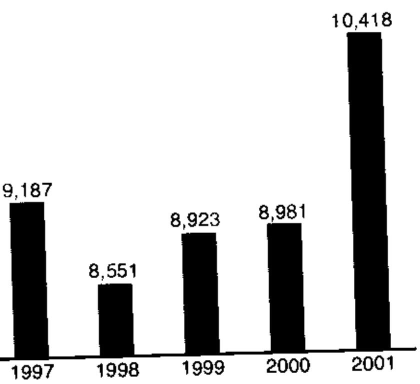
t indebtedness



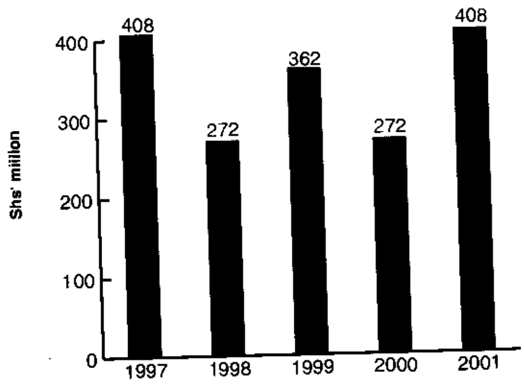
Earnings per share



hareholder equity



Dividends



MANAGEMENT'S DISCUSSION OF OPERATIONS

Bamburi Cement Limited

Sales:

Our sales revenue increased by 8% over the previous year as we recovered from the price war in 2000 experienced some volume growth and a higher market share. The improvement in trading conditions was dr by favourable weather conditions, which boosted agricultural production and further also enabled the countr switch back to cheaper hydropower sources. As a consequence the price of electricity fell during the second of 2001, and was sustained on a downward trend by the low (and stable) fuel prices. The stability of the l currency coupled with low inflation further improved economic conditions. On the export front, our sales f Kenya to Uganda reduced as we optimised the output from Hima from investments over the last 2 years.

We continued to sell clinker, as part of our push to utilise clinker production capacity in Mombasa. Part of the sa was to Athi River Mining Limited as a consequence of our strategic partnership, and the balance was exporte Uganda.

The improvement in domestic sales and market share can be attributed to the strengthening of our commer operations and marketing undertaken last year. This initiative helped us regain market leadership in Kenya addition, we continued to consolidate on the depot network we built over the last couple of years through partner with KNTC and agents in major towns.

On the commercial projects front, we are working closely with the relevant government and private sec authorities on defining the opportunities that exist for concrete roads in Kenya. We have made good progress this regard and currently are assisting in a committee that is defining standards. This initiative we believe holds t key to the future growth of our industry in the region.

Operations:

Mombasa Plant

The plant performance in 2001 improved compared to the previous year particularly in increased kiln outp energy consumption and cement clinker ratio. Production costs fell with lower fixed costs, reduced power price a lower price and usage of fuel oil. Kilns reliability however, was below last year and expectations due to one-tir failures for which solutions have either been implemented or will be put in place during the next major overha Except for a few minor items, all projects and major maintenance planned for year 2001 have either been or w be completed in early 2002. The main investments in the last year were on control system revamping ar automation and petcoke conversion set for completion in early 2002.

Nairobi Grinding Plant

There were significant performance improvements over 2000 principally in mill output, power consumption, ar percentage of additive. Key design criteria were exceeded in the area of milling output, grinding kWh/t and in th cement to clinker ratio especially after introduction of the EN (European) standards, which allowed a highe percentage of additives. This means that from a technical standpoint, the investment was a sound one in that th specifications have been exceeded. With the cessation of power rationing we increased the utilisation of th grinding plant to supply our upcountry and inland Africa markets.

Safety:

Within the group, safety is a key focus, and we launched initiatives to ensure that we create a safe workin environment. Both plants completed the year 2001 without Lost Time Accident (LTA). As of 31 January 2002, th Mombasa Plant had achieved 536 days since last LTA and NGP 441 days.

Residential Property: Runda

From the functionality of cement comes this beautiful house. Homes are a necessity an our commitment is to find ways in which we can provide affordable housing, hence resolving one of the greatest social concerns in the region.

MANAGEMENT'S DISCUSSION OF OPERATIONS (continued)

onnel:
the investments made in automation, and persistent poor economic conditions, we have had to continue the rationalisation exercise to ensure that the business remains lean. This has meant that we have reduced staff bers in the year though at the same time, we have recruited staff in key areas to strengthen our organisation.

d Office Relocation:
company made a business decision to relocate the Head Office to Nairobi from Mombasa. This decision was esponse to our recognition that our major market is upcountry, and most key business contacts are also based Jairobi. This will also assist in managing the Uganda operations and any other regional initiatives. The corporate ce is now located in Kenya Reinsurance Towers – Upperhill.

ma Cement Limited

conomy:
ne Ugandan economy grew by 5.4% (GDP growth) in 2001 over 2000 in line with the target of 6% mainly because the good rains in the year. The shilling appreciated by 1.5% in the last quarter of 2001 and stood at an all time gh of Ushs 1,740 to the dollar on 31 December 2001. This was on the back of increased donor inflows, Central ank intervention and inflows from exports of mainly fish, tobacco and tea. But coffee exports continued to perform ery poorly as prices have reached rock bottom with export revenues very low at US$ 90 million.

Jnderlying inflation (excluding food prices) remained in single digit figures averaging 3.2%. But on inclusion of food prices, the inflation was – 4.5%. In addition, interest rates in the economy continued to reduce but this did not ranslate into increased lending to the private sector towards construction.

The second half of the year experienced increased investor confidence following the completion of both the presidential and parliamentary elections in the first half of the year.

Market:
The domestic cement market recorded growth rates of 8.1% (to 490 Kt), which was above the GDP growth rate, with the renewed confidence experienced in the second half of the year after the elections. The bulk of the cement consumption continues to go towards owner-occupier housing especially in the Central district of Kampala with major housing projects and other construction projects contributing a small share to the market. We benefited from the growth in the overall market and as mentioned earlier we reduced imports from Kenya as we optimised the output from Hima made possible by investments carried out in the last 2 years. In addition we transferred the management of Bamburi brand sales in Uganda to Hima Cement Limited, strengthened our commercial function in Uganda and undertook initiatives to raise awareness of the Hima brand in the market.

Prices:
As noted above the bulk of the cement sales was to the price sensitive individual owner housing segment, which coupled with the depreciation of the local currency, meant that prices in real terms declined by 4%.

Exports:
Hima's exports grew by 24% but remain disappointingly low because of instability in Congo and aggressive price competition in Rwanda.

Haller Park
A section of the rehabilitated quarry in Mombasa. This project, has been so successful that the company is now able to sell its diversity of flora and fauna as a fascinating tourism package known as '**The Baobab Adventure**' which offers a myriad of excursions, the perfect 'day-out' to both the domestic and foreign tourist.

MANAGEMENT'S DISCUSSION OF OPERATIONS (continued)

Production:

The plant's performance continued to improve as the company progressed with the implementation of various practices with the help of our technical partner. This has contributed to costs being well contained in an inflatio environment. Successful plant initiatives to save energy consumption contributed to a 10% drop in unit vari costs. The plant achieved world-class equipment reliability parameters of over 97% resulting in better utilisa and lower maintenance costs.

Outlook:

Demand is expected to grow further in the high single digit figures with the economy continuing to perform w This should ensure good utilisation of Hima and also provide a stable market for Bamburi brand. However, the are new entrants in the Uganda and export markets, and there is also capacity expansion by our key competit With our strengthened commercial organisation coupled with continued efficiency improvements at the plant expect to maintain our leadership status in Uganda and it's hinterland.

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 last one and a half years to streamline it activities and revenue lines. Its revenue was broadly similar to the previous year.

Bamburi Special Products Limited

The company manufactures paver blocks under the brand name 'Bamburi Blox'. In 2001 it recorded mixed results, though it has retained 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. With two lines in perfect shape, the company is ready to take advantage of the expected benefits of economic recovery as market awareness of quality and affordability picks up.

Group financial results

Group results:

Sales revenue for the group grew by 15% over 2000 driven by regained commercial leadership in Kenya, growth in the Uganda cement market and optimised management of our two brands in Uganda. Operating profit increased significantly by 75% resulting from the higher sales and cost control in both countries. In Kenya operating profit more than doubled with the positive effect of higher sales and lower variable and fixed costs arising from the benefits of investments carried out over the last five years as well as the negotiation downward of logistics costs and lower electricity prices.

Financing costs dropped in 2001 with the reduced level of borrowing especially in Kenya and the benefits of fine pricing of debt both in Uganda and Kenya. In Uganda there is a moderate increase in interest cost despite the increased domestic borrowing clearly showing the benefits of fine pricing of debt negotiated. The exchange loss in Uganda reduced drastically reflecting the stable Uganda currency and the reduction of the foreign denominated shareholder loans.

The 2001 Hima results show a significant increase in the tax charge after the company's tax exemption expired at the end of 2000. Despite this our group earnings per share grows to Shs 2.01 compared to Shs 0.80 in 2000.

Baps Temple, Parklands, Nairobi

MANAGEMENT'S DISCUSSION OF OPERATIONS (continued)

ncing

	GROUP		COMPANY	
	2001 Shs'million	**2000 Shs'million**	**2001 Shs'million**	**2000 Shs'million**
term debt	235	923	235	688
t term borrowing et of cash balances	339	525	(89)	641
l	574	1,448	146	1,329

he financing level, the consolidated results show improvements in cash flows leading to a reduction in the level gearing by Shs 0.9 Bio. In Bamburi the net debt position fell by Shs 1.2 Bio reflecting the improved operating ults, good working capital management, lower tax payments, lower level of investments and loan repayments by na. In Hima strong cash flows have meant that the net debt has increased moderately despite tax and shareholder n repayments in excess of Shs 400 Mio.

sh flow - consolidated

	2001 Shs'million	**2000 Shs'million**
ash at the beginning of the year	(447)	(70)
ash from operations before tax	2,479	1,149
let interest paid	(215)	(264)
axes paid	(285)	(363)
nvesting activities:		
ARM bond	-	(192)
Purchase of fixed assets net of sales	(628)	(828)
Financing activities:		
Dividends/loans received	11	579
Dividends paid to Group shareholders	(317)	(272)
Loans/dividends paid to minority interests in Hima	(140)	(151)
Bank loan repayments	(595)	(35)
Effects of exchange rate changes	(31)	-
Cash at the end of the year	(168)	(447)

Compared to 2000, strong cash flow generation and lower investment levels helped reduce the level of gearing for the group despite the payment of a higher level dividend.

Mombasa Port

The luxury cruise ship, HMS Queen Elizabeth II docked next to the Bamburi Cement Mbaraki installation in Mombasa. Tourism is one of the major foreign exchange earners for Kenya. The cement stored in these silos is exported to the Indian Ocean Region, earning more valuable foreign exchange for the country.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

As a Board, we are committed to ensuring that our business is run according to the highest standards of corp governance. The role of the Board is to determine the company's direction and strategy, monitor the achieve of business objectives, ensure that the company meets its responsibilities to its shareholders and that the co environment adequately protects the company's assets against major risks it faces. The Directors are respon for maintaining the Group's systems of internal financial control. These controls are designed both to safeg the Group's assets and ensure the reliability of financial information used within the business and for publica As with any such systems, controls can only provide reasonable and not absolute assurance against mat misstatement or loss. The key features of the internal financial control systems, which operated throughout 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 r expanded its sphere to include the recently acquired Hima Cement. The committee meets no less than four tin per annum and additionally as required. The committee's main duties are: to ensure that the systems of inter control are soundly conceived and effectively administered and to seek assurance that control systems are in pla and regularly monitored; to define the responsibilities of the internal audit function; to review the financ 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 each year. Each month, management accounts containing actual and budget results and revised forecasts for t year are prepared and reported to the Board. These monthly management accounts analyse and explain varianc against plan and report on key financial indicators.

There is a clearly defined organisational structure within which individual responsibilities are identified in relatio to internal financial controls. The structure is complemented by policies and management operate the business i compliance with these policies. The policies include guidelines for authorisation and approval of both revenue an 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 majo 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 14.

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

ICE IS HEREBY GIVEN that the 51st Annual General Meeting of the Ordinary Shareholders of Bamburi ent Limited will be held in Mombasa at Nyali Beach Hotel, Malaika Room on Friday 3 May 2002 at 3.00 for the following purposes:

o receive the Chairman's statement, the Report of the Directors, and the Audited Accounts for the year ed 31 December 2001.

o declare dividends.

To approve Directors' fees for 2002.

To consider the following resolution as an Ordinary Resolution, special notice having been received pursuant Sections 142 and 160 (1) of the Companies Act (CAP 486):

hat Deloitte & Touche be appointed auditors of the Company in place of the retiring auditors icewaterhouseCoopers, to hold office until the conclusion of the next general meeting at which accounts are id before the company and that the Directors be authorised to fix their remuneration for 2002".

a) To consider the re-election of Directors retiring by rotation, who being eligible, offer themselves for re-election: Messrs. T. Hadley, J.M. Konzolo, I. Coulter, J.M. Shiganga and J.C. Kulei.

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

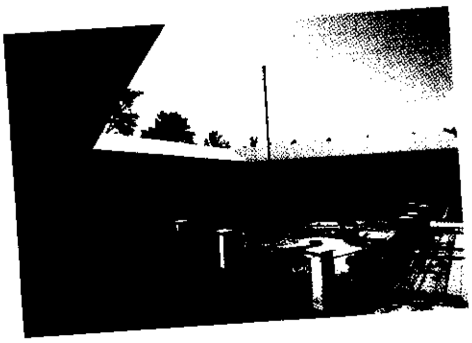
. To transact any other competent business.

By Order to the Board

Ms. B.A. Oluoch
Secretary
9 April 2002

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 10921, 00100 Nairobi not less than 48 hours before the time of the meeting. A proxy Form is provided with this report.

Nyali Bridge
Linking Mombasa to the North Coast, this bridge has proved vital in opening up development in areas as far as Malindi and Garsen, by providing access to markets, technology, health care and many other vital aspects of social and economic development.



Jonathan Gloag Academy
Donated to Thomas Barnado's Home by Anne Gloag in memory of her son, Jonathan, this academy provides education to the needy students of Thomas Barnado's and also children from the area.

DIRECTORATE AND ADMINISTRATION

EXECUTIVE DIRECTORS

D. Tresarrieu	Managing Dire
J.M. Shiganga	Managing Director, Hima Cement Limited - Until 1st February, 2
M. Ngunze	Managing Director, Hima Cement Limited - Appointed on 1st February, 2
R.M. Thyaka	Commercial Dire
R. Roy	Operations Dire
D. Njoroge	Finance Director - Appointed on 28th February, 2

NON EXECUTIVE DIRECTORS

R. Kemoli	Chairm
J.C. Hillenmeyer	
S.W. Karanja	
G.C.D. Groom	
T. Hadley	
J. C. Kulei	Alternate W.K. Samb
J.M. Konzolo	
I. Coulter	
A. Le Meur	Alternate M. Voegeli - Resigned on 28th February, 200

SECRETARY
Ms. B.A. Oluoch

REGISTERED OFFICE
Kenya-Re Towers, Upper Hill
P.O. Box 10921,00100, Nairobi

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

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

Kenya Commerical Bank Limited
Treasury Square
P.O. Box 90254, Mombasa

DIRECTORS' REPORT

For the year ended 31 December 2001

The directors submit their report together with the audited financial statements for the year ended 31 December 2001 which disclose the state of affairs of the group and the company.

INCORPORATION AND REGISTERED OFFICE

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is:
Kenya-Re Towers, Upper Hill
PO Box 10921, 00100
Nairobi

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 of Shs 731 million has been added to retained earnings. During the year an interim dividend of Shs 136 million (2000: Shs 91 million) was paid. The directors recommend the approval of a final dividend of Shs 272 million (2000: Shs 181 million).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group'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 group'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 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 12.

AUDITORS

PricewaterhouseCoopers have indicated that they will not be seeking re-appointment as auditors of the Company at the Annual General Meeting.

A resolution will be proposed at the Annual General Meeting to appoint Deloitte &Touche as auditors, special notice pursuant to Sections 142 and 160 (1) of the Companies Act (CAP 486) having been received.

By order of the Board

Ms. B.A. Oluoch
Company Secretary
28 February 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the group. They are also responsible for safeguarding the assets of the group.

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

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

D. TRESARRIEU - Director

M. NGUNZE - Director

28 February 2002

REPORT OF THE AUDITORS TO THE MEMBERS OF BAMBURI CEMENT LIMITED

We have audited the financial statements set out on pages 16 to 39. We have obtained all the information and explanations that 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 as set out on page 14. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform 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 group and of the company at 31 December 2001 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
28 February 2002
Nairobi

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	Notes	2001 Shs'million	2000 Shs'million
Sales	1	**8,894**	7,710
Other operating income		**37**	103
		8,931	7,813
Change in inventory of finished goods		**61**	(54)
Raw materials and consumables		**(4,174)**	(3,950)
Staff costs	3	**(1,091)**	(925)
Depreciation and amortisation		**(753)**	(794)
Restructuring expenses	13	**(65)**	(81)
Other operating expenses		**(1,352)**	(1,121)
Operating Profit	2	**1,557**	888
Finance costs	4	**(217)**	(401)
Profit before tax		**1,340**	487
Tax	5	**(553)**	(117)
Profit after tax		**787**	370
Minority interest	10	**(56)**	(81)
Profit attributable to shareholders		**731**	289
Earnings per share - basic	6	**Shs 2.01**	Shs 0.80
- diluted	6	**Shs 2.01**	Shs 0.80
Dividends:			
Interim dividend - paid in the year	7	**136**	91
Proposed final dividend for the year	7	**272**	181
		408	272

CONSOLIDATED BALANCE SHEET

At 31 December 2001

	Notes	2001 Shs'million	2000 Shs'million
CAPITAL EMPLOYED			
Share capital	8	**1,815**	1,815
Capital redemption reserve		**2**	2
Revaluation reserve	9	**4,113**	3,222
Fair value reserve		**(14)**	-
Retained earnings		**4,281**	3,764
Proposed dividends	7	**272**	181
Translation reserve		**(51)**	(3)
Shareholders' funds		**10,418**	8,981
Non-current liabilities			
Minority interest	10	**518**	196
Borrowings	11	**357**	1,185
Deferred tax	12	**2,513**	1,736
Provision for liabilities and charges	13	**180**	151
		3,568	3,268
		13,986	12,249
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	**11,946**	9,820
Capital work in progress	15	**135**	375
Investments in subsidiaries	16	**2**	5
Other equity investments	17	**373**	394
Goodwill arising on consolidation	18	**367**	417
		12,823	11,011
Current assets			
Inventories	19	**1,602**	1,526
Receivables and prepayments	20	**755**	1,127
Tax recoverable		**85**	60
Cash and cash equivalents	21	**332**	413
		2,774	3,126
Current liabilities			
Payables and accrued expenses	22	**821**	939
Current tax		**104**	2
Borrowings	11	**671**	938
Provision for liabilities and charges	13	**15**	9
		1,611	1,888
Net current assets		**1,163**	1,238
		13,986	12,249

The financial statements were approved by the Board of Directors on 28 February 2002 for issue and signed on its behalf by:

D. TRESARRIEU - Director M. NGUNZE - Director

COMPANY BALANCE SHEET

At 31 December 2001

	Notes	2001 Shs'million	2000 Shs'million
CAPITAL EMPLOYED			
Share capital	8	**1,815**	1,815
Capital redemption reserve		**2**	2
Revaluation reserve	9	**3,456**	3,222
Fair value reserve		**(14)**	-
Retained eamings		**4,258**	3,863
Proposed dividends	7	**272**	181
Shareholders' funds		**9,789**	9,083
Non-current liabilities			
Borrowings	11	**235**	688
Deferred tax	12	**1,952**	1,762
Provision for liabilities and charges	13	**170**	141
		2,357	2,591
		12,146	11,674
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	**8,969**	8,301
Capital work in progress	15	**68**	231
Investments in subsidiaries	16	**968**	968
Other equity investments	17	**373**	394
Due from subsidiaries		**311**	636
		10,689	10,530
Current assets			
Inventories	19	**1,213**	1,067
Receivables and prepayments	20	**844**	1,366
Tax recoverable		**-**	44
Cash and cash equivalents	21	**253**	100
		2,310	2,577
Current liabilities			
Payables and accrued expenses	22	**570**	683
Current tax		**104**	-
Borrowings	11	**164**	741
Provision for liabilities and charges	13	**15**	9
		853	1,433
Net current assets		**1,457**	1,144
		12,146	11,674

The financial statements were approved by the Board of Directors on 28 February 2002 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 2001

	Notes	Share capital Shs'million	Capital redemption reserve Shs'million	Revaluation reserves Shs'million	Fair Value reserves Shs'million	Retained earnings Shs'million	Proposed dividends Shs'million	Translation reserve Shs'million	Total Shs'million
Year ended 31 December 2000									
At start of year		1,815	2	3,616		3,490	181	-	9,104
Underprovision for deferred tax in prior years		-	-	(137)		-	-	-	(137)
Depreciation transfer		-	-	(367)		367	-	-	-
Deferred tax on depreciation transfer		-	-	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	7	-	-	-		-	(181)	-	(181)
- interim for 2000	7	-	-	-		(91)	-	-	(91)
- proposed final for 2000	7	-	-	-		(181)	181	-	-
Balance at 31 December 2000		1,815	2	3,222		3,764	181	(3)	8,981
Year ended 31 December 2001									
At start of year									
- as previously reported		1,815	2	3,222	-	3,764	181	(3)	8,981
- effect of adopting IAS 39		-	-	-	(73)	-	-	-	(73)
As restated		1,815	2	3,222	(73)	3,764	181	(3)	8,908
Revaluation of land, buildings plant and machinery		-	-	1,953	-	-	-	-	1,953
Deferred tax on revaluation surplus		-	-	(586)	-	-	-	-	(586)
Depreciation transfer		-	-	(276)	-	276	-	-	-
Deferred tax on depreciation transfer		-	-	83	-	(83)	-	-	-
Revaluation surplus released on disposal		-	-	(2)	-	2	-	-	-
Deferred tax on disposals		-	-	1	-	(1)	-	-	-
Minority interest share of net revaluation surplus of subsidiary	10	-	-	(282)	-	-	-	-	(282)
Translation loss		-	-	-	-	-	-	(48)	(48)
Fair value gain		-	-	-	59	-	-	-	59
Net gains/(losses) not recognised in income statement		-	-	891	59	194	-	(48)	1,096
Profit attributable to shareholders		-	-	-	-	731	-	-	731
Dividends:									
- final for 2000	7	-	-	-	-	-	(181)	-	(181)
- interim for 2001	7	-	-	-	-	(136)	-	-	(136)
- proposed final for 2001	7	-	-	-	-	(272)	272	-	-
At end of year		1,815	2	4,113	(14)	4,281	272	(51)	10,418

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2001

	Notes	Share capital Shs'million	Capital redemption reserve Shs'million	Revaluation reserves Shs'million	Fair Value reserves Shs'million	Retained earnings Shs'million	Proposed dividends Shs'million	Total Shs'million
Year ended 31 December 2000								
At start of year		1,815	2	3,616		3,294	181	8,908
Underprovision for deferred tax in prior years		-	-	(137)		-	-	(137)
Depreciation transfer		-	-	(367)		367	-	-
Deferred tax on depreciation transfer		-	-	110		(110)	-	-
Net gains/(losses) not recognised in income statement		-	-	(394)		257	-	(137)
Net profit after tax		-	-	-		584	-	584
Dividends:								
-final for 1999	7	-	-	-		-	(181)	(181)
-interim for 2000	7	-	-	-		(91)	-	(91)
-proposed final for 2000	7	-	-	-		(181)	181	-
At end of year		1,815	2	3,222		3,863	181	9,083
Year ended 31 December 2001								
At start of year								
- as previously stated		1,815	2	3,222	-	3,863	181	9,083
- effect of adopting IAS 39		-	-	-	(73)	-	-	(73)
- as restated		1,815	2	3,222	(73)	3,863	181	9,010
Revaluation of land and buildings, plant and machinery		-	-	563	-	-	-	563
Deferred tax on revaluation surplus		-	-	(169)	-	-	-	(169)
Depreciation transfer		-	-	(227)	-	227	-	-
Deferred tax on depreciation transfer		-	-	68	-	(68)	-	-
Revaluation surplus released on disposal		-	-	(2)	-	2	-	-
Deferred tax on disposals		-	-	1	-	(1)	-	-
Fair value gain		-	-	-	59	-	-	59
Net gains/(losses) not recognised in income statement		-	-	234	59	160	-	453
Net profit after tax		-	-	-	-	643	-	643
Dividends:								
-final for 2000	7	-	-	-	-	-	(181)	(181)
-interim for 2001	7	-	-	-	-	(136)	-	(136)
-proposed final for 2001	7	-	-	-	-	(272)	272	-
At end of year		1,815	2	3,456	(14)	4,258	272	9,789

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2001

	Notes	2001 Shs'million	2000 Shs'million
Operating activities			
Cash generated from operations	25	**2,479**	1,149
Interest received		**2**	5
Interest paid		**(217)**	(269)
Tax paid		**(285)**	(363)
Net cash from operating activities		**1,979**	522
Investing activities			
Purchase of property, plant and equipment and capital work in progress		**(637)**	(836)
Purchase of investments	17	**-**	(192)
Proceeds from disposals of property, plant and equipment		**9**	8
Net cash used in investing activities		**(628)**	(1,020)
Financing activities			
Proceeds from long-term borrowings		**-**	501
Proceeds from short term borrowings		**-**	78
Dividends paid to group shareholders		**(317)**	(272)
Dividends paid to minority shareholders		**-**	(151)
Dividends received		**11**	-
Repayments of borrowings from minority shareholders		**(140)**	-
Repayments of bank borrowings		**(595)**	(35)
Net cash (used in)/generated from financing activities		**(1,041)**	121
Increase/(decrease) in cash and cash equivalents		**310**	(377)
Movement in cash and cash equivalents			
At start of year	21	**(447)**	(70)
Increase/(decrease)		**310**	(377)
Effects of exchange rate changes on cash and cash equivalents		**(31)**	-
At end of year	21	**(168)**	(447)

ACCOUNTING POLICIES

For the year ended 31 December 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) and prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, and the carrying of available-for-sale investments at fair values.

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, are consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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 the translation reserve. 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 16.

c) Revenue recognition

Sales are recognised upon delivery of products to customers and performance of services, 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. Dividends are recognised as income in the period in which they are declared.

d) 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.

e) Investments

The company adopted IAS 39 at 1 January 2001 and classified its investments into available-for-sale investments and originated loans. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designations on a regular basis as follows:

(i) Investments intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

(ii) Non-equity investments purchased in the primary market (i.e. directly from the issuer) are classified as originated loans.

ACCOUNTING POLICIES (continued)

For the year ended 31 December 2001

e) Investments (continued)

All purchases and sales of investments are recognised on the trade date, which is the date the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value, whilst originated loans are carried at amortised cost using the effective yield method. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in a separate reserve in equity. On disposal the whole of the realised gain or loss is recognised in the profit and loss account.

Prior to the adoption of IAS 39 the company had recorded its marketable securities at cost less provision for permanent diminution in value.

f) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Land, buildings, plant and machinery are subsequently shown at revalued amounts, based on valuations by external independent valuers, less subsequent depreciation. The valuations are carried out approximately every five years. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Leasehold land	Period of lease
Buildings, plant and machinery	19 - 20 years
Equipment and mobile plant	3 - 10 years

Freehold land is not depreciated as it is deemed to have an indefinite life.

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 amortised invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

ACCOUNTING POLICIES (continued)

For the year ended 31 December 2001

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 enacted or 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 by contributions from both the company and employees.

The group's contributions to the defined contribution scheme 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 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) Restructuring provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the company becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the company are not provided in advance.

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 to changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of IAS 39, which the company has implemented in the year.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2001

1 Segment Information

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

- Kenya
- Uganda.

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

Year ended 31 December 2001
All figures in Kshs million

	Kenya	Uganda	Group
Revenues	6,453	2,441	8,894
Operating profit	1,023	534	1,557
Segment assets	11,622	3,608	15,230
Non-segment assets			367
Total assets			15,597
Segment liabilities	1,303	845	2,148
Non-segment liabilities			3,031
Total liabilities			5,179

Year ended 31 December 2000

	Kenya	Uganda	Group
Revenues	5,790	1,920	7,710
Operating profit	384	504	888
Segment assets	11,304	2,416	13,720
Non-segment assets			417
Total assets			14,137
Segment liabilities	2,598	626	3,224
Non-segment liabilities			1,932
Total liabilities			5,156

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.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

2 Operating profit

The following items have been charged in arriving at operating profit:	GROUP 2001 Shs'million	2000 Shs'million
Depreciation on property, plant and equipment (Note 14)	**703**	744
Amortisation of goodwill (Note 18)	**50**	50
Auditors' remuneration	**6**	6

3 Staff costs

The following items are included within staff costs:

	2001	2000
Social security costs	**10**	14
Pension costs - defined contribution plans	**31**	23
Service gratuity	**34**	8

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

	GROUP 2001 Number	2000 Number
Full time	**1,006**	1,113
Casuals	**362**	464
	1,368	1,577

4 Finance costs/income

	GROUP 2001 Shs'million	2000 Shs'million
Interest income	**2**	5
Dividend income	**4**	-
Net foreign exchange gains/(losses)	**15**	(115)
Interest expense	**(217)**	(269)
Bank charges	**(21)**	(22)
	(217)	(401)

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

5 Tax

	GROUP	
	2001	2000
	Shs'million	Shs'million
Current tax	**362**	151
Deferred tax (Note 12)	**191**	(17)
Over provision in prior years	-	(17)
Tax charge	**553**	117

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

	GROUP	
	2001	2000
	Shs'million	Shs'million
Profit before tax	**1,340**	487
Tax calculated at the domestic rates applicable to profits in the country concerned	**402**	146
Tax effect of:		
Income not subject to tax	**(2)**	(45)
Expenses not deductible for tax purposes	**76**	33
Under/(over) provision in prior years	**77**	(17)
Tax charge	**553**	117

6 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.

	2001	2000
Net profit attributable to shareholders (Shs million)	**731**	289
Weighted average number of ordinary shares (million)	**363**	363
Basic earnings per share (Shs)	**2.01**	0.80

There were no potentially dilutive shares outstanding at 31 December 2001 or 31 December 2000.

7 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the annual general meeting to be held on 3 May 2002, a final dividend in respect of the year ended 31 December 2001 of Shs 0.75 per share amounting to a total of Shs 272 million is to be proposed. During the year an interim dividend of Shs 0.37 per share, amounting to a total of Shs 136 million was paid. The total dividend for the year is therefore Shs 1.12 per share (2000: Shs 0.75 per share), amounting to a total of Shs 408 million (2000: Shs 272 million).

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

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

8 Share capital

	2001 Shs'million	2000 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		
362,959,025 (2000: 362,950,925) ordinary shares of Shs 5 each	**1,815**	1,815

9 Revaluation reserves

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

10 Minority interest

	2001 Shs'million	2000 Shs'million
At start of year	**196**	261
Share of profit	**56**	81
Dividends paid	**-**	(151)
Share of revaluation surplus	**282**	-
	534	191
Translation (loss)/gain	**(16)**	5
At end of year	**518**	196

11 Borrowings

	GROUP 2001 Shs'million	GROUP 2000 Shs'million	COMPANY 2001 Shs'million	COMPANY 2000 Shs'million
The borrowings are made up as follows:				
Non-current				
Bank loan	**235**	923	**235**	688
Loan from minority shareholder	**122**	262	**-**	-
	357	1,185	**235**	688
Current				
Bank overdraft	**500**	860	**50**	663
Bank loan	**171**	78	**114**	78
	671	938	**164**	741
Total borrowings	**1,028**	2,123	**399**	1,429

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

11 Borrowings (continued)

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

Weighted average interest rates at year end were:

	GROUP	COMPANY
- bank overdrafts - local currencies	14%	11%
- bank loans - US Dollar	4%	4%
- bank loans - local currencies	13%	13%
- loan from minority shareholders – US Dollar	11%	-

In the opinion of directors the carrying amounts approximate to 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	
	2001	2000	**2001**	2000
	Shs'million	Shs'million	**Shs'million**	Shs'million
Maturity of non current borrowings:				
Between 1 and 2 years	**357**	1,185	**235**	688

Borrowing facilities

The group has the following undrawn committed borrowing facilities:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	Shs'million	Shs'million	**Shs'million**	Shs'million
Floating rate				
- expiring within one year	**1,048**	348	**1,013**	301
- expiring beyond one year	**-**	-	**-**	-
	1,048	348	**1,013**	301

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2002.

The borrowing facilities consist of cash, letters of credit and guarantees. At the year end Shs 208 million (2000: Shs 307 million) related to guarantees given on behalf of the company by its bankers to third parties in the normal course of business.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

12 Deferred tax

Deferred taxes are calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2000: 30%). The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2001 Shs'million	2000 Shs'million	**2001 Shs'million**	2000 Shs'million
At start of year	**1,736**	1,616	**1,762**	1,634
Underprovision in prior years	**-**	137	**-**	137
Income statement charge/(credit) (Note 5)	**191**	(17)	**21**	(9)
Asset revaluation effect	**586**	-	**169**	-
At end of year	**2,513**	1,736	**1,952**	1,762

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

	1.1.01 Shs'million	Charged/ (credited) to P/L Shs'million	Charged/ (credited) to equity Shs'million	31.12.01 Shs'million
Deferred tax liabilities				
Property, plant and equipment				
- on historical cost basis	627	244	-	871
- on revaluation surplus	1,264	(83)	586	1,767
Unrealised exchange gains/(loss)	29	(17)	-	12
	1,920	144	586	2,650
Deferred tax assets				
Provisions	(65)	(13)	-	(78)
Other deductible temporary differences	(119)	60	-	(59)
	(184)	47	-	(137)
Net deferred tax liability	1,736	191	586	2,513

COMPANY

	1.1.01 Shs'million	Charged/ (credited) to P/L Shs'million	Charged/ (credited) to equity Shs'million	31.12.01 Shs'million
Deferred tax liabilities				
Property, plant and equipment				
- on historical cost basis	529	110	-	639
- on revaluation surplus	1,264	(68)	169	1,365
Unrealised exchange gains/(loss)	29	(17)	-	12
	1,822	25	169	2,016
Deferred tax assets				
Provisions	(53)	(7)	-	(60)
Other deductible temporary differences	(7)	3	-	(4)
	(60)	(4)	-	(64)
Net deferred tax liability	1,762	21	169	1,952

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

12 Deferred tax (continued)

In addition, deferred tax for the group of Shs 83 million (2000: Shs 110 million) and for the company of Shs 68 million (2000: Shs 110 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	Long service awards Shs'million	Restructuring provision Shs'million	Total Shs'million
At start of year	151	9	-	160
Additional provisions	34	-	65	99
Utilised during the year	(13)	(1)	(50)	(64)
At end of year	172	8	15	195
Less: current portion	-	-	15	15
Non current portion	172	8	-	180

COMPANY

	Service gratuity Shs'million	Long service awards Shs'million	Restructuring provision Shs'million	Total Shs'million
At start of year	141	9	-	150
Additional provisions	32	-	35	67
Utilised during the year	(11)	(1)	(20)	(32)
At end of year	162	8	15	185
Less: current portion	-	-	15	15
Non-current portion	162	8	-	170

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.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

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	1,657	16,941	600	1,034	20,232
Revaluation	291	(7,636)	-	-	(7,345)
Exchange differences	-	(2)	-	-	(2)
Additions	25	621	155	76	877
Disposals	-	(2)	(2)	(103)	(107)
At end of year	1,973	9,922	753	1,007	13,655
Depreciation					
At start of year	132	9,237	318	725	10,412
Revaluation	(77)	(9,221)	-	-	(9,298)
Exchange differences	(1)	(2)	(1)	-	(4)
Charge for the year	43	476	101	83	703
On disposals	-	-	(2)	(102)	(104)
At end of year	97	490	416	706	1,709
Net book amount					
At 31 December 2001	1,876	9,432	337	301	11,946
At 31 December 2000	1,525	7,704	282	309	9,820

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	1,233	15,745	498	920	18,396
Revaluation	(11)	(8,541)	-	-	(8,552)
Additions	19	486	84	60	649
Disposals	-	-	(2)	(102)	(104)
At end of year	1,241	7,690	580	878	10,389
Depreciation					
At start of year	67	9,047	288	693	10,095
Revaluation	(67)	(9,047)	-	-	(9,114)
Charge for the year	16	388	73	64	541
On disposals	-	-	(2)	(100)	(102)
At end of year	16	388	359	657	1,420
Net book amount					
At 31 December 2001	1,225	7,302	221	221	8,969
At 31 December 2000	1,166	6,698	210	227	8,301

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

14 Property, plant and equipment (continued)

The Group's land, buildings, plant, and machinery were revalued on 1 January 2001. Land and buildings were valued by independent valuers. The valuation of plant and machinery was carried out by engineers and consultants of a related company.

Land and buildings were revalued on the basis of depreciated reinstatement value. Plant and machinery were revalued on a depreciated replacement cost basis. The revaluation surplus, net of the applicable deferred income taxes was credited to the revaluation reserve in shareholders' equity.

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

	GROUP		COMPANY	
	2001 Shs'million	2000 Shs'million	**2001 Shs'million**	2000 Shs'million
Cost	**8,092**	7,209	5,974	5,368
Accumulated depreciation	**(2,308)**	(1,875)	(1,826)	(1,553)
Net book amount	**5,784**	5,334	4,148	3,815

Bank borrowings are secured on properties to the value of Shs 1,114 million.

15 Capital work in progress

Capital work in progress relates primarily to plant modifications in progress at year end. No depreciation has been charged on these assets.

16 Investments in subsidiaries

The following is a listing of the subsidiaries:

	Holding %	GROUP 2001 Shs'million	GROUP 2000 Shs'million	COMPANY 2001 Shs'million	COMPANY 2000 Shs million
Simbarite Limited	100	-	-	**53**	53
Less:impairment provision		-	-	**(22)**	(22)
				31	31
Bamburi Special Products Ltd	100	-	-	**20**	20
Bamburi Cement Ltd, Uganda	100	-	-	-	-
Himcem Holdings Ltd, Channel Islands	100	-	-	**911**	911
Baobab Farm Ltd	100	-	-	**5**	5
Diani Estate Ltd	100	**1**	1	**1**	1
Whistling Pines Ltd	100	**1**	4	-	-
Kenya Cement Marketing Ltd	50	-	-	-	-
Portland Mines Ltd	50	-	-	-	-
Seruji Management Ltd, Channel Islands	100	-	-	-	-
		2	5	**968**	968

Except where indicated above, the subsidiaries are incorporated in Kenya.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

16 Investments in subsidiaries (continued)

Himcem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, incorporated in Uganda.

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 directors' opinion, consolidation of these subsidiaries would be of no real value to the members in view of the insignificant amounts involved.

17 Other equity investments

	2001 Shs'million	2000 Shs'million
Available-for-sale investments		
- Quoted equity shares	**373**	202
- Convertible bond	**-**	192
	373	394

The bond was converted in May 2001 to ordinary shares.

Available-for-sale investments are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market of similar instruments or by reference to the discounted cash flows of the underlying net assets.

The market value of the quoted equity shares at 31 December 2001 was Shs 215 million. However, the directors are of the opinion that since small volumes are traded relative to the number of shares held by the company the quoted prices are not indicative of the fair value of the shares and have therefore adopted a different methodology in fair valuing these investments. This method is based on a value per tonne of capacity of the cement plants of the companies in which the group has invested.

The movement in available-for-sale investments is as follows:

	2001 Shs'million	2000 Shs'million
At start of year	**394**	202
Additions	**-**	192
Dividends received out of pre-acquisition profits	**(7)**	-
Fair value loss	**(14)**	-
	373	394

Prior to the adoption of IAS 39 the company had recorded its marketable securities at cost less provision for permanent diminution in value. Following the adoption of IAS 39 on 1 January 2001, fair value gains/losses on available-for-sale investments are included in a separate reserve in equity. In accordance with IAS 39, the movement in reserves for the year ended 31 December 2000 has not been restated.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS** (continued)

For the year ended 31 December 2001

18 Goodwill

	GROUP	
	2001	**2000**
	Shs'million	**Shs'million**
On acquisition of subsidiary	**503**	503
Amortisation		
At start of year	**86**	36
Charge for the year	**50**	50
At end of year	**136**	86
Net carrying value	**367**	417

19 Inventories

	GROUP		COMPANY	
	2001	**2000**	**2001**	**2000**
	Shs'million	**Shs'million**	**Shs'million**	**Shs'million**
Raw materials	**313**	344	**191**	165
Consumables and spare parts	**952**	876	**725**	652
Finished goods	**166**	105	**139**	76
Fuel and packaging	**169**	199	**158**	174
Other	**2**	2	**-**	-
	1,602	1,526	**1,213**	1,067

Consumables and spare parts are carried at cost less a provision for obsolete and slow moving items. All other inventories are carried at cost.

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2001

20 Receivables and prepayments

	GROUP		COMPANY	
	2001 Shs'million	2000 Shs'million	**2001 Shs'million**	2000 Shs'million
Trade receivables	**648**	747	**366**	429
Less: provision for doubtful debts	**(130)**	(59)	**(89)**	(34)
	518	688	**277**	395
Other receivables and prepayments	**146**	322	**106**	280
Receivables from related companies (Note 26)	**91**	117	**461**	691
	755	1,127	**844**	1,366

21 Cash and cash equivalents

	GROUP		COMPANY	
	2001 Shs'million	2000 Shs'million	**2001 Shs'million**	2000 Shs'million
Cash at bank and in hand	**331**	341	**253**	32
Short term bank deposits	**1**	72	**-**	68
	332	413	**253**	100

The weighted average effective interest rate on short-term bank deposits at the year end was 5% (2000: 3%).

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at 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. The year end cash and cash equivalents comprise the following:

	GROUP	
	2001 Shs million	2000 Shs million
Cash and bank balances above	**332**	413
Bank overdrafts (Note 11)	**(500)**	(860)
	(168)	(447)

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2001

22 Payables and accrued expenses

	GROUP		COMPANY	
	2001	**2000**	**2001**	**2000**
	Shs'million	**Shs'million**	**Shs'million**	**Shs'million**
Trade payables	[illegible]	577	[illegible]	455
Other creditors and accrued expenses	[illegible]	339	[illegible]	202
Amounts due to related companies (Note 26)	7	23	6	26
	821	939	[illegible]	683

23 Contingent liabilities

At 31 December 2001 the group had given guarantees amounting to Shs 31 million (2000: 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:

	GROUP	
	2001	**2000**
	Shs'million	**Shs'million**
Property, plant and equipment	[illegible]	89

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2001

25 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	GROUP	
	2001	2000
	Shs'million	Shs'million
Profit before tax	**1,340**	487
Adjustments for:		
Depreciation (Note 14)	**703**	744
(Gain)/Loss on sale of property, plant and equipment	**(6)**	2
Interest income (Note 4)	**(2)**	(5)
Dividend income (Note 4)	**(4)**	-
Interest expense (Note 4)	**217**	269
Service gratuity provision	**29**	7
Provision for permanent diminution of an investment	**3**	1
Amortisation of goodwill (Note 18)	**50**	50
Unrealised exchange (gains)/losses	**(35)**	101
Changes in working capital		
- receivables and prepayments	**346**	27
- inventories	**(76)**	(88)
- payables and accrued expenses	**(102)**	(381)
- provisions for liabilities and charges	**6**	4
- net amounts due from related parties	**10**	(69)
Cash generated from operations	**2,479**	1,149

NOTES FORMING PART OF THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2001

26 Related party transactions

The group is controlled by Bamcem Holdings Limited, incorporated in the Channel Islands. The ultimate parent of the group is Lafarge SA, incorporated in France. There are other companies which are related to Bamburi Cement Limited through common shareholdings or common directorships.

In the normal course of business the group sells cement to an associate of its ultimate shareholder. These sales represented approximately 4% of the group's sales volume during the year (2000: 7%).

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

The following transactions were carried out with related parties:

	GROUP	
	2001 Shs'million	**2000 Shs'million**
Sales of goods and services	**[illegible]**	533
Purchases of goods and services	**107**	83

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	
	2001 Shs'million	**2000 Shs'million**	**2001 Shs'million**	**2000 Shs'million**
Receivables from related parties	**91**	117	**84**	101
Receivables from subsidiaries	**-**	-	**377**	590
	91	117	**461**	691
Payables to related parties	**7**	23	**5**	26
Loans to directors				
At start of year	**4**	6	**4**	6
Loans advanced during the year	**-**	-	**-**	-
Loan repayments received	**(2)**	(2)	**(2)**	(2)
At end of year	**2**	4	**2**	4

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

Directors' remuneration:

	GROUP	
	2001 Shs'million	**2000 Shs'million**
- Fees	**6**	4
- Other	**49**	49

SHAREHOLDERS INFORMATION

For the year ended 31 December 2001

Major shareholders with shareholdings greater than 0.5%

Name of shareholder	No. of shares at 31.12.01	% of issued share capital	
		31.12.01	31.12.00
[redacted]			
TOTAL	362,959,025	100	100

Moi International Airport, Mombasa

As Kenya's second largest airport, Moi International Airport, Mombasa is fast becoming an important hub. The airport receives both international and local flights channeling thousands of local and domestic tourists as well as business travellers to and from the coast daily further enhancing the importance o Mombasa as a tourist destination. The new wing was completed in 1994 using Bamburi cement