BAMBURI: A RESPONSIBLE CORPORATE CITIZEN

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IAIRMAN'S STATEMENT

Our results show a remarkable improvement compared to 2001.

02 was a watershed year for Kenya as it involved the first political transition in the multi-party era. e country conducted what has been billed as one of the most peaceful and fair elections in this part the world. A united opposition delivered a majority victory against the incumbent ruling party both the presidential and parliamentary elections. A new government has been sworn in with an avowed cus on economic growth, reconstruction and eradication of the twin evils of poverty and corruption. addition the constitution review process will hopefully be completed promptly and successfully. conomic activity during the year however, remained sluggish with the GDP growing at 0.7% compared the projected 2%. The continued standoff with donors as well as uncertainties relating to the eneral election dampened economic activity, but favourable climatic conditions spurred growth in e agricultural sector, which led to the modest growth in overall GDP. In Uganda, political pressure ontinues to build on the succession of the President, as well as the role of political parties, which are urrently regulated. The economy performed well realising a 5% growth compared with the projected % in spite of continued involvement in the conflict torn Great Lakes region and internal insecurity in ne north, which strained sustainable development by diverting resources meant for developmental investment.

n Kenya the cement market grew by 9% compared to consumption in 2001 due to increased domestic building and construction projects. Public sector consumption experienced a slow down because of the government's budgetary constraints. Kenyan export sales into Inland Africa grew mainly as a result of the growth in the Uganda market. Offshore sales were similar to last year with continuing competitive pressure from the Far East. The Uganda market grew by 8%, reflecting the continued economic growth in that country while exports to Eastern Congo increased marginally.

During the year there was increased progress on the initiatives started in 2001 under the aegis of the East African Cement Producers Association (EACPA). The EACPA successfully championed the adoption and implementation of the EN standards regime for cement in East Africa. These standards have also been endorsed at the East African Community level. We continue to work with various government departments to develop standards for use of cement in road construction. We believe that this initiative could significantly improve the quality and cost of the region's road network. We are also pursuing development of low cost housing options. Further, we have been at the forefront of sensitising the government on the need to create a level playing field in the framework of regional competition. The continuing process of integrating the three East African countries into the East African Community, as well as integrating into the wider COMESA trading bloc is expected to increase access to regional markets for local products leading to increased investment in the local economies. However the exercise has to take into consideration the impact of the weaknesses of the regional economies brought about by significant infrastructural shortcomings, which stifle international competitiveness. Key concerns continue to be the high cost of power and its variable quality, heavy taxes on fuel and the poor state of roads and rail, which affect logistics costs. These issues must continue to be addressed if we are to make East Africa competitive. We have also assisted in the establishment of draft environmental standards for the industry in East Africa. These standards are expected to be agreed and finalised in the course of 2003.

Our results show a remarkable improvement compared to 2001. Operating profit of kshs 2.2 billion is 38% ahead of last year. These satisfactory results are attributed to improving trading conditions in both our markets in Kenya and Uganda, reasonably stable currency

regime in the region, comparatively lower electricity prices in 2002 especially in Kenya as well as lower operating costs arising from benefits of investments and restructuring carried out over the last five years.

Being part of an international group demands that we aim at being world-class in all areas of operation. We remain committed to the concepts of good corporate governance, sound business ethics and corporate social responsibility. To this end we continue to monitor and improve the quality of reporting and management of our affairs and implement as appropriate the Capital Market Authority's recommendations on improving corporate governance. As part of our responsiveness to the environment in which we operate, we are involved in social projects in education through bursaries and assistance to school building projects and health sectors targeting for example HIV and Malaria. We continue to ensure that our policies and working environment with respect to our employees measure up to international standards. In Kenya we have extended our assistance to retrenched staff by availing borrowing facilities at affordable rates to enable them set up businesses, generate income and in turn create employment opportunities. We hope to be able to replicate this in Uganda in the coming year. We are also at the forefront of environmental awareness, and some of our activities in the region have provided the benchmark for rehabilitation activities within the Lafarge group. Lafarge in 2001 signed an understanding on environmental issues with WWF and in East Africa; we are progressing with the implementation of this.

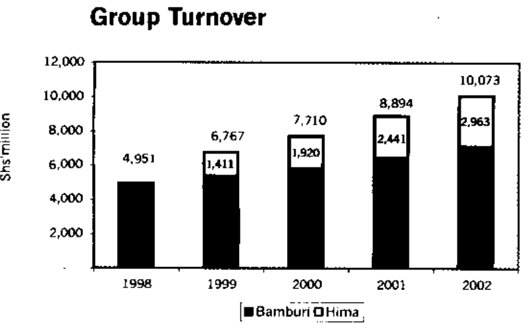
Finally, I would like to thank the entire staff in the group for their unstinting hard work and dedication, which has produced very good results. I would also like to recognise the continued strong support and contribution I receive from the Board.

Richard Kemoli
Chairman

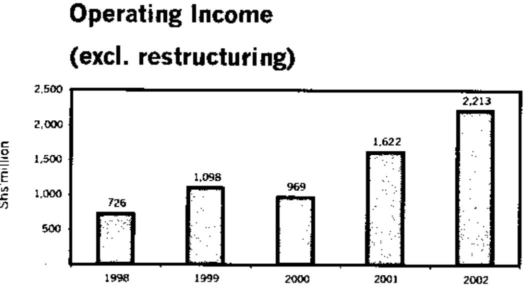
The Kiembeni Road, connecting Kisauni to the Mombasa - Malindi Road, was constructed by Bamburi Cement Limited.

FIVE YEAR PERFORMANCE GRAPHS

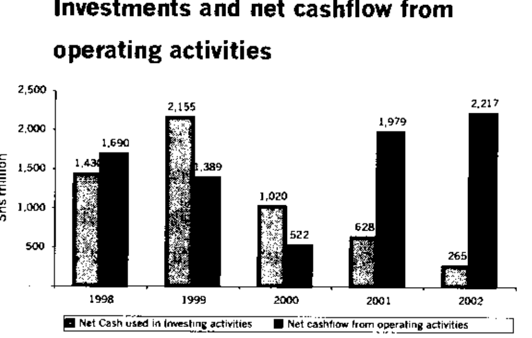
Group Turnover



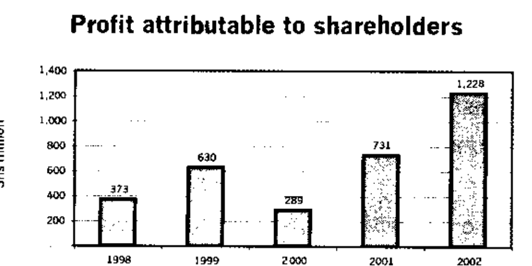
Operating Income (excl. restructuring)



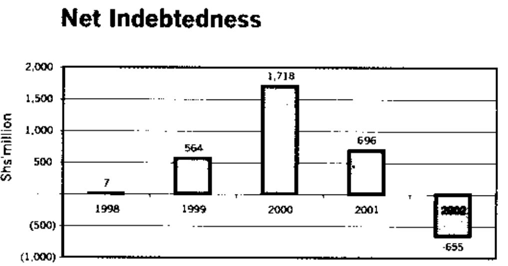
Investments and net cashflow from operating activities



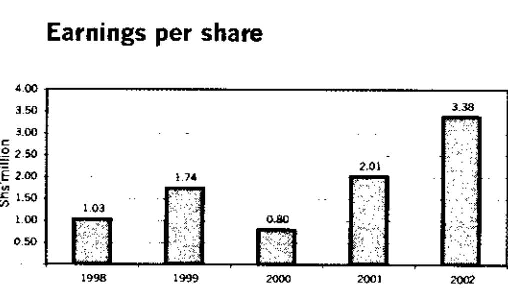
Profit attributable to shareholders



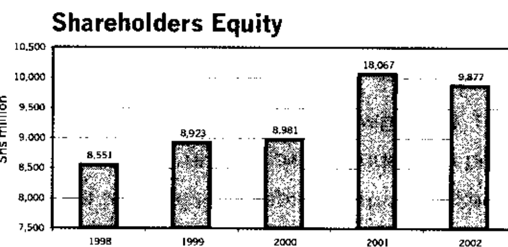
Net Indebtedness



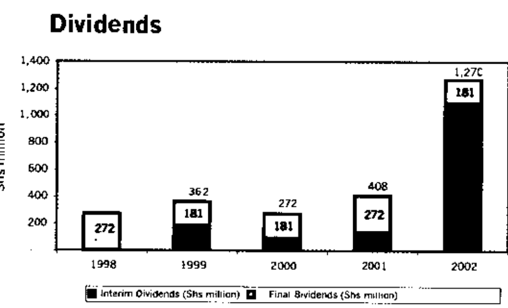
Earnings per share



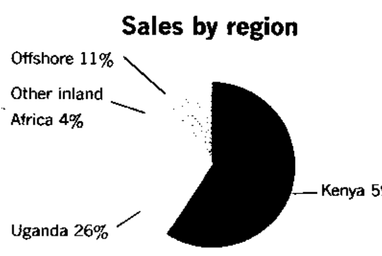
Shareholders Equity



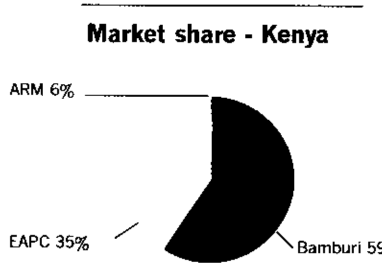
Dividends



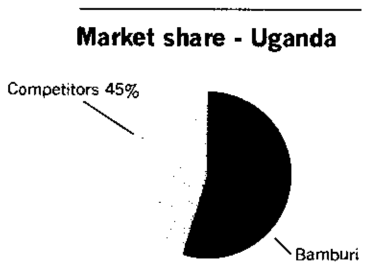
Sales by region



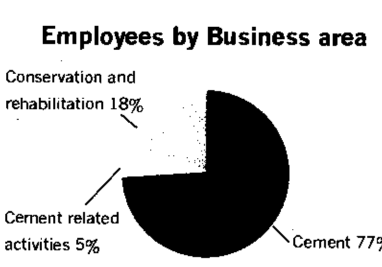
Market share - Kenya



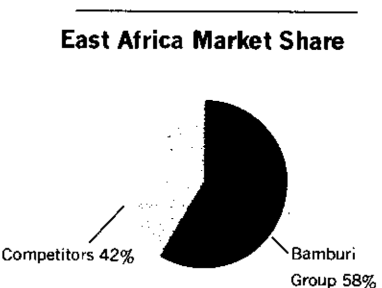
Market share - Uganda



Employees by Business area



East Africa Market Share



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BAMBURI CEMENT LIMITED

Economy

Available data on selected key indicators for the first nine months of 2002 indicate that real GDP expanded by an annualised growth of 0.7% compared with 0.8% in the same period in 2001. The slow pace of recovery could be attributed to uncertainty related to the just concluded general elections, poor infrastructure and inefficient power supply.

The achieved growth was largely supported by improved activities in agriculture, manufacturing and service sectors. Favourable weather conditions, boosted agricultural production, which combined with the stability of the local currency and interest rates together with low inflation to improve economic conditions.

Sales

Our sales revenue increased by 16% over the previous year on the back of the 9% growth on the domestic cement market coupled with a higher market share and a better price realisation in a stable currency environment. In addition our exports to inland Africa, mainly Uganda were higher taking advantage of the growth in demand in that market. Exports to the Indian Ocean islands remained at 2001 levels as competitive pressure in these markets was sustained.

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

The improvement in domestic sales and market share can be attributed to our improved market presence, which ensured an increase in availability of cement throughout the country. Marketing initiatives as well as increased visibility in the market place strengthened our market leadership position leading to an increase in our market share. During the year, we launched our new brands "Nguvu" and "Powerplus" aimed at easing consumer choice, by distinguishing cement on the basis of its application, rather than the traditional description based on ingredients. We have also fully complied with the EN standards.

We bolstered the Product Development Department by launching th Building Information Centre, which provides a one-stop constructio information shop for our customers. On the concrete roads an low cost housing initiatives we continued working closely with th relevant government and private sector authorities on defining th opportunities that exist for these products in Kenya. These initiative we believe hold the key to the future growth of our industry in th region.

Operations

Mombasa plant

The plant revamping exercise carried out in the last five or so year continued to bear dividends through improved plant performanc Compared to last year, commendable improvements were registere in higher clinker production, increased kiln output, improved kil reliability, lower electricity consumption and a switch to limeston based cement. Variable costs of production fell in line with the abo improvements and in addition benefited significantly from lowe power prices prevailing in 2002 as good weather conditions enable stable generation of cheaper hydroelectric power.

Production fixed costs however, increased mainly due to maj maintenance work carried out on kiln one in order to meet th high clinker requirements. On the capital expenditure and maj maintenance fronts, most projects planned for the year have eith been or will be completed in early 2003. The main investments we on petcoke conversion, power distribution rearrangement and ki one automation.

Nairobi grinding plant

Compared to last year, significant performance improvemen were noted in virtually all indicators but most notably in m output, power consumption, reliability and percentage of additi For the second year running key design criteria were exceeded the area of milling output, grinding kWh/t and in the cement clinker ratio. This means that from a technical standpoint, t investment was a sound one in that the specifications have be exceeded.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Safety

In 2002 we achieved a milestone in the safety field when both our plants achieved in excess of two years without Lost Time Accident (LTA). Despite these great results, safety continues to be a key focus, with initiatives being launched to ensure that we create a safe working environment not only for our staff but also our contractors.

Personnel

With the investments made in automation, and the effect of depressed economic 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 though at the same time, we have recruited staff in key areas to strengthen our organisation. We took a major step in March 2002 relocating our Corporate office to Nairobi. This has enabled us to be more centrally located, and closer to key business contacts.

Outlook

With the successful and peaceful political transition, prospects for economic recovery look favourable and will be driven by agriculture and other related sectors. The recovery will be supported by the increased access to the wider regional markets within the East African Community (EAC) and COMESA and other preferential trade arrangements, such as AGOA. Of significance however, is the increased donor confidence following the outcome of the General Elections. The new government has promised to fight corruption, implement economic reforms, put in place effective measures to spur economic growth as well as strive to turn around the country's key parastatals e.g. Kenya Power & Lighting Company Limited and Kenya Railways Corporation. This should restore donor confidence leading to the resumption of lending to the country and its key institutions. In general, there is renewed confidence in the economy and although we do not expect immediate prosperity, there is optimism that it will accrue in the medium to long term.

HIMA CEMENT LIMITED

Economy

The economy grew by 5.6% in 2002 against a target of 7%. Most of this growth was driven by the construction and communication sectors with other sectors showing little growth. However, over economic conditions remained favourable with good rainfall patter impacting positively on inflation and trading conditions in gener Inflation, which was considerably subdued in the early part of t year, picked up and ended at 5% by year-end due to price increas in fuel and food prices. The local currency depreciated by 6% in 200 again the steepest decline coming in the second half of the ye reflecting the negative effect of the high global prices of fuel.

The war in the northern part of Uganda escalated in the second pa of 2002 and took a significant toll on government resources ar economic activity. For example in October, the government was force to cut back 23% of each ministry's budget to finance this war.

Market

The domestic cement market grew by 8% compared to the 5.6 GDP growth. This growth was attributable to the large constructio projects undertaken by local authorities, mainly the primary schoo for the Universal Primary Education (UPE) programme and increasir expansion of the domestic homes sector.

Domestic sales

Our domestic revenues increased by 19% driven by a similar increase i domestic volumes of our two brands. Hima brand volumes rose by 5 while those of Bamburi brand increased significantly, as we took ove fully the management of Bamburi brand sales in Uganda, and takin advantage of the overall growth in demand and reflecting our improve focus on delivering and maintaining group market share at 55%. Th growth in sales of Hima brand were restricted by plant capacity, whic means that Bamburi brand filled the growth gap. We have also bee actively involved in repositioning our group brands in this marke Our branding campaign has been quite successful, and we have als changed our theme tag to "Realising our dreams" – an aspirational an emotional approach to marketing our product offering. We have als implemented the EN standards in line with UNBS requirements.

Prices

Domestic prices in real terms fell slightly following the depreciation o

the local currency. This was however, mitigated by an improved sales mix in favour of the higher realisation Western market as we opened up the upper west region to the Hima brand.

Exports

Export sales revenues grew by 15% compared to 2001 although the Eastern Congo and Rwanda markets remain a challenge and are unpredictable. We have had to contend with war in the Eastern Congo, an increase of taxes on Ugandan cement in Goma –Congo and face aggressive price competition in Rwanda.

Production

The plant's performance continued to improve as the company progressed with the implementation of various best practices. Production of clinker and cement increased in 2002 by 10% and 7% respectively although this was not enough to meet the increased domestic demand and as mentioned before we used Bamburi brand as filler. The plant energy and power efficiencies improved in 2002 and we were therefore able to record lower unit variable costs despite the increasing fuel oil costs.

Outlook

Demand is expected to grow further in the high single digit figures with the economy continuing to perform well subject to the resolution of the conflict in the north, and it's effect on government spending. This should ensure good utilisation of Hima and also provide a stable market for Bamburi brand. However, there are new entrants in the Uganda and export markets, and there is also capacity expansion by our key competitor. Additionally, the exchange rate depreciation has been significant in the last quarter of 2002, and the currency has remained weak in the first two months of 2003. This coupled with fuel price increases may have an effect on market demand. However, with our strengthened commercial organisation and with continued efficiency improvements at the plant, we expect to maintain our leadership status in Uganda and its 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 i the last two years to streamline its activities and revenue lines. It revenue was broadly similar to the previous year. We have howeve outsourced a number of activities that are non-core, and are reviewin the company's operations to realign it with its original strategi objective of providing our group with environmental managemer direction.

Bamburi Special Products Limited

The company manufactures paver blocks under the brand nam '*Bamburiblox*'. In 2002 it recorded improved results, and ha retained a respectable market share and reputation. Competiti pressures have however, increased as interest in the products is no widespread. With two lines in perfect shape, the company is reac to take advantage of the expected benefits of economic recovery a market awareness of quality and affordability picks up.

GROUP FINANCIAL RESULTS

Group results

Sales revenue for the group grew by 13% over 2001 driven largely b growth in our markets in Kenya and Uganda as well improved reven realisation in both countries. Our market share in the region improv reflecting our commercial leadership and sales and distribution focu Operating profit increased by 38% resulting from the higher sales ar cost control in both countries. In Kenya operating profit rose by 46 with the positive effect of higher sales and lower variable and oth operating costs arising from the benefits of investments carried o over the last five years as well as the relatively lower electricity price

Financing costs dropped drastically as the business generated healt cash flows enabling the repayment of debts in both countries. In Ken we are in a net cash position while in Uganda borrowing fell by ks 0.5 billion. Further, wherever we borrow we continued to benefit fro finer pricing negotiated with our bankers. The exchange loss is low line with the stability of the Kenya shilling while in Uganda despite t depreciation of the Uganda currency, we managed to contain the impa due to the reduction of the foreign denominated shareholder loans.

Group earnings per share grow to Kshs 3.38 compared to Kshs 2.01 in 2001.

Financing	Group		Company	
	2002	2001	2002	2001
	Kshs'million		Kshs'million	
Long term debt	-	357	-	235
Short term borrowing - net off cash balances	**(655)**	339	**(989)**	(89)
Total	**(655)**	696	**(989)**	146

At the financing level, the consolidated results show improvements in cash flows leading to a reduction in the level of gearing by kshs 1.4 billion. In Bamburi the net debt position fell by kshs 1.1 billion reflecting the improved operating results, good working capital management, lower level of investments and loan repayments by Hima. In Hima strong cash flows have meant that the net debt has dropped despite tax and shareholder loan repayments in excess of kshs 0.6 billion.

Cash flow - Consolidated

	2002	2001
	Kshs'million	Kshs'million
Cash at the beginning of the year	**(168)**	(447)
Cash from operations before tax	**2,812**	2,479
Net interest paid	**(52)**	(215)
Taxes Paid	**(543)**	(285)
Investing activities		
Purchase of fixed assets net of sales	**(294)**	(628)
Financing:		
Dividends received	**29**	11
Dividends to Bamburi shareholders	**(635)**	(317)
Repayment of borrowings from minorities in Hima	**(118)**	(140)
Loan repayments	**(406)**	(595)
Effects of exchange rate changes	**34**	(31)
Cash at the end of the year	**659**	(168)

Compared to 2001 strong cash flow generation and lower investme levels helped reduce the level of gearing for the group despite high dividend and tax payments.

Implementation of IAS 17

Due to the dynamic nature of Accounting Standards, there a frequent changes and improvements that entities need to impleme in preparation of financial statements. The key changes that ha taken place over the past year, which have actually been taken in account in preparation of the group financial statements for the ye ended 31 December 2002 are:

- renaming of International Accounting Standards (IAS) International Financial Reporting Standards (IFRS);
- enforcement of adoption of International Accounting Standa 17 in relation to accounting for interests in leasehold land, by th Institute of Certified Public Accountants of Kenya.

As a result of these changes, any references to Internation Accounting Standards in previous year's financial statements are no referred to as International Financial Reporting Standards.

As far as the adoption of IAS 17 is concerned, all the Group interests in leasehold land, previously carried under property, plar and equipment, have now been reclassified to 'long term prepayment titled "prepaid lease rentals" and are now carried in the balance shee at cost. Consequently, revaluation surpluses, amounting to kshs 50 million for the Group relating to leasehold land, have been reverse and charged against the related revaluation reserves.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Our Board and Executive Committee are committed to ensuring that our business is run according to the highest standards of corporate governance. The role of the Board is to assist in determining the Group direction and strategy, monitor the achievement of business objectives, ensure the group meets its responsibilities to its shareholders and that the control environment adequately protects the Group'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 ar such systems, controls can only provide reasonable and n absolute assurance against material misstatement or los The key features of the internal financial control system which operated throughout the period covered by the financi statements, are described below.

Our audit committee, which was set up in 1999 plays a k role in reinforcing these principles. The committee meets r less than four times per annum and additionally as require The committee's main duties are: to ensure that the systen

Above photo of Haller park, part of Bamburi Cement Limited's commitment to environmental protection.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY
(Continued)

of internal control are soundly conceived and effectively administered and to seek assurance that control systems are in place and regularly monitored; to define responsibilities of the internal control function; to review the financial statements and interim results and to review the findings of the external auditors.

There is a comprehensive budgeting system in place with a business plan approved by the Board in December each year. At every board meeting, management accounts containing actual and budget results and revised forecasts for the year are reviewed by 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 revenue and capital expenditure.

The Group has defined procedures and financial controls, including information systems 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-ordinati through the various companies in the group.

The Directors believe the company and the group ha adequate resources to continue in operational existence for t foreseeable future. For this reason, they continue to adopt t going concern basis in preparing the accounts. A statement directors' responsibilities in relation to the accounts appea on page 14.

We have also fully adopted International Financial Reporti Standards (IFRS) in line with the requirements of the Institu of Certified Public Accountants of Kenya. This should enhan the readership and understanding of published accounts f shareholders and other users.

In the communities we operate in, we have continued to l actively involved in sustainable developmental activities includi respect for the environment, outreach programmes on HIV/Ai and malaria as well as contribution to schools, health centre water wells and bursary schemes, among other communi development projects. In addition we have set up a scheme support retrenched staff set up businesses. This scheme avai affordable loans, business training as well as accounting ar progress monitoring to ensure business viability. Initial resul show that the scheme has picked up well.

In the area of Safety and Environment policies, we rema committed to meeting world class standards in our operation and have continued to reinforce compliance with local as well a international policies.

D Tresarrieu
Director
19th February 2003

D Njoroge
Director
19th February 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of the Ordinary Shareholders of Bamburi Cement Limited will be held in Mombasa at Nyali Beach Hotel, Malaika Room on Tuesday 20th May 2003 at 3.00 p.m. for the following purposes:

1 To table the proxies and to note the presence of a quorum.

2 To read the notice convening the meeting.

3 To receive the Chairman's statement, the Report of the Directors, and the Audited Accounts for the year ended 31 December 2002.

4 To declare dividends:
   a) Ratify the payment of the first and second interim dividends on 5th September 2002 and 21st January 2003 respectively.
   b) To declare a final dividend of 10% per ordinary share of Kshs. 5.00 for the financial year ended 31st December 2002 and accordingly approve the closure of the Register of Members from the close of business on 21st May 2003 to 30th May 2003.

5 To approve Directors' fees for 2003.

6 To elect directors:
   a) In accordance with the Company's Articles of Association Messrs. R. Kemoli, S.W Karanja, R.D Roy and D. Njoroge retire by rotation and being eligible, offer themselves for re-election.
   b) In accordance with Article 101 of the Company's Articles of Association, Mr. N.O Mogere who was appointed an additional Director on 14th October 2002, retires from office, and being eligible, offers himself for re-election.
   c) In accordance with Article 101 of the Company's Articles of Association Mr. E. Leo who was appointed an additional Director on 11th December 2002, retires from office, and being eligible, offers himself for re-election.

7 To note that Deloitte and Touche continue in office as Auditors in accordance with Section 159 (2) of the Companies Act and to authorise the Directors to fix their remuneration for 2003.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as a Special Resolution: "That the Articles of Association be amended as follows:
   i) By inserting the following new Article 1a) after Article 1
   "1a) The provisions of the Central Depositories Act 20 as amended or modified from time to time shall app to the company. In case of any conflict, the regulatio of the Central Depositories Act 2000 will prevail over t regulations contained in these Articles of Association."
   ii) By inserting the following new Article 12a) after Article 1
   "12a) The provisions of the Central Depositories A 2000 as amended or modified from time to time sh apply to the Company to the extent that any securiti of the Company are in part or in whole immobilis or dematerialised or are required by the regulations rules issued under the Central Depositories Act to immobilised or dematerialised in part or in whole, the case may be. For the purposes of these Articles Association, immobilisation and dematerialisation sh be construed in the same way as they are construed the Central Depositories Act."
   iii) By inserting the following new Article 26a) after Article 2
   "26a) Where any shares of the Company are forfeit pursuant to these Articles of Association after bei immobilised or dematerialised, the Company shall entitled to transfer such shares to a securities accou designated by the Directors for this purpose."

9. To transact any other business of the Company of which d notice has been received.

By order of the Board

Ms. B.A. Oluoch
Secretary
17th March 2003

A member entitled to attend and vote at the above meeting is entitled appoint a proxy, who need not be a member of the Company, to atte and vote in his stead. Proxy forms must be lodged at the registe office of the Company, P.O. Box 10921, 00100 Nairobi not less th 48 hours before the time of the meeting. A proxy form is provided w this report.

DIRECTORS AND PROFESSIONAL ADVISORS

EXECUTIVE DIRECTORS	D Tresarrieu, French	Managing Director, Bamburi Cement Limited
	M Ngunze, Kenyan	Managing Director, Hima Cement Limited
	R Thyaka, Kenyan	Commercial Director
	R Roy, Canadian	Operations Director
	D Njoroge, Kenyan	Finance Director
NON EXECUTIVE DIRECTORS	R Kemoli, Kenyan	Chairman
	J C Hillenmeyer, French	
	S W Karanja, Kenyan	
	G C D Groom, Kenyan	
	T Hadley, British	
	J C Kulei, Kenyan	Alternate C C Kisire, Kenyan
	N Mogere, Kenyan	
	J M Shiganga, Kenyan	
	E Leo, South African	

SECRETARY
Ms B A Oluoch, Kenyan
Kenya-Re Towers, Upper Hill, PO Box 10921, 00100, Nairobi

REGISTERED OFFICE
Kenya-Re Towers, Upper Hill, PO Box 10921, 00100, Nairobi

REGISTRARS
Chunga Associates, PO Box 41963, 00100, Nairobi

AUDITORS
Deloitte & Touche, "Kirungii", Ring Road, Westlands, P.O. Box 40092, Nairobi

PRINCIPAL BANKERS
Barclays Bank of Kenya Limited, Nkrumah Road Branch, PO Box 90182, Mombasa
Citibank N A, Nyerere Avenue, PO Box 83615, Mombasa
Standard Chartered Bank Uganda Limited, Speke Road Branch, 5 Speke Road, PO Box 7111, Kampala

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

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	Shs'million
Group profit before tax	2,083
Tax	(753)
Group profit after tax	1,330
Minority interest	(102)
Profit attributable to shareholders	1,228

DIVIDENDS

During the year an interim divided of Shs 363 million (2001 – Shs 136 million) was paid. An additional interim dividend of Shs 726 million was paid after year-end. The directors recommend a final dividend of Shs 181 million (2001 – Shs 272 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 and Uganda to hedge against such risks.

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

DIRECTORS

The present board of directors is shown on page 12. The following changes took place during the year:

- Mr M. Ngunze resigned as the company's Finance Director on 1st February 2002 following his appointment as the Managing Director of Hima Cement Limited, to replace Mr J M Shiganga who was appointed the Managing Director of Lafarge Nigeria. However, both Mr M Ngunze and Mr J M Shiganga remain on the company's board of directors.
- Mr D. Njoroge was appointed the Group Finance Director on 28th February 2002 to replace Mr M. Ngunze.
- Mr. A Le Meur resigned as a director on 28th February 2002.
- Mr B Mtuweta was appointed a director on 19th July 2002 to replace Mr J M Konzolo
- Mr N Mogere was appointed a director on 14th October 2002 to replace Mr B Mtuweta.
- Mr E Leo was appointed a director on 11th December 2002 to replace Mr I Coulter.

AUDITORS

Deloitte & Touche were appointed as the Group's auditors on 3rd May 2002 and having expressed their willingness, will continue in office in accordance with Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD
Ms. B.A. Oluoch
Company Secretary
19 February 2003

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 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 Financial Reporting 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 the 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	**D Njoroge**
Director	**Director**
19th February 2003	19th February 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF BAMBURI CEMENT LIMITED

We have audited the financial statements on pages 16 to 37 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 14, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financia statement presentation. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion:

a. proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
b. the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

CMA-LIBRARY

Deloitte & Touche

19 February 2003
Nairobi

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002	2001
		Shs'million	Shs'million
Sales		10,073	8,894
Other operating income		127	37
		10,200	8,931
Change in inventory of finished goods		52	61
Cost of raw materials and consumables	3	(4,635)	(4,180)
Staff costs	4	(1,133)	(1,071)
Depreciation and amortisation		(798)	(753)
Restructuring costs		(61)	(65)
Other operating costs	5	(1,473)	(1,366)
Operating profit	2	2,152	1,557
Finance costs	6	(69)	(217)
Profit before tax		2,083	1,340
Tax	7	(753)	(553)
Profit after tax		1,330	787
Minority interest	22	(102)	(56)
Profit attributable to shareholders		1,228	731
Earnings per share – basic	8	Shs 3.38	Shs 2.01
– diluted	8	Shs 3.38	Shs 2.01
Dividends:			
Interim dividend – paid in the year	9	363	136
Second interim dividend for the year	9	726	-
Proposed final dividend for the year	9	181	272
		1,270	408

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Shs'million	2001 Shs'million (Restated)
ASSETS			
Non current assets			
Property, plant and equipment	10	10,555	11,265
Operating lease prepayments	11	11	11
Intangible assets	12	119	169
Capital work in progress	13	250	135
Investments in subsidiaries	14	2	2
Other equity investments	15	362	373
Goodwill arising on consolidation	16	317	367
		11,616	12,322
Current assets			
Inventories	17	1,681	1,602
Trade and other receivables	18	748	755
Tax recoverable		1	85
Cash and cash equivalents	19	1,059	332
		3,489	2,774
Total assets		**15,105**	**15,096**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	1,815	1,815
Capital redemption reserve		2	2
Revaluation surplus	21	3,590	3,762
Fair value reserve		(25)	(14)
Retained Earnings		4,411	4,281
Proposed dividends	9	181	272
Translation reserve		(97)	(51)
Shareholders' funds		**9,877**	**10,067**
Minority interest	22	540	518

	Notes	2002 Shs'million	2001 Shs'million (Restated)
Non-current liabilities			
Borrowings	23	-	357
Deferred tax	24	2,253	2,363
Provision for liabilities and charges	25	176	180
		2,429	2,900
Current liabilities			
Payables and accrued expenses	26	827	821
Current tax payable		302	104
Borrowings	23	404	671
Dividends payable		726	-
Provision for liabilities and charges	25	-	15
		2,259	1,611
Total liabilities and equity		**15,105**	**15,096**

The financial statements on pages 16 to 37 were approved by the board of directors on 19 February 2003 and were signed on its behalf by:

D Tresarrieu
Director

D Njoroge
Director

COMPANY BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Shs'million	2001 Shs'million (Restated)
ASSETS			
Non current assets			
Property, plant and equipment	10	8,132	8,556
Operating lease prepayments	11	1	1
Intangible assets	12	73	115
Capital work in progress	13	130	68
Investments in subsidiaries	14	968	968
Other equity investments	15	362	373
Due from subsidiary company		9	311
		9,675	**10,392**
Current assets			
Inventories	17	1,309	1,213
Trade and other receivables	18	791	844
Cash and cash equivalents	19	989	253
		3,089	2,310
Total assets		**12,764**	**12,702**
EQUITY AND RESERVES			
Capital and reserves			
Share capital	20	1,815	1,815
Capital redemption reserve		2	2
Revaluation surplus	21	3,107	3,248
Fair value reserve		(25)	(14)
Retained earnings		4,183	4,258
Proposed dividends	9	181	272
Shareholders' funds		**9,263**	**9,581**

	Notes	2002 Shs'million	2001 Shs'million (Restated)
Non-current liabilities			
Borrowings	23	-	235
Deferred tax	24	1,762	1,863
Provision for liabilities & charges	25	172	170
		1,934	**2,268**
Current liabilities			
Payables and accrued expenses	26	539	570
Current tax payable		302	104
Dividends payable		726	-
Borrowings	23	-	164
Provision for liabilities & charges	25	-	15
		1,567	**853**
Total liabilities and equity		**12,764**	**12,702**

The financial statements on pages 16 to 37 were approved by the board of directors on 19 February 2003 and were signed on its behalf by:

D Tresarrieu
Director

D Njoroge
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

	Share Capital Shs'million	Capital Redemption Reserve Shs'million	Revaluation Surplus Shs'million	Fair Value Reserve Shs'million	Retained Earnings Shs'million	Proposed Dividends Shs'million	Translation Reserve Shs'million	Total Shs'million
At 1 January 2001								
- as previously reported	1,815	2	3,222	-	3,764	181	(3)	8,981
- effect of adopting IAS 39 (note 15)	-	-	-	(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)
Transfer of excess depreciation	-	-	(276)	-	276	-	-	-
Deferred tax on excess depreciation	-	-	83	-	(83)	-	-	-
Revaluation surplus released on disposal	-	-	(2)	-	2	-	-	-
Deferred tax on disposals	-	-	1	-	(1)	-	-	-
Minority interest share of net revaluation surplus of subsidiary	-	-	(282)	-	-	-	-	(282)
Translation loss	-	-	-	-	-	-	(48)	(48)
Fair value gain	-	-	-	59	-	-	-	59
Profit attributable to shareholders	-	-	-	-	731	-	-	731
Dividends:								
- final for 2000	-	-	-	-	-	(181)	-	(181)
- interim for 2001	-	-	-	-	(136)	-	-	(136)
- proposed final for 2001	-	-	-	-	(272)	272	-	-
At December 2001	1,815	2	4,113	(14)	4,281	272	(51)	10,418
At December 2001								
- as previously reported	1,815	2	4,113	(14)	4,281	272	(51)	10,418
Reversal of revaluation surplus on leasehold land (note 11)	-	-	(501)	-	-	-	-	(501)
Reversal of deferred tax on revaluation surplus	-	-	150	-	-	-	-	150
- As restated	1,815	2	3,762	(14)	4,281	272	(51)	10,067
Transfer of excess depreciation	-	-	(245)	-	245	-	-	-
Deferred tax on excess depreciation	-	-	73	-	(73)	-	-	-
Translation loss	-	-	-	-	-	-	(46)	(46)
Fair value loss	-	-	-	(11)	-	-	-	(11)
Profit attributable to shareholders				-	1,228	-	-	1,228
Dividends:								
- final for 2001	-	-	-	-	-	(272)	-	(272)
- interim for 2002	-	-	-	-	(363)	-	-	(363)
- second interim 2002	-	-	-	-	(726)	-	-	(726)
- proposed final for 2002	-	-	-	-	(181)	181	-	-
At 31st December 2002	**1,815**	**2**	**3,590**	**(25)**	**4,411**	**181**	**(97)**	**9,877**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

	Share Capital Shs'million	Capital Redemption Reserve Shs'million	Revaluation Surplus Shs'million	Fair Value Reserve Shs'million	Retained Earnings Shs'million	Proposed Dividends Shs'million	Total Shs'million
At 1 January 2001							
· as previously reported	1,815	2	3,222	-	3,863	181	9,083
· effect of adopting IAS 39 (Note 15)	-	-	-	(73)	-	-	(73)
· As restated	1,815	2	3,222	(73)	3,863	181	9,010
Revaluation of land, buildings plant and machinery	-	-	563	-	-	-	563
Deferred tax on revaluation surplus	-	-	(169)	-	-	-	(169)
Transfer of excess depreciation	-	-	(227)	-	227	-	-
Deferred tax on excess depreciation	-	-	68	-	(68)	-	-
Revaluation surplus released on disposal	-	-	(2)	-	2	-	-
Deferred tax on disposals	-	-	1	-	(1)	-	-
Fair value gain	-	-	-	59	-	-	59
Net Profit for the year	-	-	-	-	643	-	643
Dividends:							
· final for 2000	-	-	-	-	-	(181)	(181)
· interim for 2001	-	-	-	-	(136)	-	(136)
· proposed final for 2001	-	-	-	-	(272)	272	-
At 31 December 2001	**1,815**	**2**	**3,456**	**(14)**	**4,258**	**272**	**9,789**
At 31 December 2001							
· As previously reported	1,815	2	3,456	(14)	4,258	272	9,789
Reversal of revaluation surplus on leasehold land (Note 11)			(297)	-	-	-	(297)
Reversal of deferred tax on revaluation surplus on leasehold land	-	-	89	-	-	-	89
· As restated	1,815	2	3,248	(14)	4,258	272	9,581
Transfer of excess depreciation	-	-	(201)	-	201	-	-
Deferred tax on excess depreciation	-	-	60	-	(60)	-	-
Fair value loss	-	-	-	(11)	-	-	(11)
Net profit for the year	-	-	-	-	1,054	-	1,054
Dividends:							
· final for 2001	-	-	-	-	-	(272)	(272)
· first interim for 2002	-	-	-	-	(363)	-	(363)
· second interim for 2002	-	-	-	-	(726)	-	(726)
· proposed final for 2002	-	-	-	-	(181)	181	-
At 31 December 2002	**1,815**	**2**	**3,107**	**(25)**	**4,183**	**181**	**9,263**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Shs'million	2001 Shs'million
OPERATING ACTIVITIES			
Cash generated from operations	29	2,812	2,479
Interest received		11	2
Interest paid		(63)	(217)
Taxation paid		(543)	(285)
Net cash generated from operating activities		**2,217**	**1,979**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and capital Work in progress		(293)	(637)
Purchase of intangible assets		(12)	-
Proceeds from disposals of property, plant and equipment		11	9
Dividends received		29	11
Net cash used in investing activities		**(265)**	**(617)**
FINANCING ACTIVITIES			
Dividends paid to group shareholders		(635)	(317)
Repayment of borrowings from minority shareholders		(118)	(140)
Repayments of bank borrowings		(406)	(595)
Net cash used in financing activities		**(1,159)**	**(1,052)**
INCREASE IN CASH AND CASH EQUIVALENTS		793	310
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Balance at start of year	19	(168)	(447)
Increase for the year		793	310
Exchange adjustment		34	(31)
Balance at end of year	**19**	**659**	**(168)**

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 for in advance.

p. 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.

q. 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 to take into account the re-classification of leasehold land from property, plant and equipment to operating lease prepayments in order to comply with International Accounting Standard No. 17.

r. 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 2002 (All figures in Kshs millio

	Kenya	Uganda	Group
Revenues	7,110	2,963	10,073
Operating profit	1,482	670	2,152
Segment assets	11,710	3,078	14,788
Non-segment assets			317
Total assets			15,105
Segment liabilities	1,051	658	1,709
Non-segment liabilities			2,979
Total liabilities			4,688

Year ended 31 December 2001

	Kenya	Uganda	Group
Revenues	6,453	2,441	8,894
Operating profit	1,023	534	1,557
Segment assets	11,325	3,404	14,729
Non-segment assets			367
Total assets			15,096
Segment liabilities	1,303	845	2,148
Non-segment liabilities			2,363
Total liabilities			4,511

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

The accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years except for implementation of the provisions of International Accounting Standard 17 with regard to treatment of leasehold land in the current financial year, as disclosed in note 1(g) below. The company's principal accounting policies are set out below:

a. Basis of preparation

The financial statements are 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 parent company, 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 inter-company 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 parent company.

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 inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

A listing of the subsidiaries in the group is set out in Note 14.

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 receivable 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 the date. The resulting differences from conversion and translation are dealt with in the income statement in the year in which they arise.

e. Investments

The company has classified its investments into available-for-sale investments and originated loans. Management determines the appropriate classification of its investments at the time of 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 investments 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 issues) are classified as originated loans.

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 entire realised gain or loss is recognised in the income statement.

f. Property, plant and equipment

All property, plant and equipment are 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 are 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 income statement. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) 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 item of property plant and equipment, or the revalued amount, to its residual value over its expected useful life as follows:

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 carried in the revaluation reserve in relation to those assets are transferred to retained earnings.

g. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

With effect from the current financial year, interests in leasehold land are being treated as operating lease rentals in accordance with the provisions of International Accounting Standard 17 on leases. This represents a change in accounting policy as previously, leasehold land was treated

as property, plant and equipment and was carried in the balance sheet at cost or valuation less depreciation.

Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

h. Goodwill

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

i. 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.

j. 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.

k. 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.

l. Taxation

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred 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.

m. Deferred tax

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

n. Retirement benefit obligations

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

The group's obligations to the defined contribution scheme are charged to the income statement as they fall due.

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 financial statements as it accrues to each employee.

o. 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

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 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.

2. OPERATING PROFIT

	2002	2001
	Shs'million	Shs'million
The operating profits is arrived at after charging:		
Staff costs (note 4)	1,133	1,071
Depreciation and amortisation	748	703
Amortisation of goodwill (Note 16)	50	50
Directors emoluments:		
· Fees	7	6
· Other emoluments	48	49
Auditors' remuneration	6	6

3. RAW MATERIALS AND CONSUMABLES

	2002	2001
Raw materials and packaging	2,014	1,736
Fuel costs	969	799
Electricity	774	876
Repairs and maintenance	878	769
	4,635	4,180

4. STAFF COSTS

The following items are included within staff costs:

	2002	2001
Salaries and wages	843	783
Staff welfare costs	201	213
Retirement benefit costs	89	75
	1,133	1,071

4. STAFF COSTS (Continued)

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

	Group 2002	Group 2001
	Numbers	Numbers
Full time	1,016	1,003
Casuals	180	406
	1,196	1,409

	2002	2001
	Shs'million	Shs'million

5 OTHER OPERATING EXPENSES

	2002	2001
Administrative costs	572	545
Shipping costs	410	335
Professional fees	252	227
Other operating costs	239	259
	1,473	1,366

6 FINANCE INCOME/(COSTS)

	2002	2001
Interest income	11	2
Dividend income	29	4
Bank charges	(21)	(21)
Net foreign exchange (losses)/gains	(25)	15
Interest expense	(63)	(217)
	(69)	(217)

7 TAX

	2002	2001
Current tax	794	362
Underprovision of current tax in prior years	31	-
	825	362
Deferred tax (note 24)	(72)	114
Underprovision of deferred tax in prior years	-	77
	(72)	191
Tax charge	753	553

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued)

7 TAX (Continued)

The tax on the group profit before tax differs from the theoretical amount that would arise using the basic tax rate as shown in the reconciliation below:

	GROUP	
	2002	2001
	Shs'million	Shs'million
Profit before tax	2,083	1,340
Tax calculated at the domestic Rates applicable of 30%	625	402
Tax effect of:		
Income not subject to tax	(20)	(2)
Expenses not deductible for tax purposes	117	76
Underprovision of current tax in prior years	31	-
Underprovision of deferred tax in prior years	-	77
Tax charge	753	553

8 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.

	2002	2001
Net profit attributable to shareholders (Shs million)	1,228	731
Weighted average number of ordinary shares (million)	363	363
Basic earnings per share (Shs)	3.38	2.01

There were no potentially dilutive shares outstanding at 3 December 2002 or 31 December 2001.

9 DIVIDENDS

Proposed dividends are accounted for as a separa component of equity until they have been ratified at an annu general meeting. At the annual general meeting to be held c 20th May 2003, a final dividend in respect of the year ende 31 December 2002 of Shs 0.50 per share amounting to total of Shs 181 million is to be proposed. During the ye an interim dividend of Shs 1 per share, amounting to a tot of Shs 363 million was paid. A second interim dividend Shs 2 per share amounting to Shs 726 million was declared c 26th November 2002 and was paid after year end. The tot dividend for the year is therefore Shs 3.50 per share (200 Shs 1.12 per share), amounting to a total of Shs 1,270 millic (2001: Shs 408 million).

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

10 PROPERTY, PLANT AND EQUIPMENT

GROUP

CMA - LIBRARY

	Land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
Cost or valuation					
At 31 December 2001					
As previously reported	1,973	9,922	753	1,007	13,655
Reclassified to operating lease prepayments (note 11)	(525)	-	-	-	(525)
Reclassified to intangible assets (Note 12)	-	-	(275)	-	(275)
- As restated	1,448	9,922	478	1,007	12,855
Exchange adjustment*	(34)	(158)	(7)	(9)	(208)
Additions	22	93	41	22	178
Disposals	-	(5)	(7)	(45)	(57)
At 31 December 2002	1,436	9,852	505	975	12,768
Depreciation					
At 31 December 2001					
- As previously reported	97	490	416	706	1,709
Reclassified to operating lease prepayments (note 11)	(13)	-	-	-	(13)
Reclassified to intangible assets (note 12)	-	-	(106)	-	(106)
- As restated	84	490	310	706	1,590
Exchange adjustment*	(6)	(10)	(3)	(5)	(24)
Charge for the year	32	526	54	76	688
On disposals	-	(3)	(2)	(36)	(41)
At 31 December 2002	110	1,003	359	741	2,213
Net book Value					
At 31 December 2002	1,326	8,849	146	234	10,555
At 31 December 2001 (restated)	1,364	9,432	168	301	11,265

*The exchange adjustment arises from the translation of the assets held by a subsidiary, Himcem Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
Cost or valuation					
At 31 December 2001:					
- As previously reported	1,241	7,690	580	878	10,389
Reclassified to operating lease prepayments (note11)	(306)	-	-	-	(306)
Reclassified to intangible assets (note 12)	-	-	(211)	-	(211)
- As restated	935	7,690	369	878	9,872
Additions	-	69	34	6	109
Disposals	-	-	(3)	(36)	(39)
At 31 December 2002	935	7,759	400	848	9,942
Depreciation					
At 31 December 2001					
- As previously reported	16	388	359	657	1,420
Reclassified to operating lease prepayments (note 11)	(8)	-	-	-	(8)
Reclassified to intangible assets (note 12)	-	-	(96)	-	(96)
- As restated	8	388	263	657	1,316
Charge for the year	9	424	33	59	525
Eliminated on disposals	-	-	(2)	(29)	(31)
At 31 December 2002	17	812	294	687	1,810
Net book amount					
At 31 December 2002	918	6,947	106	161	8,132
At 31 December 2001 (restated)	927	7,302	106	221	8,556

10 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 surpluses, net of the applicable deferred taxes were 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	
	2002	**2001**	**2002**	**2001**
	Shs'million		Shs'million	
Cost	8,084	8,092	5,830	5,760
Accumulated depreciation	(2,644)	(2,206)	(2,027)	(1,728)
Net book amount	5,440	5,886	3,803	4,032

11 OPERATING LEASE PREPAYMENTS

The company has in the current financial year reclassified the carrying values of its leasehold land from property, plant and equipment to operating lease prepayments in order to comply with the provisions of International Accounting Standard No. 17, on Leases.

The revaluation surplus attributable to the leasehold land has therefore been reversed. The effect of this change is as follows:

	Group	Company
	Shs'million	Shs'millior
Net book value of leasehold land at 31 December 2001	512	298
Reversal of revaluation surplus	(501)	(297)
Balance reclassified to operating lease prepayments at 31 December 2001	11	1
Amortisation for the year	-	-
Balance as at 31 December 2002	11	1

A prior year adjustment has been processed to restate t balance sheet as at 31 December 2001. However, no pri year adjustment has been processed in the income statemer because the amount relating to prior year amortisation of tl lease rentals is not material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002
(Continued)

12 INTANGIBLE ASSETS – COMPUTER SOFTWARE

COST	Group	Company
At 31 December 2001	Shs'million	Shs'million
as previously reported	-	-
Reclassified from property plant and equipment (Note 10)	275	211
As restated	275	211
Additions	12	3
Exchange adjustment	(4)	-
At 31 December 2002	283	214
AMORTISATION		
At 31 December 2001		
As previously reported	-	-
Reclassified from property, plant and equipment (Note 10)	106	96
As restated	106	96
Charge for the year	60	45
Exchange adjustment	(2)	-
At 31 December	164	141
NET BOOK VALUE		
At 31 December 2002	119	73
At 31 December 2001 – restated	169	115

13 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.

14 INVESTMENTS IN SUBSIDIARIES

The following is a listing of the subsidiaries in the group:

		GROUP		COMPANY	
	Holding	2002	2001	2002	2001
	%	Shs'million		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	1	-	-
Kenya Cement Marketing Ltd.	50	-	-	-	-
Portland Mines Ltd.	50	-	-	-	-
Seruji Management Ltd. Channel Island	100	-	-	-	-
		2	2	968	968

Except where indicated above the subsidiaries are incorporated in Kenya.

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

CASH AND CASH EQUIVALENTS (Continued)

weighted average effective interest rate earned on short-n bank deposits during the year was 2.5% (2001-5%).

the purposes of the cash flow statement, cash and cash ivalents comprise cash in hand, deposits held at call with ks and investments in money market instruments, net of k overdrafts. In the balance sheet, bank over-drafts are uded in borrowings, under current liabilities. The year end n and cash equivalents comprise the following:

	Group	
	2002	2001
	Shs'million	Shs'million
h and bank balances (as above)	1,059	332
k overdrafts (note 23)	(149)	(500)
rt term borrowing (note 23)	(251)	-
	659	(168)

SHARE CAPITAL

	Group and Company	
	2002	2001
	Shs'million	
horised		
,600,000 ordinary shares of Shs 5 each	1,833	1,833
),000 7% cumulative redeemable ference shares of Shs 20 each	2	2
	1,835	1,835
ued and fully paid		
2,959,025 (2000: 362,950,925) inary shares of Shs 5 each	1,815	1,815

REVALUATION SURPLUS

movements in the revaluation surplus relate solely to perty, plant and equipment. The revaluation surplus is non ributable

22 MINORITY INTEREST

	Group	
	2002	2001
	Shs'million	
At 1 January	518	196
Share of profit	102	56
Revaluation reserve movement	(42)	-
Share of revaluation surplus	-	282
	578	534
Translation loss	(38)	(16)
At 31 December	540	518

23 BORROWINGS

The borrowings are made up as follows:

	Group		Company	
	2002	2001	2002	2001
	Shs'million		Shs'million	
Non-current				
Bank loan		235		235
Loan from minority shareholder		122		-
		357		235
Current				
Bank overdraft	149	500		50
Short term bank loan	251	-		-
Medium term bank loan		171		114
Loan from minority shareholder	4	-		-
	404	671		164
Total borrowings	404	1,028		399

The bank borrowings are secured by a charge on property and a factory complex owned by a subsidiary, Hima Cement factory complex (Banyangabu Block 75,) charge in favour of Standard Chartered Bank Uganda limited.

BORROWINGS (Continued)

weighted average interest rates incurred on borrowing lities during the year were:

	Group 2002	Group 2001	Company 2002	Company 2001
	Shs'million		Shs'million	
nk overdrafts – local currencies	12%	14%	10%	11%
nk loans – US Dollar	-	4%	3%	4%
nk loans – local currencies	11%	13%	10%	13%
n from minority reholders – US Dollar	11%	11%	-	-

he opinion of directors the carrying amounts approximate air value. Fair values are based on discounted cash flows ng a discount rate based upon the borrowing rate that ctors expect would be available to the group at the balance et date.

rowing facilities

group has the following undrawn committed borrowing lities:

	Group 2002	Group 2001	Company 2002	Company 2001
ting rate	Shs'million		Shs'million	
iring within one year	1,729	1,048	1,226	1,013

borrowing facilities are annual facilities subject to review at ous dates during the year 2003. They consist of overdrafts, ers of credit and guarantees. Of the amounts shown above, 138 million (2001: 208 million) relates to guarantees given ehalf of the company by its bankers to third parties in the mal course of business.

24 DEFERRED TAX

Deferred taxes are calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2001: 30%). The make up of the deferred tax liabilities at the year end and the movement on the deferred tax account during the year are presented below:

	Group 2002	Group 2001	Company 2002	Company 2001
	Shs'million		Shs'million	
The net deferred tax liability is attributable to the following items:				
Accelerated capital allowances on property, plant and equipment	868	871	606	639
Exchange differences	(20)	12	(6)	8
Provisions	(95)	(78)	(60)	(60)
Revaluation surpluses	1,525	1,617	1,222	1,276
Other temporary differences	(25)	(59)	-	-
	2,253	2,363	1,762	1,863
Movement on the deferred tax account during the year:				
At 31 December – as previously reported	2,513	1,736	1,952	1,762
Reversal arising from reclassification of leasehold land	(150)	(150)	(89)	(89)
At 31 December – as restated	2,363	1,586	1,863	1,673
Income statement (charge) /credit for the year	(72)	191	(101)	21
Charged to equity	-	586	-	169
Exchange differences	(38)	-	-	-
At 31 December	2,253	2,363	1,762	1,863

DEFERRED TAX (Continued)

addition, deferred tax amounting to Shs 73 million in spect of the group (2001: Shs 83 million) and Shs 60 million respect of the company (2001: Shs 68 million) has been ansferred within shareholders' equity from retained earnings revaluation reserves. This represents deferred tax on the ifference between the actual depreciation on the property, lant and equipment and the equivalent depreciation based n the historical cost of the property, plant and equipment.

25 PROVISIONS FOR LIABILITIES AND CHARGES

	Service gratuity Shs'million	Long service awards Shs'million	Resructuring Provisions Shs'million	Total Shs'million
GROUP				
At start of year	172	8	15	195
Additional provisions	38	-	-	38
Utilised during the year	(42)	-	(15)	(57)
At end of year	168	8	-	176
Less: current portion	-	-	-	-
Non current portion	168	8	-	176
COMPANY				
At start of year	162	8	15	185
Additional provisions	38	-	-	38
Utilised during the year	(36)	-	(15)	(51)
At end of year	164	8	-	172
Current portion	-	-	-	-
Non-current portion	164	8	-	172

Restructuring expenses:

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

26 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2002	2001	2002	2001
	Shs'million		Shs'million	
Trade payables	242	428	121	259
Accrued expenses	506	291	389	242
Other payable	55	95	29	64
Amounts due to related companies (note 30)	24	7	-	5
	827	821	539	570

27 CONTINGENT LIABILITIES

At 31 December 2002 the group had issued guarantee amounting to Shs 31 million (2001: Shs 31 million) on beha of third parties.

28 CAPITAL COMMITMENTS

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

	Group	
	2002	2001
	Shs'million	Shs'milli
Property, plant and equipment	66	69

29 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group 2002	Group 2001
	Shs'million	
Profit before tax	2,083	1,340
Adjustment for:		
Depreciation (note 10)	688	703
Amortisation of intangible assets	60	-
Loss/ (gain) on sale of property, plant and equipment	5	(6)
Interest income (note 6)	(11)	(2)
Dividend income (note 6)	(29)	(4)
Interest expense (note 6)	63	217
Service gratuity provision	38	29
Provision for permanent diminution of an investment	-	3
Amortisation of goodwill (note 16)	50	50
Exchange adjustment	(12)	(35)
	2,935	2,295
Changes in working capital balances		
trade and other receivables	35	346
inventories	(79)	(76)
payables and accrued expenses	(11)	(102)
provisions for liabilities and charges	(57)	6
net amounts due from related parties	(11)	10
Cash generated from operations	2,812	2,479

RELATED PARTY TRANSACTIONS

e group is controlled by Bamcem Holding Limited, a company corporated in the Channel Islands. The ultimate parent of e group is Lafarge SA, incorporated in France. There are her companies which are related to Bamburi Cement Limited ough common shareholdings or common directorships.

In the normal course of business the group sells cement to associate of its ultimate shareholder. These sales represen approximately 4% of the group's sales volume during the ye (2001: 4%).

The company receives technical assistance from the ultima shareholder, which is paid for under a 5 year agreement.

The following transactions were carried out with related partie during the year.

	Group 2002	Group 2001
	Shs'million	
Sales of goods and services	390	389
Purchases of goods and services	232	107

Sales and purchases to/from related parties were made in terms and conditions similar to those offered to major customers or available from major suppliers.

Outstanding balances arising from sale and purchase of goods/services at the year end.

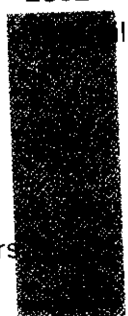
	Group 2002	Group 2001	Company 2002	Company 2001
	Shs'million		Shs'million	
Receivables from related parties	119	91	119	84
Receivables from subsidiaries	-	-	311	377
	119	91	430	461
Payables to related parties	24	7	-	5
Loans to directors				
At start of year	2	4	2	4
Loans advanced during the year	-	-	-	-
Loan repayments received	(2)	(2)	(2)	(2)
At end of year	-	2	-	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued)

30 RELATED PARTY TRANSACTIONS (Continued)

Loans to directors are on terms similar to those applicable to other employees.

31 OPERATING LEASE COMMITMENTS



	Group	
	2002	**2001**
		llion
Lease payments committed under operating leases:		
Not later than 1 year		-
Later than 1 year but not later than 5 years		-
		-