The Company
CORPORATE INFORMATION

EXECUTIVE DIRECTORS

M Puchercos - Group Managing Director - French

D Njoroge - General Manager, Hima Cement Ltd

A Sigei - Group Finance Director

NON EXECUTIVE DIRECTORS

R Kemoli - Chairman

J C Hillenmeyer - French

S W Karanja

A Hadley - British

R Lumbasyo

E Leo - South African

C C Kisire

S M'Mbijjewe

SECRETARY

Ms M W Nderitu

Kenya-Re Towers, Upper Hill

P.O. Box 10921 - 00100

Nairobi

REGISTERED OFFICE

Kenya-Re Towers, Upper Hill

P.O. Box 10921 - 00100

Nairobi

REGISTRARS

Chunga Associates

P.O. Box 41963 - 00100

Nairobi

AUDITORS

Deloitte & Touche

Certified Public Accountants (Kenya)

"Kirungii", Ring Road

Westlands

P.O. Box 40092 - 00100

Nairobi

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited

Nkrumah Road Branch

P.O. Box 90182

Mombasa

Citibank N A

Nyerere Avenue

P.O. Box 83615

Mombasa

Standard Chartered Bank Uganda Limited

Speke Road Branch, 5 Speke Road

P.O. Box 7111

Kampala

The Company

Our Vision by 2010

To be the leading market and end user oriented Cement Company across Eastern Africa, with a strong and clear dedication to our communities.

Our Ambitions

Safety, Health and Environment

We are dedicated to the health and safety of our people; through training, our employees, contractors and business partners will apply Best Practises. We care for our communities and preserve the environment.

Innovation

We are committed to growing our turnover through introduction of new and innovative products, while cementing a culture of innovation within the organisation.

Sustainable Market Leadership

We are No. 1 in the Eastern Africa market, with strong sales to the inland export markets.

A profitable enterprise

We have protected our profitability by enhancing internal efficiencies and innovation while fulfilling our aim to make cement affordable.

Team Achievement

We are focused on attracting the best talent, developing their potential and rewarding both individual excellence and team effort.

Our Values

The Bamburi brand stands for commitment to excellence and the values of the group are expressed in the 'Lafarge Way'.

The Lafarge Way

Courage, integrity, commitment, consideration for others and an overriding concern for the group's interest are the foundations of our management philosophy. Every employee is expected to demonstrate commitment to these values. We will achieve them by:

Making our people successful

- Expecting people to give their best.
- Leading by example.
- Achieving greater results through teamwork.

Focusing on performance improvement

- Resulting from actions of all.
- Making performance a daily commitment.
- Sharing systems and tools.

with a multi-local organisation

- Building on our local and global strengths.
- Making our Business Units successful by leveraging the resources of a decentralised organisation.
- Sharing clear processes and a limited number of respected and known rules.

Top 10 Shareholders

Shareholder		Number of shares	% of shares
1.	Fincem Holding Limited	106,360,798	29.30
2.	Kencem Holding Limited	106,360,797	29.30
3.	Board of Trustees NSSF	60,529,522	16.68
4.	Bamcem Holding Limited	50,000,000	13.78
5.	Baloobhai Chhotabhai Patel	3,820,105	1.05
6.	Barclays (Kenya) Nominees Ltd (A/c 1256)	1,701,300	0.47
7.	Old Mutual Life Assurance Company Limited	1,322,740	0.36
8.	Kenya Reinsurance Corporation Limited	1,071,543	0.30
9.	Kenya Commercial Bank Nominees Ltd (A/c 769G)	934,150	0.26
10.	Kenya Commercial Bank Nominees Ltd (A/c 744)	900,000	0.25
	Total of 10 above	**333,000,955**	**91.75**
	2601 other shareholders	29,958,320	8.25
	Total shareholding	**362,959,275**	**100**

Lafarge Group

Bamburi Cement Limited is a subsidiary of the Lafarge Group. Lafarge is the world leader in building materials, and holds top ranking positions in all three of its businesses: Cement, Aggregates & Concrete and Gypsum.

The Lafarge Group is present in 70 countries with 71,000 employees. Its sales for 2006 amounted to 16.9 Billion Euros (2005: 14.5 Billion Euros). The Cement division has operations in 46 countries, selling a large range of cement, hydraulic binders and lime. Lafarge has over 166 cement plants throughout the world.

Key Figures for Lafarge for 2006

Consolidated
Sales: 16.9 Billion Euros
Operating income: 2.8 Billion Euros

Cement Division
Sales 2006: 9.6 billion Euros
Workforce 2006: 41,191 people

Lafarge is the only company in the construction materials sector to be listed in the 2007 '100 Global Most Sustainable Corporations in the World'. Lafarge is dedicated to ensuring that its growth comes within a strategy of sustainable development: its expertise combines industrial efficiency, value creation, respect for individuals and cultures, environmental protection and the conservation of natural resources and energy.

Bamburi Cement Limited derives tremendous advantages from being part of the Lafarge group, including access to cutting edge technologies for cement manufacture, management and technical support.

TABLE OF CONTENTS

TEAM ACHIEVEMENT:
We believe that in business, as in sport, success depends on the performance of individuals and teams, and that the talent and contribution of each employee is magnified by effective teamwork. That is why we focus on attracting the best talent, developing potential and recognizing both individual excellence and team effort.

Game after game, we keep fighting for better results.

1. Corporate information 9
2. Vision, values and ambitions 10
3. Top 10 shareholders 11
4. Lafarge Group 12
5. Board pictures and profiles 13
6. Chairman's Letter 18
7. Management's discussion and analysis of financial condition and results of operations 22
8. Corporate Governance and Corporate Social Responsibility 26
9. Notice of Annual General Meeting 33
10. Report of the Directors 36
11. Statement of Directors Responsibilities 37
12. Independent Auditors' Report 38
13. Consolidated income statement 39
14. Consolidated balance sheet 40
15. Company balance sheet 41
16. Consolidated statement of changes in equity 42
17. Company statement of changes in equity 43
18. Consolidated cash flow statement 44
19. Accounting policies 45
20. Notes to the financial statements 49

1. Bamburi Cement -- Periodicals
2 Bamburi Cement Industry – Kenya -- periodicals

Consolidated Highlights

Shs'millions, except per share amounts and employees	2006	2005	Change
Turnover	16,723	14,534	15%
Operating profit	3,987	3,334	20%
Profit after tax	2,799	2,155	30%
Dividend per share (KShs) - declared	5.5	5.3	4%
Earnings per share (KShs) - basic and diluted	**7.2**	**5.5**	**30%**
Cash generated from operations	4,927	3,592	37%
Total assets	18,513	15,332	21%
Shareholders Funds	13,017	10,679	22%
Number of employees	**1,059**	**1,022**	**4%**

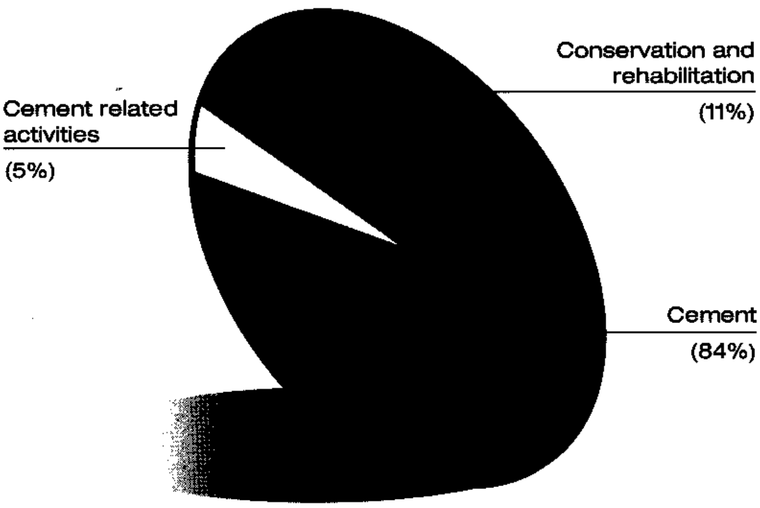
Turnover for the Group grew 15% as a result of strong market demand across all markets in East Africa and better focus on new export markets.

We faced an increasingly challenging cost environment with rapid increase in power tariffs (especially in Uganda), fuel, transport and raw material prices. Notwithstanding this, the Group improved operating profits by 20% through operational performance improvements and benefits from cost saving initiatives. Our initiatives focusing on productivity improvement and alternative fuel usage are paying off.

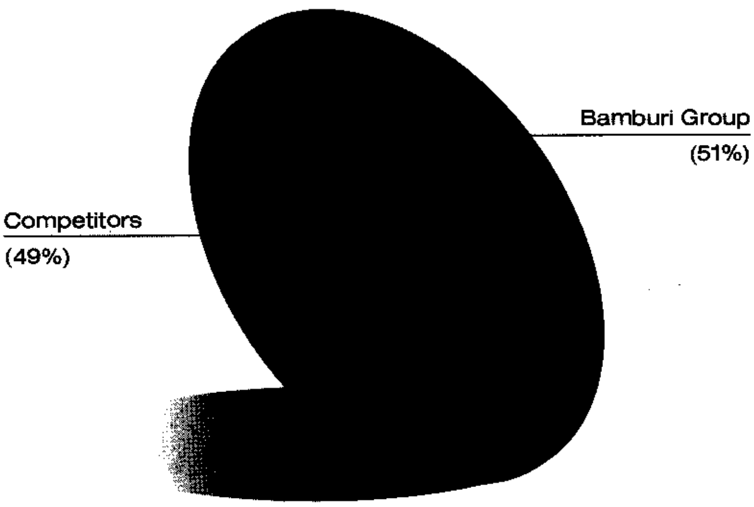
Our improved performance during the year increased both the group's cash flow position as well as total shareholders' funds.

Consolidated Highlights

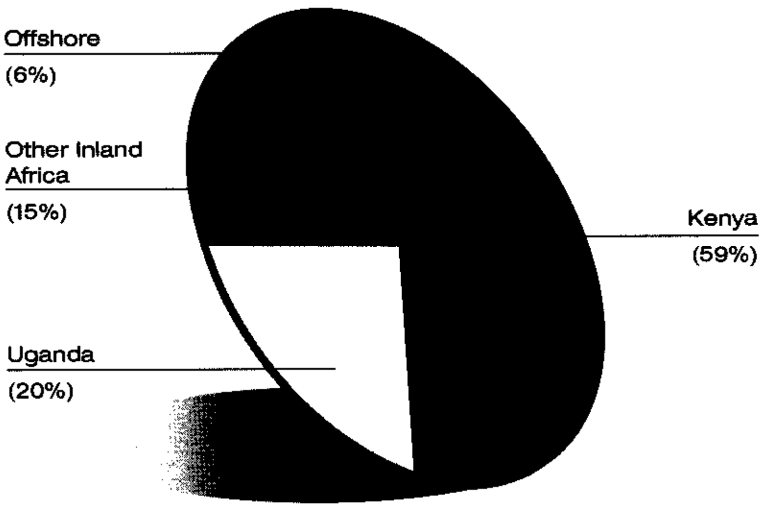
Employees by Business Area



East Africa Market Share Estimates



Sales by Region



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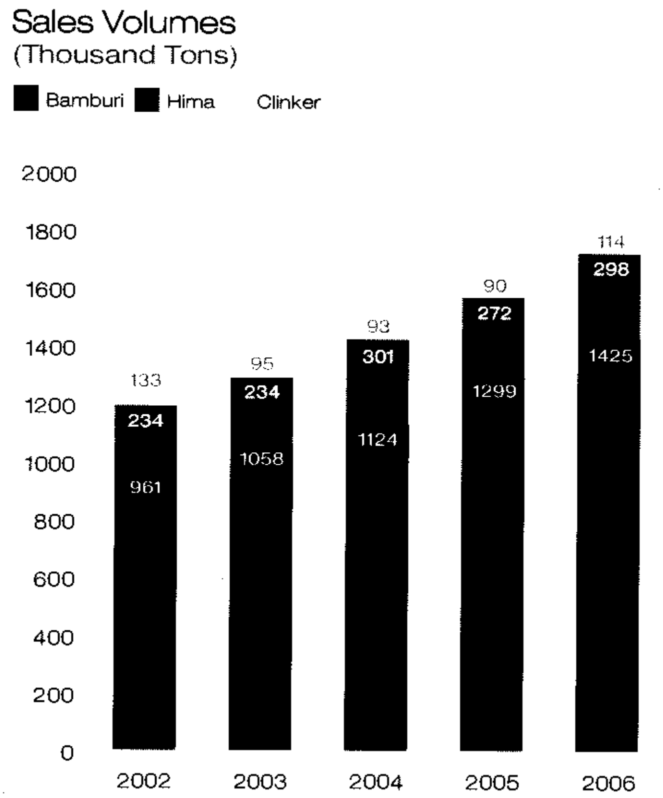
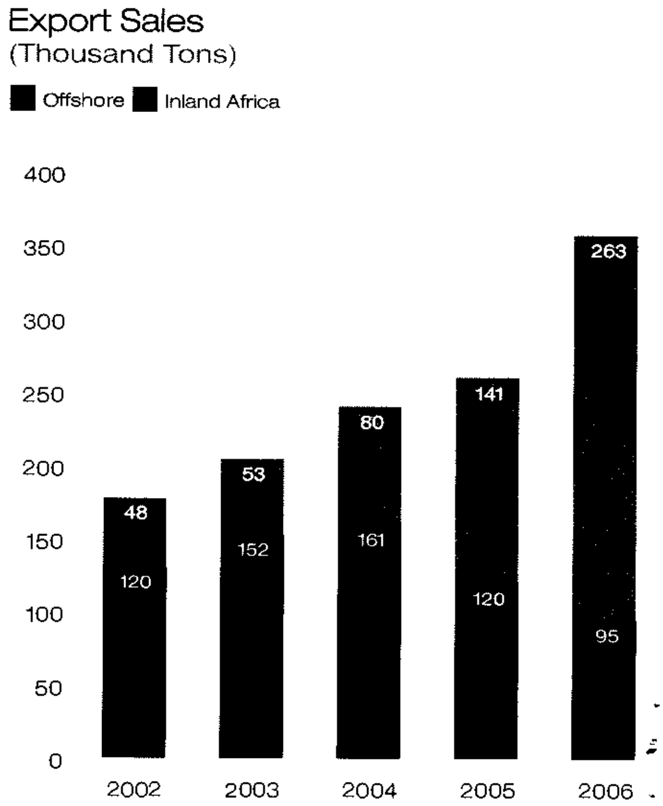
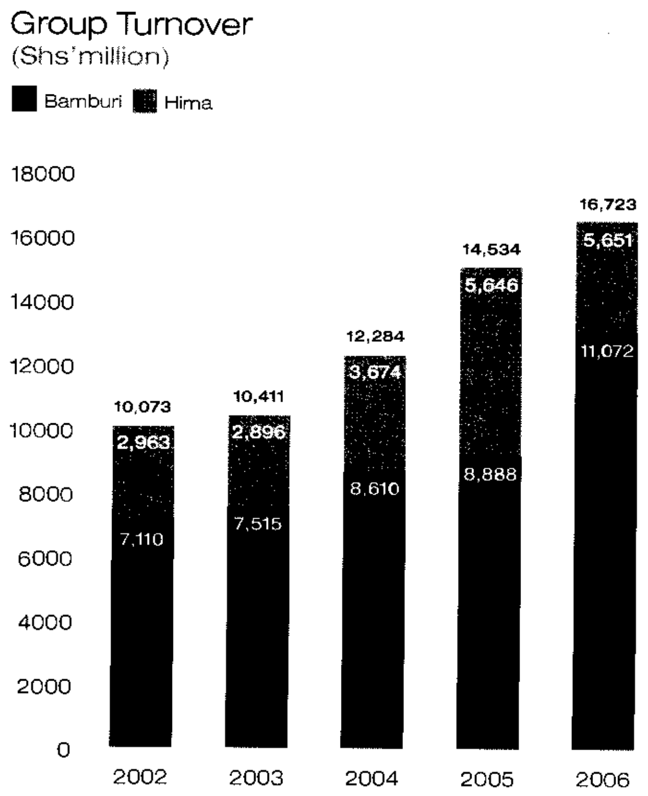
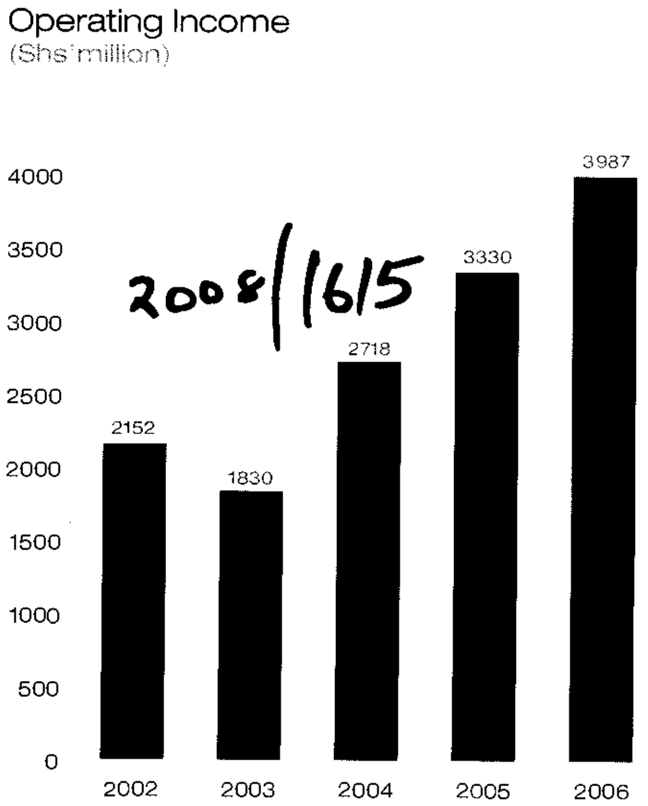
Five-Year Performance Review



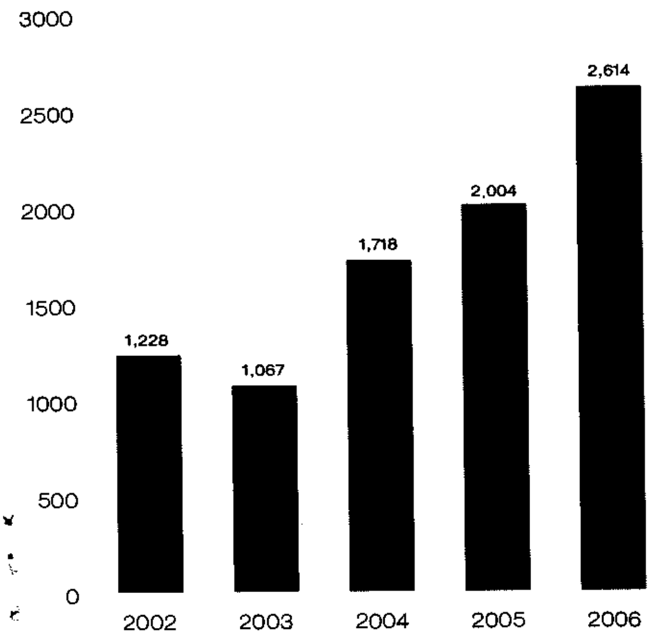




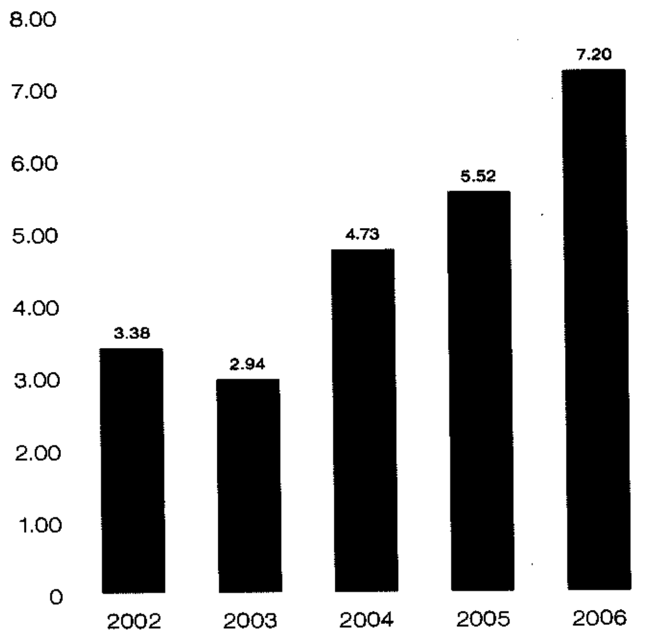


Five-Year Performance Review

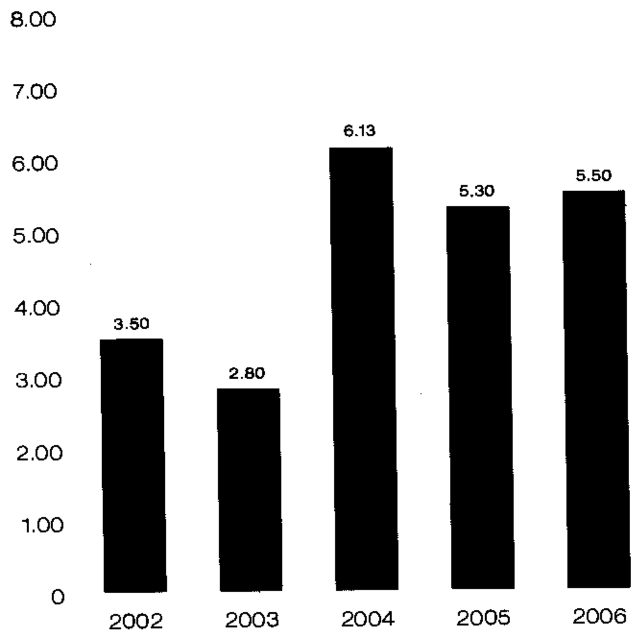
Profit attributable to shareholders
(Shs'million)



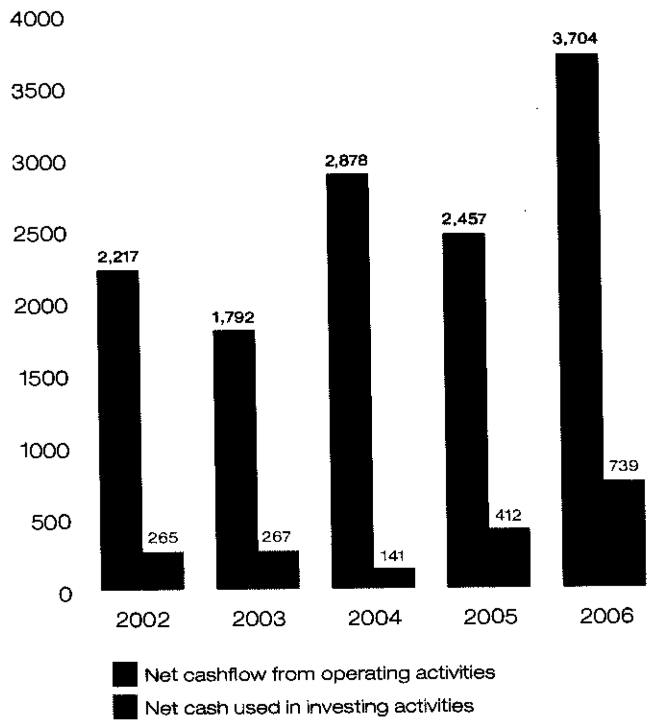
Earnings per share
(Shs per share)



Dividend per share
(Shs per share)



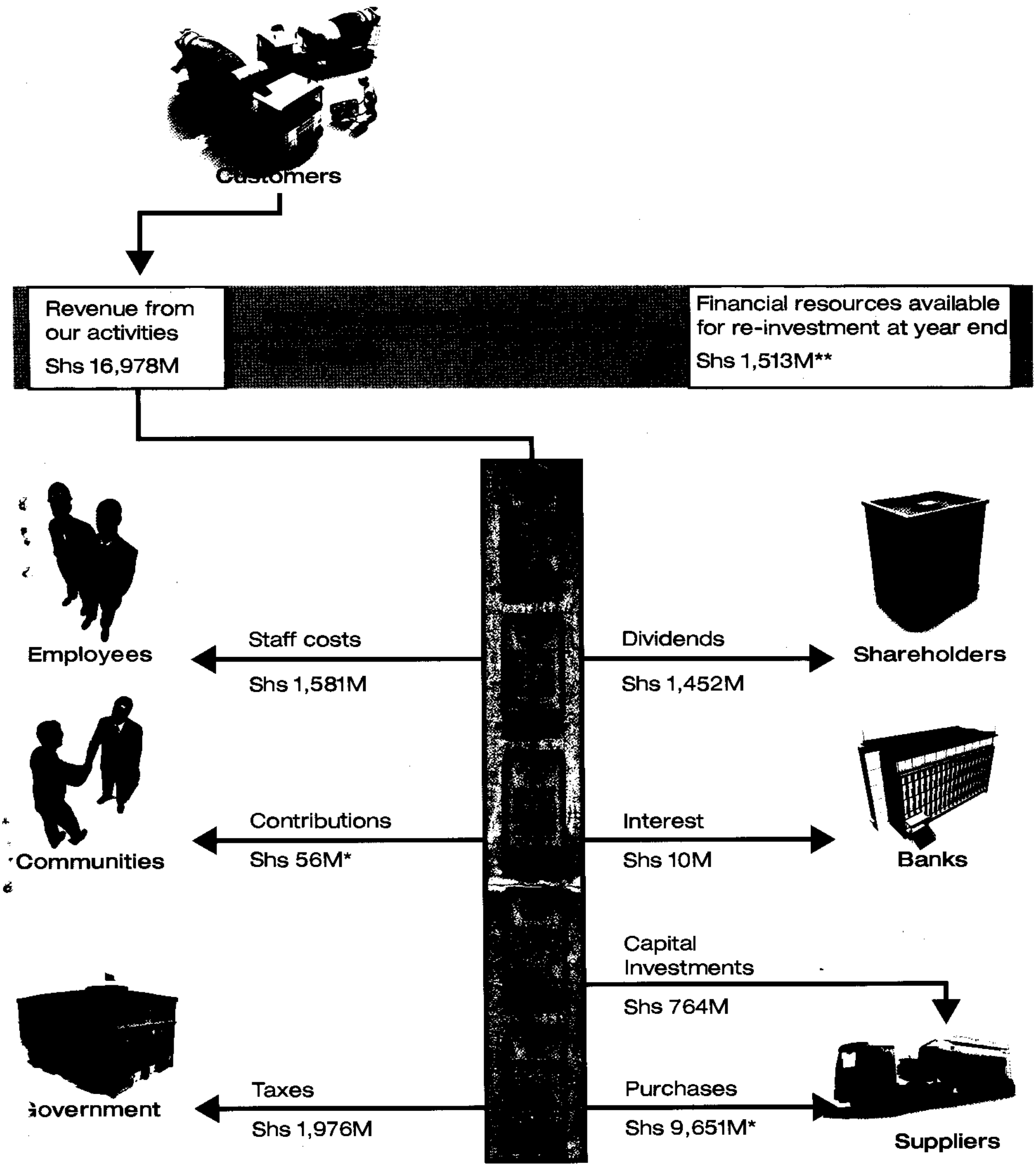
Investments & Net Cashflows from Operating Activities
(Shs'million)



Together we are a winning team.

Value Added Statement

Financial Flows to our Stakeholders in 2006



*The data used in this value added statement comes from the Group consolidated financial statements. The data marked * has been estimated. The amount marked ** includes dividends from other companies (25M).*
Taxes comprise direct and indirect taxes.

Together Everyone Achieves More. *Anonymous.*

Board of Directors

(From left to right)

Solomon W. Karanja

Antony Hadley

Michel Puchercos

David Njoroge

Sheila M'Mbijjewe

Elmore Leo

Albert Sigei

Jean-Claude Hillenmeyer

Chris Kisire

Rachel Lumbasyo

Richard Kemoli

CHRIS C. KISIRE (40) (AC)
is a holder of Bachelor of Commerce, Accounting Major and a Masters of Business & Administration degrees both from the University of Nairobi. He also holds a Certified Public Accountant of Kenya, CPA (K) qualification and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Mr Kisire was appointed to the Board on 1 October 2004. He is currently the Group Finance Director of Standard Group Limited. He has worked for more than fifteen years in finance and administration both locally and internationally (Zimbabwe, Uganda and United Kingdom).

SHEILA M'MBIJJEWE (49) (AC)
is a Chartered Accountant ICAEW, and a CPA Kenya. Sheila's previous jobs have included the Finance Director position at PricewaterhouseCoopers, Stagecoach International, and most recently with Standard Chartered Bank Kenya. She is currently a member of the Bamburi Audit Committee and the Board. She is also a member of the Monetary Policy Advisory Committee of the Central Bank of Kenya.

MICHEL PUCHERCOS (49) (AC ED)
is a graduate of the Ecole Polytechnique (1976) and the Ecole Nationale du Génie Rural, des Eaux et des Forêts (1981). Michel started his career in the French Ministry of Agriculture in 1982-1989. He has served as Director of Strategy and Supplies in Orsan, a Lafarge subsidiary from 1989-1992. In addition, he has worked in senior executive positions in a number of Agro- Food and Chemical Industries in Europe as follows: from 1992-1994 in Jungbunzlauer SA as Executive President, from 1994-1996 as General Manager of the Cana group and from 1996 -1998 Doux, as Executive Vice President of this leading European group specializing in poultry.
Michel returned to Lafarge in 1998 when he was appointed as Director of Strategy and Information Systems of the Gypsum division of Lafarge. In 2003, he moved to the Cement Division as Director of Cement strategy, until his reassignment to Bamburi Cement as Managing Director in September 2005.

RACHEL LUMBASYO (56) (AC)
has a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and has a CPA (III) K qualification. Rachel worked in various senior audit positions in the Office of the Controller and Auditor General Kenya, from 1975 to 1989 when she left as Assistant Director of Audit. She then joined the National Social Security Fund in March 1989 as the Chief Internal Auditor. She has worked in the Fund as the Internal Audit Manager and Deputy Managing Trustee. In December 2005 she was appointed the Managing Trustee and a member of the NSSF Board. Rachel is also a member of the VAT Tribunal.

ALBERT SIGEI (34) (AC, ED)
has a degree in Mechanical Engineering from the University of Nairobi and is a Chartered Certified Accountant. He also holds a Higher Diploma in information systems management and qualification in information systems audit. He has attended various training sessions, including an International Leadership Development Programme at Insead, one of Europe's leading business schools. He joined Bamburi group in May 2002 as Group Controller. Before joining Bamburi Cement, Albert worked within the risk management and financial audit service of PriceWaterhouseCoopers (PwC) for five and a half years, both in Nairobi and London.

MERCY NDERITU (41) (CS)
is an LLB degree holder from the University of Nairobi and has an LLM from the Widener University School of Law in Delaware. She worked as a Legal Assistant in law firms in Nairobi for three years and subsequently held various positions as an in house lawyer in Esso Kenya Limited and Mobil Oil Kenya Limited for a cumulative period of 10 years. She joined Bamburi Cement Limited in 2005. Mercy is an Advocate of the High Court of Kenya (admitted to the bar in 1991) and also a Certified Public Secretary.

KEY: NE=Non-Executive Director, **AC**=Audit Committee, **ED**=Executive Director, CS=Company Secretary

Board of Directors Profiles

RICHARD KEMOLI (71) (NE) holds a Bsc(Econ) from Makerere University, Kampala and studied for a Diploma in Management Studies at Regent Street Polytechnic (now University of Westminster, London).He is also a member of the Institute of Directors, London.

He is the Chairman of the Bamburi Cement Limited Board of Directors. He has 33 years experience with Commonwealth Development Corporations - East Africa Region and is a director in several companies.

JEAN-CLAUDE HILLENMEYER (70) (AC) is a graduate engineer from Ecole Centrale des Arts et Manufactures, Paris and holds an MBA from "Institut d'Administration des Enterprises".

He is the acting Chairman of the Audit Committee. He has held several positions in the Lafarge group both in France and internationally before retiring in August 1999 and is currently an independent consultant. He has 45 years of experience in the cement industry which has been very valuable to Bamburi Cement Limited as it goes through change.

SOLOMON W. KARANJA (70) (NE) is a BA graduate of Makerere University and holds an MA from University of London.He has worked as a Deputy to the University of East Africa, Registrar, and was the first Kenyan University of Nairobi, Registrar. Subsequently he held the position of Executive Chairman, East Africa Portland Cement Company for twelve years after which he was appointed Executive Chairman National Bank of Kenya in 1987.

He has served as Chairman Kenya Golf Union and Muthaiga Golf Club as well as a Director Muthaiga Country Club and Chairman Fidelity Shield Insurance Company.

He has served on a number of Government appointed commissions into the affairs of the university and is currently on the University Inspection Board recently set up by the President to review the operations of the public and private universities in Kenya.

ANTONY HADLEY (48) (NE) is the Regional President LAFARGE Africa. He is a Mechanical Engineer who graduated from London's Imperial College in 1980. For 18 years, Tony worked in the oil industry for Schlumberger in many roles, living and working in North and South America, Europe and Africa.

In 1999, he joined Blue Circle Industries in the U.K. with responsibility for Africa. Following the acquisition of Blue Circle by Lafarge in 2001, Tony was appointed as Regional President for Lafarge (Africa Operations). Lafarge has cement manufacturing operations in Nigeria, Benin, Cameroon, Kenya, Uganda, Tanzania, Zimbabwe, Zambia, Malawi and South Africa.

ELMOR LEO (63) (NE) holds a Bachelor of Commerce degree from the University of Pretoria and a Masters of Business Administration degree from the same university.

He is the Managing Director of Lafarge South East Africa. He has served in various positions within the Group and has experience spanning over 20 years in the cement industry.

DAVID NJOROGE (36) (ED) is a holder of a Bachelor of Commerce degree, Accounting major and is a Certified Public Accountant. He has attended managerial, financial and leadership related courses' both locally and internationally including sessions in INSEAD.

He joined the company in 1999 as Finance Manager a position he held until 2002 when he was promoted to Group Finance Director. In April 2006, he was assigned to Hima Cement Ltd as General Manager.

He is also a director at the Nairobi Stock Exchange where he chairs the finance committee. He has several years experience in finance and control.

The year 2006 presented our business with several challenges starting with the drought in the earlier part of the year in various parts of East Africa, rising food and fuel prices which increased the inflationary pressures in Kenya (14.5%) and Uganda (11.3%).

As a result of low water levels, power generation in Uganda dropped drastically and thermal generators were installed to provide emergency relief, driving up the cost of power by 146% within the year. There was also insufficient improvement in long haul transport facilities.

Despite these challenging constraints, we were able to deliver acceptable performance compared to last year. Some highlights by way of example are:

- Increased cement production by 8% while our consolidated sales grew by 10% to Kshs 16.7 billion,
- Increased in profits before tax by 22% to Kshs 3.8 billion
- Critical strategizing and mobilizing for growth to meet the rising demand for cement in the region,
- Enhanced the safety of our industrial operations as well as improved safety on the road.
- Demonstrated our commitment to the communities and to the environment through various Corporate Social Responsibility projects undertaken in the year. In recognition of some of this work, Bamburi received a prestigious international Habitat conservation award in 2006 - the first on the African continent - for environmental stewardship and protection of native biodiversity.

To mitigate the increased pressure on operating costs, we launched a cost saving initiative called Excellence 2008, whose aim is to focus and accelerate actions with greatest potential for saving costs. Key areas of this initiative include productivity improvements, alternative fuels and optimization of material additives.

The strong focus on these initiatives produced good results in 2006 and demonstrates the great potential of our people and organization to deliver strong results even in a challenging economic environment.

Mobilizing for expansion to serve growing market

Our markets in East Africa continue to show high growth, averaging 8-10% over the past 5 years. This is not surprising, as political stability returns to the region, economic activity is rejuvenated. The outlook remains good. Estimates for economic growth in Kenya and Uganda for 2006 are 6% and 4.5% respectively. Infrastructure projects will need to be accelerated if the targeted growth rates are to be achieved going forward. In Uganda, increasing power generation remains a top priority with 2 major hydro-electric dams due for construction commencing 2007. We are optimistic that our governments will accelerate efforts to improve the regional infrastructure for industry and commerce.

In 2006, we devoted our energies to finalize plans to increase production capacity in Uganda. We have obtained approval from the authorities and expect to break ground for our new plant soon. The group is well geared to meet expected growth in demand.

Leveraging growth through innovation

We are committed to offering more value to our customers through new solutions and new products developed from an intimate understanding of our customers needs. In Kenya, we successfully championed the use of concrete electricity poles, as durable and environmentally friendly alternative to tree posts. In Uganda we had great success demonstrating the suitability of cement for road stabilization. In addition, working through the East Africa Cement Producers Association (EACPA), we supported the construction of the first ever concrete road (Mbagathi Road) in Kenya to showcase the unique benefits of concrete roads.

Across the Eastern Africa region, we run a Mason's Partnership program in which we organize regular seminars for one of our key consumer groups - the building masons. Through these seminars we listen, learn and gain valuable insights to leverage in new product development. In our subsidiary, Bamburi Special Products, we have an important vehicle for introducing new products to the market.

We continue to realize innovation in our industrial and internal operations, where the benefits are real improvement in the productivity and efficiency of our operations. Our pioneering work with the use of biomass as an alternative energy source is a sterling example. We believe that innovation will remain vital for us to sustain our competitive advantage within the region.

Commitment to safety, health, our communities and environment

Our commitment to safe operations remains as strong as ever. We have launched a new Health and Safety Policy across the group to give new impetus to our safety ambitions. At the center of our efforts is the commitment of each individual employee and business partner. We require every one of our employees and contractors to commit to contribute to a safe environment at work through responsible behaviour and active engagement of other workers. The main initiative in the year was a road safety campaign that we launched in Kenya and Uganda to address the risks we face in transporting our products.

We take seriously our responsibilities as a member of the communities where we operate. We are major contributors in the areas of environmental protection, health and education. Our unique Green Schools projects in Kenya and Uganda promote tree planting. To date over 250,000 trees have been planted and 126 water tanks installed. In Uganda, we launched an Anti Retroviral Treatment (ART) program through which our employee community is able to access free HIV drugs. We continue to support young promising students in our communities with education bursaries.

We are proud to initiate new economic opportunities spurred by innovation in our plants. The use of alternative fuel sources (biomass) resulted in new income sources and improved quality of life for coffee growers, local traders and transporters. In 2006, Lafarge Ecosystems pioneered a project (Biofuels) to develop tree plantations in proximity to our plant and we are optimistic that the project will provide more work and micro enterprise opportunities for our communities. Over 100 temporary employees from the neighboring communities have already been engaged through this initiative.

In 2007 we expect performance to benefit from the market growth outlook and further productivity improvements. We continue to explore new sources of energy in order to save costs and contribute to environment protection in the present and the future.

What we have achieved so far is the result of the dedicated efforts of all our people. In 2006 we made changes to our organization to improve the effectiveness of resource sharing in East Africa. We are now more integrated and work closely as one business across East Africa. We have great people across the region and are committed to developing everyone to their fullest potential. The performance of our people, both individually and working together as robust teams across East Africa and the Lafarge group, is what distinguishes our immense capabilities.

In conclusion, I want to commend all our staff in East Africa for their dedicated and unwavering work for the company. My vocabulary is insufficient to express the gratitude I feel to the Board of Directors for their steadfast support and positive contribution to company deliberations. I believe we are on the right path - building partnerships with our customers, creating innovative products, making our organization more effective, reducing costs, planning for expansion and developing the talents of our people. All these initiatives will solidify our competitive advantage resulting in better returns for our shareholders and stakeholders.

Sincerely,

RICHARD KEMOLI
CHAIRMAN


Alone we can do so little; together we can do so much. *Helen Keller.*
KENYA
KENYA
460
BEIJING 2006
500
BEIJING 2006

Management's Discussion and Analysis of [illegible] of Operations

The Kenyan economy remained buoyant in 2006, achieving 6.0% GDP growth (2005: 5.8%) despite adverse impacts of drought/famine that characterised the first half of the year. The growth was driven by mainly the tourism, telecommunication, horticultural and manufacturing sectors. In addition, the Government is implementing various development programmes, especially free primary education and roads rehabilitation, which remain key for continued economic growth. Inflation in the year rose to 14.5% (2005: 10.3%) mainly driven by volatile fuel and food prices.

Uganda GDP growth at 4.5% was below prior year (5.3%). The decline is attributed to the acute power shortages during the year brought about by a drop in water levels at the main hydro power dam. Emergency thermal generators were commissioned towards end of the year, but being more costly sources of power, they resulted in sharp tariff increases (114% by end of the year). Escalating power and fuel prices contributed to the high inflation estimated at 11.3% (2005: 3.5%).

In the wider region, Rwanda and Burundi were admitted into the East African Community. Both countries remain key export markets, and we expect that the integration will further improve trade and business opportunities for the group.

The economic outlook for the region remains positive; political settlement in South Sudan; the search for peace in northern Uganda; the prospects for oil exploration in western Uganda; the robust tourism sector in Kenya – all provide strong grounds for optimism. Development of the infrastructure in the region remains a priority in order to support economic growth. We are hopeful that the Governments in the region will accelerate improvements to the transport sector. In Uganda accelerating the construction of new hydro power dams is vital to improve the country's economic competitiveness.

Cement demand in the region continued to be strong, spurred by the strong economic growth noted earlier. Across the region, investment is growing in housing and rehabilitation or expansion of existing public infrastructure. In Kenya, we have a conducive climate for the individual home builder and private developer particularly in form of relatively low interest rates and availability of mortgage products.

The private home builder is also a key cement market segment in Uganda. There has been a sustained investment in new commercial building and hotels, and an increase in public construction projects including rehabilitation of road and airport facilities, in preparation for the Commonwealth Heads of Government summit scheduled for October 2007.

Public projects will also contribute to the high cement market growth rates in 2007. The development of road infrastructure in the region is a priority for regional development. In conjunction with the East African Cement Producers Association (EACPA), we supported the construction of the first ever concrete road (Mbagathi Road) in Kenya to demonstrate their suitability for the region. We are committed to realising new uses for our cement and cement related products through innovation.

It is our commitment to be among the best organizations internationally in safety performance. We recently renewed our safety policies, placing the commitment and contribution of each individual employee and our contractor partners at the centre of all efforts and providing clearer rules for safety behaviour. Each employee and contractor signed up to the new policy, committing to contribute to a safe environment through responsible behaviour and active engagement of one another.

We have a road map for safety improvement and [illegible] remains a major challenge for our operations. We launched a [illegible] and Uganda through which we plan to improve safety awareness, driving [illegible] accidents. We are committed to diverting our material shipments from road to rail to [illegible] exposure to accidents on the road. We have on-going discussions with the new Railways concessionaire (Rift Valley Railways) to increase our traffic on rail, and we are optimistic that management of the railway network will improve.

The Group recorded an 11% increase in turnover compared to 2005 as our sales focus and unique geographical presence enabled us to take advantage of all opportunities in the market. Sales grew strongly on the back of overall cement market expansion in the region. Domestic sales in Kenya were sluggish in the first half of the year, partly due to the regional drought and related impacts on disposable incomes. But demand picked up in the second half of the year, to record the growth noted above.

Market growth in Uganda was also strong at 9.5%. By leveraging on our unique regional presence, we were able to serve the growing demand in Uganda and to increase our exports to other inland Africa markets. We reorganised our sales and marketing teams to consolidate our strong position and exploit new market opportunities. Our focused effort resulted in improved penetration to Tanzania, Rwanda, Burundi and South Sudan, a 30% increase in exports volumes.

At all our plants, we improved performance in terms of cement production and plant reliability in 2006. We made significant improvements in the year by optimizing our material usage ratios and by increasing the alternative fuel usage. The gains in productivity were vital in offsetting adverse cost pressures particulary on fuel and power prices.

Mombasa
In 2006 cement production improved 9% as mill utilization increased to serve increasing demand for cement. Kiln reliability improved, but we were behind last year on clinker production due to slightly reduced kiln output. As part of our plans to improve kiln efficiency, we will make a significant sustaining investment in the replacement of kiln cooler system in 2007.

Nairobi
Cement production at the Nairobi grinding plant increased 7% to meet the increased domestic and export demand. We made significant improvements to productivity in the year by optimizing cementitious additions and migrating from CEM II to CEM IV cement.

Kasese
Cement production improved 7% despite increased problems with power quality and supply. To alleviate the power situation, we commissioned a KShs 110 million generator in November to provide alternative supply during power outages. We also made gains in the use of alternative fuels, which partially offset the increase in fuel and power prices.

Investments

[redacted]

Human Resources and Organization

[redacted]

Bamburi Special Products

[redacted]

Lafarge Eco Sytems

[redacted]

Outlook

[redacted]


A job worth
doing is worth
doing together.
Anonymous.

Corporate Governance and Social Responsibility

Introduction

Our Board and Executive committee are committed to managing business at 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 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. The controls are designed to provide reasonable assurance against material misstatement or loss. The key features of the governance structure and processes and the internal financial control systems, which operated satisfactorily throughout the period covered by the financial statements, are described below.

Corporate Governance

Board of Directors

The Board comprises eleven directors, three of whom are executive directors while eight are non-executive. The board is chaired by an independent and non-executive director Among the non-executive directors, four are independent directors. In addition to seeking a fair balance between executive and non-executive directors, the appointment of board members also takes cognisance of the need for a good mix of skills, experience and competencies required in the various fields of expertise, for effective management of the group's business. In the Bamburi Board five directors have financial skills whilst five have gained experience and skill from work in the cement industry.

The board meets at least once every quarter. This program notwithstanding, whenever there is need to transact urgent business, a meeting is convened. To ensure that all matters requiring the attention of the board are given full and unfettered attention, the board has four standing committees.

Audit Committee

The audit committee plays the key role of reinforcing best practice in corporate governance particularly in the areas of internal controls and risk management. It does this by regularly reviewing relevant company information to gain assurance that proper information and control systems are in place; and that the company's business and that of its subsidiaries is conducted in an economically sound and ethical manner. The Audit Committee will act in an advisory capacity to the Board in such a manner as to increase confidence in the internal control environment. Its main duties are:

1. to ensure that the systems of internal control are soundly conceived and effectively administered and seek assurance that control systems are regularly monitored;
2. to define responsibilities of the internal control function;
3. to review the extent of compliance against policies, procedures and laws
4. to review financial statements and interim results and annual plan budget and schedules for the coming year
5. Discussing the mandate and reviewing the findings of internal and external auditors.

Nomination and Remuneration Committee

This committee comprises of three members of the board and is responsible for appraising the performance of senior management staff, including the Chief Executive. It reviews human resources policies, and advises the Board on matters relating to remuneration for senior management and board members. It is also responsible for the scrutiny and recommendation of potential candidates for the appointment to the board. It has one scheduled meeting in a year, but also convenes when there is need to fill any casual vacancy arising in the board.

Asset Disposals Committee

The committee is responsible for the disposal of the Group's non-operating assets. It is charged with ensuring that the process of disposal is fair, professional and efficient as instructed by the board. This committee has 2 members and its chair is a member of the Audit Committee.

Executive Committee

The Managing Director chairs an East African Executive management committee, which comprises the executive directors. The committee meets at least once a month and its mandate is to deal with policy, operational issues, and to improve communication and co-ordination through the various companies in the group. In order to ensure that full attention is given to all business segments and location the executive committee holds its meetings on a rotational basis at all the company's business locations in East Africa.

Planning and Control

There is a comprehensive management cycle system that includes the long-term strategic plan, medium term performance improvement plan, organisation and human resource review and the budgets. The strategic plan gives the group long-term direction while the performance plan enables management to focus on key actions to achieve our strategy. The budget or annual business plan is approved by the Board in December each year and must be consistent with the strategic and performance plan. At every board meeting, management accounts containing actual versus budgeted 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 indicators.

There is a clear defined organisational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by policies, and management operates 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 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 business remains appropriately structured to ensure adequate segregation of duties.

We have also fully adopted International Financial Reporting Standards (IFRS) 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.

Share movement

Over the year 6,099,142 shares were sold in the stock market out of a total of 362,959,27[illegible] shares.

Corporate Social Responsibility

Health and Safety

We are committed to providing a healthy and safe work environment for all our employees and business partners, and in turn expect all our employees to contribute to creating this environment through responsible behaviour. Everyone is also expected to demonstrate that health and safety are core values in all aspects of our business through action and felt leadership.

We recently re-launched our group health and safety policy to provide fresh impetus to our efforts. The new policy explicitly includes eleven health and safety policy rules. All employees and contractors are committed to actively engage each other towards achieving our ambition of being among the safest organizations in the world. Line management is responsible for health and safety implementation, communication and compliance.

We launched a Road Safety campaign in 2006 to enhance a safe driving culture and to gain transporters' commitment to road safety. The campaign was launched at all our sites in Kenya and Uganda, and the primary target are drivers, transporters and employees. Defensive driving training and certification has become a minimum criterion for all contracted drivers. While we have seen improved driving behavior and reduction in the fatalities on the road in 2006, we are committed to minimizing the risks and to attaining nil road fatalities.

Community Programmes

Education

One of our initiatives in the education sector falls under our Bursary Scheme set up in 1998 to assist undergraduate students in our National Universities. The bursary supports students from the areas in which we operate who have been offered places in our National Universities. This programme has 10 student beneficiaries who are studying in the public universities. Our focus on education saw us continue to support a number of students in various schools in Kenya by paying their school fees.

In addition, we have an internship program, in which we provide field attachment opportunities within our organisation to better prepare the students for the work environment. In tandem with this we have recently launched an apprenticeship training scheme in which we will sponsor technical apprentices to the National Polytechnics to enable them enhance their knowledge and skills relevant to the current and future needs of our plant operations and the country. We expect that within the next four years, we will have supported twenty students through this programme.

In 2006 50 students from various East African universities joined our subsidiary Lafarge Eco Systems on attachment training in ecology, wildlife, fisheries, forestry, tourism and management. We also held our first undergraduate field course in Restoration Ecology in Haller Park as a module in Princeton University's semester abroad programme in the Ecology and Evolutionary Biology Programme. Eight American students and two of our staff participated in the 3 week field course that examined the effectiveness of restoration practices at Lafarge Eco Systems. Four Masters Degrees were also earned through field projects at Lafarge Eco Systems by students at Cranfield University's Center for ecological restoration in the UK. These students conducted research examining the impact of Bamburi's Green Schools Project on sanitation, fuel wood production, education and water efficiency in the Kwale District. The Green Schools Project is discussed further below.

Health

In March 2006 16 female spouses of our employees in Mombasa were trained as peer educators in HIV/AIDS issues. Under the leadership of the senior clinical officer in the community, peer educators held monthly meetings to discuss HIV issues with fellow female spouses from April to October in the year. These meetings have led to increased employee spouse visits at the VCT centre at the Mombasa plant clinic.

Antiretroviral drugs continue to be supplied to the eligible HIV positive employees and their dependants. In addition, counselling is provided for people who are tested irrespective of outcome at the Clinic and VCT centre.

The company embarked on a programme to enable employees obtain treated mosquito bed nets. During the year 232 nets were sold to employees under this scheme. In line with preventive measures with regard to malaria, 140 company staff houses in Mombasa were sprayed with residual mosquito repellents.

In order to enhance safety and health practices as a way of life, a Knowledge, Attitude, Practices and Behaviour (KAPB) survey for HIV/AIDS and malaria was launched and carried out in Bamburi and its subsidiaries in November 2006 with a commendable 80% participation rate.

Rehabilitation

During 2006 we carried out successful restoration of nearly twenty hectares of quarry land in addition to the management the existing parks - Haller Park and Forest Trails. With over 400 species of indigenous trees the parks contribute significantly to the protection of Kenya's unique coastal flora. The diverse ecosystems that have been created are an important showcase of our environmental responsibility. June 3rd, 2006 was used to mark the World Environment Day. We organised tree planting activities at the South and North quarries in Mombasa. A total of 2,300 Casuarina seedlings were planted in both quarries by school children and invited guests and 3,000 seedlings given away to the public to plant at home.

A new project that aims at producing fuel wood as an alternative energy source was started during the year. The primary objectives of this project are to establish fuel wood plantations on Bamburi's mining reserve land and in disused quarries not set aside for biodiversity conservation, in order to produce fuel wood for burning in the cement plant. The fuel wood is a carbon-neutral fuel, and will contribute significantly to the Group's fossil fuel substitution programme.

The project will also enhance stakeholder relations through the involvement of local communities. Communities and other external land owners will be encouraged to plant trees for later sale to Bamburi as wood fuel. At the end of the 2006, over half a million seedlings had been produced in readiness for planting in 2007.

In November 2006 Bamburi received international certification for habitat creation at the Mombasa Quarries through the Wildlife Habitat Council. This certification is for two years, and was made after a site visit by auditors and a submitted application. In addition the Presidents Award "In honour of outstanding commitment to community service, conservation education and environmental stewardship" was also given on the same day by the Council. This award makes Bamburi's quarries the first Wildlife Habitat Council certified program on the African continent.

Haller Park

June 2nd, 2006 was a memorable day that saw the launching of the "Owen & Mzee" book, a best selling children's book that is primarily attributable to the sustainable development efforts of Bamburi in Mombasa.

The extraordinary duo of Owen and Mzee (Hippo and Tortoise) has become a major attraction at the Haller Park getting both national and international attention. A souvenir 25 shilling postage stamp with the duo was launched in the year. The Owen & Mzee Book has won several accolades, the latest one being the 2007 "Notable Book Award" from the American Library Association.

The Green Schools Project

The Green Schools project focuses on providing clean water and tree seedlings for planting to schools in arid and semi-arid areas with the aim of eventually creating a sustainable source of drinking water and firewood. It was started in 2003 and has continued to make good progress. Bamburi provides a water tank design concept and up to five thousand tree seedlings to each school for phased planting.

The goal is to ensure that each "Green School" pupil will plant trees that will foster growth of forests and sustenance of firewood for cooking. The tanks which collect rainwater provide access to safe water for drinking and preparation of meals in schools. The project has a total of 96 schools participating in four provinces in Kenya: Coast, Eastern, Rift Valley and Western. To date a total of 252,523 trees have been planted.

Baobab Trust

Bamburi is one of the donors of the Baobab Trust, an organization that is involved in sustainable development work.

The Trust demonstrates sustainable farming techniques and other community initiatives in partnership with donors such as the UNDP and the Haller Foundation. Some notable events in its calendar were the opening of a community library at the Nguuni Wildlife Sanctuary in October and hosting a Farmers Open Day at its Mtopanga farm in conjunction with the Ministry of Agriculture in November. In September Bamburi, together with the Baobab Trust and various hotels, the community, schools and other key stakeholders, participated in the Annual International Coast Cleanup during which several kilometres of beachfront were cleaned.

Baobab Trust has also been pivotal in marine life conservation particularly with regard to the turtle. The Trust assists in protecting turtle nests, and maintains its own hatchery where the turtle eggs can be incubated after being removed from unsafe nest sites. The Trust also works with local fishing communities to create awareness of the conservation programme.

Other Community Initiatives

Over the year the company interacted and gave financial support to various worthy causes. In the spirit of caring for our communities Bamburi staff members from the Nairobi Grinding Plant donated a cheque of Kshs 101,000 and 40 desks to Mlolongo Primary School Athi River in June. This is a school where material support and cash donations by the Nairobi Grinding Plant have been complemented by other Kenya Association of Manufacturers (KAM) members Athi River chapter.

Employees of Bamburi in the last quarter of 2006 made cash donations amounting to Kshs 2,063,412 to three charitable institutions in the country: the SOS Children Village in Buruburu Nairobi received Kshs 1,102,141, the Wema Centre in Mombasa was the recipient of Kshs 805,331 and the Tom Mboya Cerebral Palsy Unit also of Mombasa, received Kshs 155,940.

Some other notable donations made were to the Mwembe Tanganyika street paving project in Mombasa, the Green Belt Movement, to the Alliance Francaise Nairobi and to the Kenya Red Cross National Famine Relief Fund. In the latter instance five million shillings was donated towards short and long term relief initiatives under the management of the Red Cross.

Hima Cement

Health and Sanitation

A focus area in Uganda has been the provision of toilet facilities in various parts of the country to improve sanitation. During the year the company donated and commissioned toilet facilities at various community institutions.

On 2nd August 2006 Hima Cement Ltd launched an Anti Retroviral Therapy (ART) programme in Hima, in partnership with the Government of Uganda, the International Medical Group (IMG) and USAID. This programme involves counseling and testing of employees, dependants and community members and where deemed clinically beneficial, the provision of free drugs. A Post -Test Club facilitated by our staff members gives support to those in the community who have been tested for HIV.

Hima Cement Ltd received an award in recognition of best practice in Corporate Social Responsibility for 2006 from the Uganda Manufacturers Association.

Community mobilization

The socio economic set up at the Kasese, West Uganda - where our Hima plant is located - has provided unique opportunities to interact with the wider community. The company has marked some days in the year as Community days, during which community members are mobilized to participate in a variety of activities that touch on a spectrum of health and sanitation issues. The themes for the community days in 2006 have been HIV prevention, drug abuse, safe water and sanitation.

Environment

In the area of environment and sanitation, the company started the Green Schools Project in Kasese area. The objectives are similar to those at Bamburi Cement Ltd. The pilot scheme covers seven schools identified in Kasese and Kampala districts. Participating schools will benefit from pit latrines, desks and water tanks.

Other community initiatives

The company donated seedlings to schools in Kasese district and to the World Wildlife Federation (WWF) for planting in designated areas around Kasese district. The company also donated cement to various institutions for development of classroom blocks and places of worship.


Individual commitment to a group effort - that is what makes a team work, a company work, a society work, a civilization work. *Vince Lombardi.*
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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 56th Annual General Meeting of the Shareholders of Bamburi Cement Limited will be held in Mombasa at the Nyali Beach Hotel, on Wednesday 30th May 2007 at 3.00 pm. 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 2006.

4. To declare dividends:

a) To ratify the payment of the first and second interim dividends of 40% each per ordinary share paid in April and September 2006.

b) To declare a final dividend payment of 30% per ordinary share for the year ended 31 December 2006.

5. To approve Directors' fees for 2006 and increase Directors fees in 2007.

6. To re-elect directors:
   In accordance with the Company's Articles of Association R Kemoli, T Hadley, C Kisire and S M'Mbijjewe retire by rotation and being eligible, offer themselves 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 authorize the Directors to fix their remuneration for 2007.

Special Business

8. To elect Directors:
   Special notice having been given pursuant to Sections 142 and 186(5) of the Companies Act (Cap 486), to propose the following resolution as an Ordinary Resolution:

   "That Mr Solomon Karanja, who attained the age of 70 years on 16 September 2006 and Mr Jean-Claude Hillenmeyer who attained the age of 70 years on 4 February 2007, be re-elected as directors of the Company."

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

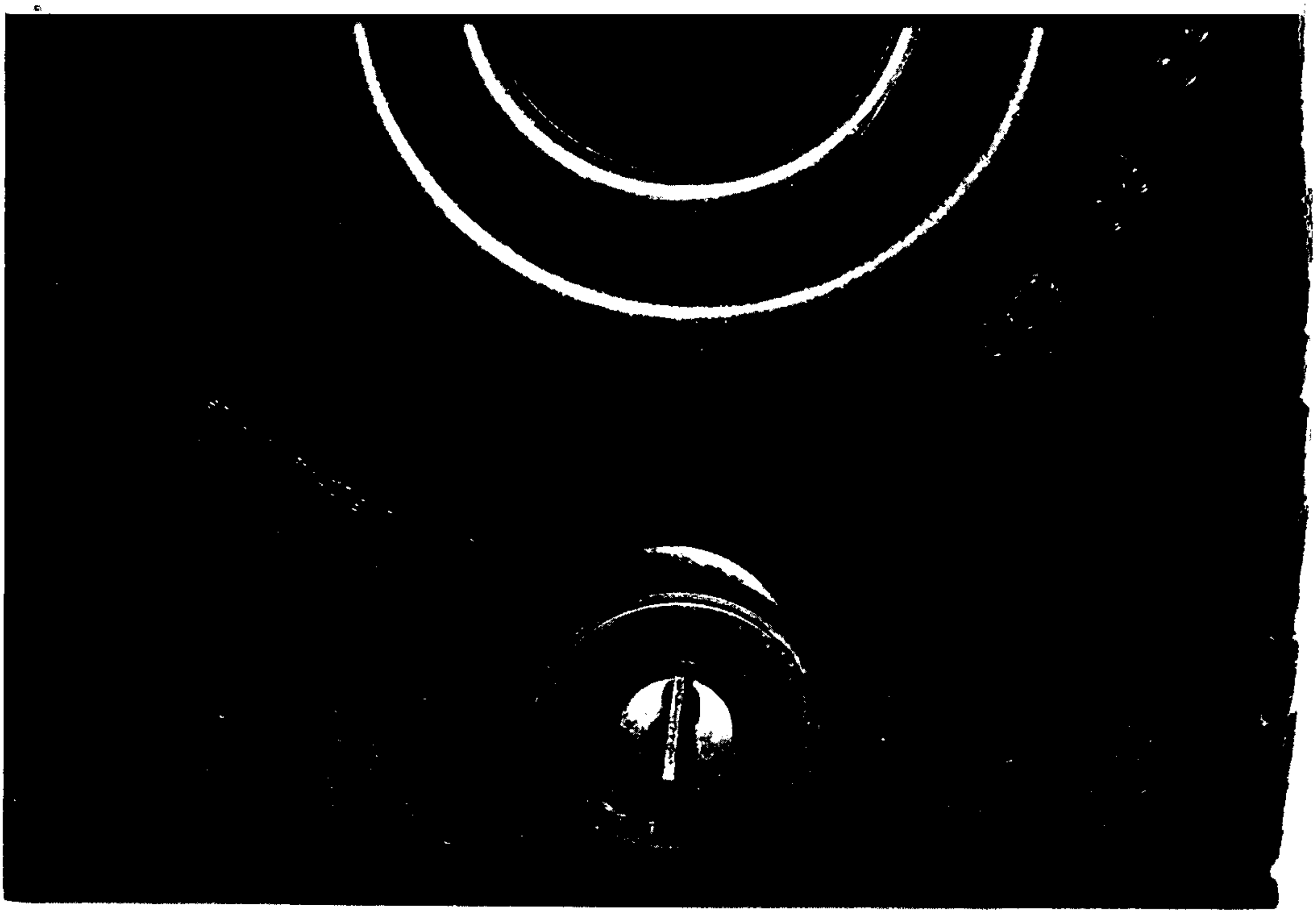
By order of the Board

Ms. Mercy W Nderitu
Secretary
14 March 2007

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 stead. Proxy forms must be lodged at the registered office of the Company, not less than 48 hours before the time of the meeting. A proxy form is provided with this report.

The Secretary,
Bamburi Cement Ltd.
Corporate Offices
6th floor, Kenya-Re Towers,
Upper Hill,
off Ragati Road PO Box 10921,
00100 NAIROBI, KENYA.

Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2006



Report of the directors 36

Statement of directors' responsibilities 37

Independent auditors' report 38

Consolidated income statement 39

Consolidated balance sheet 40

Company balance sheet 41

Consolidated statement of changes in equity 42

Company statement of changes in equity 43

Consolidated cash flow statement 44

Accounting policies 45

Notes to the financial statements 49

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2006.

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	3,838
Tax	(1,039)
Group profit after tax	**2,799**
Attributable to:	
Equity holders of Bamburi Cement Limited	2,614
Minority interest	185
	2,799

DIVIDENDS

During the year two interim dividends amounting to Shs 1,452 million (2005: Shs 1,923 million) were paid. The directors recommend that a final dividend of Shs 1.50 per share be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 30 May 2007.

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

DIRECTORS

The present board of directors is shown on page 2. The following changes took place during the year: Mr Mbuvi Ngunze resigned on 1 March 2006, while Mr Albert Sigei was appointed the Group finance director on the same date.

AUDITORS

Deloitte & Touche, having expressed their willingness, will continue in office in accordance with Section 159 (2) of the Companies Act.

By Order of the Board
Secretary
Nairobi
13 February 2007

Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which 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 operating results of the group for that year. It also requires the directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 in the manner required by 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 operating results. The directors further accept responsibility for the maintenance of accounting records which 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 and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

M. Puchercos
Director

13 February 2007

A. Sigei
Director

13 February 2007

Independent Auditors' Report to the Members of Bamburi Cement Limited

We have audited the financial statements of Bamburi Cement Limited and its subsidiaries set out on pages 39 to 69 which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As indicated on page 37, the company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

Ve believe that our audit provides a reasonable basis for our opinion.

pinion

n our opinion:

) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;

the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 2006 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 Kenyan Companies Act

oitte & Touche

ified Public Accountants (Kenya)

ngii", Ring Road, Westlands

3ox 40092 - 00100, Nairobi

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Shs'million	2005 Shs'million
Sales	1(c)	16,488	14,393
Other operating income	4	173	97
Investment revenue	5	62	44
		16,723	14,534
Change in inventory of finished goods		(165)	374
Cost of raw materials and consumables	6	(8,264)	(7,632)
Staff costs	7	(1,581)	(1,448)
Depreciation	14	(646)	(668)
Amortisation	16	(27)	(29)
Other operating costs	8	(2,053)	(1,797)
Operating profit	9	3,987	3,334
Finance costs	10	(149)	(187)
Profit before tax		3,838	3,147
Tax	11	(1,039)	(992)
Profit for the year		**2,799**	**2,155**
Attributable to:			
Equity holders of Bamburi Cement Limited		2,614	2,004
Minority interest		185	151
		2,799	**2,155**
Earnings per share – basic and diluted	12	Shs 7.20	Shs 5.52
Dividends:			
First interim dividend paid in the year	13	726	653
Second interim dividend paid in the year	13	726	1,270
Final dividend proposed	13	545	-
		1,997	**1,923**

Consolidated Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Shs'million	2005 Shs'million
ASSETS			
Non current assets			
Property, plant and equipment	14	9,395	9,080
Operating lease rentals	15	9	9
Intangible assets	16	56	72
Capital work in progress	17	643	350
Investments in subsidiaries	18	1	1
Other equity investments	19	2,610	1,803
Goodwill	20	217	217
		12,931	11,532
Current assets			
Inventories	21	2,385	2,027
Trade and other receivables	22	1,137	853
Tax recoverable	11(c)	3	-
Cash and cash equivalents	23	2,057	920
		5,582	3,800
Total Assets		**18,513**	**15,332**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	1,815	1,815
Capital redemption reserve	25	2	2
Revaluation surplus	25	2,965	2,821
Fair value reserve	25	2,264	1,457
Translation reserve	25	(70)	(338)
Retained earnings	13	6,041	4,922
Shareholders' funds		13,017	10,679
Minority interest		719	602
		13,736	11,281
Non-current liabilities			
Deferred tax	26	1,951	1,932
Provision for liabilities and charges	27	368	342
		2,319	2,274
Current liabilities			
Trade and other payables	28	2,187	1,168
Tax payable	11(c)	167	108
Borrowings	29	-	417
Provision for liabilities and charges	27	84	64
Unclaimed dividends	30	20	20
		2,458	1,777
Total equity and liabilities		**18,513**	**15,332**

The financial statements on pages 39 to 69 were approved by the board of directors on 13 February 2007 and were signed on its behalf by:

M. Puchercos
Director

A. Sigei
Director

Company Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Shs'million	2005 Shs'million
ASSETS			
Non current assets			
Property, plant and equipment	14	7,114	6,721
Operating lease rentals	15	1	1
Intangible assets	16	54	63
Capital work in progress	17	438	182
Investments in subsidiaries	18	968	968
Other equity investments	19	2,610	1,803
		11,185	9,738
Current assets			
Inventories	21	1,795	1,403
Trade and other receivables	22	1,382	1,037
Cash and cash equivalents	23	1,463	680
		4,640	3,120
Total Assets		**15,825**	**12,858**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	1,815	1,815
Capital redemption reserve	25	2	2
Revaluation surplus	25	2,743	2,417
Fair value surplus	25	2,264	1,457
Retained earnings		5,216	4,307
		12,040	9,998
Non-current liabilities			
Deferred tax	26	1,542	1,402
Provision for liabilities and charges	27	332	296
		1,874	1,698
Current liabilities			
Trade and other payables	28	1,669	987
Tax payable		153	94
Provision for liabilities and charges	27	69	61
Unclaimed dividends	30	20	20
		1,911	1,162
Total equity and liabilities		**15,825**	**12,858**

The financial statements on pages 39 to 69 were approved by the board of directors on 13 February 2007 and were signed on its behalf by:

M. Puchercos
Director

A. Sigei
Director

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital Shs'million	Capital Redemption reserve Shs'million	Revaluation reserve Shs'million	Fair value reserve Shs'million	Retained earnings Shs'million	Translation reserve Shs'million	Attributable to equity holders of Bamburi Shs'million	Attributable to minority interest Shs'million	Total Shs'million
At 1 January 2005	1,815	2	3,107	388	4368	183	**9,863**	622	**10,485**
Transfer of excess depreciation	-	-	(267)		267	-	-	-	-
Deferred tax on excess depreciation	-	-	60		(60)	-	-	-	-
Revaluation surplus realised on disposal of property	-	-	(120)	-	-	-	**(120)**	-	**(120)**
Deferred tax on revaluation	-	-	35	-	-	-	**35**	-	**35**
Deferred tax on revaluation surplus realised on disposal of property	-	-	6	-	(6)	-	-	-	-
Fair value gain on equity investments	-	-	-	1,069	-	-	**1,069**	-	**1,069**
Profit for the year	-	-	-	-	2,004	-	**2,004**	151	**2,155**
Translation gain/(loss)	-	-	-	-	272	(521)	**(249)**	(88)	**(337)**
Dividends:									
- interim, for 2005 declared and paid	-	-	-	-	(1,923)	-	**(1,923)**	(83)	**(2,006)**
At 31 December 2005	1,815	2	2,821	1,457	4,922	(338)	**10,679**	602	**11,281**
At 1 January 2006	1,815	2	2,821	1,457	4,922	(338)	**10,679**	602	**11,281**
Transfer of excess depreciation	-	-	(244)		244	-	-	-	-
Deferred tax on excess depreciation	-	-	73		(73)	-	-	-	-
Revaluation surplus /deficit	-	-	538	-	-	-	**538**	(80)	**458**
Deferred tax on revaluation	-	-	(187)	-	-	-	**(187)**	24	**(163)**
Fair value gain on equity investments	-	-	-	807	-	-	**807**	-	**807**
Profit for the year	-	-	-	-	2,614	-	**2,614**	185	**2,799**
Translation gain/(loss)	-	-	(36)	-	(214)	268	**18**	(12)	**6**
Dividends:									
- interim, for 2006 declared and paid	-	-	-	-	(1,452)	-	**(1,452)**	-	**(1,452)**
At 31 December 2006	1,815	2	2,965	2,264	6,041	(70)	**13,017**	719	**13,736**

The reserve accounts included in the statement of changes in equity are explained below:

- The capital redemption reserve represents funds set aside for redemption of preference shares.
- The revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment. The revaluation surpluses are non-distributable.
- The fair value reserve represents the cumulative surpluses or deficits arising from restatement of investments in equity shares from cost to fair value based on the market values of the equities at the balance sheet date.
- Retained earnings represent accumulated profits retained by the group after payment of dividends to the shareholders.
- The translation reserve represents the cumulative position on translation gains and losses arising from conversion of the net assets of the foreign subsidiary company to the reporting currency.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital Shs'million	Capital redemption reserve Shs'million	Revaluation reserve Shs'million	Fair value reserve Shs'million	Retained earnings Shs'million	Total Shs'million
At 1 January 2005	1,815	2	2,685	388	4,176	9,066
Transfer of excess depreciation	-	-	(226)	-	226	-
Deferred tax on excess depreciation	-	-	37	-	(37)	
Revaluation surplus realised on disposal of property	-	-	(120)	-	-	(120)
Deferred tax on revaluation	-	-	35	-	-	35
Deferred tax on revaluation surplus realised on disposal of property	-	-	6	-	(6)	-
Fair value gain on equity investments	-	-	-	1,069		1,069
Profit for the year	-	-	-	-	1,871	1,871
Dividends:						
- interim, for 2005 declared and paid	-	-	-	-	(1,923)	(1,923)
At 31 December 2005	1,815	2	2,417	1,457	4,307	**9,998**
At 1 January 2006	1,815	2	2,417	1,457	4,307	9,998
Transfer of excess depreciation	-	-	(223)	-	223	-
Deferred tax on excess depreciation	-	-	67	-	(67)	-
Revaluation surplus	-	-	724	-	-	724
Deferred tax on revaluation surplus	-	-	(242)	-	-	(242)
Fair value gains on equity investments	-	-	-	807	-	807
Profit for the year	-	-	-	-	2,205	2,205
Dividends:						
- interim, for 2006 declared and paid	-	-	-	-	(1,452)	(1,452)
At 31 December 2006	**1,815**	**2**	**2,743**	**2,264**	**5,216**	**12,040**

The reserve accounts included in the statement of changes in equity are explained below:

- The capital redemption reserve represents funds set aside for redemption of preference shares.
- The revaluation reserve represents the net cumulative surpluses arising from revaluations of property, plant and equipment. The revaluation reserve is non-distributable.
- The fair value reserve represents the cumulative surpluses or deficits arising from restatement of investments in equity shares from cost to fair value based on the market values of the equities at the balance sheet date.
- The retained earnings represent accumulated profits retained by the company after payment of dividends to the shareholders.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Shs'million	2005 Shs'million
OPERATING ACTIVITIES			
Cash generated from operations	33	4,927	3,592
Interest received	5	37	16
Interest paid	10	(47)	(35)
Taxation paid	11(c)	(1,213)	(1,116)
Net cash generated from operating activities		3,704	2,457
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets and expenditure on capital work in progress	17	(766)	(512)
Proceeds from disposals of property, plant and equipment		2	86
Dividends received	5	25	-
Net cash used in investing activities		(739)	(426)
FINANCING ACTIVITIES			
Dividends paid to group shareholders	13	(1,452)	(2,055)
Dividends paid to minority interest		-	(83)
Net cash used in financing activities		(1,452)	(2,138)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,513	(107)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Balance at start of year		503	632
Increase/(decrease) for the year		1,513	(107)
Exchange adjustment		41	(22)
Balance at end of year	**23**	**2,057**	**503**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

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. The group's principal accounting policies are set out below:

Adoption of new and revised international financial reporting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7 on Financial Instruments Disclosures
IFRS 8 on Operating Segments
IFRIC 8 - Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the group.

(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 value.

(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 achieve consistency with the policies adopted by the parent company.

The income statement of the foreign subsidiary is translated at average exchange rate for the year and the balance sheet at the year end rate. The resulting differences arising from translation are dealt with in the translation reserve.

A listing of the subsidiaries in the group is provided in Note 18.

(c) Revenue recognition

Sales are recognised upon dispatch for self collection or else on delivery of products to customers or performance of service. The sales are stated net of VAT and discounts, and after eliminating sales within the Group.

Interest income is recognised as it accrues, unless its collectability is in doubt. Dividends receivable are recognised as income in the period in which they are declared by investee companies.

1 ACCOUNTING POLICIES (Continued)

(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 balance sheet 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 issuers) are classified as originated loans.

All purchases and sales of investments are initially recognised at cost on the trade date, which is the date a company within the group 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 dealt with in a separate reserve in the statement of changes in equity. On disposal, the 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. Freehold land and buildings are subsequently restated to revalued amounts, based on valuations by independent external valuers, less subsequent depreciation. Plant and machinery is revalued internally on the basis of a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder. The valuations are carried out approximately once 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 related 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.

1 ACCOUNTING POLICIES (Continued)

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	14 - 22 years
Equipment and mobile plant	3 - 10 years
Residential buildings	40 years

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

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

(g) Leases

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

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 represents the excess of the cost of acquisition over the fair value of the group's share of the net assets of the acquired subsidiary as at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(i) Inventories

Inventories of consumables and spare parts are stated at weighted average 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 and is determined on the first-in first-out method.

(j) Trade receivables

Trade receivables are carried at amortised invoice amounts 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 as irrecoverable.

(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.

1 ACCOUNTING POLICIES (Continued)

The estimated monetary liability for employees' accrued leave entitlements 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.

Deferred tax assets 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.

(m) Retirement benefits 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 the group companies and employees. The Group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based.

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 group's obligations to the staff retirement benefits plans are charged to the income statement as they fall due or in the case of service gratuity as they accrue to each employee.

(n) 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 for in advance.

(o) Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an annual general meeting.

(p) Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

1 ACCOUNTING POLICIES (Continued)

Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

(q) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 Critical judgements in applying the entity's accounting policies

In the process of applying the groups accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the group's accounting policy are dealt with below:

Inventories provision

Management makes provisions for spares that exceed the set maximum level based on the usage of the inventory by comparing items in stock with the recent past consumption. The maximum level is determined by taking into consideration the leadtime, the specified order quantity, the source of the spares and usage rate.

Impairment losses

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

3 Segment Information

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

- Kenya
- Uganda

Both geographical segments are mainly involved in the manufacture and sale of cement. Hence the primary reporting format below is the only one presented.

Year ended 31 December 2006	**Kenya Shs'million**	**Uganda Shs'million**	**Group Shs'million**
Revenues	10,847	5,641	16,488
Operating profit	**3,269**	**718**	**3,987**
Segment assets	14,579	3,717	18,296
Non-segment assets			217
Total assets			**18,513**
Segment liabilities	3,797	960	4,757
Non-segment liabilities			20
Total liabilities			**4,777**

Year ended 31 December 2005	**Kenya Shs'million**	**Uganda Shs'million**	**Group Shs'million**
Revenues	8,784	5,609	14,393
Operating profit	**2,554**	**780**	**3,334**
Segment assets	11,700	3,415	15,115
Non-segment assets			217
Total assets			**15,332**
Segment liabilities	2,864	1,167	4,031
Non-segment liabilities			20
Total liabilities			**4,051**

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 dividends payable and certain corporate borrowings.

Sales revenue reporting 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 to the Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

		Group 2006 Shs'million	Group 2005 Shs'million
4	**Other Operating Income**		
	Profit on disposal of property, plant and equipment	2	27
	Miscellaneous income	171	70
		173	**97**
5	**Investment Revenue**		
	Interest income	37	16
	Dividends income	25	28
		62	**44**
6	**Cost Of Raw Materials And Consumables**		
	Raw materials and packaging	4,647	4,456
	Fuel costs	1,548	1,431
	Repairs and maintenance	858	816
	Electricity	1,211	929
		8,264	**7,632**
7	**Staff Costs**		
	The following items are included within staff costs:		
	Salaries and wages	1,148	1,046
	Staff welfare costs	286	263
	Retirement benefits costs	147	139
		1,581	**1,448**
	The number of persons employed by the group at the year end was:	**Numbers**	**Numbers**
	Full time	848	838
	Casuals and contractors	211	184
		1,059	**1,022**

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group 2006 Shs'million	Group 2005 Shs'million
8 Other Operating Costs		
Distribution costs	653	612
Professional fees	368	327
Telecommunication costs	164	121
Transport and travelling costs	176	149
Promotion, marketing and donation costs	152	144
Rentals, security and business licences	215	202
Other office costs	231	221
Other costs	94	21
	2,053	**1,797**
9 Operating Profit		
The operating profit is arrived at after charging:		
Staff costs (note 7)	1,581	1,470
Depreciation (note 14)	646	668
Amortisation of intangible assets (note 16)	27	29
Directors' emoluments:		
- Fees	6	6
- Other emoluments	86	88
Auditors' remuneration	**7**	**8**
10 Net Finance Costs		
Net foreign exchange losses	(102)	(152)
Interest expense	(47)	(35)
	(149)	**(187)**
11 Tax		
(a) Tax Charge		
Current taxation based on the adjusted profit at 30%	1,262	1,034
Underprovision of current tax in prior years	7	-
Overseas tax charged on dividends receivable	-	29
Total current tax charge	1,269	1,063
Deferred tax credit (note 26)	(372)	(73)
Underprovision of deferred tax in prior years (note 26)	142	2
Net deferred tax credit	(230)	(71)
Total tax charge	**1,039**	**992**

11 Tax (Continued)	Group 2006 Shs'million	Group 2005 Shs'million
(b) Reconciliation of Expected Tax Based on Accounting Profit to Tax Charge		
Profit before tax	3,838	3,147
Tax calculated at the domestic rates applicable of 30%	1,152	944
Tax effect of:		
Income not subject to tax	(8)	(15)
Expenses not deductible for tax purposes	30	32
Underprovision of current tax in prior years	7	-
Under provision of deferred tax in prior years	(142)	2
Overseas tax charged on dividends	-	29
Actual tax charge	**1,039**	**992**
(c) Tax Movement		
At beginning of the year:		
Payable	108	161
Taxation charge	1,269	1,063
Taxation paid	(1,213)	(1,116)
At end of the year		
Net tax payable	**164**	**108**
Comprising:		
Payable	167	108
Recoverable	(3)	-
	164	**108**

12 Earnings Per Share

Basic and diluted 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, as shown below:

	2006	2005
Net profit attributable to shareholders (Shs million)	2,614	2,004
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Shs)	7.20	5.52

There were no potentially dilutive shares outstanding at 31 December 2006 and 31 December 2005. There were no discontinued operations.

13 Retained Earnings and Dividends	Group 2006 Shs'million	Group 2005 Shs'million
Balance at beginning of year	4,922	4,368
Net profit attributable to members of the parent entity	2,614	2,004
Payment of dividends	(1,452)	(1,923)
Transfer from properties revaluation reserve	171	201
Translation (loss)/gain	(214)	272
	6,041	**4,922**

On 13 April 2006, a first interim dividend of Shs 2 per share representing an amount of Shs 726 millon (2005: Shs 653 million) was paid. The second interim dividend of Shs 2 per share totalling to Shs 726 million (2005 – 1,270 million) was paid on 20 September 2006.

In respect of the current year, the directors propose that a final dividend of Shs 1.50 per share, representing a total sum of Shs 545 million, be paid. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

14 Property, Plant and Equipment

(a) Group

	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 1 January 2005	1,345	10,525	562	938	13,370
Exchange adjustment*	(76)	(395)	(24)	(25)	(520)
Additions	-	364	68	10	442
Disposals	(48)	(12)	(224)	(268)	(552)
Impairment	-	(187)	-	-	(187)
At 31 December 2005	1,221	10,295	382	655	12,553
At 1 January 2006	1,221	10,295	382	655	12,553
Exchange adjustment*	7	41	2	6	56
Additions	-	347	60	64	471
Disposals	-	(6)	-	(17)	(23)
Revaluation	(91)	9,214	-	-	9,123
At 31 December 2006	1,137	19,891	444	708	22,180
Depreciation					
1 January 2005	176	2,074	430	814	3,494
Exchange adjustment*	(22)	(71)	(16)	(20)	(129)
Charge for the year	31	541	50	46	668
On disposals	(11)	(4)	(214)	(264)	(493)
Impairment	-	(67)	-	-	(67)
At 31 December 2005	174	2,473	250	576	3,473
1 January 2006	174	2,473	250	576	3,473
Exchange adjustment*	3	7	2	2	14
Charge for the year	26	531	53	36	646
On disposals	-	(5)	-	(17)	(22)
Revaluation	(13)	8,687	-	-	8,674
At 31 December 2006	190	11,693	305	597	12,785
Net book value					
At 31 December 2006	**947**	**8,198**	**139**	**111**	**9,395**
At 31 December 2005	**1,047**	**7,822**	**132**	**79**	**9,080**

14 Property, Plant and Equipment (Continued)

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

Plant and machinery, office equipment and mobile plant with a cost of Shs 935 million (2005: Shs 662 million) were fully depreciated as at 31 December 2006. The normal annual depreciation charge on these assets would have been Shs 192 million (2005: Shs 148 million).

Land and residential buildings include freehold land worth Shs 443 million (2005 : Shs 527 million) located in Mombasa and limestone deposits worth Shs 115 million (2005 : Shs 121 million) in Kasese, Uganda.

b) 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 1 January 2005	807	7,937	404	757	9,905
Additions	-	125	42	-	167
Disposals	(32)	(4)	(209)	(255)	(500)
Revaluation	-	(187)	-	-	(187)
At 31 December 2005	775	7,871	237	502	9,385
At 1 January 2006	775	7,871	237	502	9,385
Additions	-	130	17	-	147
Disposals	-	-	-	(17)	(17)
Revaluation	(60)	9,458	-	-	9,398
At 31 December 2006	715	17,459	254	485	18,913
Depreciation					
At 1 January 2005	30	1,651	336	693	2,710
Charge for the year	8	422	26	28	484
On disposals	(3)	(1)	(208)	(251)	(463)
Revaluation	-	(67)	-	-	(67)
At 31 December 2005	35	2,005	154	470	2,664
At 1 January 2006	35	2005	154	470	2,664
Charge for the year	8	422	30	18	478
On disposals	-	-	-	(17)	(17)
Revaluation	(13)	8,687	-	-	8,674
At 31 December 2006	30	11,114	184	471	11,799
Net book value					
At 31 December 2006	**685**	**6,345**	**70**	**14**	**7,114**
At 31 December 2005	**740**	**5,866**	**83**	**32**	**6,721**

14 Property, Plant and Equipment (Continued)

The Group's land, buildings, plant, and machinery were revalued on 1 January 2006. Land and buildings were valued by independent valuers. The valuation of plant and machinery was carried out internally based on a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Land and buildings were revalued on the basis of open market value. Plant and machinery were revalued on a depreciated replacement cost basis.

Plant and machinery, office equipment and mobile plant with a cost of Shs 700 million (2005: Shs 578 million) were fully depreciated as at 31 December 2006. The normal annual depreciation charge on these assets would have been Shs 146 million (2005: Shs 123 million).

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

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Cost	9,140	8,194	5,970	5,850
Accumulated depreciation	(3,674)	(3,170)	(2,757)	(2,528)
Net book value	**5,466**	**5,024**	**3,213**	**3,322**

15 Operating Lease Rentals

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Net carrying amount at 1 January	9	11	1	1
Exchange adjustment	-	(2)	-	-
Balance as at 31 December	**9**	**9**	**1**	**1**

The operating lease rentals relate to leasehold land, mainly raw materials quarries located in Mombasa and Nairobi in Kenya and Kasese in Uganda.

16 Intangible Assets – Computer Software

	Group Shs'million	Company Shs'million
Cost		
At 1 January 2005	319	235
Additions	53	52
Disposal	(3)	(2)
Exchange adjustment	(13)	-
At 31 December 2005	356	285
At 1 January 2006	356	285
Additions	12	11
Exchange adjustment	3	-
At 31 December 2006	371	296
Amortisation		
At 1 January 2005	270	206
Charge for the year	29	19
Disposal	(2)	(3)
Exchange Adjustment	(13)	-
At 31 December 2005	284	222
At 1 January 2006	284	222
Charge for the year	27	20
Exchange Adjustment	4	-
At 31 December 2006	315	242
NET BOOK VALUE		
At 31 December 2006	**56**	**54**
At 31 December 2005	**72**	**63**

17 Capital Work in Progress

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

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
At 1 January	350	347	182	254
Additions	766	512	414	148
Transfers to property plant and equipment	(471)	(442)	(147)	(167)
Transfers to intangible assets	(12)	(53)	(11)	(53)
Exchange Adjustment	10	(14)	-	-
At 31 December	**643**	**350**	**438**	**182**

18 Investments in Subsidiaries

Details of the subsidiaries in the group are provided below:

	Holding %	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 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
Lafarge Ecosystem Ltd	100	-	-	5	5
Diani Estate Ltd	100	1	1	1	1
Whistling Pines Ltd	100	-	-	-	-
Kenya Cement Marketing Ltd	50	-	-	-	-
Portland Mines Ltd	50	-	-	-	-
Seruji Management Ltd, Channel Islands	100	-	-	-	-
		1	**1**	**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.

19 Other Equity Investments

These represent Available-For-Sale investments, which are restated to fair value 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 determined by reference to the current market for 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 2006 was Shs 2,610 million (2005: Shs 1,803 million).

19 Other Equity Investments (Continued)

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

Group and Company	2006 Shs'million	2005 Shs'million
At 1 January	1,803	734
Fair value gain	807	1,069
At 31 December	**2,610**	**1,803**

The fair value gains and losses on Available-For- Sale investments are dealt with in a separate reserve in the statement of changes in equity.

20 Goodwill

Cost		
At beginning of the year	217	503
Elimination of accumulated amortisation	-	(286)
	217	217
Amortisation		
At 1 January	-	286
Elimination of accumulated amortisation	-	(286)
At 31 December	-	-
Net carrying value	**217**	**217**

The goodwill arose from the acquisition of a subsidiary, Hima Cement Limited, in 1999. During the current financial year, the Group assessed the recoverable amount of goodwill and determined that the goodwill was not impaired.

21 Inventories

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Raw materials	410	198	326	186
Consumables and spare parts	1,015	1,107	720	815
Finished goods	652	487	515	257
Fuel and packaging	307	233	234	144
Other	1	2	-	1
	2,385	**2,027**	**1,795**	**1,403**

22 Trade And Other Receivables

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Trade receivables	499	542	244	316
Prepayments and deposits	97	42	76	24
Other receivables	219	153	189	104
Receivables from related companies (Note 34)	322	116	873	593
	1,137	**853**	**1,382**	**1,037**

23 Cash and Cash Equivalents

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Cash at bank and on hand	937	556	658	316
Short term bank deposits	1,120	364	805	364
	2,057	**920**	**1,463**	**680**

The weighted average effective interest rate earned on short-term bank and related party deposits during the year was 3.5% (2005-2.5%). The short-term deposits mature within three months.

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, under current liabilities. The year end cash and cash equivalents comprise the following:

	Company 2006 Shs'million	Company 2005 Shs'million
Deposits, bank balances and cash (as above)	2,057	920
Bank overdrafts (note 29)	-	(417)
	2,057	**503**

24 Share Capital

Group and Company

	2006 Shs'million	2005 Shs'million
Authorised		
366,600,000 ordinary shares of Sh 5 each	1,833	1,833
100,000 7% cumulative redeemable preference shares of Sh 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,959,275 ordinary shares of Sh 5 each	1,815	1,815

25 Reserves

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Revaluation reserve				
Balance at beginning of year	2,821	3,107	2,417	2,685
Increase arising on revaluation of properties	538	-	724	-
Deferred tax liability on revaluation surplus	(187)	-	(242)	-
Revaluation surplus realised on disposal of property	-	(85)	-	(85)
Exchange loss	(36)	-	-	-
Transferred to retained earnings	(171)	(201)	(156)	(183)
Balance at end of year	**2,965**	**2,821**	**2,743**	**2,417**

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits. The revaluation surpluses are non-distributable.

Group and Company

	2006 Shs'million	2005 Shs'million
Fair value surplus		
Balance at beginning of year	1,457	388
Increase arising on revaluation of financial assets	807	1,069
Balance at end of year	**2,264**	**1,457**

The fair value surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectiveiy realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss during the year.

25 Reserves (Continued)

	Group 2006 Shs'million	Group 2005 Shs'million
Translation reserve		
Balance at beginning of year	(338)	183
Translation of foreign operations	268	(521)
Balance at end of year	**(70)**	**(338)**

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiary into the Kenya Shilling, which is the functional currency of the group are brought to account by entries made directly to the foreign currency translation reserve.

Capital redemption reserve

The capital redemption reserve represents funds set aside for redemption of preference shares.

26 Deferred Tax

Deferred taxes are calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2005: 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 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Accelerated capital allowances on property, plant and equipment	939	940	545	556
Exchange differences	(33)	(13)	(23)	(12)
Provisions	(189)	(176)	(127)	(114)
Revaluation surpluses	1,259	1,269	1,147	972
Other temporary differences	(25)	(88)	-	-
	1,951	**1,932**	**1,542**	**1,402**

The movement on the deferred tax account during the year is as follows:

At 1 January	1,932	2,134	1,402	1,545
Income statement credit for the year (note11)	(372)	(71)	(102)	(143)
Prior Years underprovision (Note 11)	142	-	-	-
Revaluation/impairment of assets	242	(35)	242	-
Exchange differences	7	(96)	-	-
At 31 December	**1,951**	**1,932**	**1,542**	**1,402**

In addition, deferred tax amounting to Shs 73 million in respect of the group (2005: Shs 60 million) and Shs 67 million in respect of the company (2005: Shs 37 million) has been transferred within shareholders' equity from retained earnings to revaluation reserves. This represents deferred tax on the difference between the actual depreciation charge on the property, plant and equipment and the equivalent depreciation charge based on the historical cost of the property, plant and equipment.

27 Provisions for Liabilities and Charges

Group

	Restructuring, site restoration & litigation Shs'million	Service gratuity Shs'million	Long service awards Shs'million	2006 Total Shs'million	2005 Total Shs'million
At start of year	43	317	46	406	306
Additional provisions	7	58	8	73	126
Utilised during the year	-	(22)	(5)	(27)	(26)
At end of year	50	353	49	452	406
Less: current portion	(50)	(34)	-	(84)	(64)
Non current portion	**-**	**319**	**49**	**368**	**342**

Company

	Restructuring, site restoration & litigation Shs'million	Service gratuity Shs'million	Long service awards Shs'million	2006 Total Shs'million	2005 Total Shs'million
At start of year	42	269	46	357	259
Additional provisions	6	43	9	58	124
Utilised during the year	-	(8)	(6)	(14)	(26)
At end of year	48	304	49	401	357
Less: Current portion	(48)	(21)	-	(69)	(61)
Non-current portion	**-**	**283**	**49**	**332**	**296**

28 Trade and Other Payables

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Trade payables	1,415	473	1,209	435
Accrued expenses	453	557	389	451
Other payables	114	138	41	65
Amounts due to related companies (Note 34)	205	-	30	36
	2,187	1,168	1,669	987

29 Borrowings

The borrowings are made up as follows:

Bank overdraft	-	**417**	-	-

29 Borrowings (Continued)

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

	Group 2006	Group 2005	Company 2006	Company 2005
- bank overdrafts – local currencies	7.9%	16%	-	12.75%
- bank loans – local currencies	7.8%	8.5%	-	8.5%

Borrowing facilities

The group has the following undrawn borrowing facilities with it's bankers:

	Group 2006 Shs'million	Group 2005 Shs'million	Company 2006 Shs'million	Company 2005 Shs'million
Floating rate				
- expiring within one year	937	746	292	617

The borrowing facilities are annual facilities that were subject to review at various dates during the year 2006. They consist of overdrafts, letters of credit and guarantees.

30 Unclaimed Dividends

Group and Company	**2006 Shs'million**	**2005 Shs'million**
At start of year	20	152
Declared and paid in the year	1,452	1,923
Dividends claimed	(1,452)	(2,055)
At end of year	**20**	**20**

31 Contingent Liabilities

Guarantees to the group's bankers in favour of staff	78	89
Bonds issued by the group's bankers in favour of Kenya Revenue Authority	954	482
Tax demand by Uganda Revenue Authority	-	106
Bonds issued by the group's bankers in favour of suppliers	138	91
Insurance bond issued to Uganda Revenue Authority	100	100
	1,270	**868**

The guarantees issued by the group's bankers in favour of the Kenya Revenue Authority are part of the bank facilities disclosed in note 29 above and are issued in the normal course of business.

32 Capital Commitments

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

Group	2006 Shs'million	2005 Shs'million
Commitments for the acquisition of property, plant and equipment	**72**	**35**

Capital expenditure authorised but not contracted for at the balance sheet date:

Commitments for the acquisition of property, plant and equipment	**8,973**	**5,288**

33 Cash Generated from Operations

Reconciliation of profit before tax to cash generated from operations:

	2006	2005
Profit before tax	3,838	3,147
Adjustments for:		
Depreciation (note 14)	646	668
Amortisation of intangible assets (note 16)	27	29
Profit on disposal of property, plant and equipment	(1)	(27)
Profit on disposal of intangible assets	-	(1)
Interest income (note 5)	(37)	(16)
Dividend income (note 5)	(25)	(28)
Interest expense (note 10)	47	35
	4,495	3,807
Changes in working capital balances		
Increase in inventories	(348)	(131)
(Increase)/decrease in trade and other receivables	(280)	8
Increase in provisions for liabilities and charges	45	97
Increase/(decrease) trade and other payables	1,015	(189)
Cash generated from operations	**4,927**	**3,592**

The exchange movements attributable to movement of working capital are as follows:

Inventories	10	(17)
Trade and other receivables	4	(5)
Trade and other payables	4	(7)
Provisions for liabilities and charges	(1)	3
	17	**(26)**

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

34 Related Parties

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 13% of the group's sales volume during the year (2005: 12%).

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

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

Group	**2006 Shs'million**	**2005 Shs'million**
Sales of goods and services	1,206	417
Purchases of goods and services	292	153

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

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

	Group 2006	**Group 2005**	**Company 2006**	**Company 2005**
Receivables from related parties	322	116	319	114
Receivables from subsidiaries	-	-	554	479
	322	**116**	**873**	**593**
Payables to related parties	205	-	30	36
Short term cash deposits	897	289	582	289

The short term deposits are held with the principal shareholder's central treasury department at terms similar to those offered by other financial institutions.

34 Related Parties (Continued)

Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

Group

	2006 Shs'million	2005 Shs'million
Salaries and other short-term employment benefits	86	84
Post-employment benefits	6	4
	92	88
Directors' remuneration		
Fees for services as a director	6	6
Other emoluments	92	88
	98	94

35 Operating Lease Commitments

Lease payments committed under operating leases:

	2006 Shs'million	2005 Shs'million
Not later than 1 year	55	55
Later than 1 year but not later than 5 years	63	35
	118	90

36 Financial Instruments

At the year end the group had a number of off balance sheet financial instruments. These are:

- Forward contracts entered into with financial institutions to purchase United States dollars forward against the Uganda shillings. At 31 December 2006, the company had four forward contracts totaling US$ 4.6 m (United States dollars four million and six hundred thousand) of maturities ranging between 74 days and 163 days and at rates UGX/US$ (Uganda Shilling to the United States dollar) of between UGX1818/1 US$ to 1837/1US$. The forward contracts were entered into as hedges against Hima Cement Limited's future payments denominated in United States Dollars from March 2007 to June 2007.

- The group had entered into a fuel SWAP contract with financial institutions, through the treasury department of its ultimate shareholder, to fix the fuel Platt price at US$ 331.5 per MT, for 935 MT per month from January 2007 to December 2007. The fuel SWAP contract was entered into as a hedge against adverse fuel prices for the company fuel oil purchases used in the cement manufacture process in all plants i.e. Hima, Nairobi and Mombasa plants. The hedge covered 60% of estimated purchases of fuel oil in 2007.

37 Country of Incorporation

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

38 Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are presented in Kenya Shillings million (Shs' million), which is the functional currency of the group, and the presentation currency for the consolidated financial statements.

Notes

Proxy Form

The Secretary,
Bamburi Cement Ltd.
Corporate Offices
6th floor, Kenya-Re Towers,
Upper Hill, off Ragati Road
PO Box 10921, 00100
NAIROBI, KENYA.

I/We ____

____

Of ____

____

a member of Bamburi Cement Limited hereby appoint

____

of ____

or in his/her place THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative, to vote at his/her discretion for me/us and on my/our behalf at the Annual General meeting, to be held on Wednesday 30th May 2007 and at every adjournment thereof.

AS WITNESS my/our hand(s) this ______________ day of ________________ 2007.

____

(Usual signature)
Proxy forms must reach the registered office of the company by 5.00 pm Monday 28th May, 2007.

Staple here

Staple here

Proxy Form

FOR THE YEAR ENDED 31 DECEMBER 2006

2 Fold here

2 Fold here

Affix stamp

The Secretary,
Bamburi Cement Ltd.
Corporate Offices
6th floor, Kenya-Re Towers,
Upper Hill, off Ragati Road
PO Box 10921, 00100
NAIROBI, KENYA.