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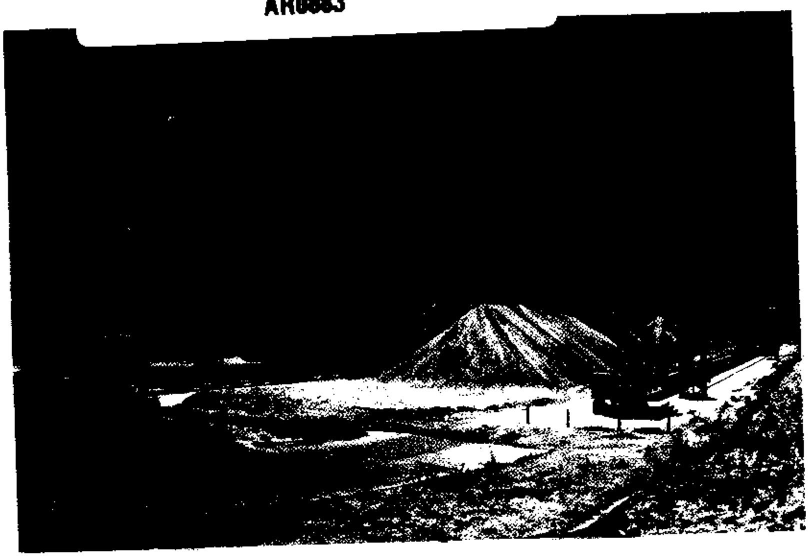


CORPORATE INFORMATION

Board of Directors

A M Lulu — Chairman
T K Barmazai — Managing Director
R A Hadley
G C D Groom
J Konzolo
T K Ibui
M Chemengich — (Alternate - P K Lagat)
M L Oduor-Otieno — (Alternate - K Mbathi)

Secretary

A M Simwa

Registered Office

L R 337/113/1
Namanga Road, off Mombasa Road
P O Box 40101, Nairobi

Registrars

Haki Registrars
P O Box 40868
Nairobi

Bankers

Kenya Commercial Bank Limited
Standard Chartered Bank Kenya Limited
Co-operative Bank of Kenya Limited

Auditors

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

2007/0883

NOTICE OF ANNUAL GENERAL MEETING

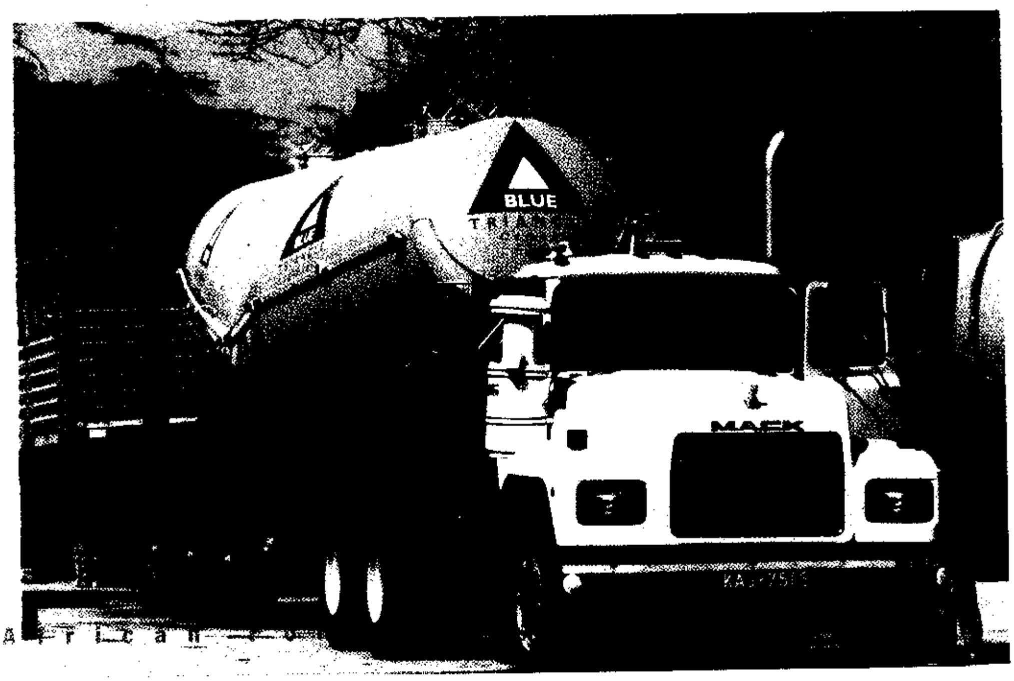
NOTICE IS HEREBY GIVEN that the 68th Annual General meeting of The East African Portland Cement Company Limited will be held at the factory, Athi River, on 6 December 2000 at 12.00 noon for the following purpose

1. To confirm the minutes of the 67th Annual General meeting held on 1st December 1999.
2. To receive the Chairmans Report
3. To receive Report of Directors and Audited financial statements for the year ended 30 June 2000.
4. To consider the recommendation of the Board not to declare a dividend for the financial year ended 30th June 2000.
5. To elect Directors in accordance with the Company's Articles of Association.
6. To note that Deloitte & Touche continue in office as Auditors for 2000/2001 in accordance with Section 159 (2) of the Companies Act and authorise the Directors to fix their remuneration.
7. To transact any other business of the Company.

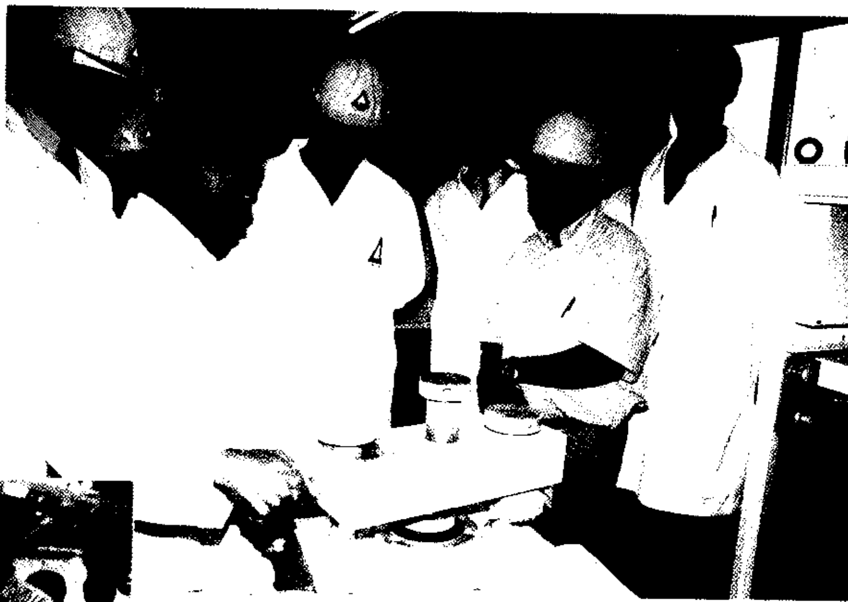
A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his or her stead. A proxy need not be a member of the Company.

By Order of the Board

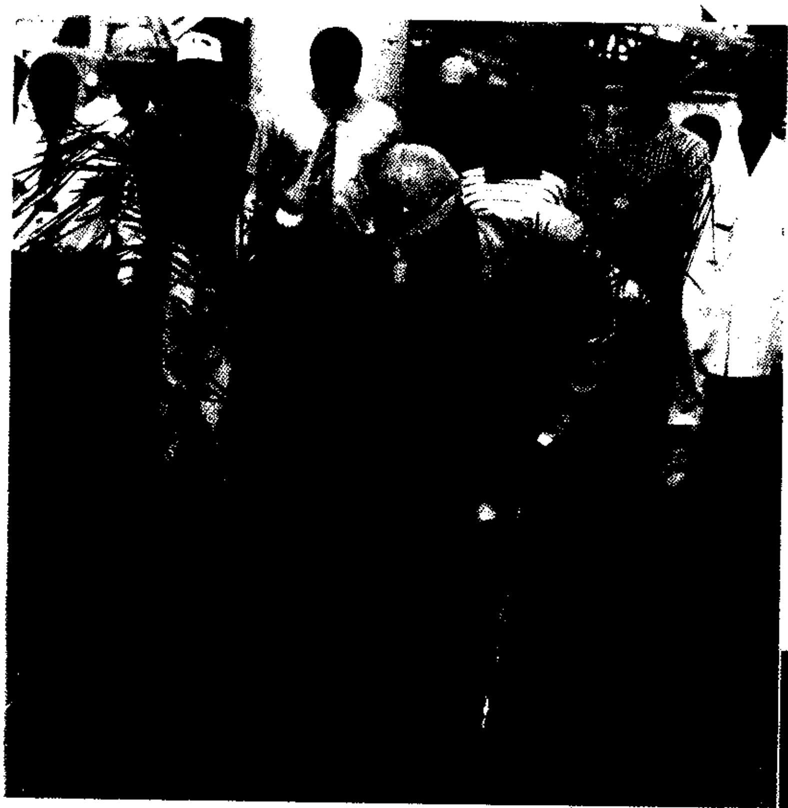
A M Simwa
Secretary
Nairobi
10th November 2000



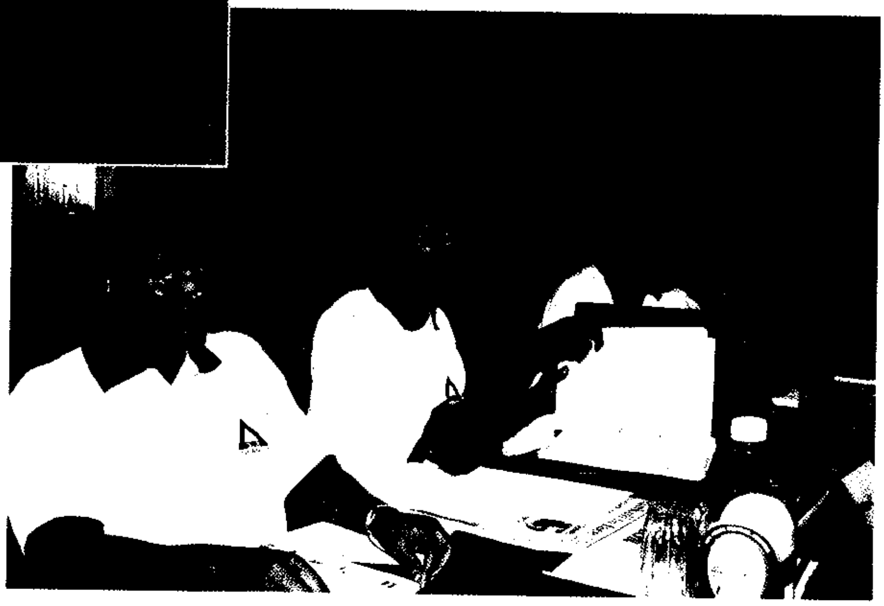
BLUE TRIANGLE PICTORIAL



Mr. Cosmas Karanja, (3rd from left) demonstrates the preparation of X-Ray lab analysis to the Assistant Minister, Tourism, Trade & Industry Hon. A. Ekirapa (centre) during a factory visit.



The M.D. EAPCC, Mr Titus Barmazai Planting a Palm Tree during the Millennium Tree Planting Day at the factory.



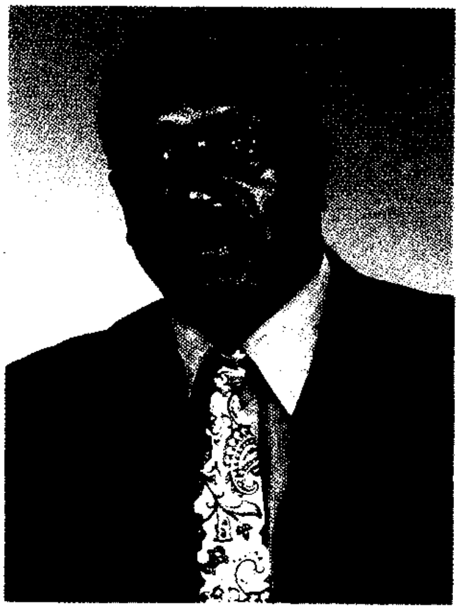
Staff during a seminar on strategic change at Sarova Lion Hill Lodge Nakuru.

The 1999 retirees during the farewell party at the EAPC Sports Club.

Pupils of Sony Complex, with Blue Triangle T-Shirts & Caps presented to them as a sign of appreciation for the outstanding poems on Blue Triangle Cement and HIV Aids presented during the Company's Long Service Awards Ceremony.

The Blue Triangle Football Team.

CHAIRMAN'S REPORT



A M Lulu, HSC
Chairman

Economic Background

As predicted in my last report, the economic performance for the year under review was depressing. Efforts made to jumpstart the economy were undermined by continued withholding of donor support, poor weather conditions over most parts of the country, a stalled political reform process and a worsening security situation. The purchasing power of the consumer was further eroded by weakening of Kenya shilling against major hard currencies.

Market Conditions

Consequently the building and construction sector continued to decline as project development funds dwindled. Apart from the EL Nino related rehabilitation projects, there were virtually no public development projects undertaken.

Domestic demand for cement declined marginally by 3% to 1,095,000 tonnes against 1,130,000 tonnes in the previous year.

Faced with declining demand and stiff competition, the company moved to consolidate dominance in our traditional market and also took steps to venture into new domestic and export markets resulting in an improved volume growth of 16% from 350,964 tonnes in the previous year to 408,780 tonnes in the current year.

Our domestic market share grew to 37% from 33.5% in the previous year.

Trading Results

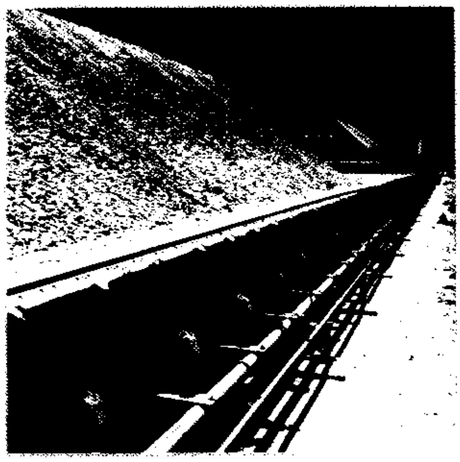
The results for this year compare favourably with the previous year despite the regressing economic conditions.

The growth in volume resulted in a turnover increase of 24% from Kshs.2,350 million in the previous year to Kshs.2,918 million this year.

Efforts have been made to reduce production cost per ton, although cost effective material mix was still undermined by an inefficient milling system. Plans are underway to convert the cement milling to closed circuit.

Operating profit of Kshs.554 million compared to Kshs.160 million in the previous year represents a growth of 246%.

However for the second year running, massive unrealized exchange losses from a weakening of Kenya shilling against the Japanese Yen has neutralized the otherwise positive performance to reflect a loss.



The unrealized exchange loss of Kshs.1,000 million during the year was a slight decline from the previous year's loss of Kshs.1,357 million.

As a result of this exchange loss, the company recorded an after tax loss of Kshs.419 million, which is however an improvement on the previous year's loss of Kshs.878 million.

In view of the loss registered, the directors recommend that no dividend be paid in respect of the year under review.

The Board is however keenly monitoring the performance of this loan and taking appropriate action to hedge against the loss. The greatest challenge however is to maximize production and sales and minimize costs and generate sufficient revenue to meet our obligations.

The Board

There were a few changes on your Board during the year under review.

Mr Z M Bukania was appointed an alternate director to Ms M Chemengich on 22 October 1999.
Mr Z M Bukania retired as an alternate director to Ms M Chemengich and was replaced by Mr P K Lagat on 31 July 2000.
Mr G M Mitine retired as an alternate director to Mr M L Oduor-Otieno and was replaced by Mr K Mbathi on 14 June 2000.
Mr D W Masika retired as a director and Mr J Konzolo was appointed in his place on 27 September 2000.

Outlook

The outlook for the coming year is still bleak. The economy is still limping despite efforts to resuscitate it and a warming up of relations with the donor community. The prevailing drought has affected food production and power generation. The politics associated with the constitutional review and the forthcoming 2002 general election and succession issues could further decelerate economic growth. The exchange fluctuation between the Kenya shilling and che Japanese Yen continues to pose the largest single risk. There will however be a positive turn-around if the resumed donor funding is maintained.

These are challenges which the Board and Management will have to deal with in the coming year.

Given the usual dedication and hard work by the Board, Management and Staff, I am confident that we shall be equal to the task, and I look forward to some positive results in the coming year.

A M Lulu, HSC
Chairman

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2000

Activities

The principal activity of the company is the manufacture and sale of cement.

Results

	KShs' 000
Loss before taxation	(538,860)
Tax credit	119,392
Loss after taxation	(419,468)
Proposed dividend (gross)	-
Loss for the year transferred to revenue reserve	(419,468)

Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2000.

Directors

The present Board of directors is shown on page 2.

Mr Z M Bukania was appointed an alternate director to Ms M Chemengich on 22 October 1999.

Mr Z M Bukania retired as an alternate director to Ms M Chemengich and was replaced by Mr P K Lagat on 31 July 2000.

Mr G M Mitine retired as an alternate director to Mr M L Oduor-Otieno and was replaced by Mr K Mbathi on 14 June 2000.

Mr D W Masika retired as a director and Mr J Konzolo was appointed in his place on 27 September 2000.

In accordance with articles 83 and 99 of the articles of association, Mr M L Oduor-Otieno and Mr J Konzolo retire and, being eligible, offer themselves for re-election.

Auditors

The 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

A M Simwa

Secretary

Nairobi

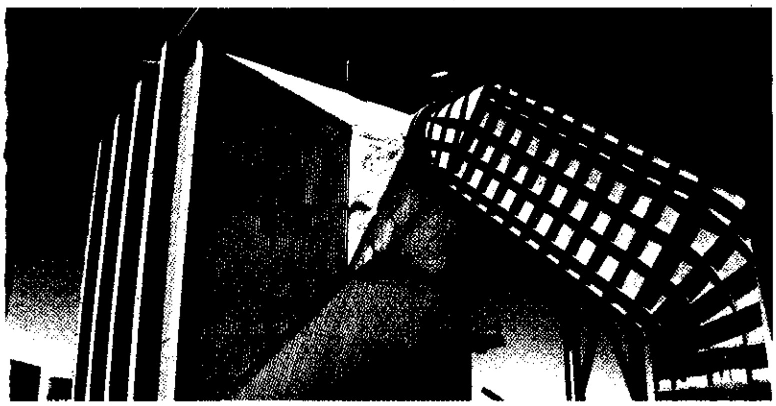
27th October 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law 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 company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



TO THE MEMBERS OF EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

Deloitte & Touche

Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P. O. Box 40092
Nairobi, Kenya
Telephone: 254-2-441344/05-12
Facsimile: 254-2-448966
Dropping Zone Box No. 92
Email: admin@dtti.co.ke

We have audited the financial statements on pages 11 to 24 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 9, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 30 June 2000 and of its loss and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Deloitte & Touche

27th October 2000

Deloitte Touche Tohmatsu

Partners

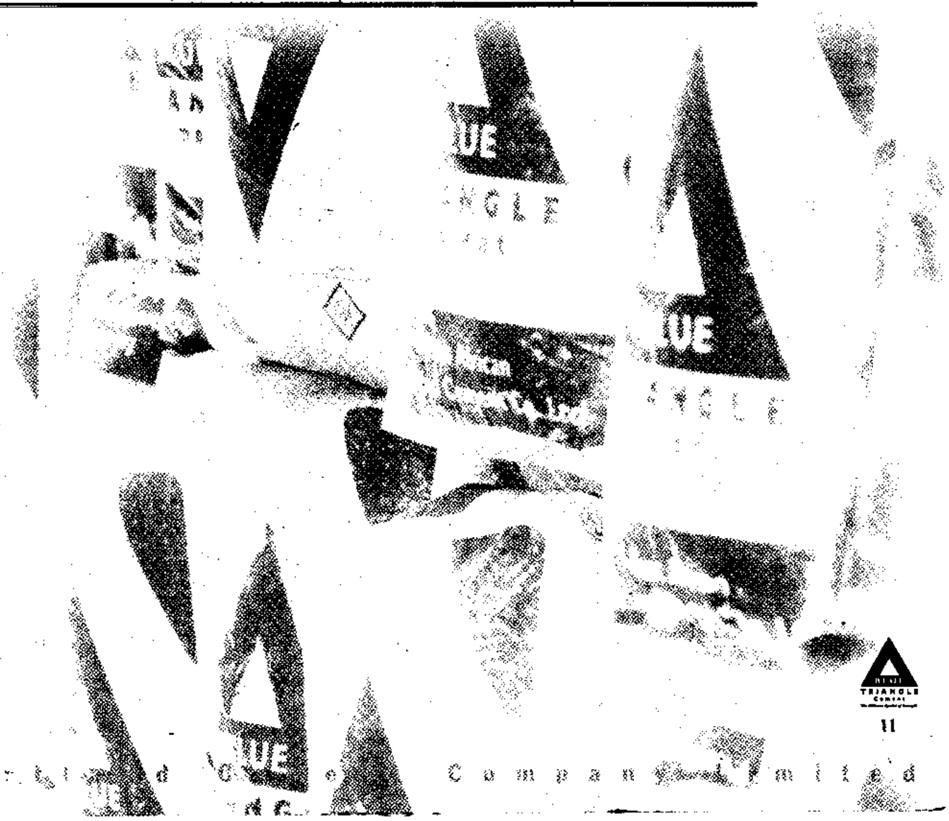
D M Ndonye	V M Allen*	H Gadhoke*
N R Hira	S O Onyango	J W Wangai

*British

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

	Note	2000 Sh'000	1999 (Restated) Sh'000
Sales		2,918,148	2,349,922
Cost of sales		(2,065,628)	(1,882,419)
Gross profit		852,520	467,503
Other operating income		102,899	13,230
Selling costs		(83,468)	(11,838)
Administrative expenses		(290,947)	(246,124)
Other operating expenses		(26,551)	(63,099)
Operating profit	2	554,453	159,672
Net interest costs	3(a)	(93,097)	(97,568)
Foreign currency exchange losses	3(b)	(1,000,216)	(1,356,747)
Loss before taxation		(538,860)	(1,294,643)
Taxation credit	5	119,392	416,057
Net loss for the year		(419,468)	(878,586)
Loss per share	6	**Sh (4.66)**	Sh (9.76)



BALANCE SHEET

AS AT 30 JUNE 2000

	Notes	2000 Sh'000	1999 (Restated) Sh'000
Assets			
Non current assets			
Property, plant and equipment	10	6,532,622	4,931,972
Investment	7	1	1
Deferred tax asset	11	-	272,337
		6,532,623	5,204,310
Current assets			
Inventories	8	668,541	601,974
Trade and other receivables	9	282,627	170,930
Tax recoverable		25,752	16,455
Short term deposit, bank and cash balances		573,885	311,345
		1,550,805	1,100,704
Total assets		8,083,428	6,305,014
Equity and liabilities			
Capital and reserves			
Share capital	12	450,000	450,000
Share premium		648,000	648,000
Capital reserve		1,225,524	2,100
Revenue reserve - (deficit)		(697,948)	(278,480)
		1,625,576	821,620
Non current liabilities			
Long term loans	13	5,160,609	4,442,605
Deferred liability	14	362,175	329,024
Deferred tax liability	11	132,596	-
		5,655,380	4,771,629
Current liabilities			
Trade and other payables	15	530,895	599,117
Short term loans	13	271,577	112,648
		802,472	711,765
Total liabilities		6,457,852	5,483,394
Total equity and liabilities		8,083,428	6,305,014

The financial statements on pages 11 to 24 were approved by the Board of Directors on 27th October 2000 and were signed on its behalf by:

A. M. Lulu — Director
T. K. Barmazai — Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

	Note	2000 Sh'000	1999 (Restated) Sh'000
Sales		2,918,148	2,349,922
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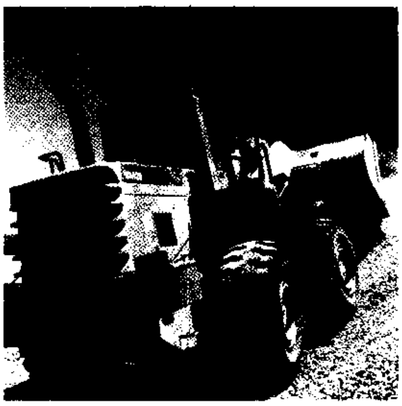
Net loss for the year		(419,468)	(878,586)
Loss per share	6	**Sh (4.66)**	Sh (9.76)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2000

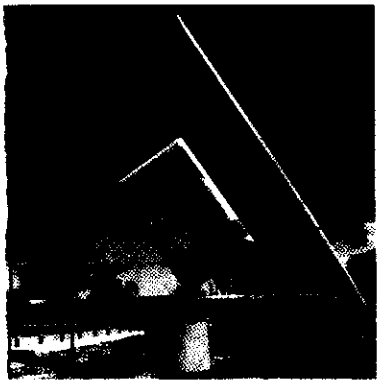
	Share capital Shs	Share premium Shs	Capital reserve Shs	Revenue reserve Shs	Total Shs
At 1 July 1998	450,000	648,000	2,100	600,106	1,700,206
Net loss for the year	-	-	-	(878,586)	(878,586)
At 30 June 1999	450,000	648,000	2,100	(278,480)	821,620
Revaluation surplus	-	-	1,747,749	-	1,747,749
Deferred taxation	-	-	(524, 325)	-	(524, 325)
Net loss for the year	-	-	-	(419,468)	(419,468)
At 30 June 2000	450,000	648,000	1,225,524	(697,948)	1,625,576



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

	Note	2000 Sh'000	1999 (Restated) Sh'000
Operating activities			
Cash generated from operations	16(a)	664,085	518,449
Interest paid		(134,457)	(94,375)
Interest received		49,379	17,464
Taxation paid		(9,297)	(6,434)
Net cash from operating activities		569,710	435,104
Investing activities			
Purchase of fixed assets		(179,837)	(171,462)
Proceeds of sale of fixed assets		4,619	3,791
Dividends paid		-	(90,000)
Net cash used in investing activities		(175,218)	(257,671)
Financing activities			
Loan repayment	16(b)	(131,952)	(2,404)
Net cash used in financing activities		(131,952)	(2,404)
Increase in cash and cash equivalents		262,540	175,029
Cash and cash equivalents at 1 July		311,345	136,316
Cash and cash equivalents at 30 June	16(c)	573,885	311,345



1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with International Accounting Standards (IAS), which have been adopted for the first time in the current financial year. However, IAS 12 (revised) was adopted in the previous years financial statements. With the exception of the effect of adopting IAS 19 (employee benefits), there are no other accounting policy changes arising from the adoption of International Accounting Standards which have a significant effect on these financial statements.

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

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain assets.

Revenue recognition

Sales represent revenues from the sale of cement to customers, net of taxes due to the government.

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 income tax is provided for, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates used are:

Leasehold land	Over the lease period
Buildings	2.5%
Plant and machinery	5-12.5%
Motor vehicles	25%
Office equipment, furniture and fittings	5-25%

Inventories

Inventories are stated at the lower of cost and net realisable value with the exception of livestock which is stated at directors' valuation. Cost comprises direct materials and labour costs together with attributable overheads. Costs of direct materials are determined on the first-in first-out basis while those of general consumable stores are determined on the weighted average cost basis.

Currency translations

Assets and liabilities denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

Retirement benefit obligation

The company operates a non-contributory defined benefit pension scheme for senior and supervisory management employees. The scheme is administered by AON MINET Insurance Brokers Limited.

The company also operates an in house gratuity scheme for unionisable employees. Contributions to this gratuity scheme are governed by a collective bargaining agreement that is reviewed triennially and was next due for review as at 1 August 2000. These contributions are not invested or managed as a separate fund but are self funded and fully provided for in the company's financial statements.

The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to Sh 80 per employee per month.

The company's obligations to all staff benefit schemes are recognised in the income statement as they fall due.

Segment reporting

The company sells cement in both the local market and neighbouring countries. The primary and only basis of segment reporting is limited to revenue and is by geographic regions. This basis of segment reporting is representative of the internal structure used for management reporting.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, comparatives have been adjusted or extended to take into account the requirements of the International Accounting Standards.

		2000	1999
		Sh'000	Sh'000
2 OPERATING PROFIT			
The operating profit is arrived at after charging:			
Staff costs (Note 4)		477,985	531,897
Depreciation		326,576	315,862
Directors' emoluments:			
- Fees		660	660
- Other emoluments		2,838	2,285
Auditors' remuneration	Current year	1,330	1,100
	Prior years	-	1,000
and after crediting:			
Profit on sale of fixed assets		4,259	3,791
3 (a) NET INTEREST COSTS			
Interest receivable		(52,391)	(18,213)
Interest on bank overdrafts		4,770	6,051
Interest on loans		140,718	109,730
		93,097	97,568

3 (b) FOREIGN CURRENCY EXCHANGE LOSSES

	2000 Sh'000	1999 Sh'000
Foreign currency exchange loss on loans	**1,008,885**	1,351,261
Exchange (gain)/losses on other foreign currency transactions and balances	**(8,669)**	5,486
	1,000,216	1,356,747

The exchange loss on the loan arises primarily from the conversion of the Japanese Yen denominated loan to Kenyan Shillings at the year end. The loss resulted from the weakening of the Kenya Shilling against the Japanese Yen during the year. Subsequent to the year end, the Kenya Shilling has strengthened against the Japanese Yen resulting in a reversal of the unrealised exchange loss by Sh 73,064,000 as at 31st August 2000.

4 STAFF COSTS	2000 Sh'000	1999 Sh'000
Wages and salaries	**393,977**	360,382
Social security costs (NSSF)	**547**	499
Pension contributions	**11,998**	13,355
Termination benefits (gratuity)	**71,463**	157,661
	477,985	531,897

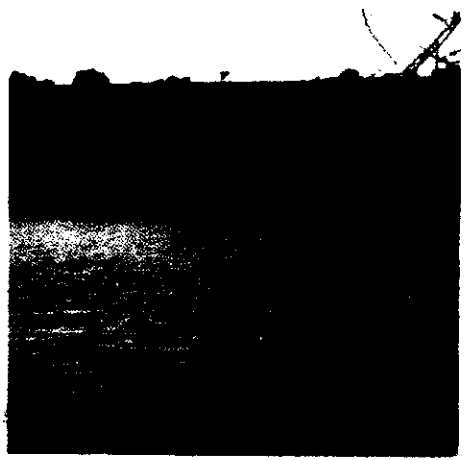
The company had on average 526 (1999 - 514) permanent employees and 305 (1999 - 277) casual staff.

5 TAXATION	2000 Sh'000	1999 Sh'000
(a) Tax charge		
Current taxation based on the adjusted loss at 30% (1999 - 32.5%)	-	-
Deferred tax credit	**119,392**	416,057
	119,392	416,057
(b) Reconciliation of expected tax based on accounting loss to the tax credit		
Accounting loss before taxation	**(538,860)**	(1,294,643)
Tax at the applicable rate of 30% (1999 - 32.5%)	**(161,658)**	(420,759)
Tax effect of expenses not deductible for tax purposes	**22,910**	5,147
Tax effect of income not taxable	**(1,629)**	(445)
Tax rate change	**20,985**	-
	(119,392)	(416,057)

6 LOSS PER SHARE

The loss per share has been calculated on the loss after taxation of Sh 419,468,000 (1999 - Sh 878,586,000) and the 90,000,000 shares in issue at 30 June 2000 (1999 - 90,000,000).

	2000 Sh'000	1999 Sh'000
7 INVESTMENT		
Unquoted investment in an associated company at cost	1	1
The associated company is dormant and did not make a profit or loss during the year.		
8 INVENTORIES		
Cement	79,921	26,161
Work in progress	198,191	245,035
Raw materials	216,558	146,182
Consumables	152,945	161,449
Goods in transit	17,240	19,561
Livestock	3,686	3,586
	668,541	601,974
9 TRADE AND OTHER RECEIVABLES		
Trade debtors	181,688	140,149
Prepayments	57,933	6,113
Staff debtors	35,559	19,528
Sundry debtors	7,447	5,140
	282,627	170,930



10 PROPERTY, PLANT AND EQUIPMENT

	Freehold and long leasehold Land Sh'000	Short leasehold land Sh'000	Buildings Sh'000	Plant and machinery Sh'000	Motor vehicles Sh'000	Office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
Cost or Valuation								
At 1 July	10,654	4,020	572,017	5,192,051	281,818	97,133	-	6,157,693
Additions	2,499	250	23,386	51,432	88,923	9,959	3,388	179,837
Disposal	-	-	-	-	(16,362)	-	-	(16,362)
Revaluation	504,446	168,280	418,414	(721,895)	5,735	-	-	374,980
At 30 June	517,599	172,550	1,013,817	4,521,588	360,114	107,092	3,388	6,696,148
Comprising								
Valuation - 2000	515,599	172,550	1,013,817	4,390,916	360,114	-	-	6,452,996
Cost	2,000	-	-	130,672	-	107,092	3,388	243,152
	517,599	172,550	1,013,817	4,521,588	360,114	107,092	3,388	6,696,148
Depreciation								
At 1 July	668	345	63,697	906,430	238,980	15,601	-	1,225,721
Charge for the year	148	50	14,180	260,304	34,641	17,253	-	326,576
Eliminated on disposal	-	-	-	(16,002)	-	-	-	(16,002)
Written back on revaluation	(816)	(395)	(77,877)	(1,020,060)	(273,621)	-	-	(1,372,769)
At 30 June	-	-	-	130,672	-	32,854	-	163,526
Net Book Value								
At 30 June 2000	517,599	172,550	1,013,817	4,390,916	360,114	74,238	3,388	6,532,622
At 30 June 1999	9,986	3,675	508,320	4,285,621	42,838	81,532	-	4,931,972

Included in plant and machinery is idle equipment with cost amounting to Sh 130,672,000 and a Nil net book value as at 30 June 2000. This comprises the old plant that was rendered idle when the new plant was commissioned three years ago.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

All property, plant and equipment except the idle old plant and office equipment, furniture and fittings were revalued as at 30 June 2000 by Lloyd Masika Limited, Registered Valuers and Estate Agents. Land was valued on an open market basis whereas all the other assets were valued on the basis of depreciated replacement cost. The Company's Policy is to revalue property, plant and equipment at least once every five years.

	2000 Sh'000	1999 Sh'000
11 DEFERRED TAXES		
The net deferred tax liability/(asset) is attributable to the following items:		
Accelerated capital allowances on property, plant and equipment	898,842	983,745
Unrealised exchange losses	(296,885)	(440,943)
Losses available for future tax relief	(993,686)	(815,139)
Revaluation surplus	524,325	-
	132,596	(272,337)
Movement on the deferred tax account is as follows:		
At 1 July	(272,337)	143,720
Income statement credit	(119,392)	(416,057)
Capital reserve debit	524,325	-
At 30 June	132,596	(272,337)
12 SHARE CAPITAL		
Authorised: 126,000,000 shares of Sh 5 each	630,000	630,000
Authorised, issued and fully paid: 90,000,000 shares of Sh 5 each	450,000	450,000

	2000 Sh'000	1999 Sh'000
13 LOANS (UNSECURED)		
Loan from Kenya Government repayable in 50 equal half yearly instalments by 31 December 2020; interest at 15% per annum	32,866	35,271
The Overseas Economic Co-operation Fund of Japan loan guaranteed by Kenya Government, denominated in Japanese Yen and repayable in 41 half yearly instalments by 20 March 2020; interest at 2.5% per annum	5,399,320	4,519,982
	5,432,186	4,555,253
Less: repayable within one year	271,577	112,648
	5,160,609	4,442,605
14 DEFERRED LIABILITY		
This represents outstanding obligations in respect of staff gratuity. The movements during the year were as follows:		
Balance at 1 July	329,024	198,770
Withdrawals	(38,312)	(27,407)
Additional provision	71,463	157,661
Balance at 30 June	362,175	329,024
15 TRADE AND OTHER PAYABLES		
Trade payables	358,259	401,649
Accruals	160,362	110,398
Sundry payables	12,274	87,070
	530,895	599,117

	2000 Sh'000	1999 Sh'000
16 (a) RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM OPERATIONS		
Operating profit	554,453	159,672
Depreciation	326,576	315,862
Gain on sale of property, plant and equipment	(4,259)	(3,791)
Exchange gains/(losses)	8,669	(5,486)
Operating profit before working capital changes	885,439	466,257
Increase in inventories	(66,567)	(218,940)
(Increase)/decrease in trade and other receivables	(108,685)	13,833
(Decrease)/increase in trade and other payables	(79,253)	127,045
Increase in deferred liability	33,151	130,254
Cash generated from operations	664,085	518,449
(b) MOVEMENT IN LOANS		
Balance at 1 July	4,555,253	3,206,396
Foreign currency adjustment	1,008,885	1,351,261
Repayment during the year	(131,952)	(2,404)
Balance at 30 June	5,432,186	4,555,253

16 (c) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from date of advance. The year end cash and cash equivalents comprise the following:

	2000 Sh'000	1999 Sh'000
Short term deposit, bank and cash balances	573,885	311,345

The company has a bank overdraft facility of up to Kenya shillings 219, 600,000 from Kenya Commercial Bank Limited and the overdrawn amounts attract interest at market rates. The facility is secured by a legal charge over certain company properties, Land Reference numbers 337/639, 8649,9767,8785 and 8786.

17 RETIREMENT BENEFIT OBLIGATIONS

The company operates a non-contributory defined benefits pension scheme for its senior and supervisory staff. The scheme is administered by Aon Minet Insurance Brokers Limited.

The scheme is subjected to a triennial valuation by independent Actuaries to fulfil the statutory requirements under the Income Tax (Retirement Benefits) rules 1994 and the Retirement Benefits Act 1997. The last actuarial valuation was carried out as at 1 May 2000. The actuarial valuation method adopted entailed the comparison of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The key actuarial assumptions applied in the valuation are:

- Investment returns — 10% per annum
- Rate of salary escalation — 8% per annum
- Rate of pension increases — 3% per annum

This actuarial valuation revealed that the market value of the assets of the scheme was Sh 73,050,000 and confirmed that the guaranteed minimum (defined benefit) retirement benefits are fully covered by the existing scheme assets and future contributions at the current rates. Therefore, no additional contributions were required in order to support the minimum benefits promised.

The company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the statutory scheme are determined by local statute. Contributions to this scheme during the year amounted to Sh 547,000 (1999 - Sh 494,000).

	2000 Sh'000	1999 Sh'000
18 SEGMENT REPORTING		
Segment revenue		
Local market	**2,909,657**	2,349,539
Regional market (East Africa)	**8,491**	383
	2,918,148	2,349,922
19 CONTINGENT LIABILITIES		
Pending law suits	5,383	5,576

20 CAPITAL COMMITMENTS

	2000 Sh'000	1999 Sh'000
Authorised by the directors but not contracted for	592,000	470,116
Authorised by the directors and contracted for	-	12,384

21 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act and is listed on the Nairobi Stock Exchange.

22 CURRENCY

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