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Corporate Information

Board of Directors

J K B Kaurra	- Chairman
T K Barmazai	- Managing
R A Hadley	- (Alternate - D Schumacher)
G C D Groom	
J M Konzolo	
K M K Laremasubet	
M Chemengich	- (Alternate - P K Lagat)
M Mwachofi	- (Alternate- S Ngaine)

Secretary

A M Simwa
P O Box 40092
Nairobi

Registered Office

L R 337/113/I
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

2007/0884



Notice of Annual General Meeting

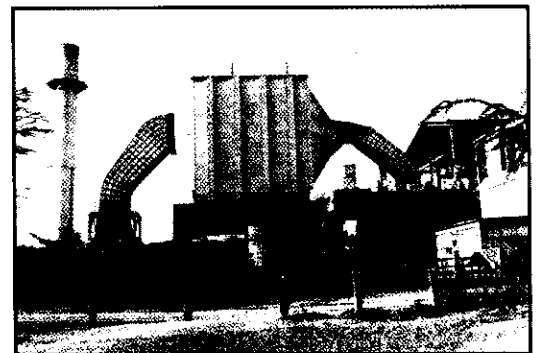
NOTICE IS HEREBY GIVEN that the 69th Annual General Meeting of The East African Portland Cement Company Limited will be held at the factory, Athi River, on 25 January 2002 at 12.00 noon for the following purpose

1. To confirm the minutes of the 68th Annual General meeting held on 27 February 2001.
2. To receive the Chairman's Report.
3. To receive Report of Directors and Audited financial statements for the year ended 30 June 2001.
4. To consider the recommendation of the Board to declare a first and final dividend of Kshs 1.00 per share for the financial year ended 30 June 2001.
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 2001/2002 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
30th November 2001



Blue Triangle Pictorial

*Launch of new cement standards,
Hon. KNK Biwott, Minister for Trade and Industry,
Elijah Mwangale, Chairman, Kenya Bureau of Standards,
and Mr Alfred Lulu, former Chairman, EAPCC*



*A farewell message to a
retiring member of staff.*

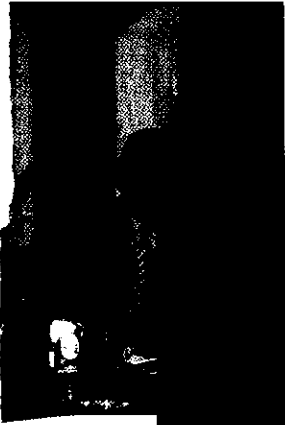


*Works Manager, Mr Ndegwa K Kagio (right) receiving 25 years'
certificate of service during 2001 long service awards ceremony.*



Annual Tree planting.

Blue Triangle Pictorial



Blue Triangle Cement launch in Kigali.



Best customer awards.



Long service awards ceremony.

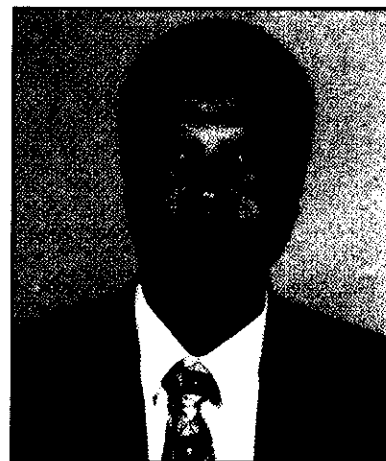


Employees on an AIDS awareness campaign.

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Chairman's Report



John K. B. Kaurra
Chairman

Economic Background

For the fifth consecutive year, economic growth consistently declined with the year under review closing at a negative GDP growth of 0.3 per cent. The poor economic performance which adversely affected most of the key sectors of the economy was as a result of brought forward effects of the prolonged drought during the years 1999 and 2000, inadequate power supply and poor infrastructure.

The construction sector recorded low level of investment mainly due to withheld donor funding, restricted lending to the private sector and lack of new development projects by the government.

Market Conditions

Domestic cement consumption declined from previous year 1,095,000 tonnes to 1,051,009 tonnes this year, a drop of 4%. Our market share was maintained at 37.8% as in the previous year. The market was very competitive due to low activity in the sector and high pressure on cement manufacturers to utilize excess idle capacity. In view of these factors the company continues to venture into new local and export markets.

Plant Operations

The Kenya cement industry made a significant change during the year when it harmonized cement standards to conform with globally adopted EN Standards. A regional technical committee was formed and have adopted EN 196 as the harmonized East African Standards.

The plant operations were extremely difficult during the first half of the year because of the problems facing electricity generation, the power output was low and could not meet demand. Consequently, our plant production and efficiencies went below the set targets.

In order to improve operational efficiencies and achieve cost optimization, the Board commissioned various projects during the year including



Chairman's Report

(CONTINUED)

construction of raw material storage sheds which are now half way complete. The storage facility will cater for over 80,000 tonnes of materials and will protect against wastage, pilferage and contamination. Also replaced were old and inefficient equipment which had become expensive to maintain. The Board is further looking into the merits of investing in a closed circuit milling system to enable the company reap the benefits of the new cement standards.

Trading Results

Results for the year were encouraging when viewed against prevailing difficult conditions. The turnover was Kshs.3,169 million compared to the previous year Kshs.2,918 million, a positive growth of 9%.

Operating profit declined to Kshs.336 million from Kshs.554 million in year 2000 because of the combined effects of high power tariffs, increased cost of fuel and packaging materials and low production levels.

The Kenya shilling strengthened against the Japanese Yen in which the offshore loan is denominated giving rise to an unrealized exchange gain of Kshs.724 million.

In view of the positive results achieved, the directors recommend payment of dividend of Kshs.90 million or Kshs.1.00 per share of Kshs.5.00.

The Board

The long serving member and Chairman of the Board Mr. Alfred Lulu retired from the Board on October 26th, 2001 having served the Board and the Company for over seven years. In his place I have been appointed a Director and Chairman of the Board of Directors. This is a challenge to me and I will do my best to serve the Company. May I take this opportunity to thank Mr. Alfred M. Lulu and the entire Board of Directors for steering the company through all the successes achieved during his tenure.

Other Board changes were as follows:-

Mr. K. Mbathi retired as an alternate director to Mr. M.L. Oduor-Otieno and was replaced by Mr. P. Gakunu on 14th December 2000.

Mr. D. Schumacher was appointed alternate director to Mr. R. A. Hadley on 6th December 2000.

Mr. M. Mwachofi was appointed a director on 4th April 2001 in place of Mr. M. L. Oduor-Otieno.



Chairman's Report

(CONTINUED)

Mr. S. Ngaine was appointed an alternate director to Mr. M. Mwachofi on 16th May 2001 to replace Mr. P. Gakunu.

Mr. K. M. K. Laremasubet was appointed a director on 26th October 2001 in place of Mr. T. K. Ibui.

Future Outlook

The general economic outlook is depressed and uncertain, the stalemate in aid resumption still continues while the global economy is slowing down with no immediate signs of recovery.

However, in the long term, I see a bright future full of promise for continued success and prosperous growth. I foresee a renewed and sharper focus in planning geared to implementing new efficiencies in cement manufacturing and the area of core-related infrastructure. This will in due course create continued revenue growth from our product portfolio.

Tribute to Staff

In conclusion, I would like to pay tribute to all employees for their contribution towards sustaining the performance of our business during the past year.

John K. B. Kaurra
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 2001.

Activities

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

Results

Sh'000

Profit before taxation	974,384
Tax charge	(237,899)
Net profit for the year	<u>736,485</u>

Dividend

The directors recommend a dividend of Sh 1 per share in respect of the year.

Directors

The present board of directors is shown on page 2. The following changes took place during the year.

Mr K Mbatia retired as an alternate director to Mr M L Oduor-Otieno and was replaced by Mr P Gakunu on 14 December 2000.

Mr D Schumacher was appointed an alternate director to Mr R A Hadley on 6 December 2000.

Mr M Mwachofi was appointed a director on 4 April 2001 in place of Mr M L Oduor-Otieno.

Mr S Ngaine was appointed an alternate director to Mr M Mwachofi on 16 May 2001 to replace Mr P Gakunu.

Mr K M K Laremasubet was appointed a director on 26 October 2001 in place of Mr T K Ibui.

Mr J K B Kaurra was appointed a director and the chairman of the board on 26 October 2001 in place of Mr A M Lulu.



Report of the Directors

(CONTINUED)

In accordance with Article 99 of the Articles of Association, Mr G C D Groom and Mr R A Hadley retire and, being eligible, offer themselves for re-election.

In accordance with Article 83 of the Articles of Association, Mr J K B Kaurra and Mr K M K Laremasubet 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
Secretary

Nairobi

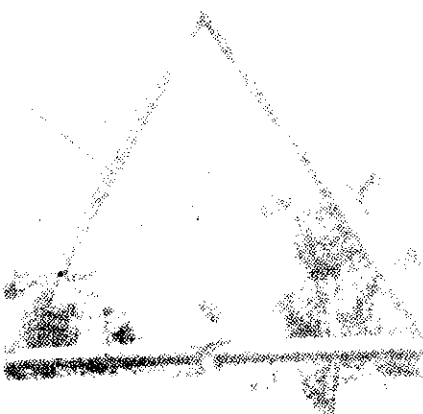
26th October 2001

Statement of the 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.



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**Deloitte
& Touche**

REPORT OF THE AUDITORS TO THE MEMBERS OF THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

We have audited the financial statements on pages 13 to 29 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 11, 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 2001 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Deloitte & Touche

26th October 2001

Income Statement

YEAR ENDED 30 JUNE 2001

	Note	2001 Sh'000	2000 Sh'000
SALES		3,169,645	2,918,148
COST OF SALES		<u>(2,374,962)</u>	<u>(2,065,628)</u>
GROSS PROFIT		794,683	852,520
OTHER OPERATING INCOME		44,576	102,899
SELLING COSTS		<u>(231,569)</u>	<u>(83,468)</u>
ADMINISTRATIVE EXPENSES		<u>(249,391)</u>	<u>(290,947)</u>
OTHER OPERATING EXPENSES		<u>(22,410)</u>	<u>(26,551)</u>
OPERATING PROFIT	2	335,889	554,453
NET INTEREST COSTS	4(a)	<u>(97,613)</u>	<u>(93,097)</u>
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	4(b)	<u>736,108</u>	<u>(1,000,216)</u>
PROFIT/(LOSS) BEFORE TAXATION		974,384	(538,860)
TAXATION (CHARGE)/CREDIT	5	<u>(237,899)</u>	<u>119,392</u>
NET PROFIT/(LOSS) FOR THE YEAR		<u>736,485</u>	<u>(419,468)</u>
EARNINGS/(LOSS) PER SHARE	6	<u>Sh 8.18</u>	<u>(4.66)</u>



Balance Sheet

AS AT 30 JUNE 2001

	Note	2001 Sh'000	2000 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	7	6,339,318	6,532,622
Intangible assets	8	1,414	-
Investment	9	1	1
		<u>6,340,733</u>	<u>6,532,623</u>
Current assets			
Inventories	10	618,985	668,541
Trade and other receivables	11	273,635	282,627
Tax recoverable		30,167	25,752
Short term deposit, bank and cash balances		<u>864,372</u>	<u>573,885</u>
		<u>1,787,159</u>	<u>1,550,805</u>
Total assets		<u><u>8,127,892</u></u>	<u><u>8,083,428</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	450,000	450,000
Share premium		648,000	648,000
Capital reserve		1,311,101	1,225,524
Revenue reserve		57,746	(697,948)
Proposed dividend		90,000	-
		<u>2,556,847</u>	<u>1,625,576</u>
Non current liabilities			
Loans	13	4,219,167	5,160,609
Staff gratuity	14	351,882	362,175
Deferred tax	15	188,209	132,596
		<u>4,759,258</u>	<u>5,655,380</u>
Current liabilities			
Trade and other payables	16	576,635	530,895
Loans	13	<u>235,152</u>	<u>271,577</u>
		<u>811,787</u>	<u>802,472</u>
Total liabilities		<u><u>5,571,045</u></u>	<u><u>6,457,852</u></u>
Total equity and liabilities		<u><u>8,127,892</u></u>	<u><u>8,083,428</u></u>

The financial statements on pages 13 to 29 were approved by the board of directors on 26th October 2001 and were signed on its behalf by:

J K B Kaurra)
T K Barmazai) Directors



Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2001

	Share capital Sh,000	Share premium Sh'000	Capital reserve Sh'000	Revenue reserve Sh'000	Proposed Dividend Sh'000	Total Sh'000
At 1 July 1999	450,000	648,000	2,100	(278,480)	-	821,620
Surplus on revaluation of property, plant & equipment during the year	-	-	1,747,749	-	-	1,747,749
Deferred taxation	-	-	(524,325)	-	-	(524,325)
Net loss for the year	-	-	-	(419,468)	-	(419,468)
As at 30 June 2000	450,000	648,000	1,225,524	(697,948)	-	1,625,576
Net profit for the year	-	-	-	736,485	-	736,485
Proposed dividend	-	-	-	(90,000)	90,000	-
Transfer of excess depreciation	-	-	(99,409)	99,409	-	-
Deferred tax on transfer of excess depreciation	-	-	29,823	-	-	29,823
Reversal of deferred tax on revaluation surplus on freehold and long leasehold land	-	-	151,579	-	-	151,579
Revaluation surplus realised on disposal of revalued property and equipment	-	-	(9,800)	9,800	-	-
Deferred tax on revaluation surplus realised on disposal of revalued property and equipment	-	-	884	-	-	884
Surplus on revaluation of property during the year	-	-	12,500	-	-	12,500
As at 30 June 2001	450,000	648,000	1,311,101	57,746	90,000	2,556,847

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 Sh'000	2000 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	17(a)	843,800	664,085
Interest paid		(131,201)	(134,457)
Interest received		33,588	49,379
Taxation paid		(4,415)	(9,297)
Net cash generated from operating activities		<u>741,772</u>	<u>569,710</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(213,754)	(179,837)
Purchase of intangible assets		(2,121)	-
Proceeds of sale of property, plant and equipment		18,465	4,619
Net cash used in investing activities		<u>(197,410)</u>	<u>(175,218)</u>
FINANCING ACTIVITIES			
Loan repayment	17(b)	(253,875)	(131,952)
Net cash used in financing activities		<u>(253,875)</u>	<u>(131,952)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		290,487	262,540
CASH AND CASH EQUIVALENTS AT 1 JULY		<u>573,885</u>	<u>311,345</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	17(c)	<u><u>864,372</u></u>	<u><u>573,885</u></u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2001

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Accounting Standards.

The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years and are set out below:

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment.

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, 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 or at professionally revalued amounts less depreciation.

The company's policy is to professionally revalue property, plant and equipment at least once every five years.



Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

1 ACCOUNTING POLICIES (continued)

Depreciation

No depreciation is provided on freehold land and long leasehold land.

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

Short 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%

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from capital reserve to revenue reserve.

Intangible assets

Expenditure on acquired computer software programs is capitalised and amortised on the straight-line basis over their expected useful lives, normally not exceeding three years.

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 on the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

Retirement benefit obligations

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 by geographic regions. This basis of segment reporting is representative of the internal structure used for management reporting.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

	2001 Sh'000	2000 Sh'000
2 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Staff costs (Note 3)	455,610	477,985
Depreciation and amortisation	392,965	326,576
Directors' emoluments:		
- Fees	598	660
- Other emoluments	1,887	2,838
Auditors' remuneration	1,330	1,330
Loss on sale of property, plant and equipment	8,835	-
and after crediting:		
Profit on sale of property, plant and equipment	<u>-</u>	<u>4,259</u>

3 STAFF COSTS

Wages and salaries	420,969	379,926
Social security costs (NSSF)	462	547
Pension contributions – defined benefit scheme	6,228	11,998
Termination benefits (gratuity)	26,245	71,463
Leave pay provision	1,706	14,051
	<u>455,610</u>	<u>477,985</u>

The company had an average of 519 (2000 – 526) permanent employees and 321 (2000 – 305) casual employees during the year.



Notes to the Financial Statements (CONTINUED)

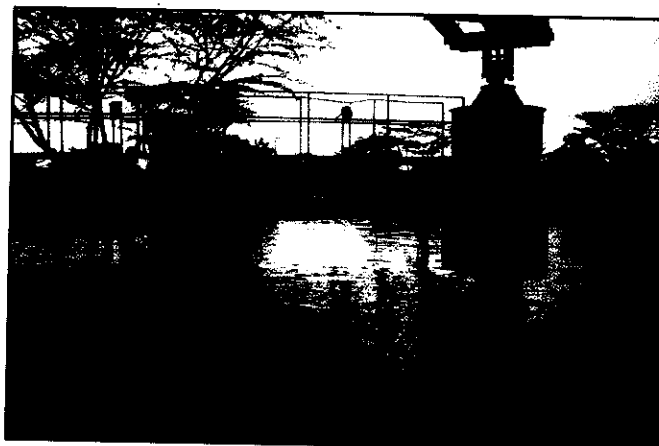
FOR THE YEAR ENDED 30 JUNE 2001

	2001 Sh'000	2000 Sh'000
4 (a) NET INTEREST COSTS		
Interest receivable	(33,588)	(52,391)
Interest on bank overdrafts	4,004	4,770
Interest on loans	127,197	140,718
	<u>97,613</u>	<u>93,097</u>

(b) FOREIGN CURRENCY EXCHANGE GAINS/(LOSSES)

Unrealised foreign currency exchange gain/(loss) on loans	723,992	(1,008,885)
Exchange gains on other foreign currency transactions and balances	12,116	8,669
	<u>736,108</u>	<u>(1,000,216)</u>

The unrealised exchange gain arises from the conversion of the Japanese Yen denominated loan to Kenya Shillings at the year end. The gain resulted from the strengthening of the Kenya Shilling against the Japanese Yen during the year. Between 1 July and 30 September 2001, the Kenya shilling has registered a depreciation of 4% against the Japanese yen which represents an exchange loss of Sh 177,351,532.



Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

	2001 Sh'000	2000 Sh'000
5 TAXATION		
(a) Tax charge/(credit)		
Current taxation based on the adjusted profit/(loss) for the year at 30%	-	-
Deferred tax charge/(credit)	237,899	(119,392)
	<u>237,899</u>	<u>(119,392)</u>
(b) Reconciliation of expected tax based on accounting profit/(loss) to the tax charge/(credit)		
Accounting profit/ (loss) before taxation	974,384	(538,860)
Tax at the applicable rate of 30%	292,315	(161,658)
Tax effect of expenses not deductible for tax purposes	58,711	22,910
Tax effect of non taxable income	(259)	(1,629)
Tax rate change	-	20,985
Prior year over-provision	(112,868)	-
	<u>237,899</u>	<u>(119,392)</u>

The prior year over-provision represents the deferred tax asset on the provisions for staff gratuity and staff leave pay which was not previously recognised in the financial statements.

6 EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share has been calculated on the profit/ (loss) after taxation of Sh 736,485,000 (2000 – loss of Sh 419,468,000) and the 90,000,000 shares in issue during the year. The basic earnings per share is the same as the fully diluted earnings per share.



Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

7 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	517,599	172,550	1,013,817	4,521,588	360,114	107,092	3,388	6,696,148
Additions	2,400	620	11,521	3,815	100,923	43,437	51,038	213,754
Disposals	(19,100)	-	(5,900)	-	(2,300)	-	-	(27,300)
Revaluation surplus	12,500	-	-	-	-	-	-	12,500
At 30 June	513,399	173,170	1,019,438	4,525,403	458,737	150,529	54,426	6,895,102
COMPRISING:								
Valuation - 2001	12,500	-	-	-	-	-	-	12,500
Valuation - 2000	496,499	172,550	1,007,917	4,390,916	358,614	-	-	6,426,496
Cost	4,400	620	11,521	134,487	100,123	150,529	54,426	456,106
DEPRECIATION								
At 1 July	-	-	-	-	-	-	-	-
Charge for the year	-	1,905	25,201	130,672	113,585	32,854	-	163,526
At 30 June	-	1,905	25,201	229,819	113,585	21,748	-	392,258
NET BOOK VALUE								
At 30 June 2001	513,399	171,265	994,237	4,164,912	345,152	95,927	54,426	6,339,318
At 30 June 2000	517,599	172,550	1,013,817	4,390,916	360,114	74,288	3,388	6,532,622

At 30 June 2001, vehicles and equipments with cost/valuation amounting to Sh 17,432,009 (2000 - Sh 735,896) were fully depreciated. The notional depreciation charge on these assets would have been Sh 2,179,001 (2000 - Sh 91,987).

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

If property, plant and equipment were carried in the financial statements at historical cost, the balances at 30 June 2001 would have been as follows:

	2001 Sh'000	2000 Sh'000
Cost	6,517,422	6,321,168
Accumulated depreciation	1,942,103	1,536,295
Net book value	<u>4,575,319</u>	<u>4,784,873</u>

One property was revalued as at 30 June 2001 by Lloyd Masika Limited, Registered Valuers and Estate Agents on an open market basis.

Other property, plant and equipment except the idle old plant, 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.

	2001 Sh'000	2000 Sh'000
8 INTANGIBLE ASSETS		
COST		
At 1 July 2000	-	-
Additions	<u>2,121</u>	<u>-</u>
	<u>2,121</u>	<u>-</u>
AMORTISATION		
Charge for the year	<u>(707)</u>	<u>-</u>
NET BOOK VALUE		
At 30 June 2001	<u>1,414</u>	<u>-</u>
At 30 June 2000	<u>-</u>	<u>-</u>



Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

9 INVESTMENT

	2001 Sh'000	2000 Sh'000
--	----------------	----------------

Unquoted investment in an associated company at cost

	<u>1</u>	<u>1</u>
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The associated company, Portland Mines Company Limited, is dormant and did not make a profit or loss during the year. The company's interest in the associated company is 50%.

10 INVENTORIES

	2001 Sh'000	2000 Sh'000
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Cement	82,550	79,921
Work in progress	167,255	198,191
Raw materials	103,396	216,558
Consumables	225,984	152,945
Goods in transit	37,992	17,240
Livestock	1,808	3,686

	<u>618,985</u>	<u>668,541</u>
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11 TRADE AND OTHER RECEIVABLES

Trade receivables	164,598	181,688
Prepayments	14,814	57,933
Staff receivables	78,773	35,559
Sundry receivables	15,450	7,447

	<u>273,635</u>	<u>282,627</u>
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12 SHARE CAPITAL

Authorised:
126,000,000 shares of Sh 5 each

	<u>630,000</u>	<u>630,000</u>
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Authorised, issued and fully paid:
90,000,000 shares of Sh 5 each

	<u>450,000</u>	<u>450,000</u>
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Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

	2001 Sh'000	2000 Sh'000
13 LOANS (UNSECURED)		
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	4,422,254	5,399,320
Loan from Kenya Government repayable in 50 equal half yearly instalments by 31 December 2020; interest at 15% per annum	<u>32,065</u>	<u>32,866</u>
	4,454,319	5,432,186
Less: repayable within one year	235,152	271,577
	<u><u>4,219,167</u></u>	<u><u>5,160,609</u></u>

14 STAFF GRATUITY

This represents outstanding obligations in respect of staff gratuity payable under the collective bargaining agreement for unionisable staff. The movement during the year was as follows:

	2001 Sh'000	2000 Sh'000
Balance at 1 July	362,175	329,024
Withdrawals	(36,538)	(38,312)
Additional provision	26,245	71,463
	<u><u>351,882</u></u>	<u><u>362,175</u></u>
Balance at 30 June		

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

15 DEFERRED TAX

2001
Sh'000

2000
Sh'000

The net deferred tax liability is attributable to the following items:

Accelerated capital allowances on property, plant and equipment	910,727	898,842
Unrealised exchange gain	210,202	(296,885)
Losses available for future tax relief	(1,164,467)	(993,686)
Provision for staff gratuity	(105,565)	-
Provision for staff leave pay	(4,727)	-
Revaluation surpluses on property, plant and equipment	342,039	524,325
	<u>188,209</u>	<u>132,596</u>

Movement on the deferred tax account is as follows:

At 1 July	132,596	(272,337)
Income statement debit/(credit)	237,899	(119,392)
Capital reserve (credit)/debit	(30,707)	524,325
Reversal of deferred tax on revaluation surplus on freehold and long leasehold land	(151,579)	-
At 30 June	<u>188,209</u>	<u>132,596</u>

16 TRADE AND OTHER PAYABLES

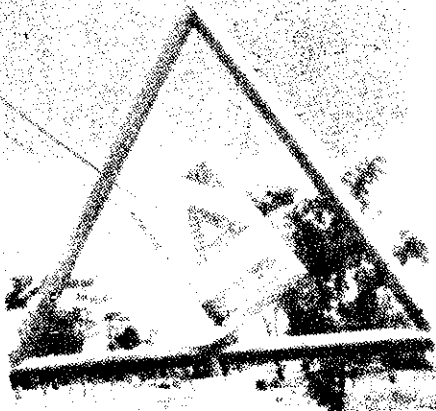
Trade payables	389,735	358,259
Accrued staff leave pay	15,757	14,051
Accruals	136,721	146,311
Sundry payables	34,422	12,274
	<u>576,635</u>	<u>530,895</u>

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

	2001 Sh'000	2000 Sh'000
17 NOTE TO THE CASH FLOW STATEMENT		
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	335,889	554,453
Adjustments:		
Depreciation and amortisation	392,965	326,576
Loss/(gain) on sale of property, plant and equipment	8,835	(4,259)
Exchange gains	12,116	8,669
Operating profit before working capital changes	749,805	885,439
Decrease/(increase) in inventories	49,556	(66,567)
Decrease/(increase) in trade and other receivables	8,992	(108,685)
Increase/(decrease) in trade and other payables	45,740	(79,253)
(Decrease)/increase in staff gratuity	(10,293)	33,151
Cash generated from operations	<u>843,800</u>	<u>664,085</u>
(b) Movement in loans		
Balance at 1 July	5,432,186	4,555,253
Foreign currency exchange (gain)/loss	(723,992)	1,008,885
Repayments during the year	(253,875)	(131,952)
Balance at 30 June	<u>4,454,319</u>	<u>5,432,186</u>

(c) 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 a short term deposit and bank and cash balances as reflected in the balance sheet.



Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

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. No amounts were drawn against facility as at 30 June 2001.

18 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 while the scheme's investments are managed by Genesis Kenya Investment Management 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 by Nauman Associates Consulting Actuaries. 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
- Rates 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 this actuarial value indicated that the guaranteed minimum (defined benefit) retirement benefits are fully covered by the existing scheme assets and future contributions at the current rates. Therefore, the Actuaries recommended that the existing level of contributions, at 28% of each member's pensionable salary, be maintained in order to support the minimum benefits promised.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2001

18 RETIREMENT BENEFIT OBLIGATIONS (Continued)

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. The process for renewal is in progress. These contributions are not invested or managed as a separate fund but are self funded and are fully provided for in the company's financial statements.

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 and are currently limited to Shs 80 per employee per month. Contributions to this scheme during the year amounted to Sh 462,000 (2000 - Sh 547,000).

	2001 Sh'000	2000 Sh'000
19 SEGMENT REPORTING		
Segment revenue		
Local market	2,999,494	2,909,657
Regional market (East and Central Africa)	170,151	8,491
	<u>3,169,645</u>	<u>2,918,148</u>

20 CONTINGENT LIABILITIES

Pending law suits	<u>19,232</u>	<u>5,383</u>
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21 CAPITAL COMMITMENTS

Authorised by the directors but not contracted for	<u>34,000</u>	<u>592,000</u>
Authorised by the directors and contracted for	<u>113,000</u>	<u>-</u>

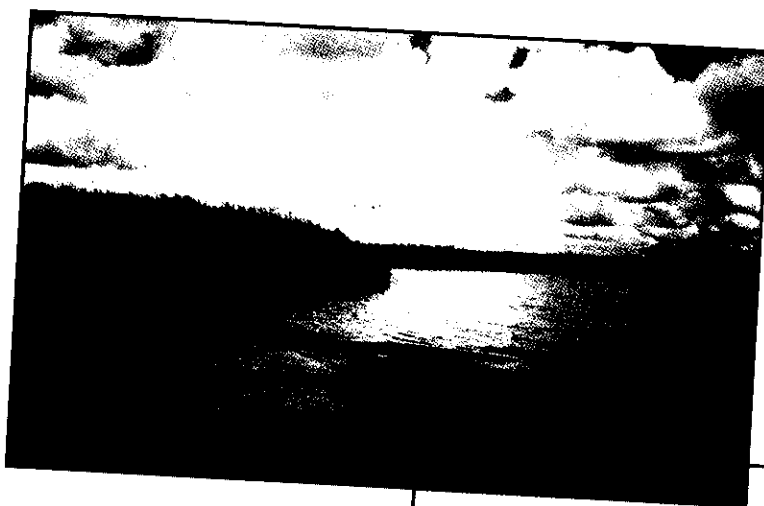
22 COUNTRY OF INCORPORATION

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

23 CURRENCY

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





Proxy Form

FOR THE YEAR ENDED 30 JUNE 2001

I/We _____

Of _____

being a member(s) of the above named Company

hereby appoint _____

of _____

or failing him

of _____ or failing him the

Chairman of the meeting as my/our proxy, to vote for me and on my/our behalf at the Sixty Ninth Annual General Meeting of the said Company, to be held at Athi River on 25th January 2002 and at any adjournment thereof.

Signed this _____ day of _____ 2001/2002

Signature _____

(If executed by a corporation, the proxy should be sealed)

NB: This proxy form must be deposited at the Registered Office of the Company, Namanga Road, Athi River, off Mombasa Road, P.O. Box 40101, Nairobi not less than 48 hours before the time for holding the meeting.



The East African Portland Cement Company Limited

