Blue Triangle Pictorial

Staff Members of Tae-kwon-do club display their skills during the end year party

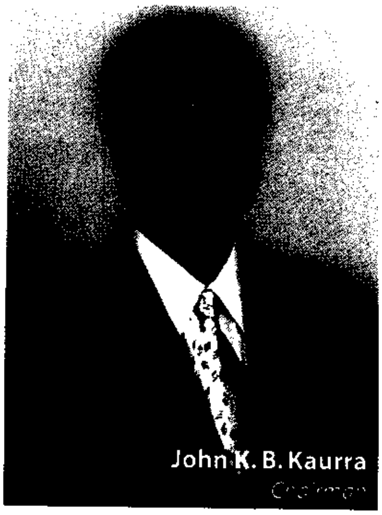
The Chairman Mr. J.K.B. Kaurra presents a certificate to an employee during the long service awards ceremony

Blue Triangle Pictorial

Athi River, DO, Mr. Makori leads members of staff in a tree planting ceremony

Blue Triangle Choir

Chairman's Report



John K. B. Kaurra
Chairman

ECONOMIC PERFORMANCE

The Kenyan economic recorded a positive growth of 1.2% in this financial year from a negative growth of 0.3% last year. This modest improvement is attributed to excellent weather conditions and a more reliable power supply, however the economic recovery was constrained by a continued decline in domestic borrowing, poor infrastructure and lack of donor support.

MARKET CONDITIONS

The overall cement industry registered a 5.7% in the local market. The combined total sales turnover for the year was 1,157,000 metric tonnes in comparison to 1,095,000 metric tonnes in the previous year. Kenya has an excess cement production capacity. This has caused stiff competition in the trading environment as a result of diminished demand, Particularly in the present harsh economic circumstances. The company embarked on a countrywide distribution network in 1999. This concept has made our product, Blue Triangle cement, widely available in the market, improved our customer service and sales volume. Opportunities for further growth is expected from the emerging regional markets which are being developed to expand our markets and earn the company the much needed foreign exchange for hedging against our loan repayments denominated in Japanese Yen.

PLANT OPERATIONS

The plant efficiency in this financial year was better in comparison to the previous year and this is attributed to an improvement in power supply. The company has yet to take advantage of the newly adopted EN standards, which is constrained by our current milling technology. The company is working on the investment of a modern milling system to achieve the desired low cost of production and improve operational efficiencies.

TRADING RESULTS

Arising from the above economic factors, cement prices came under immense pressure and turnover for the year improved to Kshs.3,207 million, which is a small increase from 3,169 million the previous year. The operating profit was Kshs.436 million against Kshs.335 million last year, this was an increase of 30%.This is attributable to effective cost controls, reliable power supply, effective marketing strategies and overall efficiency in operating systems.

Chairman's Report

The Kenya shilling depreciated against the Japanese Yen, in which our offshore loan is denominated and this resulted in an exchange loss of Kshs.145 million. However, finance costs went down by 19.6%. The company re-valued its assets in the year 2001 to reflect their current economic values and this included our quarry land in Athi River held on long term leases. The accounting treatment of these properties was varied this year to comply with the current international accounting standards, this caused a downward adjustment of kshs.622 million on fixed assets. This adjustment grossly understated the true values of our assets and hence unduly reduced shareholders funds. The company will explore ways to find a solution to this problem.

In view of the good trading results, the directors recommend a final dividend of kshs.0.50 per share in addition to the interim dividend of kshs.1.00 per share paid during the year.

CORPORATE GOVERNANCE

The recently published Capital Markets Authority recommendations on corporate Governance details the Directors additional responsibilities, the implementation of which are currently under consideration.

The shareholders attention is also drawn to the rules on corporate governance included in the Directors Statement of Responsibilities and would assure you that your Board meets regularly and gives due consideration and commitment to all aspects of good governance referred to in the guidelines.

On your behalf I would like to thank the Board for the diligence with which they have discharged their duties during this period.

DIRECTORS

The following changes took place during the year.

Mr.B.Mtuweta was appointed a director on 9 May 2002 replacing Mr.J.Konzolo.

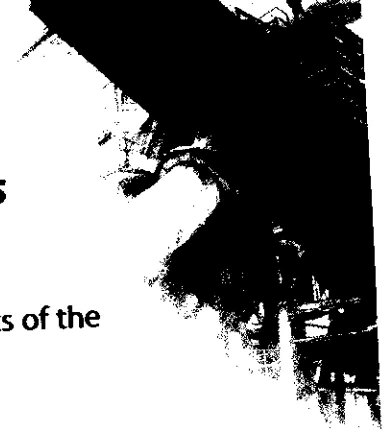
Mr.J.Kinyua was appointed a director on 4 October 2002 replacing Mr.M.Mwachofi.

Mr.N.Mogere was appointed a director on 4 October 2002 replacing Mr.B.Mtuweta.

STAFF

A word of thank you on your behalf should also be extended to the entire members of staff in all areas of operations for the satisfactory performance over a very difficult period.

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 2002.

ACTIVITIES

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

	Sh'000
RESULTS	
Profit before taxation	212,934
Taxation	89,755
Net profit for the year	123,179

DIVIDENDS

The directors recommend a final dividend of Sh 0.50 per share in respect of the year. This, when added to interim dividend of Sh 1 per share paid during the year, brings the total dividend for the year to Sh 1.50 per share.

DIRECTORS

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

Mr.B Mtuweta was appointed a director on 9 May 2002 in place of Mr. J Konzolo.

Mr. J Kinyua was appointed a director on 4 October 2002 in place of Mr. M Mwachofi.

Mr. N Mogere was appointed a director on 4 October 2002 in place of Mr B. Mtuweta.

In accordance with Article 83 of the Articles of Association, Ms M Chemengich and Mr K M K Laremasubet retire and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Articles of Association, Mr. J Kinyua and Mr. N Mogere 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

4 October 2002

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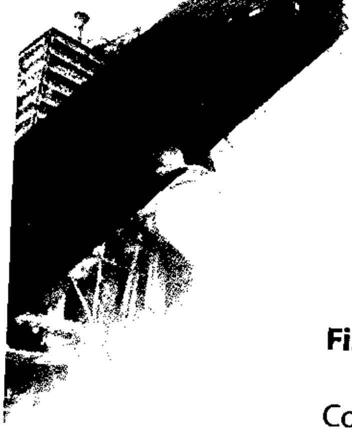


Statement of Directors' Responsibilities

Financial statements

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.

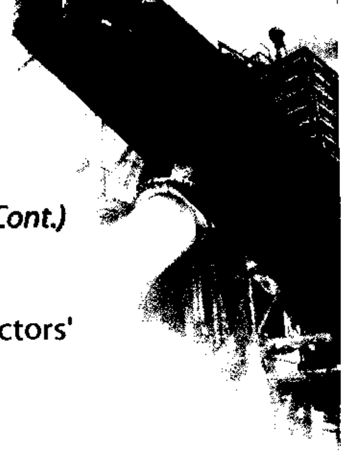
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets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

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

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

Corporate Governance

The Capital Markets Authority published Legal Notice number 13 in the Special Issue of the Kenya Gazette supplement number 4 dated 18 January 2002, Capital Markets Regulations and Disclosure Requirements for Public Offers and Listing of Securities. These regulations and disclosure requirements came into effect on 7 January 2002. The Capital Markets Authority also published notice number 3362 in the Kenya Gazette issue dated 14 May 2002, Guidelines on Corporate Governance Practices By Public Listed Companies in Kenya. These guidelines came into effect on 14 January 2002.



Statement of Directors' Responsibilities (Cont.)

Recommendations contained within the guidelines, with regard to directors' responsibilities, include:

- Keeping the core strategy under review;
- Monitoring progress towards agreed objectives;
- Overseeing corporate management and operations;
- Meeting its responsibilities to shareholders; and
- Reviewing the adequacy of the internal control and management information systems.

Your board meets regularly to direct and manage the company's business according to essential standards of good corporate governance.

An audit committee has been in operation since 1999 and is playing a key role in ensuring these activities receive all due consideration.

Your Directors are committed to adopting good corporate governance practices. They are currently considering and taking advice on action called for to ensure full compliance with the guidelines in those areas where this is not yet the case.

T K Barmazai	J B Kaurra
Director	Director
4 October 2002	4 October 2002

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 No. 92
E-mail: admin@deloitte.co.ke

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 27 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 10, 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.

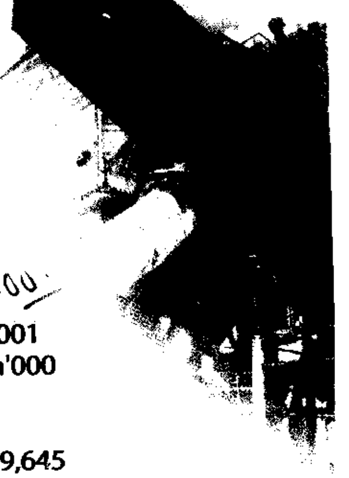
Basis of opinion

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

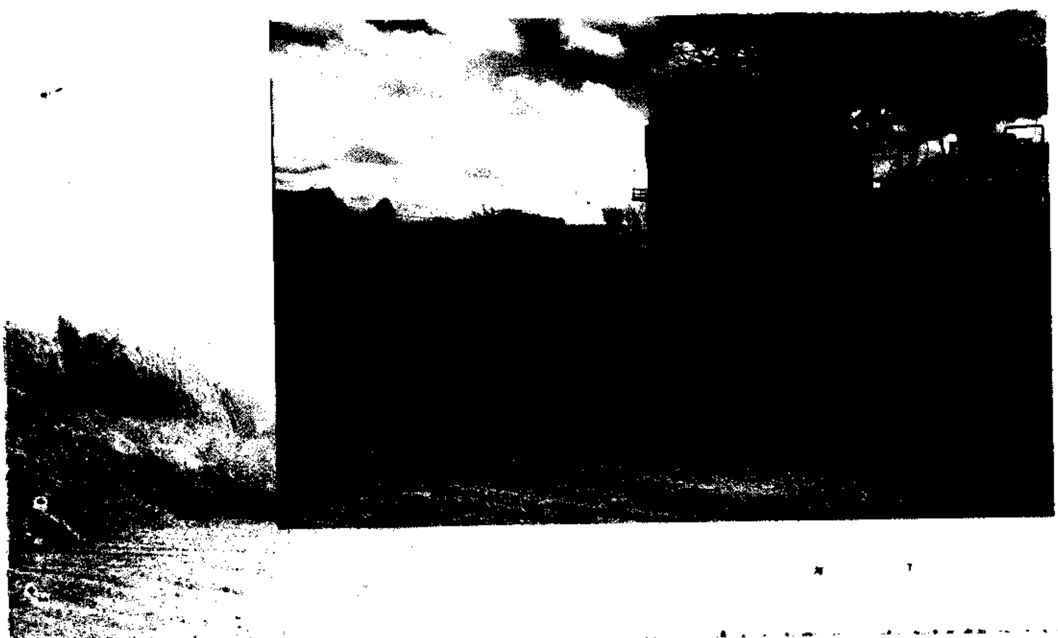
In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 30 June 2002 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Deloitte & Touche
4th October 2002



Income Statement
for the year ended 30 June 2002

	Note	12.50 2002 Sh'000	11.00 2001 Sh'000
TURNOVER		3,207,060	3,169,645
COST OF SALES		(2,232,303)	(2,374,962)
GROSS PROFIT		974,757	794,683
OTHER OPERATING INCOME		15,176	44,576
SELLING COSTS		(240,884)	(231,569)
ADMINISTRATIVE EXPENSES		(282,057)	(249,391)
OTHER OPERATING EXPENSES		(30,448)	(22,410)
OPERATING PROFIT	2	436,544	335,889
NET INTEREST COSTS	4(a)	(78,118)	(97,613)
FOREIGN CURRENCY EXCHANGE (LOSS)/GAIN	4(b)	(145,492)	736,108
PROFIT BEFORE TAXATION		212,934	974,384
TAXATION	5	(89,755)	(237,899)
NET PROFIT FOR THE YEAR		123,179	736,485
EARNINGS PER SHARE	6	Sh 1.37	Sh 8.18



Balance Sheet
as at 30 June 2002

	Note	2002 Sh'000	2001 (Restated) Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	7	5,420,779	5,699,854
Intangible assets	8	2,826	1,414
Prepaid operating lease rentals	9	16,520	16,597
Investment	10	1	1
		5,440,126	5,717,866
Current assets			
Inventories	11	664,228	618,985
Trade and other receivables	12	330,079	273,635
Tax recoverable		33,703	30,167
Short term deposits	13	833,774	564,274
Bank and cash balances	13	112,743	300,098
		1,974,527	1,787,159
Total assets		7,414,653	7,505,025
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	450,000	450,000
Share premium		648,000	648,000
Revaluation reserve		643,586	688,806
Revenue reserve		110,525	57,746
Proposed dividend		45,000	90,000
		1,897,111	1,934,552
Non current liabilities			
Loans	15	4,125,675	4,219,167
Staff gratuity	16	349,512	351,882
Deferred tax	17	255,781	187,637
		4,730,968	4,758,686
Current liabilities			
Trade and other payables	18	545,773	576,635
Loans	15	240,801	235,152
		786,574	811,787
Total liabilities		5,517,542	5,570,473
Total equity and liabilities		7,414,653	7,505,025

The financial statements on pages 13 to 27 were approved by the board of directors on 4 October 2002 and were signed on its behalf by:

T K Barmazai)
J B Kaurra) Directors

BLUE TRIANGLE Cement
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Statement of changes in Equity

for the year ended 30 June 2002

	Share capital Sh'000	Share premium Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 July 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
At 30 June 2001	450,000	648,000	1,311,101	57,746	90,000	2,556,847
At 30 June 2001 - as previously reported	450,000	648,000	1,311,101	57,746	90,000	2,556,847
- Reversal of revaluation surplus on leasehold land (note 9)	-	-	(622,867)	-	-	(622,867)
- Reversal of deferred tax on Revaluation surplus on leasehold land	-	-	572	-	-	572
At 30 June 2001 as restated	450,000	648,000	688,806	57,746	90,000	1,934,552
Net profit for the year	-	-	-	123,179	-	123,179
Dividends declared - 2001	-	-	-	-	(90,000)	(90,000)
Interim dividend declared current year	-	-	-	(90,000)	-	(90,000)
Final dividend proposed current year	-	-	-	(45,000)	45,000	-
Transfer of excess depreciation	-	-	(56,850)	56,850	-	-
Deferred tax on transfer of excess Depreciation	-	-	17,055	-	-	17,055
Revaluation surplus realised on disposal of revalued equipment	-	-	(7,750)	7,750	-	-
Deferred tax on revaluation surplus Realised on disposal of equipment	-	-	2,325	-	-	2,325
At 30 June 2002	450,000	648,000	643,[illegible]86	110,525	45,000	1,897,111

BLUE TRIANGLE Cement

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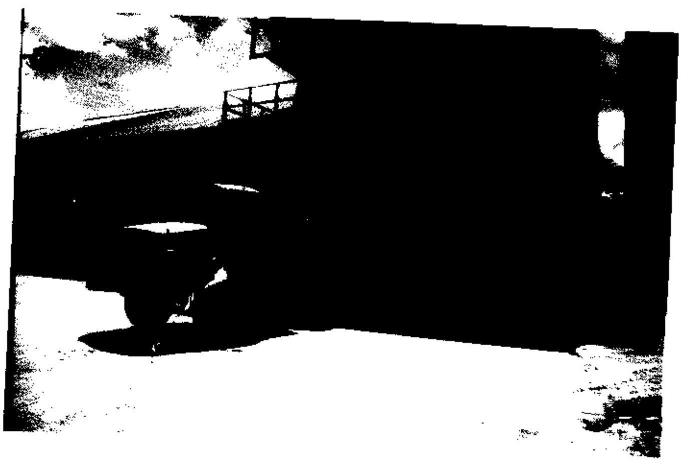
Cash Flow Statement
for the year ended 30 June 2002

	Note	2002 Sh'000	2001 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	19(a)	691,227	880,338
Interest paid		(112,976)	(131,201)
Interest received		34,858	33,588
Taxation paid		(5,767)	(4,415)
Staff gratuity paid		(16,136)	(36,538)
Net cash generated from operating activities		591,206	741,772
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(121,514)	(213,754)
Purchase of intangible assets		(3,178)	(2,121)
Proceeds from sale of property, plant and equipment		2,765	18,465
Net cash used in investing activities		(121,927)	(197,410)
FINANCING ACTIVITIES			
Dividends paid		(156,226)	-
Loan repayment	19(b)	(230,908)	(253,875)
Net cash used in financing activities		(387,134)	(253,875)
INCREASE IN CASH AND CASH EQUIVALENTS		82,145	290,487
CASH AND CASH EQUIVALENTS AT 1 JULY		864,372	573,885
CASH AND CASH EQUIVALENTS AT 30 JUNE	19(c)	946,517	864,372



BLUE TRIANGLE Cement
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Notes to the Financial Statements

for the year ended 30 June 2002

1. ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years except for implementation of the provisions of International Accounting Standard No. 17 with regard to treatment of leasehold land in the current financial year, as disclosed in note 1(f) below. The company's principal accounting policies are set out below:

(a) Basis of accounting

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

(b) Revenue recognition

Sales represent revenue from the sale of cement to customers, net of taxes due to the government. Sales are recognised when cement is delivered and the title has passed to the customers.

(c) 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.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or at professionally revalued amounts less accumulated depreciation.

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

(e) Depreciation

No depreciation is provided on freehold land.

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

Buildings	2.5%
Plant and machinery	5 to 12.5%
Motor vehicles	25%
Office equipment, furniture and fittings	5 to 25%

The annual depreciation attributable to revaluation surpluses on property, plant and equipment is transferred from the revaluation reserve to the revenue reserve.

(f) Leases

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

With effect from the current financial year, leasehold properties are being treated as operating lease rentals in accordance with the provisions of International Accounting Standard No. 17 on leases. This represents a change in accounting policy as previously, leasehold land was treated as property, plant and equipment and was carried on the balance sheet at cost or valuation less depreciation.

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

Notes to the Financial Statements *(Cont.)*

for the year ended 30 June 2002

1. **ACCOUNTING POLICIES (Continued)**

(g) **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.

(h) **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.

(i) **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

(j) **Currency translations**

Assets and liabilities that are denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year which are expressed 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.

(k) **Retirement benefit obligations**

The company operates non contributory defined benefits pension scheme for senior and supervisory staff as well as an in house gratuity scheme for unionisable employees. It also makes contributions to the statutory pension fund, the National Social Security Fund.

The company's obligations to all staff retirement benefits schemes are charged to the income statement as they fall due.

(l) **Segment reporting**

The company sells cement in both the local market, in Kenya, 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.

(m) **Cash flow statement**

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 disbursement or confirmation of the advance.

(n) **Comparatives**

Where necessary, comparatives figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the re-classification of leasehold land from property, plant and equipment to prepaid operating lease rentals in order to comply with International Accounting Standard No.17.

Notes to the Financial Statements (Cont.)

for the year ended 30 June 2002

	2002 Sh'000	2001 Sh'000

2. OPERATING PROFIT

The operating profit is arrived at after charging:	2002 Sh'000	2001 Sh'000
Staff costs (Note 3)	499,140	455,610
Depreciation and amortisation	396,746	392,965
Directors' emoluments:		
- Fees	622	598
- Other emoluments	2,192	1,887
Auditors' remuneration	1,460	1,330
Loss on sale of property, plant and equipment	2,921	8,835

3. STAFF COSTS

	2002 Sh'000	2001 Sh'000
Wages and salaries	471,563	420,969
Social security costs (NSSF)	936	462
Pension contributions defined benefits scheme	8,258	6,228
Provision for staff gratuity	13,766	26,245
Leave pay provision	4,617	1,706
	499,140	455,610

The company had an average of 767 (2001 - 621) permanent employees and 334 (2001 - 302) casual employees during the year.

4. (a) NET INTEREST COSTS

	2002 Sh'000	2001 Sh'000
Interest receivable	(34,858)	(33,588)
Interest on bank overdrafts	2,417	4,004
Interest on loans	110,559	127,197
	78,118	97,613

(b) FOREIGN CURRENCY EXCHANGE (LOSS)/GAIN

	2002 Sh'000	2001 Sh'000
Unrealised exchange (loss) /gain on loans	(143,065)	723,992
Exchange (loss)/ gain on other foreign currency transactions and balances	(2,427)	12,116
	(145,492)	736,108

The unrealised exchange loss on loans arises from the translation of the Japanese Yen denominated loan to Kenya Shillings at the year end. The loss resulted from the weakening of the Kenya Shilling against the Japanese Yen during the year. Between 1 July and 30 September 2002, the Kenya shilling has registered an appreciation of 2.6 % against the Japanese Yen resulting in an exchange gain of Sh 111,524,890.

Notes to the Financial Statements *(Cont.)*

for the year ended 30 June 2002

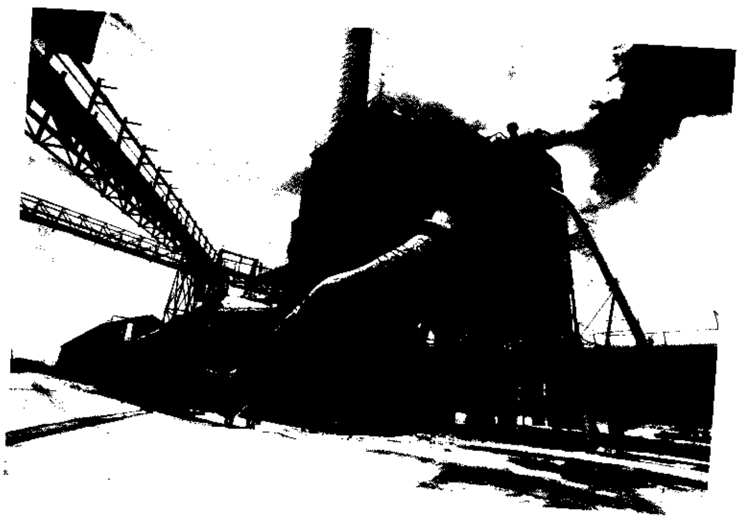
5. TAXATION

	2002 Sh'000	2001 Sh'000
(a) Tax charge		
Current taxation based on the adjusted profit for the year at 30%	2,231	-
Deferred tax charge - current year	87,524	350,767
- prior year over-provision	-	(112,868)
	89,755	237,899
(b) Reconciliation of expected tax based on accounting Profit to the tax charge		
Accounting profit before taxation	212,934	974,384
Tax at the applicable rate of 30%	63,880	292,315
Tax effect of expenses not deductible for tax purposes	28,818	58,711
Tax effect of non taxable income	(712)	(259)
Taxation on farming income as a separate source	(2,231)	-
Prior year over-provision	-	(112,868)
	89,755	237,899

6. EARNINGS PER SHARE

The earnings per share has been calculated on the profit after taxation of Sh 123,179,000 (2001 - Sh 736,485,000) and the 90,000,000 shares in issue during the year.

The diluted earnings per share is the same as the basic earnings per share.



BLUE TRIANGLE Cement
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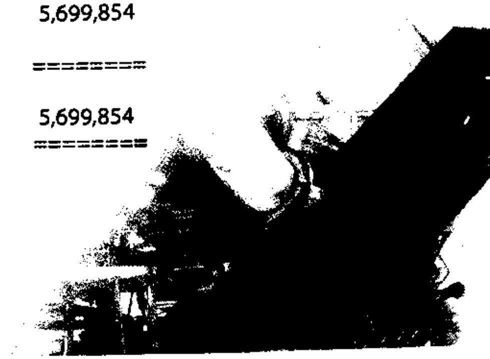
Notes to the Financial Statements (Cont.)

for the year ended 30 June 2002

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 2001 as previously reported	513,399	173,170	1,019,438	4,525,403	458,737	150,529	54,426	6,895,102
Reclassification of leasehold land (note 9)	(468,199)	(173,170)	-	-	-	-	-	(641,369)
Additions	-	-	-	39,345	16,665	12,936	52,568	121,514
Disposals	-	-	-	-	(8,205)	-	-	(8,205)
At 30 June 2002	45,200	-	1,019,438	4,564,748	467,197	163,465	106,994	6,367,042
COMPRISING:								
Valuation - 2000	42,800	-	1,007,917	4,390,916	358,614	-	-	5,800,247
Cost	2,400	-	11,521	173,832	108,583	163,465	106,994	566,795
	45,200	-	1,019,438	4,564,748	467,197	163,465	106,994	6,367,042
DEPRECIATION								
At 1 July 2001 as previously reported	-	1,905	25,201	360,491	113,585	54,602	-	555,748
Reclassification of leasehold land (note 9)	-	(1,905)	-	-	-	-	-	(1,905)
As restated	-	-	25,201	360,491	113,585	54,602	-	553,879
Charge for the year	-	-	25,509	230,396	118,324	20,674	-	394,903
Disposals	-	-	-	-	(2,519)	-	-	(2,519)
At 30 June 2002	-	-	50,710	590,887	229,390	75,276	-	946,263
NET BOOK VALUE								
At 30 June 2002	45,200	-	968,728	3,973,861	237,807	88,189	106,994	5,699,854
At 30 June 2001	45,200	-	994,237	4,164,912	345,152	95,927	54,426	5,699,854

At 30 June 2002, vehicles and equipment with cost/valuation amounting to Sh 17,432,009 (2001 - Sh 17,432,009) were fully Depreciated. The normal depreciation charge on these assets would have been Sh 2,179,001 (2001 - Sh 2,179,001).



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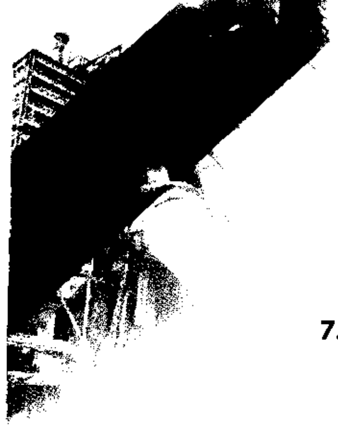

Notes to the Financial Statements *(Cont.)*

for the year ended 30 June 2002

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 2002 would have been as follows:

	2002 Sh'000	2001 Sh'000
Cost	6,617,389	6,500,825
Accumulated depreciation	2,239,153	1,942,046
Net book value	4,378,236	4,558,779

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 office equipment, furniture and fittings except the idle old plant, 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.

8. INTANGIBLE ASSETS COMPUTER SOFTWARE

	2002 Sh'000	2001 Sh'000
COST		
At 1 July	2,121	-
Additions	3,178	2,121
At 30 June	5,299	2,121
AMORTISATION		
At 1 July	707	-
Charge for the year	1,766	707
At 30 June	2,473	707
NET BOOK VALUE		
At 30 June	2,826	1,414

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Notes to the Financial Statements (Cont.)

for the year ended 30 June 2002

9. PREPAID OPERATING LEASE RENTALS

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

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

	Sh'000
Carrying amount of leasehold land at 30 June 2001	639,464
Reversal of revaluation surplus	(622,867)
Balance reclassified to prepaid operating lease rentals at 30 June 2001	16,597
Amortisation for the year	(77)
Balance as at 30 June 2002	16,520

A prior year adjustment has been processed to restate the balance sheet as at 30 June 2002. However, no prior year adjustment has been made to the income statement, as the amount relating to prior year amortisation of the lease rentals is not material.

10. INVESTMENT

	2002 Sh'000	2001 Sh'000
Unquoted investment in an associated company at cost	1	1

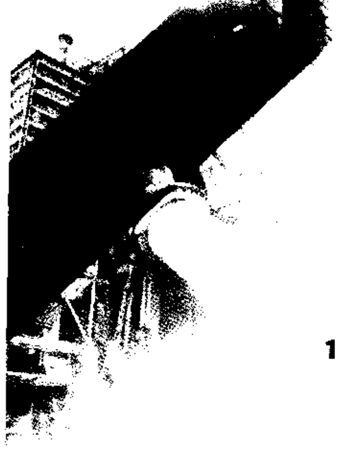
The associated company, Portland Mines Company Limited, is dormant and did not make a profit or loss during the year. The company's interest in the associated company is 50%.

11. INVENTORIES

	2002 Sh'000	2001 Sh'000
Cement	61,656	82,550
Work in progress	85,641	167,255
Raw materials	162,997	103,396
Consumables	317,343	225,984
Goods in transit	22,428	37,992
Livestock	14,163	1,808
	664,228	618,985

12. TRADE AND OTHER RECEIVABLES

	2002 Sh'000	2001 Sh'000
Trade receivables	178,094	164,598
Prepayments	51,315	14,814
Staff receivables	93,161	78,773
Sundry receivables	7,509	15,450
	330,079	273,635



Notes to the Financial Statements *(Cont.)*

for the year ended 30 June 2002

13. CASH AND CASH EQUIVALENTS

The short term deposits were maturing on 30 June 2002 and realised an average interest rate of 2.2% during the year.

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 properties owned by the company, Land Reference numbers 337/639, 8649,9767,8785 and 8786. No amounts were drawn against this facility as at 30 June 2002.

14. SHARE CAPITAL

	2002 Sh'000	2001 Sh'000
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

15. LOANS (UNSECURED)

	2002 Sh'000	2001 Sh'000
The Overseas Economic Co-operation Fund of Japan (OECF) 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	4,334,411	4,422,254
Loan from Kenya Government repayable in 50 equal half yearly instalments by 31 December 2020; interest at 15% per annum	32,065	32,065
	4,366,476	4,454,319
Less: repayable within one year	240,801	235,152
	4,125,675	4,219,167

16. 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:

	2002 Sh'000	2001 Sh'000
Balance at 1 July	351,882	362,175
Withdrawals	(16,136)	(36,538)
Additional provision	13,766	26,245
Balance at 30 June	349,512	351,882

Notes to the Financial Statements (Cont.)

for the year ended 30 June 2002

	2002 Sh'000	2001 Sh'000
17. DEFERRED TAX		
The net deferred tax liability is attributable to the following items:		
Accelerated capital allowances on property, plant and equipment	899,864	910,727
Unrealised exchange(loss)/ gain	(40,825)	210,202
Losses available for future tax relief	(814,380)	(1,164,467)
Provision for staff gratuity	(104,853)	(105,565)
Provision for staff leave pay	(6,112)	(4,727)
Revaluation surpluses on property, plant and equipment	322,087	341,467
	255,781	187,637
The movement on the deferred tax account is as follows:		
At 30 June as previously reported	188,209	132,596
Reversal arising from reclassification of leasehold land (Note 9)	(572)	(572)
At 30 June as restated	187,637	132,024
Income statement charge for the year	87,524	237,899
Credited to revaluation reserve	(19,380)	(30,707)
Reversal of deferred tax on revaluation surplus on freehold and long leasehold land	-	(151,579)
At 30 June	255,781	187,637
18. TRADE AND OTHER PAYABLES		
Trade payables	295,275	389,735
Accrued staff leave pay	20,374	15,757
Accruals	180,342	136,721
Sundry payables	26,008	34,422
Unpaid dividends	23,774	-
	545,773	576,635
19. CASH FLOW STATEMENT		
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	436,544	335,889
Adjustments for:		
Depreciation and amortisation	396,746	392,965
Loss on sale of property, plant and equipment	2,921	8,835
Exchange losses/(gains)	(2,427)	12,116
Staff gratuity	13,766	26,245
Operating profit before working capital changes	847,550	776,050
(Increase)/decrease in inventories	(45,243)	49,556
(Increase)/decrease in trade and other receivables	(56,444)	8,992
(Decrease)/increase in trade and other payables	(54,636)	45,740
Cash generated from operations	691,227	880,338

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Notes to the Financial Statements (Cont.)
for the year ended 30 June 2002

19. CASH FLOW STATEMENT (continued)

		2002 Sh'000	2001 Sh'000
(b)	Movement in loans		
	Balance at 1 July	4,454,319	5,432,186
	Foreign currency exchange loss/ (gain)	143,065	(723,992)
	Repayments during the year	(230,908)	(253,875)
	Balance at 30 June	4,366,476	4,454,319
(c)	Analysis of cash and cash equivalents		
	Short term deposits	833,774	564,274
	Bank and cash balances	112,743	300,098
		946,517	864,372

20. RETIREMENT BENEFIT OBLIGATIONS

The company operates a non-contributory defined benefits pension scheme for senior and supervisory staff. The scheme is administered independently, by Aon Minet Insurance Brokers Limited, while its investments are managed by Genesis Kenya Investment Management Limited.

The scheme is subjected to triennial valuations by independent Actuaries to fulfil the statutory requirements under the Income Tax (Retirement Benefits) rules 1994 and the Retirement Benefits Rules 2000. 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
- 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, the Actuaries recommended that the existing level of contribution, at 28% of each member's pensionable salary, be maintained in order to support the minimum benefits promised to members.

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Notes to the Financial Statements (Cont.)

for the year ended 30 June 2002

20. 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 last reviewed on 15 July 2002. 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 200 per employee per month from November 2001 (previously it was Shs 80 per employee per month). Contributions to this scheme during the year amounted to Shs 936,000 (2001 - Shs 462,000).

	2002 Sh'000	2001 Sh'000
21. SEGMENT REPORTING		
Segment revenue attributable to cement sales in:		
Local market	3,087,626	2,999,494
Regional market (East and Central Africa)	119,434	170,151
	3,207,060	3,169,645
22. CONTINGENT LIABILITIES		
Pending law suits	28,715	19,232

These relate to legal proceedings involving the company for breach of contract and loss of business as a result of trucks repossessed.

	2002 Sh'000	2001 Sh'000
23 CAPITAL COMMITMENTS		
Authorised by the directors but not contracted for	47,000	34,000
Authorised by the directors and contracted for	124,664	113,000

24. COUNTRY OF INCORPORATION

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

25. CURRENCY

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

Notes