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BLUE TRIANGLE Cement

1. East African Portland Cement Company - Periodicals
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CORPORATE INFORMATION

BOARD OF DIRECTORS	B S Ndeta	- *Chairman*
	E C Birya	- *Managing Director*
	S ole Kantai	
	G C D Groom	
	R A Hadley	- *(Alternate – K H W Keith)*
	J Magari	- *(Alternate - S Ngaine)*
	N Mogere	- *(Alternate - R K Lumbasyo (Mrs)*
	A K Ketter	- *(Alternate - O Makuu)*

SECRETARY

J L G Maonga
P O Box 30029-00100
Nairobi

REGISTERED OFFICE

L R 337/113/1
Namanga Road, off Mombasa Road, Athi River
P O Box 40101-00100 Nairobi
Tel: 0150 22777 or 20627
Fax: 0150 20406 or 22378
Email: info@eapcc.co.ke

REGISTRARS

Haki Registrars
P O Box 40868-00100
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- 00100
Nairobi

BOARD COMMITTEES

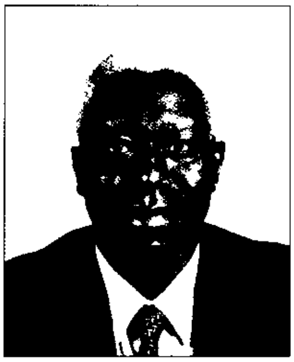
The Board committees as at the date of this report comprise:

Board Audit Committee	**Tender & Procurement Committee**	**Human Resources & Remuneration Committee**	**Technical Committee**	**Executive Management Committee**
Composition				
Three non-executive directors, Internal Audit Manager, Finance Manager	Three non-executive directors, Managing Director, Finance Manager, Purchasing Manager	Three non-executive directors, Managing Director, Finance Manager & Human Resources Manager	Three non-executive directors and Managing Director, Finance Manager and Engineers	Managing Director, General managers and Senior managers
Frequency of meetings per annum				
Three and as when necessary	As and when necessary	As and when necessary	As and when necessary	Weekly
Chairman				
Sankale ole Kantai	A.K.A. Ketter	N. Mogere	Benson S. Ndeta	E.C. Birya
Members				
G.C.D. Groom N. Mogere	Benson S. Ndeta Hamish Keith E.C. Birya	A.K.A. Ketter G.C.D. Groom E.C. Birya	G.C.D. Groom N. Mogere E.C. Birya	

BOARD OF DIRECTORS

B S Ndeta, *Chairman*

E C Birya, *Managing Director*



J Magari, *Director*

R A Hadley, *Director*

S ole Kantai, *Director*

G C D Groom, *Director*

N Mogere, *Director*

A K Ketter, *Director*

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 71st Annual General Meeting of The East African Portland Cement Company Limited will be held at the Factory, Athi River, on Tuesday, 9 December 2003 at 12.00 noon for the following purposes:-

ORDINARY BUSINESS

1. To confirm the minutes of the 70th Annual General Meeting held on 9 December 2002.

2. To receive the Chairman's Report.

3. To receive and consider the Audited Financial Statements for the year ended 30 June 2003 together with the reports of the Directors and Auditors thereon.

4. To declare a first and final dividend of KShs. 1.75 per share in respect of the Financial year ended 30 June 2003 as recommended by the Directors.

5. To elect Directors:-
   i) In accordance with Article 83 of the Company's Articles of Association, the following Directors retire at this meeting and, being eligible, offer themselves for re-election.
      - Mr B S Ndeta
      - Mr J Magari
      - Mr A Ketter
      - Mr S ole Kantai

   ii) In accordance with Article 99 of the Company's Articles of Association, the following Directors retire at this meeting and, being eligible, offer themselves for re-election.
      - Mr G C D Groom
      - Mr R A Hadley

6. Deloitte & Touche have expressed their willingness to continue in office as Auditors for the year 2003/2004. Subject to approval by the Auditor-General (Corporations), to appoint Deloitte & Touche as Auditors and to authorise the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Ordinary Resolution as recommended by the Board of Directors:-

   That the directors' fees shall be increased with effect from 24 September 2003 as follows:

	From (KShs. p.a.)	To (KShs. p.a.)
Chairman	80,000/-	300,000/-
Per Director	80,000/-	160,000/-

8. To transact any other business of the Company of which due notice has been received in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

Date: 28 October 2003

Note:
1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. (SEE ENCLOSED FORM)
2. Any Corporation which is a member may, in terms of Article 77 of the Company's Articles of Association, appoint a representative to attend and generally exercise the power of such a member.

CHAIRMAN'S STATEMENT

REVIEW OF PERFORMANCE

Despite the adverse economic conditions, the results reflect an improvement in turnover by 19% over the previous year from KShs.3.2 billion to Kshs 3.8 billion. Unlike the previous year, growth in cement demand, locally, grew in the second half of the year, which witnessed resurgence in the building and construction sector. The sales were also boosted by the growth in export sales mostly to Uganda. Increase in cement prices during the year also contributed to the increased revenue.

Gross profit margins declined despite the 4% increase in gross profit over the previous year. The declined gross margin was attributed to the 27% increase in cost of sales related to fuel oil and plant repairs. Due to the tension in the Middle East and the Iraq war, oil prices went up substantially in the first half of the year. Distribution costs also went up as a result of the upward revision of transport rates for both the raw materials and cement. The quality of power and downtimes continued to affect the efficiency of the plant and this contributed to higher unit cost of production compared to the previous year.

The administrative expenses increased compared to the same period last year. This was due to the increase in unionisable staff costs arising from the Collective Bargaining Agreement entered into late 2002. The benefits agreed on were backdated resulting in payment in arrears covering two years.

As a result of the combined increase in the cost of sales and administrative expenses as indicated above, operating profit before tax and interest charges declined by 61%. However, the Shilling strengthened against the Japanese Yen resulting in an unrealised exchange gain of Kshs 298,522,000 against an exchange loss of Kshs 145,492,000 the previous year. This exchange gain resulted in 84% increase in net profit for the year compared to the previous year from KShs.123 m to KShs.226 m.

Overall performance was quite splendid in the last three quarters. The market share improved from 36% last year to 38%. Our market capitalisation improved significantly as reflected by the share price increase from Kshs.12 last year to Kshs.52 as at year end.

During the year, the East Africa Cement Producers Association (EACPA) successfully championed the adoption and implementation of EN standards regime for cement in East Africa. These standards have been endorsed at East African Community level. We continue to work with various government departments to develop standards for use of cement in road construction. Further, we have been at the forefront of sensitising the government on the need to create a level playing field in the framework of regional competition.

We remain committed to the concepts of good corporate governance, sound business ethics and corporate social responsibility. To this end, we continue to monitor and improve the quality of reporting and management of our affairs and implement as appropriate the Capital Market Authority's recommendations on improving corporate governance. As part of our responsiveness to the environment in which we operate, the Company supports numerous

social responsibility for projects in education through bursaries and assistance to school buildings and in the health sectors.

We are also at the forefront of environmental awareness and rehabilitation activities particularly in our quarries to try as much as possible, to turn them to their original shape.

FUTURE OUTLOOK AND STRATEGY

The NARC Government's key economic objective of jumpstarting and revitalising the economy is supported by the sound economic fundamentals and policies developed in conjunction with the donor community. Already the Government is providing free primary education and is determined to develop the dilapidated infrastructure in the next three years. This is clearly illustrated by the Government's commitment in it's budgetary allocation to relevant sectors with the building and construction sector being the lead sector for growth at a rate of 16.7%.

The Government plans to develop 150,000 cheap housing units in the next one year which gives impetus to our growth assumptions for the cement demand. Additionally, the alternative use of cement for road construction will be a major boost to the growth and demand for cement and cement products.

The recent budget had a lot of impact to the various players in the industry. The zero rating of the bulk power purchase did not have significant impact on the power cost as at year end. The VAT reduction, however, is expected to spur general consumer spending and make the cement affordable to the lower income cadre more so that the government is planning to develop low cost housing at the urban centres.

The harmonisation of the COMESA rules in the regional market portents a big opportunity to penetrate the regional markets, though and at the same time, it is a threat as cheaper imports especially from Egypt could infiltrate our market. The energy cost in the country has been the biggest impediment in making our cement competitive in the regional market unlike the Egyptian cement. The measures spelled out by the Government in its budget are however aimed at bridging the power cost gap and its effects in the economy might filter through later in the next financial year.

The Company is equally developing its trading busin

CHAIRMAN'S STATEMENT *CONTINUED*

Tree planting by members af staff at the company farm during this year's World Enviranmental Day.

in Uganda with sales projection expected to more than triple the previous year's performance. The operational and distribution set up has been fully established and the feeder markets in the Great Lakes region are explored as avenues of growth.

Northern Tanzania provides a future market opportunity as the country hopefully embraces market liberalisation and evens out its tax structure accordingly. The current tax regime is based on protectionism policies which might not be sustainable in the new era of open markets.

Prospects for growth are predicted on successful implementation of economic reforms, including successful exploitation of export and investment opportunities presented by such initiatives as African Growth and Opportunity Act (AGOA) and the New Partnership for Africa's Development (NEPAD).

The pressure on power and fuel cost will no doubt put a strain on expenditure. We plan to concentrate on cost control measures, focus on supply chain management together with clearly defined goals, strategy and frameworks and operational discipline in the key areas of business so as to optimise shareholder's value. At departmental and staff levels, performance will be monitored with recognition and reward mechanisms to reinforce performance and sustain cultural change efforts.

OUR COMMITMENT

The EAPCC strategic orientation recognises that continuous success can only be assured through sustained commitment to its customers, employees and shareholders.

For customers, the commitment is to provide value for money and high standards of service whilst ensuring technological leadership through excellence in research and development in customers' and other stakeholders' needs. In short, a service that not only meets customers' needs but also exceeds their expectations.

For employees, the commitment is to encourage ingenuity, teamwork and productivity through competent management and appropriate reward. The Company also plays a constructive role in the local community where it operates, not least by safeguarding and enhancing the quality of the environment and eventually the quality of life of the communities surrounding the factory.

For shareholders, the commitment is to maximise the value of their investment by consistently increasing earnings and share value by encouraging growth through prudent and strategic management, partnerships and best practice benchmarking and technical collaboration with the best in the industry both locally and globally.

Above all, the Company believes in its products and is dedicated to sustaining its leadership through effective cost management using efficient supply chain management techniques.

ACHIEVEMENTS

The success of the Company would not have been possible without the continued support of our customers. On behalf of the Board, I take this opportunity to once again extend my gratitude to them and all our other stakeholders for their valuable support and confidence in our Company.

I would like to thank the Managing Director and all the staff for their unstinting hard work, dedication and commitment that has ensured that the Company maintains a strategic position in Kenya's cement industry.

As I conclude I welcome the new Board members namely J. Magari, A.K.A. Ketter, N. Mogere, E.C. Birya, and S. ole Kantai.

The Board is recommending for approval by the shareholders a first and final dividend of KShs.1.75 per share payable to the shareholders of the Company on the register of shareholders as at Thursday, December 11 2003 and will be paid commencing Monday, December 22, 2003.

Finally, I would like to thank my fellow Board members for their vision and the support they have accorded to me and the Company since my appointment to the Board on June 18, 2003. As we explore new horizons and embrace new opportunities, stability and continuity of our management team and the Board of Directors continue to be an important asset of our Company.

Benson S. Ndeta
CHAIRMAN

October 28, 2003

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which companies are directed and controlled with the objective of increasing shareholders' value. The company confirms its commitment to the principle of openness, integrity and accountability as advocated by the principles of corporate governance. EAPCC's corporate governance structure is flexible enough to adopt to changes in the internal and external environment and the Company regularly reviews its processes, rules, regulations and structure with a view to ensuring best performance of the Board, Board Committees and overall management of the business.

Key aspects of our approach to corporate governance are outlined below.

BOARD OF DIRECTORS

The composition of the board is set out on page 3. The board is chaired by a non-executive chairman and includes a managing director and six other non-executive directors. All non-executive directors are independent of management. The Board provides overall strategic direction, reviews performance, takes material policy decisions, ensures that the Company meets its responsibilities to its shareholders and that control environment adequately protects the Company assets against major risks and also gives guidance on general policy. The Board has also delegated the authority for implementing strategy and day to day management of the Company to the Managing Director. It however, retains the overall responsibility for financial and operating decisions and monitoring performance of senior management. The Board meets on a regular basis and has a formal schedule of matters reserved to it.

The directors believe the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. A statement of directors responsibilities in relation to the accounts appears on page 14. We have also fully adopted International Financial Reporting Standards (IFRS) in line with the requirements of the Institute of Certified Public Accountants of Kenya. This should enhance the leadership and understanding of published accounts for shareholders and other stakeholders.

COMMITTEES OF THE BOARD

The board has appointed four sub-committees which meet regularly under the terms of reference set by the Board to which it has empowered certain responsibilities with the chairmen of the sub-committees reporting to the board. The composition of the sub-committees is set out on page 3.

BOARD AUDIT COMMITTEE

The committee comprises three non-executive directors and meets on a quarterly basis or as when necessary. The functions of the committee include:

- Monitoring and strengthening the effectiveness of management information and internal control systems.
- Review of financial information and improving the quality of financial reporting.
- Strengthening the effectiveness of internal and external audits.

During the year a Corporate Risk assessment document was produced.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, including the managing Director, review of all human resources policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non-executive directors.

TECHNICAL COMMITTEE

The committee meets quarterly or as required and is headed by the Board Chairman. Among its responsibilities is to consider and recommend the Company's capital expenditure plans. It also reviews proposals for capital developments.
The committee also appraises capital budgets for all hardware and software purchases for recommendation to the Board and ensures that the IT strategies are in line with the Company's overall business objectives.

TENDER AND PROCUREMENT COMMITTEE

The committee meets quarterly or as required and is headed by the Permanent Secretary, Ministry of Trade and Industry. It receives and considers all tenders of the Company, insurance renewals and purchases in line with the Company's procurement policies and the Exchequer and Audit (Public Procurement) regulations 2001 and Amendment regulations 2002.

EXECUTIVE MANAGEMENT COMMITTEE

The Managing Director chairs the Executive Management Committee, which comprises the executive managers. The Committee meets weekly or as required and its purpose is to deal with operational issues and to improve communication, teamwork and co-ordination through various functional roles of the Company.

INTERNAL CONTROLS

The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical control and that the organisation remains structured to ensure appropriate segregation of duties. A comprehensive management accounting system is in place which provides financial and operational performance measurement indicators.

Weekly senior management meetings are held by the executive management to monitor performance and to agree on measures for improvement.

CODE OF ETHICS

The company is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. A formal code of Ethics is on progress for approval by the Board and when fully implemented will guide the management, employees and stakeholders on the acceptable behaviour in conducting business. All employees of the company are expected to avoid activities and financial interests, which could clash with their responsibilities to the company.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually through the distribution of the company's Annual report, the release of notice in the press of its half-yearly and annual results, and monthly disclosures of operating statistics to the stock markets and capital markets authorities. In this regard, the company complies with its obligations contained in the stock Exchange's listing Rules and Capital Markets Authority Acts applicable in the country.

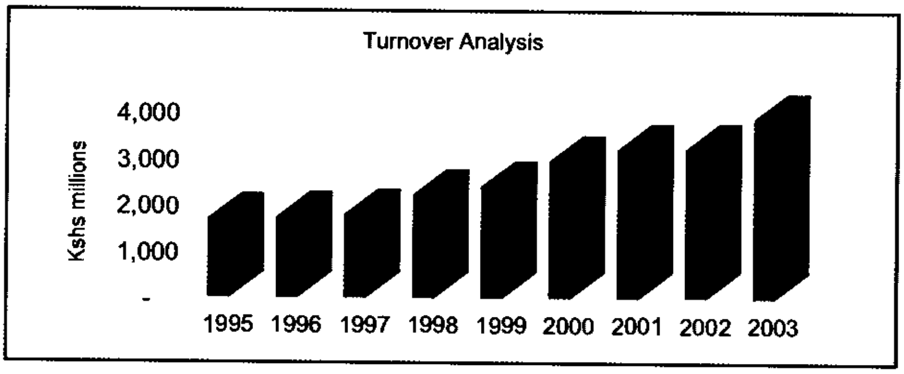
DIRECTORS' EMOLUMENTS AND LOANS

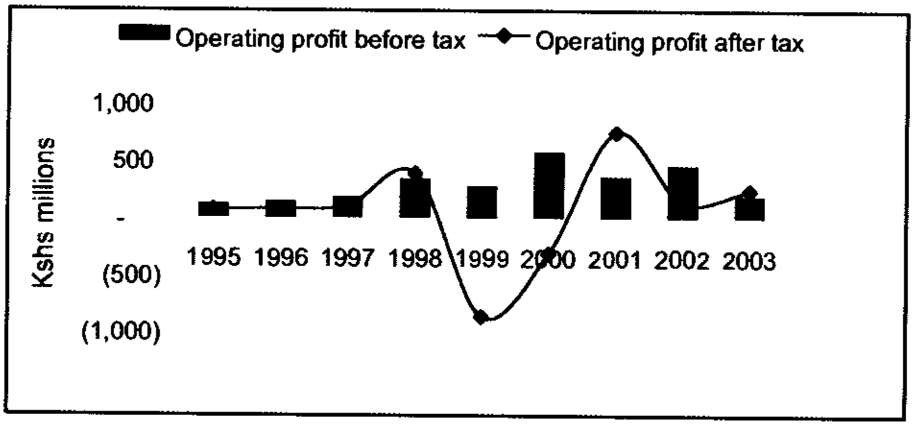
The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2003 are disclosed in notes to the financial statements.

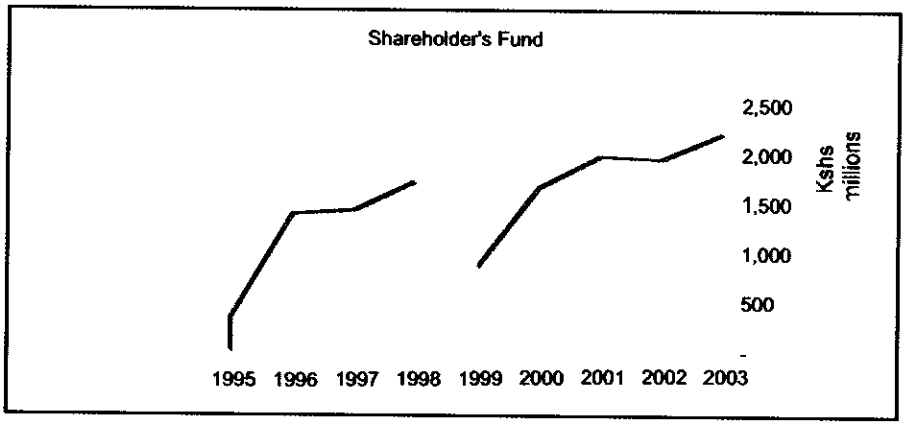
SHAREHOLDING STRUCTURE

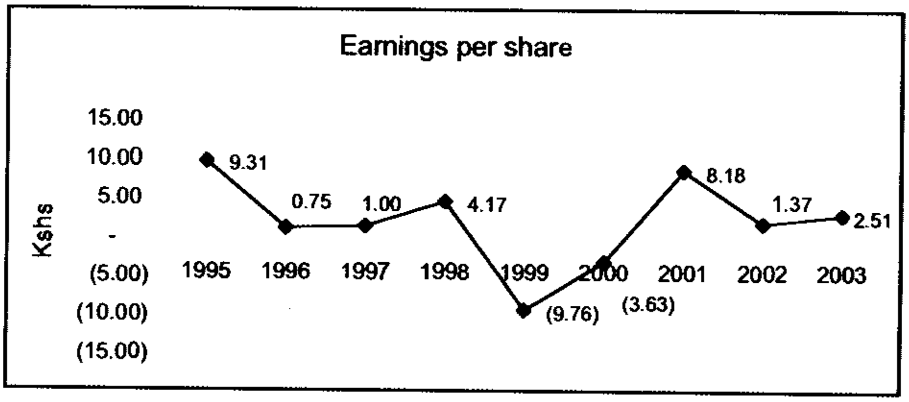
SHAREHOLDER	% HOLDING	NO. OF SHARES HELD
NSSF	27%	24,300,000
GOK	25%	22,500,000
CEMENTIA (LAFARGE) 1	4.6%	13,140,000
BCI	14.6%	13,140,000
BAMBURI (nominees)	12.5%	11,250,000
OTHERS	6.3%	5,650,000
Total	**100%**	**90,000,000**

FINANCIAL HIGHLIGHTS









REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2003.

ACTIVITIES

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

RESULTS	Sh'000
Profit before taxation	382,164
Taxation	(156,021)
Net profit for the year	226,143

DIVIDEND

The directors recommend a first and final dividend of Sh 1.75 per share in respect of the year ended 30 June 2003.

DIRECTORS

The board of directors is shown on page 4. The following changes took place during the year:

On 9 August 2002, Mr N Mogere was appointed a director in place of Mr B Mutweta
On 2 September 2002, Mr J K Kinyua was appointed a director in place of Mr M Mwachofi.
On 3 January 2003, Mr J Magari was appointed a director in place of Mr J Kinyua.
On 18 June 2003, Mr B S Ndeta was appointed Chairman in place of Mr J B Kaurra.
On 31 January 2003, Mr A K Ketter was appointed a director in place of Ms M Chemengich.
On 4 April 2003, Mrs R K Lumbasyo was appointed altemate director to Mr N Mogere.
On 16 December 2002, Mr O Makuu was appointed an altemate director to Mr A K Ketter in place of Mr G Munyao.
On 16 December 2002, Mr K H W Keith was appointed altemate director to Mr R A Hadley in place of Mr D Schumacher.
On 15 July 2003, Mr S ole Kantai was appointed a director in place of Mr K M K Laremasubet.
On 18 June 2003, Mr E C Birya was appointed Managing Director in place of T K Barmazai.

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

In accordance with Article 83 of the Articles of Association, Messrs J Magari, A K Ketter, B S Ndeta and S ole Kantai retire and, being eligible, offer themselves for re-election.

SECRETARY

On 18 October 2002, Mr J L G Maonga was appointed Company Secretary in place of Mr A M Simwa.

AUDITORS

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

BY ORDER OF THE BOARD

J L G Maonga
Secretary

Nairobi
28 October 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Inauguration of the new board in September this year: Seated from left; N Magere (non-exec director), E C Birya (Managing Director), Hon Dr Mukhisa Kituyi (Min for Trade & Industry), B S Ndeta (Board Chairman), A K Ketter (PS, Min of Trade & Industry). Standing first row from left: S ole Kantoi (non-exec director), Hon P Miriti (Asst Min for Trade & Industry), G C D Groom (non-exec director), R A Hadley (non-exec director). Second row standing from left: D K Tollam (Treasury), W Jumba (Livingstone Associates), R K Gituma (Ag Finance Manager) and O Makuu (Min of Trade & Industry).

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the company's financial affairs and of its operating results. 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.

B S Ndeta	**E C Birya**
Director	**Director**
October 28, 2003	October 28, 2003

Certified Public Accountants (Kenya) "Kirungii",
Ring Road, Westlands P.O. Box 40092
Nairobi -00100 GPO Kenya

Telephone: + (254-20) 4441344/05-12
Facsimile: + (254-20) 444 8966 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 16 to 33 for the year ended 30 June 2003 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall 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 2003 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

Deloitte & Touche

28 October, 2003

INCOME STATEMENT *FOR THE YEAR ENDED 30 JUNE 2003*

	Note	2003 Sh'000	2002 Sh'000
SALES		**3,842,138**	3,207,060
COST OF SALES		**(2,831,337)**	(2,232,303)
GROSS PROFIT		**1,010,801**	974,757
OTHER OPERATING INCOME		**24,181**	15,176
SELLING EXPENSES	3	**(427,689)**	(240,884)
ADMINISTRATIVE EXPENSES	4	**(405,001)**	(282,057)
OTHER OPERATING EXPENSES		**(31,749)**	(30,448)
OPERATING PROFIT	2	**170,543**	436,544
NET INTEREST COSTS	6(a)	**(86,901)**	(78,118)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	6(b)	**298,522**	(145,492)
PROFIT BEFORE TAXATION		**382,164**	212,934
TAXATION	7	**(156,021)**	(89,755)
NET PROFIT FOR THE YEAR		**226,143**	123,179
EARNINGS PER SHARE	8	**Sh 2.51**	Sh 1.37

The accounting policies on pages 20 and 21 and the notes on pages 22 to 33 form an integral part of these financial statements.

BALANCE SHEET *AS AT 30 JUNE 2003*

	Note	2003 Sh'000	2002 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	9	**5,113,025**	5,420,779
Intangible assets	10	**8,069**	2,826
Prepaid operating lease rentals	11	**16,443**	16,520
Investment	12	**1**	1
Staff advances		**63,979**	54,773
		5,201,517	5,494,899
Current assets			
Inventories	13	**687,476**	664,228
Trade and other receivables	14	**502,042**	275,306
Tax recoverable		**37,066**	33,703
Treasury bills	15(a)	**318,996**	-
Short term deposits	15(b)	**483,589**	833,774
Bank and cash balances		**237,251**	112,743
		2,266,420	1,919,754
Total assets		**7,467,937**	7,414,653
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**450,000**	450,000
Share premium		**648,000**	648,000
Revaluation reserve		**472,314**	643,586
Revenue reserve		**423,842**	110,525
Proposed dividend		**157,500**	45,000
		2,151,656	1,897,111
Non current liabilities			
Loans	17	**3,650,184**	4,125,675
Staff gratuity	18	**389,880**	349,512
Deferred tax	19	**338,071**	255,781
		4,378,135	4,730,968
Current liabilities			
Trade and other payables	20	**628,253**	456,967
Loans	17	**309,893**	329,607
		938,146	786,574
Total liabilities		**5,316,281**	5,517,542
Total equity and liabilities		**7,467,937**	7,414,653

The financial statements on pages 16 to 33 were approved by the board of directors on 28th October, 2003 and were signed on its behalf by:

B S Ndeta } Directors
E C Birya }

The accounting policies on pages 20 and 21 and the notes on pages 22 to 33 form an integral part of these financial statements.

BLUE TRIANGLE Cement

STATEMENT OF CHANGES IN EQUITY *FOR THE YEAR ENDED 30 JUNE 2003*

Share	Share capital Sh'000	Revaluation premium Sh'000	Revenue reserve Sh'000	Proposed reserve Sh'000	dividend Sh'000	Total Sh'000
At 30 June 2001	450,000	648,000	688,806	57,746	90,000	1,934,552
Net profit for the year	-	-	-	123,179	-	123,179
2001- dividend declared	-	-	-	-	(90,000)	(90,000)
2002 - interim dividend declared	-	-	-	(90,000)	-	(90,000)
2002 - final dividend proposed	-	-	-	(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**	643,586	**110,525**	45,000	1,897,111
At 1 July 2002	450,000	648,000	643,586	110,525	45,000	1,897,111
Net profit for the year	-	-	-	226,143	-	226,143
Transfer of excess depreciation	-	-	(244,674)	244,674	-	-
Deferred tax on transfer of excess depreciation	-	-	73,402	-	-	73,402
2002 - dividend declared	-	-	-	-	(45,000)	(45,000)
2003 - proposed dividend	-	-	-	(157,500)	157,500	-
At 30 June 2003	**450,000**	**648,000**	472,314	423,842	157,500	2,151,656

The accounting policies on pages 20 and 21 and the notes on pages 22 to 33 form an integral part of these financial statements.

CASH FLOW STATEMENT *FOR THE YEAR ENDED 30 JUNE 2003*

	Note	2003 Sh'000	2002 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	21(a)	647,263	691,227
Interest paid		(111,614)	(112,976)
Interest received		24,713	34,858
Taxation paid		(3,692)	(5,767)
Staff gratuity paid		(68,113)	(16,136)
Net cash generated from operating activities		488,557	591,206
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(112,975)	(121,514)
Purchase of intangible assets		(10,514)	(3,178)
Proceeds from sale of property, plant and equipment		2,035	2,765
Net cash used in investing activities		(121,454)	(121,927)
FINANCING ACTIVITIES			
Dividend paid		(32,862)	(156,226)
Loan repayment	21(b)	(240,922)	(230,908)
Net cash used in financing activities		(273,784)	(387,134)
INCREASE IN CASH AND CASH EQUIVALENTS		93,319	82,145
CASH AND CASH EQUIVALENTS AT 1 JULY		946,517	864,372
CASH AND CASH EQUIVALENTS AT 30 JUNE	21(c)	1,039,836	946,517

The accounting policies on pages 20 and 21 and the notes on pages 22 to 33 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2003*

1 **ACCOUNTING POLICIES**

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

The accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years. The 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.

Interest income is recognised as it accrues, unless it's collectibility is in doubt.

(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%
Computers	33 1/3%

The annual depreciation attributable to revaluation surpluses on property, plant and equipment is transferred from the revaluation reserve to the revenue reserve. This excludes office equipment furniture and fittings, which are stated at cost.

(f) **Leases**

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

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

(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) **Leasehold land**

Payments to acquire interests in leasehold land are treated as prepaid operating lease rentals. They are stated at historical cost and are amortised over the term of the related lease.

(i) **Impairment**

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

(j) **Inventories**
Inventories are stated at the lower of cost and net realisable value with the exception of livestock which is stated at fair value. Cost comprises direct materials and where applicable, direct labour costs and the overheads incurred in bringing the inventories to their present location and condition. 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. Net realisable value represents the estimated selling price less all estimated cost of completion and costs to be incurred in marketing, selling and distribution.

(k) **Investments**
The unquoted investment is stated at cost.

(l) **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.

Trade receivables
Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year-end. Bad debts are written off when all reasonable steps to recover them have failed.

Borrowings
Interest bearing loans are recorded at the proceeds received. Finance charges are recognised on the accruals basis and are added to the carrying amount of the related instrument to the extent that they are not settled in the period they arise.

Trade payables
Trade payables are stated at their nominal value.

Treasury bills
Treasury bills are stated at redemption value less unearned discount

(m) **Currency translations**
Assets and liabilities that are denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling on 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.

(n) **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, and 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.

(o) **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.

(p) **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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

		2003 Sh'000	2002 Sh'000
2	**OPERATING PROFIT**		
	The operating profit is arrived at after charging:		
	Staff costs (Note 5)	708,408	499,140
	Depreciation	418,854	394,903
	Amortisation	5,348	1,843
	Directors' emoluments:		
	- Fees	355	622
	- Other emoluments	3,593	2,192
	Auditors' remuneration	1,530	1,460
	Loss on sale of property, plant and equipment	-	2,921
	And after crediting:		
	Profit on sale of property, plant and equipment	160	-
3	**SELLING EXPENSES**		
	Cement transport	268,555	135,513
	Advertising and sales commissions	30,584	34,757
	Bad debts expense	44,090	50,837
	Public relations costs	3,524	1,480
	Customs and other export levies	80,936	18,297
		427,689	240,884
4	**ADMINISTRATIVE EXPENSES**		
	Depreciation	50,136	41,983
	Fuel and motor vehicle expenses	2,894	1,849
	Trade licenses	268	331
	Staff costs	236,481	167,386
	Office supplies	39,131	25,538
	Telephone and postage	30,107	11,659
	Office equipment and furniture	5,197	792
	Printing and stationery	9,905	7,375
	Computer expenses	15,277	8,151
	Office rent and rates	11,659	11,258
	Board expense	3,946	2,814
	Loss on disposal of fixed assets	-	2,921
		405,001	282,057

5 **STAFF COSTS**

	2003	2002
Wages and salaries	**570,493**	471,563
Social security costs (NSSF)	**1,379**	936
Pension contributions – defined benefits scheme	**27,559**	8,258
Provision for staff gratuity - current year	**36,160**	13,766
- prior years	**72,321**	-
Leave pay provision	**496**	4,617
	708,408	499,140

The company had an average of 612 (2002 - 606) permanent employees and 290 (2002 - 334) casual and 167 (161) temporary employees during the year.

	2003 Sh'000	2002 Sh'000
6 **(a) NET INTEREST COSTS**		
Interest receivable	**(24,713)**	(34,858)
Interest on bank overdrafts	**3,854**	2,417
Interest on loans	**107,760**	110,559
	86,901	78,118
(b) FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)		
Unrealised exchange gain/(loss) on loans	**254,283**	(143,065)
Exchange gain/(loss) on other foreign currency transactions and balances	**44,239**	(2,427)
	298,522	(145,492)

The unrealised exchange gain on loans arises from the translation 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 2003, the Kenya shilling has registered a depreciation of 13.85 % against the Japanese Yen resulting in an exchange loss of Sh 532,539,020.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

	2003 Sh'000	2002 Sh'000
7 **TAXATION**		
(a) Tax charge		
Current taxation based on the adjusted profit for the year at 30%	329	2,231
Deferred tax charge - current year	147,148	87,524
- prior year under-provision	8,544	-
	156,021	89,755
(b) Reconciliation of expected tax based on accounting Profit to the tax charge		
Accounting profit before taxation	382,164	212,934
Tax at the applicable rate of 30%	114,649	63,880
Tax effect of expenses not deductible for tax purposes	34,823	28,818
Tax effect of non taxable income	(1,666)	(712)
Taxation on farming income treated as a separate source	(329)	(2,231)
Prior Year Under provision	8,544	-
	156,021	89,755

8 **EARNINGS PER SHARE**

The earnings per share has been calculated on the profit after taxation of Sh 226,143,000 (2002 –Sh 123,179,000) 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

9 **PROPERTY, PLANT AND EQUIPMENT**

	Freehold land Sh'000	Buildings Sh'000	Plant and machinery Sh'000	Motor vehicles Sh'000	Office equipment, furniture & fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION							
At 1 July 2002	45,200	1,019,438	4,564,748	467,197	163,465	106,994	6,367,042
Reclassification	-	70,320	-	-	-	(70,320)	-
Additions	395	-	-	59,178	27,645	25,757	112,975
Disposals	-	-	-	(4,060)	-	-	(4,060)
At 30 June 2003	45,595	1,089,758	4,564,748	522,315	191,110	62,431	6,475,957
COMPRISING:							
Valuation - 2000	40,800	1,007,917	4,390,916	357,814	-	-	5,797,447
Cost	4,795	81,841	173,832	164,501	191,110	62,431	678,510
	45,595	1,089,758	4,564,748	522,315	191,110	62,431	6,475,957
DEPRECIATION							
At 1 July 2002	-	50,710	590,887	229,390	75,276	-	946,263
Charge for the year	-	25,509	234,737	127,862	30,746	-	418,854
Disposals	-	-	-	(2,185)	-	-	(2,185)
At 30 June 2003	-	76,219	825,624	355,067	106,022	-	1,362,932
NET BOOK VALUE							
At 30 June 2003	45,595	1,013,539	3,739,124	167,248	85,088	62,431	5,113,025
At 30 June 2002	45,200	968,728	3,973,861	237,807	88,189	106,994	5,420,779

At 30 June 2003, vehicles and equipment with cost/valuation amounting to Sh 149,951,789 (2002 - Sh 148,103,990) were fully depreciated.

The normal depreciation charge on these assets would have been Sh 9,076,764 (2002 - Sh 8,712,600).

Capital work in progress relate to amounts incurred towards construction of the Clinker shed.

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NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

9 **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Included in plant and machinery at year end is idle equipment with a cost amounting to Sh 161,912,061 (2002 – 161,912,061) which is fully depreciated, in respect of the old plant which was rendered idle when the new plant was commissioned five years ago. The old plant is still usable if demand requires its recommissioning.

If property, plant and equipment were carried in the financial statements at historical cost, the balances at 30 June 2003 would have been as follows:

Cost	**2003 Sh'000**	2002 Sh'000
6,733,196		
	6,624,281	
Accumulated depreciation	**(2,424,609)**	(2,149,829)
Net book value	**4,308,587**	4,474,452

One property was revalued as at 30 June 2002 by Lloyd Masika Limited, Registered Valuers and Estate Agents on open market value basis.

Other property, plant and equipment with the exception for 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 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.

Included in freehold land is an amount of Sh 395,000 whose title deeds are in the name of third parties and Sh 15,000,000 whose title deed is missing and whose ownership is being claimed by Mathare Investments Properties Limited. However, in the opinion of the directors, the company has proper title to the property.

10 **INTANGIBLE ASSETS – COMPUTER SOFTWARE**	**2003 Sh'000**	2002 Sh'000
COST		
At 1 July	**5,299**	2,121
Additions	**10,514**	3,178
At 30 June	**15,813**	5,299
AMORTISATION		
At 1 July	**2,473**	707
Charge for the year	**5,271**	1,766
At 30 June	**7,744**	2,473
NET BOOK VALUE		
At 30 June	**8,069**	2,826

		2003 Sh'000	2002 Sh'000
11	**PREPAID OPERATING LEASE RENTALS**		
	COST		
	At 1 July 2002 and 30 June 2003	16,597	16,597
	AMORTISATION		
	At 1 July	77	-
	Charge for the year	77	77
	At 30 June	154	77
	NET BOOK VALUE		
	At 30 June	16,443	16,520

Included in prepaid operating lease rentals is land carried in the financial statements at a value of Sh 4,763,755 whose title deeds are either missing or being followed up with the Kenya Government Lands Registrar.

		2003 Sh'000	2002 Sh'000
12	**INVESTMENT**		
	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%.

		2003 Sh'000	2002 Sh'000
13	**INVENTORIES**		
	Cement	84,872	61,656
	Work in progress	99,025	85,641
	Raw materials	204,865	162,997
	Consumables	280,740	317,343
	Goods in transit	5,127	22,428
	Livestock	12,847	14,163
		687,476	664,228
14	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	234,997	178,094
	Prepayments	226,640	51,315
	Staff receivables	100,882	93,161
	Sundry receivables	3,502	7,509
		566,021	330,079
	Less: Staff receivables not recoverable within 12 months	63,979	54,773
		502,042	275,306

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		2003 Sh'000	2002 Sh'000
17	**LOANS (UNSECURED)**		
	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	**3,871,069**	4,386,544
	Loan from Kenya Government repayable in 50 equal half yearly instalments by 31 December 2020; interest at 15% per annum	**89,008**	68,738
		3,960,077	4,455,282
	Less: repayable within one year	**309,893**	329,607
		3,650,184	4,125,675

18 **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:

	2003 Sh'000	2002 Sh'000
Balance at 1 July	**349,512**	351,882
Withdrawals	**(68,113)**	(16,136)
Additional provision	**108,481**	13,766
Balance at 30 June	**389,880**	349,512

		2003 Sh'000	2002 Sh'000
19	**DEFERRED TAX**		
	The net deferred tax liability is attributable to the following items:		
	Accelerated capital allowances on property, plant and equipment	**862,563**	899,864
	Unrealised exchange gain/ (loss)	**76,420**	(40,825)
	Tax losses available for future tax relief	**(714,043)**	(814,380)
	Provision for staff gratuity	**(116,964)**	(104,853)
	Provision for staff leave pay	**(6,261)**	(6,112)
	Revaluation surpluses on property, plant and equipment	**248,685**	322,087
	Provision for stocks	**(12,329)**	-
		338,071	255,781

The movement on the deferred tax account is as follows:

	2003 Sh'000	2002 Sh'000
At 30 June	**255,781**	187,637
Income statement charge for the year	**155,692**	87,524
Credited to revaluation reserve	**(73,402)**	(19,380)
At 30 June 2003	**338,071**	255,781

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

		2003 Sh'000	2002 Sh'000
20	**TRADE AND OTHER PAYABLES**		
	Trade payables	353,609	295,275
	Advance receipts from customers	138,308	23,674
	Accrued staff leave pay	20,869	20,374
	Expense accruals	76,970	91,536
	Sundry payables	2,585	2,334
	Unpaid dividend	35,912	23,774
		628,253	456,967

		2003 Sh'000	2002 Sh'000
21	**CASH FLOW STATEMENT**		
	(a) Reconciliation of operating profit to cash generated from operations		
	Operating profit	170,543	436,544
	Adjustments for:		
	Depreciation and amortisation	424,202	396,746
	(Profit)/loss on sale of property, plant and equipment	(160)	2,921
	Exchange gains / (losses)	44,239	(2,427)
	Staff gratuity	108,481	13,766
	Operating profit before working capital changes	747,305	847,550
	Increase in inventories	(23,248)	(45,243)
	Increase in trade and other receivables	(235,942)	(56,444)
	Increase /(decrease) in trade and other payables	159,148	(54,636)
	Cash generated from operations	647,263	691,227
	(b) Movement in loans		
	Balance at 1 July	4,455,282	4,543,125
	Foreign currency exchange (gain)/loss	(254,283)	143,065
	Repayments during the year	(240,922)	(230,908)
	Balance at 30 June	3,960,077	4,455,282
(c)	Analysis of cash and cash equivalents		
	Short term deposits	483,589	833,774
	Bank and cash balances	237,251	112,743
	Treasury bills	318,996	-
		1,039,836	946,517

22 **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 were:

■ 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. Contributions to this scheme during the year amounted to Sh 27,056,000 (2002- Sh 8,258,000).

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 Sh 200 per employee per month from November 2002. Contributions to this scheme during the year amounted to Sh 1,379,000 (2002 - Sh 936,000).

	2003	2002
	Sh'000	Sh'000
23 **SEGMENT REPORTING - GEOGRAPHICAL**		
Segment revenue attributable to cement sales in:		
Local market - Kenya	**3,401,971**	3,087,626
Regional market (East and Central Africa)	**440,167**	119,434
	3,842,138	3,207,060

The farming activity is done locally and is insignificant.

Sales to the Regional market are done through a depot whose net assets constitute less than 5% of the company's total net assets. Segment reporting with respect to net assets is, therefore, not considered of any real value.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

24 **FINANCIAL INSTRUMENTS**

The nature of activities and policies with respect to financial instruments are:

Exchange Risk

The company's operations are predominantly in Kenya, where the currency has remained relatively stable against the major currencies.

The major portion of the company's loans are denominated in foreign currencies, principally the Japanese Yen. The company does not hedge its foreign currency risks on these borrowings.

Interest rate risk

The company has variable rate borrowing used to fund ongoing activities.

Credit risk

In the normal course of its business, the company is exposed to credit risk from customers. The credit risk is, however, managed through management's constant monitoring of the status of the credit worthiness of its customers. The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Fair value

There is no difference between the fair value and the carrying value of the company's financial assets and liabilities.

	2003	2002
	Sh'000	Sh'000
25 **CONTINGENT LIABILITIES**		
Pending law suits	77,934	28,715
VAT assessed	142,675	-
Guarantees	29,224	3,284
	249,833	31,999

Pending law suits relate to legal proceedings involving the company for breach of contract and loss of business as a result of trucks repossessed. However, in the opinion of the directors, no liability is likely to crystallise. During the year the company received an assessment from Kenya Revenue Authority relating to VAT of Sh 142,675,000. The Company has since objected to this assessment and, in the opinion of the directors, no liability is likely crystallise.

		2003 Sh'000	2002 Sh'000
26	**CAPITAL COMMITMENTS**		
	Authorised by the directors but not contracted for	1,631,000	47,000
	Authorised by the directors and contracted for	654,700	124,664

27 **RELATED PARTY TRANSACTIONS**

Loans to directors are on terms similar to those applicable to other employees. The outstanding balances at the year end were:

	2003 Sh'000	2002 Sh'000
Loan to a director	4,995	1,824

These balances are included in staff receivables (note 14).

28 **OPERATING LEASE RENTALS**

Outstanding commitments under operating leases

	2003	2002
Not later than 1 year		
Later than 1 year but not later than 2 years	3,962	3,264
	3,962	3,264
	7,924	6,528

29 **COUNTRY OF INCORPORATION**

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

30 **CURRENCY**

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

TEAM BUILDING

EAPCC management football team

EAPCC general staff football team

SOCIAL RESPONSIBILITY

EAPCC members of staff present a much needed donation to Kaswita village, Athi River, residents following the severe floods that hit the area in May this year.

Children in class at Kabini Hill Primary School, which was constructed by the Company. Inset are some of the classrooms at the school.

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NOTES